BRE BANK SA

Our people make the difference.

BRE Bank Group

Annual Report 2009

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This annual report of BRE Bank S.A. (the "Bank") is disclosed to the public in order to fulfill the Bank's reporting obligations, in particular those arising from the Bank's status as a public company, which shares are traded on the regulated market (main market) operated by the Warsaw Stock Exchange (the "WSE"). This report is for informational and promotional purposes only and under no circumstances shall constitute the basis for a decision to invest in the shares of the Bank in the contemplated rights issue offering.

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The prospectus (the "Prospectus") to be prepared in connection with a proposed public offering of shares in the Bank, including pre-emptive rights as well as admission and introduction thereof to trading on the regulated market (main market) operated by the WSE, will constitute the sole and only legally binding offering document containing information about the public offering of the Bank's securities in Poland (the "Offering").
The Bank will be able to conduct the Offering in Poland after approval of the Prospectus by the Polish Financial Supervision Authority which supervises the capital market in Poland, and after publication thereof. In relation to the Offering in Poland as well as applying for admission and introduction of the Bank's securities to trading on the WSE, the Bank will make the Prospectus available on its website (www.brebank.pl) and on the website of Dom Inwestycyjny BRE Bank S.A. (www.dibre.com.pl).

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This report is directed only at (i) persons who are outside the United Kingdom, or (ii) investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"), or (iii) high net worth companies and other persons to whom it may lawfully be communicated falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as "Relevant Persons"). Any person who is not a Relevant Person must not act or rely on this report or any of its contents. Any investment or investment activity to which this report relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

In any EEA Member State other than Poland that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the "Prospectus Directive"), this report is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive.

Letter of the President of the Management Board of BRE Bank SA to Shareholders

Ladies and Gentlemen,

WThe results of the past year prove that BRE Bank Group not only survived the economic slow-down but, most importantly, came out of it stronger and ready to set and achieve new ambitious goals. We closed 2009 at a profit and reported the highest recurrent income in our history, our best cost/income ratio in five years, and a growing deposit base. Polish clients continue to choose BRE Bank to invest their savings as evidenced by the fact that we have acquired almost 0.5 million new customers and collected over PLN 5 billion of deposits in 2009.

However, we must bear in mind that 2009 was a difficult year in many ways. While we achieved the highest recurrent income in our history and kept cost development under tight control, our pre-tax profit of PLN 209.4 million was largely impacted by more than PLN 1 billion of loan loss provisions. Negative developments in the macroeconomic environment, sharply falling dynamics of new lending, and less accessible and more expensive funding affected our results.

In this past year, we worked under challenging and difficult macroeconomic conditions. As a result of the global financial crisis, the world economy suffered the biggest recession in almost 80 years. Germany and many other trade partners of Poland were strongly affected. While Poland was the only EU Member State to avoid recession, the local economy slowed down significantly. The banking sector was one of the industries most affected by the crisis. The effect is clearly seen in the profitability level of banks, down by around 38% year on year in 2009. The main reason for the profitability decline were high loan loss provisions required by the fast falling quality of the loans portfolio. Irregular loans doubled since mid-2008 and represented no less than 7.5% of the banking sector's loans portfolio at the end of 2009. The growth of new lending slowed down due to falling demand and less accessible conditions of bank debt. The terms of lending had to become stricter as a consequence of rising risks and costs of funding incurred by banks. The growth rate of corporate loans in the banking sector fell from nearly 29% to a negative 4% in 2009 while the growth rate of household loans fell from over 47% to under 12%. The growth rate of housing loans fell even more sharply.

We made best efforts to adjust to the new conditions and to anticipate further developments in a volatile market environment; as a result, we decided to prepare a strategic plan with a shorter horizon and a strong focus on quick wins as well as structural mid term efficiency improvements, which you all know as our strategic BREnova programme. Our positive results of the past months are primarily due to this programme. Today we know that it has produced tangible results: highest recurrent income in our history, savings of PLN 296 million (6% above the target), growth of the retail customer base (up by 17 % yoy from 2.78 million to 3.26 million customers), improved cross-selling, reduced cost/income and loans/deposits ratios, and higher product margins.

The success of BREnova lets us make more ambitious plans for the future. We realise that 2010 will bring more challenges in the banking industry, but we are clear about the goals of BRE Bank Group in the coming years.

In order to increase its strategic flexibility to support the implementation of the announced growth strategy for the years 2010 – 2012, as well as provide for a core Tier 1 capital ratio in line with potential new capital requirements, both regulatory and those of the marketplace, the Bank plans to increase its share capital.

In corporate banking we shall seek to strengthen our position in lending to public-sector entities and to expand in projects co-financed with the EU funds. At the same time, we plan to further grow our client base in the K2 and K3 segments. In area of investment banking, we intend to maintain the current model of close cooperation with corporate clients and within the range of products currently offered to clients.

The strategic goal for retail banking is to strengthen the Bank's position in the non-mortgage lending, in particular among the existing clients of the bank. We intend to achieve this goal through intensified cross-selling. We believe that at the same time, revenues from non-mortgage products will help to diversify revenue sources. Moreover, we aim to further develop sales of mortgage products, including those denominated in foreign currencies. The sales of foreign currency mortgage products will be based on our expertise gained from building up the current portfolio of mortgage loans denominated mainly in CHF.
We also plan to maintain a leading position in the area of product innovations. In particular, we want to become a leading player in modern transactional banking, tailored for corporate clients. A further development of electronic distribution channels, both for corporate clients and individuals is planned.

The BREnova Programme implemented in the Group in 2009, improved the cost base significantly, which, in turn, improved the operating efficiency ratios. We will seek to maintain these ratios or improve them in 2010, mostly thanks to revenue increase.

Ladies and Gentlemen,
I would like to thank you for your support for BRE Bank in this difficult and challenging year. BREnova would not have been successful without the full understanding that will benefit everyone: shareholders, clients, and employees of the BRE Bank Group. Thank you very much for your efforts and support, your understanding and trust this year.

Yours sincerely,

Mariusz Grendowicz

1 March, 2010

Letter of the Chairman of the Supervisory Board of BRE Bank SA to Shareholders

Dear Shareholders,

During the past financial year the Supervisory Board was thoroughly monitoring and analysing the situation at BRE Bank SA and remained in close contact with the Management Board, participating in consultations on all important aspects of the Bank's activities. The Supervisory Board held 4 meetings. The focus of all the meetings was on the Bank's current business situation, which we discussed in detail with the Management Board on each occasion.

Between the meetings of the Supervisory Board, the Executive Committee took a number of decisions by circular procedure. The Supervisory Board passed various resolutions by circular procedure as well. Moreover, the Audit Committee and the Risk Committee operated within the Supervisory Board.

It ought to be stated that the environment in which BRE Bank SA was operating in the past year was harsh. As forecasted at the beginning of 2009, the economic slowdown, which started in the second half of 2008 as a result of the financial crisis, continued. For the banking sector, one of the most severe effects of the slowdown was the deterioration of the quality of credit portfolios. To a certain extent, it was also caused by dealing with the problem of leveraged FX options, which appeared in 2008 and lasted for many months in the past year. 2009 was also a year of great uncertainty as to the further development of the economic situation, mainly leading to a limitation of lending in both supply and demand in the banking sector.

In 2009 the BRE Bank SA Group generated a pre-tax profit of the amount of PLN 209,4 million, which translated into PLN 128,9 million of consolidated net profit attributable to owners of BRE Bank SA.

Due to the adverse macroeconomic and business conditions last year, the Bank's growth was restricted. The balance sheet total of the BRE Bank SA Group fell by 1.9% while the client's loan portfolio grew by 0.6%. This however does not imply the end of the Bank's profitable growth path. It was decided to take advantage of the challenging period and to lay the foundations for improved profitability and efficiency. Both targets were included in the successfully implemented strategic BREnova programme.

On March 1, 2010 the Supervisory Board took the decision to recommend to the Annual General Meeting of Shareholders to vote in favour of a share capital increase of up to PLN 83.13 million by way of issuing of no more than 20.78 million new shares, in an issue addressed to the existing Bank's shareholders, based on their pre-emptive right, with the aim to raise PLN 2 billion as a result of the new shares' issue. Such capital increase will provide the Bank with flexibility for potential new capital requirements, both regulatory and of the marketplace. This will allow to increase the Bank's capital adequacy ratio calculated on the basis of core capital (Tier 1 ratio), being currently one of the lowest among the banks operating in Poland. Moreover, it will support identified, profitable growth initiatives in a new, improved macroeconomic environment. For all the above mentioned reasons the Supervisory Board recommends to the Annual General Meeting of Shareholders not to pay out a dividend for 2009.

On behalf of the entire Supervisory Board I wish to express my hope that during this year and the years to come BRE Bank SA will strengthen its position in the Polish banking sector, at the same time remaining the best financial institution for demanding clients, and increase the Bank's value for you as Shareholders. I am certain that the entire BRE Bank SA staff will do their utmost to make that happen.

Maciej Leśny
Chairman of the Supervisory Board
01 March 2010

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TRANSLATORS' EXPLANATORY NOTE
The following document is a free translation of the registered auditor's opinion and report of the above-mentioned Polish Company. In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland. The accompanying translated opinion has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

Independent Registered Auditor's Opinion

To General Shareholders' Meeting and the Supervisory Board of BRE Bank SA

We have audited the accompanying consolidated financial statements of the BRE Bank SA Group (hereinafter called "the Group"), of which BRE Bank SA is the parent company (hereinafter called "the Parent Company", "Bank"), with its registered office in Warsaw, ul. Senatorska 18, which comprise:

(a) assets and total liabilities & equity of PLN 81,023,886 thousand;
(b) the consolidated income statement for the period from 1 January to 31 December 2009, showing a net profit of PLN 130,523 thousand;
(c) the consolidated statement of comprehensive income for the period from 1 January to 31 December 2009, showing a total comprehensive income of PLN 229,977 thousand;
(d) the consolidated statement of changes in equity for the period from 1 January to 31 December 2009, showing an increase in equity of PLN 223,118 thousand;
(e) the consolidated statement of cash flows for the period from 1 January to 31 December 2009, showing a net decrease in cash and cash equivalents of PLN 1,780,998 thousand;
(f) additional information on adopted accounting policies and other explanatory notes.

The Management Board of the Parent Company is responsible for preparing the consolidated financial statements and a Directors' Report for the Group in accordance with the applicable regulations. Our responsibility was to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit in accordance with the following:
(a) Laws of 2009, No. 152, item 1223 with subsequent amendments, hereinafter called "the Accounting Act");
(b) knowledge and experience acquired from applying the previously effective auditing norms issued by the National Chamber of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the consolidated financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the consolidated financial statements. The audit also included an assessment of the accounting policies applied by the Group and significant estimates made in the preparation of the consolidated financial statements as well as an evaluation of the overall presentation thereof. We believe that our audit provided a reasonable basis for our opinion.

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Independent Registered Auditor's Opinion

To General Shareholders' Meeting and the Supervisory Board of BRE Bank SA (cont.)

The information in the Directors' Report for the year ended 31 December 2009 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws No. 33, item 259) and is consistent with the information presented in the audited financial statements.

In our opinion, and in all material respects, the accompanying consolidated financial statements:
(a) have been prepared in accordance with the applicable accounting principles (policies) on the basis of properly maintained consolidation documentation;
(b) comply in form and contents with the relevant laws applicable to the Group;
(c) give a fair and clear view of the Group's financial position as at 31 December 2009 and of the results of its operations for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Adam Celiński
Key Registered Auditor
No. 90033
Warsaw, 1 March 2010

BRE Bank SA Group

Independent registered auditor's report on the consolidated financial statements To the General Shareholders' Meeting and the Supervisory Board of BRE Bank SA

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I. General information about the Group

(a) BRE Bank SA (hereinafter referred to as "the Bank", "the Parent Company") was formed on the basis of Resolution No. 99 of the Council of Ministers dated 20 June 1986. The Bank began operating on 2 January 1987. The Bank was formed on the basis of a Notarial Deed drawn up at the State Notarial Office in Warsaw on 11 December 1986 and registered with Rep. A I 5919/86. On 11 July 2001, the Bank was entered in the Register of Businesses maintained by the District Court in Warsaw, 19th Business Department of the National Court Register, with the reference number KRS 0000025237.

(b) On 24 June 1993, the Bank was assigned a tax identification number (NIP) 526-021-50-88 for making tax settlements. For statistical purposes, the Bank was assigned a REGON number 001254524 on 2 June 1998.

(c) As at 31 December 2009, the Bank's registered share capital amounted to PLN 118,763,528 and consisted of 29,690,882 shares with a par value of PLN 4 each.

(d) In the audited period, the Group's operations comprised, amongst others:
- accepting cash placements payable on demand or on maturity and maintaining accounts for these placements;
- maintaining other bank accounts;
- clearing cash transactions;
- granting loans and cash advances;
- granting and confirming bank guarantees and opening letters of credit;
- issuing bank and other securities;
- performing commissioned tasks related to issuing securities;
- conducting forward transactions;
- issuing payment cards and conducting transactions with the use of such cards;
- taking up or purchasing shares and share-related rights, shares in other legal entities, and purchasing units and investment certificates in investment funds;
- soliciting customers for pensions funds;
- acting in the capacity of a depositary within the meaning of the provisions of the Act on the Organization and Operations of Pension Funds;
- acting in the capacity of a depositary within the meaning of the provisions of the Act on Investments Funds, conducting activities which consist of accepting orders to purchase, repurchase and subscribe for units or investment certificates in investment funds;
- maintaining registers of pension fund members and registers of investment fund participants;
- performing tasks classified as insurance intermediation;
- trading in securities, providing custody services, including maintaining securities accounts, and performing tasks related to the provision of custody services.

(e) In the financial year, the following people were on the Bank's Management Board:

Mariusz Grendowicz	Chairman;
Karin Katerbau	Deputy Chairman (from 1 October 2009); Board Member (to 30 September 2009);
Wiesław Thor	Deputy Chairman;
Hans Dieter Kemler	Board Member (from 10 July 2009);
Jarosław Mastalerz	Board Member;
Christian Rhino	Board Member;
Przemysław Gdański	Board Member;
Bernd Loewen	Board Member (to 30 June 2009).

(f) The Bank issues securities admitted to trading on the Warsaw Stock Exchange and, in accordance with the requirements of the Accounting Act, it prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The decision to prepare the Bank's financial statements in accordance with those standards was taken by the General Shareholders' Meeting by means of Resolution No. 1 passed on 27 January 2005.

(g) As at 31 December 2009, the BRE Bank SA Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the consolidation package	Type of opinion	End of the reporting period as at which the consolidation package was prepared
BRE Bank SA	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
Aspiro Sp. z o.o. (formerly emFinanse Sp. z o.o.)	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
BRE Bank Hipoteczny SA	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
BRE Corporate Finance SA	Subsidiary 100.00%	Acquisition	Warszawskie Biuro Audytu Sp. z o.o.	unqualified	31 December 2009
BRE Gold FIZ Aktywów Niepublicznych (BRE Gold Non-Public Assets Closed-Ended Investment Fund)	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
BRE Holding Sp. z o.o.	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
BRE Wealth Management SA	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
BRE Ubezpieczenia TUiR SA	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
BRE Ubezpieczenia Sp. z o.o.	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
Dom Inwestycyjny BRE Banku SA	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
Garbary Sp. z o.o.	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
Tele –Tech Investment Sp. z o.o.	Subsidiary 100.00%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
BRE Finance France SA	Subsidiary 99.98%	Acquisition	PricewaterhouseCoopers Audit	unqualified	31 December 2009
BRE.locum SA	Subsidiary 79.99%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
Magyar Factor zRt.	Subsidiary 78.12%	Acquisition	PricewaterhouseCoopers Kft.	unqualified	31 December 2009
Polfactor SA	Subsidiary 78.12%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009
Transfinance a.s.	Subsidiary 78.12%	Acquisition	PricewaterhouseCoopers Audit, s.r.o.	unqualified	31 December 2009
Intermarket Bank AG	Subsidiary 56.24%	Acquisition	PwC INTER-TREUHAND GmbH	unqualified	31 December 2009
BRE Leasing Sp. z o.o.	Subsidiary 50.004%	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2009

II. Information on the audit

(a) PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Bank by Resolution No. 31 of the Ordinary General Shareholders' Meeting dated 16 March 2009, on the basis of paragraph 11 of the Bank's Articles of Association.
(b) PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of Art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws No. 77, item 649).
(c) The audit was conducted on the basis of an agreement concluded on 4 July 2008, in the following periods:
- interim audit from 26 October 2009 to 23 December 2009;
- final audit from 4 January 2010 to 1 March 2010.

III. The Group's results and financial position

The observations below are based on the knowledge obtained during the audit of the consolidated financial statements.

The consolidated financial statements do not take account of the effects of inflation. The consumer price index (from December to December) amounted to 3.5% in the audited year (3.3% in 2008).

BRE Bank SA is the Parent Company in the Group. In the audited year, the Group comprised the Bank and 31 subordinated entities (including 18 consolidated subsidiaries and one investment fund). The remaining companies were considered immaterial to the consolidated financial statements. In the year preceding the audited year, the Group comprised the Bank, 32 subordinated entities (including 18 consolidated subsidiaries, and one associate disclosed under the equity accounting method in the consolidated financial statements). The remaining entities were considered immaterial to the consolidated financial statements.

In the audited period, the following factors had a significant impact on the results of operations and the financial position of the Group:
- As at the end of the financial year, the Group's assets amounted to PLN 81,023,886 thousand. During the year, total assets decreased by PLN 1,581,316 thousand (i.e. by 2%). The main assets comprised "Loans and advances to customers" in the amount of PLN 52,468,812 thousand (accounting for 65% of total assets) and "Investment securities" in the amount of PLN 13,120,687 thousand (accounting for 16% of total assets); whereas the largest items on the liabilities side were "Amounts due to customers" in the amount of PLN 42,791,387 thousand (i.e. 53% of total assets) and "Amounts due to other banks" the balance of which amounted to PLN 25,019,805 thousand (i.e. 31% of total liabilities and equity) as at 31 December 2009.
- The value of the share capital of the Group did not change compared with the end of the previous year and amounted to PLN 1,521,683 thousand.
- Total consolidated net revenues amounted to PLN 229,977 thousand in 2009 and comprised the net profit of PLN 130,523 thousand, the change in the valuation of available-for-sale financial assets in the amount of PLN 93,340 thousand, and the change in foreign exchange differences on the translation of foreign entities in the amount of PLN 6,114 thousand. The total net revenues of the Group decreased by PLN 380,924 thousand compared with the previous year, mainly as a result of the decrease in the net profit of PLN 758,821 thousand, which was offset by the increase in the valuation of available-for-sale financial assets in the amount of PLN 385,352 thousand.
- The net profit on continued and discontinued operations, including the profit of minority shareholders, amounted to PLN 130,523 thousand. In 2009, the Group did not isolate discontinued operations. In 2009, the operating profit comprised first of all: net interest income of PLN 1,658,177 thousand, net fee and commission income of PLN 594,723 thousand, and net trading income of PLN 406,374 thousand, which were offset by overheads together with amortization and depreciation in the amount of PLN 1,544,787 thousand and negative net impairment losses on loans and advances in the amount of PLN 1,097,134 thousand.
- The net profit on continued operations, including the profit of minority shareholders, was PLN 628,188 thousand lower than in 2008 mainly as a result of the increase in negative net impairment losses on loans and advances of PLN 827,990 thousand and the net gain earned on investment securities being PLN 136,537 thousand lower than in the previous year. The said drops were partly offset by the increase in net interest income of PLN 265,725 thousand.
- The increase in net impairment losses on loans and advances in 2009 resulted from the deterioration in the quality of both the retail portfolio and the corporate portfolio. The net impairment losses on loans and advances in the retail portfolio amounted to PLN 440,647 thousand and mainly related to the portfolio of cash advances granted to customers who did not have any of the Bank's credit products before. The losses in the corporate portfolio amounted to PLN 656,490 thousand and mainly resulted from the economic slowdown which translated into the deterioration in the financial position of the customers of the Bank and BRE Leasing Sp. z o.o., as well as the impairment of amounts due from customers who had liabilities in respect of derivative transactions.

- In the audited financial year, there was a decrease in the income tax expense relating to continued operations of PLN 29,569 thousand to PLN 78,866 thousand. The drop in the income tax expense relating to continued operations was due to the fall in the current income tax expense of PLN 208,147 thousand, which was accompanied by the increase in the deferred tax expense of PLN 178,578 thousand.
- Return on equity, being the ratio of the net profit on continued operations for the financial period, including the profit of minority shareholders, to average net assets, including the net profit for the period, amounted to 3.14% and was 17.12 percentage points lower than in 2008. In 2009, the gross margin also deteriorated. It amounted to 4.00% compared with 16.03% for 2008.

IV. Discussion of financial statement components

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2009

ASSETS	Note	31.12.2009 PLN'000	31.12.2008 PLN'000	Change PLN'000	Change (%)	31.12.2009 Structure (%)	31.12.2008 Structure (%)
Cash and balances with the Central Bank	1	3 786 765	2 512 333	1 274 432	51	5	3
Debt securities eligible for rediscounting at the Central Bank		9 134	9 238	(104)	(1)	-	-
Amounts due from banks	2	2 530 572	6 104 093	(3 573 521)	(59)	5	7
Securities held for trading	3	1 065 190	4 624 621	(3 559 431)	(77)	1	6
Derivative financial instruments	4	1 933 627	5 632 872	(3 699 245)	(66)	3	7
Loans and advances to customers	5	52 468 812	52 142 477	326 335	1	65	63
Investment securities	6	13 120 687	5 502 312	7 618 375	138	16	7
Pledged assets	7	3 516 525	3 445 281	71 244	2	4	4
Investments in associates	8	1 150	16 953	(15 803)	(93)	-	-
Intangible assets	9	441 372	438 452	2 920	1	1	1
Property, plant and equipment	10	786 446	814 469	(28 023)	(3)	1	1
Current tax assets		125 308	-	125 308	-	-	-
Deferred tax assets	33	331 828	327 558	4 270	1	-	-
Other assets	10	906 470	1 034 543	(128 073)	(12)	1	1
TOTAL ASSETS		**81 023 886**	**82 605 202**	**(1 581 316)**	**(2)**	**100**	**100**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2009 (cont.)

LIABILITIES AND EQUITY	Note	31.12.2009 PLN'000	31.12.2008 PLN'000	Change PLN'000	Change (%)	31.12.2009 Structure (%)	31.12.2008 Structure (%)
Liabilities		**76 752 732**	**78 557 166**	**(1 804 434)**	**(2)**	**95**	**95**
Amounts due to the Central Bank	11	2 003 783	1 302 469	701 314	54	3	2
Amounts due to other banks	12	25 019 805	27 488 807	(2 469 002)	(9)	31	33
Derivative financial instruments and other liabilities held for trading	13	1 935 495	6 174 491	(4 238 996)	(69)	2	8
Amounts due to customers	14	42 791 387	37 750 027	5 041 360	13	53	46
Debt securities in issue	15	1 415 711	1 790 745	(375 034)	(21)	2	2
Subordinated liabilities	16	2 631 951	2 669 453	(37 502)	(1)	3	3
Other liabilities	17	776 195	996 280	(220 085)	(22)	1	1
Current income tax liability	33	904	218 807	(217 903)	(100)	-	-
Deferred tax provision	33	544	81	463	572	-	-
Provisions	18	176 957	166 006	10 951	7	-	-
Equity	**19**	**4 271 154**	**4 048 036**	**223 118**	**6**	**5**	**5**
Share capital	20	1 521 683	1 521 683	-	-	2	2
Retained earnings		2 712 394	2 587 137	125 257	5	3	3
Other equity items		(113 890)	(214 368)	100 478	(47)	-	-
Minority interests	21	150 967	153 584	(2 617)	(2)	-	-
TOTAL EQUITY AND LIABILITIES		**81 023 886**	**82 605 202**	**(1 581 316)**	**(2)**	**100**	**100**

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2009

	Note	31.12.2009 PLN'000	31.12.2008 PLN'000	Change PLN'000	Change (%)	31.12.2009 Structure (%)	31.12.2008 Structure (%)
Net interest income	24	1 658 177	1 392 452	265 725	19	55	49
Net fee and commission income	25	594 723	551.466	43 257	8	20	20
Dividend income	26	99 067	9.429	89 638	951	3	-
Net trading income	27	406 374	483 855	(77 481)	(16)	13	17
Net gain/loss on investment securities		(772)	135 765	(136 537)	(101)	-	5
Other operating income	28	263 522	266 505	(2 983)	(1)	9	9
Net impairment losses on loans and advances	29	(1 097 134)	(269 144)	(827 990)	308	(39)	(14)
Overheads	30	(1 285 425)	(1 346 601)	61 176	(5)	(46)	(68)
Depreciation and amortization	31	(259 362)	(203 475)	(55 887)	27	(9)	(10)
Other operating expenses	32	(169 781)	(153 106)	(16 675)	11	(6)	(8)
Profit on continued operations before tax		**209 389**	**867 146**	**(657 757)**	**(76)**		
Income tax expense	33	(78 866)	(108 435)	29 569	(27)		
Net profit on continued operations, including the profit of minority shareholders		**130 523**	**758 711**	**(628 188)**	**(83)**		
Profit on discontinued operations before tax		**-**	**132 969**	**(132 969)**	**(100)**		
Income tax expense		-	(2 336)	2 336	(100)		
Net profit on discontinued operations		**-**	**130 633**	**(130 633)**	**(100)**		
Net profit on continued and discontinued operations, including the profit of minority shareholders		**130 523**	**889 344**	**(758 821)**	**(85)**		
Net profit of BRE Bank's shareholders		128 928	857 459	(728 531)	(85)		
Profit of minority shareholders		1 595	31 885	(30 290)	(95)		
Total income from and profits on continued operations		3 021 863	2 839 472	182 391	6	100	100
Total costs of and losses on continued operations		(2 812 474)	(1 972 326)	(840 148)	43	(100)	(100)
Profit on continued operations before tax		**209 389**	**867 146**	**(657 757)**	**(76)**		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	2009 PLN'000	2008 PLN'000	Change PLN'000	Change (%)	31.12.2009 Structure (%)	31.12.2008 Structure (%)
Net profit	**130 523**	**889 344**	**(758 821)**	**(85)**	**56**	**146**
Foreign exchange differences on the translation of foreign entities (net)	6 114	13 569	(7 455)	(55)	3	2
Valuation of available-for-sale financial assets (net)	93 340	(292 012)	385.352	(132)	41	(48)
Net comprehensive income	**229 977**	**610 901**	**(380 924)**	**(62)**	**100**	**100**
Comprehensive income of BRE Bank's shareholders	229 406	568 887	(339 481)	(60)		
Comprehensive income of minority shareholders	571	42 014	(41 443)	(99)		

Presentation of financial ratios summarizing the Bank's financial position and results (*)

The following ratios characterize the Group's business activities, its results of operations for the financial year, and its financial position as at the end of the reporting period compared with the prior period:

	31.12.2009	31.12.2008
Profitability ratios		
Return on equity (net profit for the financial period / average net assets)(1)	3.14%	20.26%
Return on equity (net profit for the financial period / average net assets excluding the net profit/loss for the period)(2)	3.19%	22.88%
Return on assets (profit before tax for the financial period / average assets)(1)	0.26%	1.25%
Gross margin (profit before tax for the financial period / total income)	4.00%	16.03%
Interest income to working assets (interest income / average working assets)(1)	4.58%	5.79%
C/I ratio (overheads / profit/loss on banking activities)(3)	56.02%	60.24%
Liability ratios		
Cost of borrowings (interest expense for the financial period / average interest-bearing liabilities)(1)	2.48%	3.73%
Equity to liabilities & equity (average equity / average total liabilities & equity)(1)	5.08%	5.41%
Asset ratios		
Amounts due from banks and customers to assets (average gross amounts due from banks and customers / average total assets)(1)	70.97%	69.00%
Impaired loans and advances to gross amounts due from banks and customers	4.65%	2.11%
Working assets to total assets	94.41%	89.99%
Liquidity ratios		
Liquidity I (assets maturing within 1 month / liabilities maturing within 1 month)(4)	0.41	0.36
Liquidity II (assets maturing within 3 months / liabilities maturing within 3 months) (4)	0.49	0.42
Capital market ratios		
Earnings per share	4.34 zł	24.49 zł
Book value per share	138.77 zł	131.17 zł
Other ratios		
Equity in accordance with KNF (Polish Financial Supervision Authority) Resolution No. 381/2008	PLN 6 263 844 thousand	PLN 5 911 760 thousand
Total regulatory capital requirement in accordance with KNF Resolution No. 380/2008	PLN 4 356 859 thousand	PLN 4 712 225 thousand
Capital adequacy ratio in accordance with KNF Resolution No. 380/2008	11.50%	10.04%

(*) The ratios were calculated on the basis of the profit on continued operations, including the profit of minority shareholders.
(1) The average balances of balance sheet items were calculated on the basis of the balances of the individual items as at the beginning and the end of the current financial period and the previous financial period.
(2) The net profit on continued operations, including the profit of minority shareholders, in relation to average net assets excluding the net profit on continued and discontinued operations for the year.
(3) The profit/loss on banking activities, i.e. the net profit/loss on continued operations less overheads, net impairment losses on loans and advances, and other operating income and expenses.
(4) The values of the individual ratios may differ from the ratios presented in the consolidated financial statements due to a different calculation method being used.

Consolidated statement of financial position as at 31 December 2009

1. Cash and balances with the Central Bank

As at 31 December 2009, the balance of "Cash and balances with the Central Bank" in the Group amounted to PLN 3,786,765 thousand and increased by PLN 1,274,432 thousand compared with the previous year.
The Bank had the largest share in the said amount, in which the value of the said item amounted to PLN 3,771,992 thousand as at the end of the financial year and increased by 51% compared with PLN 2,491,851 thousand as at the end of the previous year. The increase in the Bank's balance was mainly due to the increase in cash in current accounts of PLN 1,274,266 thousand to PLN 3,622,840 thousand as at 31 December 2009.

2. Amounts due from banks

As at 31 December 2009, the balance of "Amounts due from banks" amounted to PLN 2,530,572 thousand. Compared with the balance as at the end of 2008, the balance of the said item dropped by PLN 3,573,521 thousand (i.e. by 59%).
The Bank had the largest share in the balance of the said amounts due as at 31 December 2009, which (after the elimination of mutual transactions) amounted to PLN 2,397,132 thousand and dropped by PLN 3,565,414 thousand (i.e. by 60%) compared with the balance as at the end of 2008. The drop in the Bank's balance mainly resulted from the decrease in deposits with other banks of PLN 2,997,089 thousand (i.e. of 69%), as well as loans and advances from PLN 915,122 thousand as at the end of 2008 to PLN 417,272 thousand as at 31 December 2009 (i.e. of 54%).
Other companies which showed significant balances as at the end of the reporting period were: Dom Inwestycyjny BRE Banku SA (PLN 64,050 thousand), BRE.locum SA (PLN 29,229 thousand), and BRE Leasing Sp. z o.o. (PLN 21,891 thousand).

3. Securities held for trading

As at 31 December 2009, the balance of "Securities held for trading" amounted to PLN 1,065,190 thousand. Compared with the end of the previous year, the said balance decreased by PLN 3,559,431 thousand (i.e. by 77%).
The drop in the carrying value resulted mainly from the decrease in the balance of other debt securities of PLN 3,483,867 thousand and Treasury bills of PLN 266,594 thousand, which was partly offset by the increase in the balance of government bonds of PLN 192,417 thousand.
The Bank had the largest share in this item, showing a balance of securities held for trading (after the elimination of mutual transactions) in the amount of PLN 983,033 thousand as at the end of the reporting period. The balance of securities held for trading in the Bank decreased by PLN 3,593,872 thousand in the audited year.

4. Derivative financial instruments

SAs at 31 December 2009, the balance of "Derivative financial instruments" amounted to PLN 1,933,627 thousand, which represented a drop of PLN 3,699,245 thousand (i.e. of 66%) compared with the previous year.
The drop in the value of the item resulted mainly from the decrease of PLN 1,955,836 thousand in foreign exchange derivatives to PLN 757,276 thousand. There was also a significant decrease of PLN 1,741,694 thousand in the balance of interest rate derivatives to PLN 1,154,980 thousand.

5. Loans and advances to customers

As at 31 December 2009, the balance of "Loans and advances to customers" amounted to PLN 52,468,812 thousand, which represented an increase of PLN 326,335 thousand (i.e. of 1%) compared with the previous financial year.

(a) Structure of the loan portfolio in terms of types of loans
As at 31 December 2009, loans to individuals, which amounted to PLN 28,855,129 thousand, and loans to corporate customers in the gross amount of PLN 23,433,995 thousand, were the largest components of the gross loan portfolio. The increase in the balance of loans and advances to individuals of PLN 2,201,441 thousand resulted from an increase in the Bank's portfolio (an increase of PLN 2,217,929 thousand) mainly due to an increase in the number of loans granted by mBank and MultiBank. The loans granted to corporate customers decreased by PLN 1,582,262 thousand compared with the end of 2008, which resulted from a decrease in the portfolio in the Bank (of PLN 906,317 thousand), in BRE Leasing Sp. z o.o. (of PLN 354,311 thousand), and in BRE Bank Hipoteczny SA (of PLN 135,545 thousand).

(b) Structure of the loan portfolio in terms of quality
The value of gross impaired receivables increased by PLN 1,390,837 thousand and amounted to PLN 2,560,928 thousand as at 31 December 2009. The increase in gross impaired receivables of 119% was accompanied by an increase in the balance of impairment losses of 150%, from PLN 1,039,387 thousand to PLN 1,732,253 thousand. In consequence, the ratio of impairment losses to the portfolio of loans with recognized impairment amounted to 68% as at the end of 2009 and increased by 9 percentage points compared with the previous year.

The gross value of the receivables subject to the portfolio analysis amounted to PLN 51,872,653 thousand and increased by PLN 40,535 thousand compared with the previous year. The increase in the receivables was accompanied by the increase in the balance of impairment losses on exposures subject to the portfolio analysis of PLN 65,650 thousand (i.e. of 39%) to PLN 232,516 thousand as at the end of 2009.

6. Investment securities

As at 31 December 2009, the balance of "Investment securities" amounted to PLN 13,120,687 thousand, which, compared with PLN 5,502,312 thousand as at the end of 2008, represented an increase of PLN 7,618,375 thousand (i.e. of 138%).
Both as at the end of the audited period and as at the end of the previous year, the balance comprised exclusively financial assets classified as available for sale. The increase in the balance was mainly due to the increase of PLN 7,572,409 thousand in the balance of debt securities.
These changes mainly occurred in the Bank in which the balance of debt securities (after the elimination of mutual transactions) increased by PLN 7,482,746 thousand, mainly as a result of an increase in the balance of NBP bills and Treasury bills..

7. Pledged assets

As at the end of the reporting period, the value of "Pledged assets" amounted to PLN 3,516,525 thousand and increased by PLN 71,244 thousand (i.e. by 2%) compared with the balance as at the end of the previous year.
Both as at 31 December 2009 and as at 31 December 2008, the Bank's share in the pledged assets of the entire Group amounted to nearly 100%. As at 31 December 2009, the Bank's balance of pledged assets amounted to PLN 3,513,782 thousand and increased by PLN 69,793 thousand (i.e. by 2%) compared with the end of 2008. The said increase was mainly due to the increase in the value of securities provided as collateral for a loan from the European Investment Bank in the amount of PLN 374,297 thousand, which was partly offset by the drop in the value of sell-buy back transactions of PLN 314,025 thousand (i.e. of 10%).
The Group also showed debt securities pledged for the Bank Guarantee Fund as pledged assets. As at 31 December 2009, they amounted to PLN 187,564 thousand compared with PLN 176,592 thousand as at the end of the previous financial year.

8. Intangible assets

NAs at the end of the reporting period, the value of "Intangible assets" in the Group amounted to PLN 441,372 thousand, which represented an increase of PLN 2,920 thousand (i.e. of 1%) compared with the previous year.
The balance of the item comprised mainly the balance of the intangible assets owned by the Bank in the amount of PLN 396,121 thousand, which dropped by PLN 10,239 thousand compared with the previous period, mainly in connection with the liquidation and other disposals of intangible assets, which were partly offset by expenditure on intangible assets in the course of construction.

9. Property, plant and equipment

As at 31 December 2009, the value of "Property, plant and equipment" amounted to PLN 786,446 thousand, which represented a drop of PLN 28,023 thousand (i.e. of 3%) compared with the balance as at 31 December 2008.
The balance of this item mainly comprised property, plant and equipment in the Bank, in which the said value amounted to PLN 553,652 thousand and was PLN 47,997 thousand lower than as at the end of the previous year. BRE Leasing Sp. z o.o., in which the carrying value of property, plant and equipment amounted to PLN 156,691 thousand as at 31 December 2009 and was PLN 97 thousand higher than in the previous year, also had a significant share in the value of the said item.

10. Other assets

In the audited period, the value of "Other assets" dropped by PLN 128,073 thousand to PLN 906,470 thousand. The major components of "Other assets" of the Group were inventories (PLN 371,050 thousand, i.e. 41% of the balance) and the item "Debtors" (PLN 312,364 thousand, i.e. 34% of the balance). The drop in the said item mainly comprised the decrease in the balance of inventories of PLN 87,509 thousand.
The largest shares in the said item were held by BRE.locum SA in which the balance of other assets (after the elimination of mutual transactions) amounted to PLN 316,123 thousand, which mainly comprised real estate for sale and the Bank with a balance of PLN.305,510 thousand.

11. Amounts due to the Central Bank

As at 31 December 2009, the balance of amounts due to the Central Bank amounted to PLN 2,003,783 thousand compared with PLN 1,302,469 thousand as at 31 December 2008. Both as at the end of the audited year and of the previous year, the balance comprised almost exclusively liabilities in respect of sell-buy back transactions.

12. Amounts due to other banks

The balance of "Amounts due to other banks" dropped compared with the balance as at 31 December 2008 by PLN 2,469,002 thousand to PLN 25,019,805 thousand as at 31 December 2009. As at the end of the reporting period, the largest items were loans and advances received in the amount of PLN 22,320,066 thousand, term deposits of PLN 1,152,115 thousand, and cash in current accounts in the amount of PLN 737,222 thousand.

The drop in the said item mainly comprised the decrease in the balance of sell-buy back transactions of PLN 1,228,756 thousand and in loans and advances received of PLN 1,221,684 thousand.

13. Derivative financial instruments and other liabilities held for trading

As at 31 December 2009, the balance of "Derivative financial instruments and other liabilities held for trading" amounted to PLN 1,935,495 thousand, which represents a drop of PLN 4,238,996 thousand (i.e. of 69%).

The drop in the said item resulted mainly from the decrease in the valuation of interest rate derivatives of PLN 2,213,510 thousand to PLN 1,183,816 thousand and of foreign exchange derivatives of PLN 2,022,482 thousand to PLN 732,832 thousand.

14. Amounts due to customers

As at the end of the reporting period, the balance of "Amounts due to customers" amounted to PLN 42,791,387 thousand, which represented an increase of PLN 5,041,360 thousand (i.e. of 13%) compared with 31 December 2008. This increase was due to the increase in the balance of amounts due to individuals of PLN 4,016,916 thousand (i.e. of 19%), in the balance of amounts due to corporate customers of PLN 853,763 thousand (i.e. of 5%), and in amounts due to public sector customers of PLN 170,681 thousand (i.e. of 224%).

The vast majority of the amounts due to customers in the Group were the amounts due of the Bank, the balance of which (after the elimination of mutual transactions) amounted to PLN 41,800,708 thousand and accounted for 98% of the value of the item. The remaining value of the amounts due to customers mainly comprised the amounts due of Dom Inwestycyjny BRE Banku SA in the amount of PLN 597,393 thousand and of BRE Bank Hipoteczny SA in the amount of PLN 239,949 thousand.

15. Debt securities in issue

As at 31 December 2009, the balance of the item amounted to PLN 1,415,711 thousand and decreased by PLN 375,034 thousand (i.e. by 21%) during the audited financial year.

The value of this item mainly comprised mortgage bonds and bonds issued by BRE Bank Hipoteczny SA in the amount of PLN 1,386,702 thousand, accounting for 97% of the balance of liabilities in respect of debt securities in issue. The remaining value of the balance of the said item comprised the liabilities of Polfactor SA in the amount of PLN 25,148 thousand and of BRE.locum SA in the amount of PLN 3,861 thousand.

The change in the balance compared with the previous year was mainly due to the drop in the balance of liabilities in respect of debt securities issued by BRE Bank Hipoteczny SA of PLN 378,652 thousand.

16. Subordinated liabilities

As at 31 December 2009, the value of subordinated liabilities in the Group amounted to PLN 2,631,951 thousand, which represented a decrease of 1% compared with the balance as at 31 December 2008. The entire balance of this item related to the Bank. The subordinated liabilities comprised subordinated bonds and loans with a total par value of CHF 950,000 thousand.

17. Other liabilities

As at 31 December 2009, the balance of "Other liabilities" amounted to PLN 776,195 thousand and dropped by PLN 220,085 thousand (i.e. by 22%) compared with the balance as at 31 December 2008. The balance mainly comprised liabilities to creditors in the amount of PLN 270,216 thousand, accruals of PLN 123,577 thousand, deferred income of PLN 120,136 thousand, interbank settlements of PLN 83,322 thousand, and provisions for other liabilities to employees in the amount of PLN 82,553 thousand. The decrease in the balance of "Other liabilities" compared with 31 December 2008 was mainly due to the drop in the balance of provisions for other liabilities to employees of PLN 98,900 thousand and of liabilities to creditors of PLN 92,049 thousand.

18. Provisions

As at the end of the reporting period, the value of "Provisions" amounted to PLN 176,957 thousand, which represented an increase of PLN 10,951 thousand (i.e. of 7%) compared with the previous year. The balance of provisions as at 31 December 2009 comprised technical reserves of PLN 67,056 thousand, write-downs of off-balance-sheet liabilities in the amount of PLN 61,323 thousand, other provisions for liabilities with a value of PLN 45,941 thousand, and provisions for disputes in the amount of PLN 2,637 thousand.

The Bank's provisions had the largest share in the balance of the said item. The balance of these provisions amounted to PLN 108,789 thousand as at 31 December 2009 and was PLN 18,767 thousand higher than as at the end of the previous year, mainly as a result of the increase in other provisions for future liabilities of PLN 31,277 thousand, which was partly offset by the decrease in provisions for contingent off-balance- sheet liabilities of PLN 11,906 thousand. The technical reserves in BRE Ubezpieczenia TUiR SA also constituted a significant portion of the item. Their balance decreased by PLN 7,118 thousand.

19. Equity

	31.12.2008	Payment of dividend	Foreign exchange differences on the translation of foreign entities	Valuation of available-forsale financial assets	Valuation of share option schemes	Net profit for the year	31.12.2009
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Share capital	1 521 683	-	-	-	-	-	1 521 683
Retained earnings	2 587 137	-	-	-	(3 671)	128 928	2 712 394
Other equity items	(214 368)	-	7 156	93 322	-	-	(113 890)
Minority interests	153 584	(3 188)	(1 042)	18	-	1 595	150 967
Total	**4 048 036**	**(3 188)**	**6 114**	**93 340**	**(3 671)**	**130 523**	**4 271 154**

As at the end of the reporting period, the value of "Equity" amounted to PLN 4,271,154 thousand (PLN 4,048,036 thousand as at 31 December 2008).
In the audited year, the Group's share capital did not change and amounted to PLN 1,521,683 thousand.
The increase in "Retained earnings" of PLN 125,257 thousand was mainly the result of the consolidated net profit for 2009 in the amount of PLN 128,928 thousand and the valuation of the Incentive Scheme for the Management Board in the amount of PLN -3,671 thousand, approved by the General Shareholders' Meeting on 14 March 2008.
In the audited period, other equity items increased by PLN 100,478 thousand. This increase resulted from the positive valuation of the portfolio of available-for-sale financial assets in the amount of PLN 93,322 thousand and the recognition of foreign exchange gains of PLN 7,156 thousand mainly associated with the Bank having foreign branches.

20. Share capital of the Parent Company

As at 31 December 2009, the Bank's shareholders were:

Name	Number of shares held	Par value of shares held	Type of shares held (ordinary /preference shares)	% of voting rights
Commerzbank Auslandsbanken Holding AG	20 719 692	82 878 768	ordinary shares	69.78
Other shareholders	8 971 190	35 884 760	ordinary shares	30.22
	29 690 882			**100**

As at the end of the reporting period, the share capital amounted to PLN and 118,763,528 consisted of 29,690,882 shares with a par value of PLN 4 each. In 2009, Commerzbank Auslandsbanken Holding AG, which is a subsidiary of Commerzbank AG remained the main shareholder of BRE Bank SA.
As at 31 December 2009, no other shareholder exceeded the threshold of 5% of shares held. Thus, the interest held by the remaining shareholders in the Bank's share capital amounted to 30.22%.

21. Minority interests

Minority interests comprised interests in the share capitals of the following companies:

	31.12.2009	31.12.2008
	PLN'000	PLN'000
Intermarket Bank AG	64 015	72 293
BRE Leasing Sp. z o.o.	49 314	48 324
BRE.locum SA	20 606	15 486
Transfinance a.s.	7 157	7 161
Polfactor SA	5 900	6 226
Magyar Factor Rt.	3 975	4 094
TOTAL	**150 967**	**153 584**

The drop in minority interests of PLN 2,617 thousand in the audited year was associated with the payment of dividends to minority shareholders in the amount of PLN 3,188 thousand and the recognition of foreign exchange losses of PLN 1,042 thousand which were partly offset by the recognition of the profits of the subsidiaries attributable to the minority shareholders in the amount of PLN 1,595 thousand, as well as the positive valuation of available-for-sale financial assets in the amount of PLN 18 thousand.

22. Reconciliation of the net profits/losses of the consolidated companies to the consolidated net profit of the Group

		31.12.2008
		PLN'000
(a)	Net profit of BRE Bank SA	57 143
	Net profits of the consolidated entities	223 801
	Total net profit as per the financial statements (consolidation packages) of the consolidated companies	**280 944**
(b)	Differences between the gain on the redemption of investment certificates earned by the Bank and the Group	(60 946)
(c)	Dividends	(76 889)
(d)	Adjustment to the valuation of shares	6 473
(e)	Adjustment to the valuation of loans and advances to customers	(14 531)
(f)	Other consolidation adjustments	(4 528)
	Net profit of the Group on continued and discontinued operations, including the profit of minority shareholders	**130 523**

23. Reconciliation of the net assets of the consolidated companies to the consolidated net assets of the Groupy

		31.12.2008
		PLN'000
(a)	Net assets of BRE Bank SA	3 813 626
	Net assets of the consolidated entities	1 266 279
	Total net assets	**5 079 905**
(b)	Adjustments (b – f; in item 22)	(150 421)
(c)	Elimination of the share capitals of the subsidiaries	(701 548)
(d)	Elimination of other equity items of the subsidiaries	43 218
	Consolidated net assets	**4 271 154**

Consolidated income statement for the year ended 31 December 2009

24. Net interest income

The income and expense components of net interest income are presented in the table below:

	2009.	2008	Change	Change
	PLN'000	PLN'000	PLN'000	(%)
Interest income	3 453 207	3 637 222	(184 015)	(5)
Interest expense	(1 795 030)	(2 244 770)	449 740	(20)
Net interest income	**1 658 177**	**1 392 452**	**1 392 452**	**19**

In the current financial period, net interest income increased by PLN 265,725 thousand (i.e. of 19%). The said increase resulted from the drop in interest income (a drop of PLN 184,015 thousand to PLN 3,453,207 thousand) being smaller than the drop in interest expense (a drop of PLN 449,740 thousand to PLN 1,795,030 thousand).
The drop in interest income of PLN 184,015 thousand comprised, amongst others, the drop in interest income on cash and short-term deposits of PLN 204,074 thousand to PLN 190,829 thousand, the drop in interest income on debt securities held for trading of PLN 143,809 thousand to PLN 94,442 thousand, and the drop in interest income on loans and advances including the reversal of discount on impairment losses of PLN 52,974 thousand to PLN 2,623,911 thousand. The said drops were offset by the increase in interest income on investment securities of PLN 212,798 thousand to PLN 530,331 thousand.
The interest expense mainly comprised the costs of settlements with banks and customers in the amount of PLN 1,642,814 thousand (a drop of PLN 366,793 thousand compared with 2008), the costs of issuing debt securities in the amount of PLN 90,102 thousand (a drop of PLN 60,793 thousand), and the costs of subordinated liabilities in the amount of PLN 58,180 thousand (a drop of PLN 23,906 thousand).
The net interest income was mainly generated by the Bank in which it amounted to PLN 1,296,375 thousand (after the elimination of mutual transactions), which accounted for 78% of the net interest income of the Group. The Bank's net interest income increased by PLN 212,979 thousand compared with the previous financial year mainly as a result of the drop of PLN 287,509 thousand in interest expense (mainly on settlements with banks and customers of PLN 262,119 thousand). The drop in the interest expense was also accompanied by a drop in interest income of PLN 74,530 thousand in total.
The increase in net interest income was also due to the increase in net interest income in BRE Leasing Sp. z o.o. of PLN 51,818 thousand to PLN 180,520 thousand (after the elimination of mutual transactions), which accounted for 11% of the Group's net interest income.

25. Net fee and commission income

The income and expense components of net fee and commission income are presented in the table below:

	2009	2008	Change	Change
	PLN'000	PLN'000	PLN'000	(%)
Fee and commission income	1 001 287	844 463	156 824	19
Fee and commission expense	(406 564)	(292 997)	(113 567)	39
Net fee and commission income	**594 723**	**551 466**	**43 257**	**8**

In the current financial year, there was an increase in net fee and commission income of PLN 43,257 thousand (i.e. of 8%) to PLN 594,723 thousand, which resulted from the increase in fee and commission income (an increase of PLN 156,824 thousand to PLN 1,001,287 thousand) being larger than the increase in fee and commission expense (an increase of PLN 113,567 thousand to PLN 406,564 thousand).
The said balance of net fee and commission income was mostly influenced by the net fee and commission income in the Bank in which it amounted to PLN 390,694 thousand (after the elimination of mutual transactions) and was PLN 62,134 thousand higher than in the previous year mainly as a result of an increase in commission for handling payment cards and commission for maintaining accounts.
From among the other consolidated companies the following ones had the largest shares in the said item: Dom Inwestycyjny BRE Banku SA with net fee and commission income of PLN 80,203 thousand, the insurance companies with PLN 78,382 thousand, and Intermarket Bank AG with PLN 29,147 thousand.

26. Dividend income

In 2009, dividend income amounted to PLN 99,067 thousand, which represented an increase of PLN 89,638 thousand compared with the previous year.
The said value mainly comprised a dividend paid by PZU SA in the amount of PLN 96,218 thousand.

27. Net trading income

The income and expense components of net trading income are presented in the table below:

	2009	2008	Change	Change
	PLN'000	PLN'000	PLN'000	(%)
Foreign exchange position	415 048	517 314	(102 266)	(20)
Net other trading income	(8 674)	(33 459)	24 785	74
Net trading income	**406 374**	**483 855**	**(77 481)**	**(16)**

In the current financial year, there was a drop in net trading income of PLN 77,481 thousand to PLN 406,374 thousand. This change resulted from the drop in the foreign exchange position of PLN 102,266 thousand to PLN 415,048 thousand, which was partly offset by the increase in net other trading income of PLN 24,785 thousand to PLN -8,674 thousand.
The Group's net trading income was mainly earned by the Bank, in which (after the elimination of mutual transactions) it amounted to PLN 357,884 thousand, by BRE Bank Hipoteczny SA, in which it amounted to PLN 28,929 thousand, and by BRE Leasing Sp. z o.o., in which it amounted to PLN 12,726 thousand.

28. Other operating income

Other operating income amounted to PLN 263,522 thousand and was PLN 2,983 thousand (i.e. 1%) lower than in 2008. Other operating income mainly comprised proceeds from the sale or scrapping/liquidation of fixed assets, intangible assets, and disposal assets in the amount of PLN 105,409 thousand, the sales of services in the amount of PLN 51,436 thousand, and income from insurance activities in the amount of PLN 50,401 thousand.

The largest shares in the said item were held by BRE.locum SA, in which other operating income amounted to PLN 90,532 thousand (after the elimination of mutual transactions), the Bank, in which other operating income amounted to PLN 59,701 thousand, and the insurance companies with PLN 50,401 thousand.

29. Net impairment losses on loans and advances

In the current financial year, impairment losses on loans and advances net of income from the reversal of these losses amounted to PLN 1,097,134 thousand and increased by PLN 827,990 thousand compared with the previous financial year.
The said increase was mainly due to the increase of PLN 747,905 thousand in net impairment losses on loans and advances in the Bank to PLN 966,652 thousand. The increase in the balance of net impairment losses on loans and advances was also due to an increase in the impairment losses on loans and advances recognized by BRE Leasing Sp. z o.o. in which the value of the item increased by PLN 67,412 thousand to PLN 104,548 thousand compared with the previous year.
The increase in net impairment losses on loans and advances in 2009 resulted from the deterioration in the quality of both the retail portfolio and the corporate portfolio. The net impairment losses on loans and advances in the retail portfolio amounted to PLN 440,647 thousand and related mostly to the portfolio of cash advances granted to customers who did not have any of the Bank's credit products before. The losses in the corporate portfolio amounted to PLN 656,490 thousand and mainly resulted from the economic slowdown which translated into the deterioration in the financial position of the customers of the Bank and BRE Leasing Sp. z o.o. and the impairment of amounts due from customers who had liabilities in respect of derivative transactions.

30. Overheads

In 2009, the Group's overheads amounted to PLN 1,285,425 thousand and dropped by PLN 61,176 thousand (i.e. by 5%) compared with the overheads incurred in the previous year.
The said drop was mainly due to the decrease in employee costs of PLN 93,946 thousand to PLN 644,751 thousand, which was partly offset by the increase in running costs of PLN 23,751 thousand to PLN 585,227 thousand. The drop in the employee costs was mainly due to the decrease in the costs of wages and salaries of PLN 52,241 thousand and the costs of social insurance of PLN 12,594 thousand, mainly as a result of a decrease in the Group's employment levels.

The largest overheads were incurred by the Bank (PLN 987,818 thousand after the elimination of mutual transactions), BRE Leasing Sp. z o.o. (PLN 67,147 thousand), Dom Inwestycyjny BRE Banku SA (PLN 52,034 thousand), Intermarket Bank AG (PLN 39,890 thousand), CERI Sp. z o.o. (PLN 33,314 thousand), and BRE Bank Hipoteczny SA (31,451 thousand).

31. Amortization and depreciation

The amortization and depreciation expense amounted to PLN 259,362 thousand in 2009 and was PLN 55,887 thousand (i.e. 27%) higher than in the previous year. In the audited period, the amortization and depreciation expense comprised the amortization of intangible assets in the amount of PLN 122,715 thousand and the depreciation of fixed assets in the amount of PLN 136,647 thousand.

32. Other operating expenses

PIn 2009, other operating expenses increased by PLN 16,675 thousand to PLN 169,781 thousand.
The increase in other operating expenses resulted from the increase in charges to provisions for future liabilities of PLN 29,603 thousand and the costs of recording provisions for other receivables (except for credit receivables) of PLN 10,729 thousand. The increase in the said items was partly offset by the drop in the costs of sale, scrapping and liquidation of fixed assets, intangible assets, and assets held for sale of PLN 31,646 thousand.

The increase in other operating expenses of the Group was mainly due to the increase in other operating expenses in the Bank of PLN 32,733 thousand (after the elimination of mutual transactions) and in Intermarket Bank AG of PLN 18,118 thousand, which was partly offset by the drop in other operating expenses in BRE.locum SA of PLN 35,407 thousand.

33. Income tax expense

	12 months to 31.12.2009	12 months to 31.12.2008	Change
	PLN'000	PLN'000	PLN'000
Current income tax	(98 459)	(306 606)	208 147
Deferred income tax	19 593	198 171	(178 578)
Income tax expense	**(78 866)**	**(108 435)**	**29 569**

The following Group companies contributed the most to the value of the Group's income tax expense:

Consolidated company	Current income tax	Company's share in current income tax	Deferred tax	Share in deferred tax
	(PLN'000)	(%)	(PLN'000)	(%)
BRE Bank SA	(16 526)	17	(25 209)	(129)
Dom Inwestycyjny BRE Banku SA	(9 915)	10	1 963	10
BRE Bank Hipoteczny SA	(6 853)	7	(324)	(2)
BRE GOLD FIZ	-	-	(6 702)	(34)
BRE Ubezpieczenia TUiR SA i BRE Ubezpieczenia Sp. z o.o.	(5 016)	5	(535)	(3)
BRE Leasing Sp. z o.o.	(53 818)	55	50 462	258
Polfactor SA	(3 001)	3	40	-
BRE Wealth Management SA	(1 419)	1	239	1
Other companies	(1 911)	2	(341)	(1)
Total	**(98 459)**	**100**	**19 593**	**100**

34. Contingent liabilities granted and received

NThe balance of "Contingent liabilities granted and received" comprised liabilities granted, which dropped by PLN 6,694,381 thousand compared with the end of the previous year to PLN 12,458,234 thousand, and liabilities received in the amount of PLN 733,026 thousand, which dropped by PLN 850,190 thousand compared with the end of the previous year.

As at 31 December 2009, the balance of liabilities granted mainly comprised lending commitments in the amount of PLN 9,902,769 thousand, as well as stand-by guarantees and letters of credit in the amount of PLN 2,087,127 thousand. The balance of liabilities received comprised guarantee commitments received in the amount of PLN 472,616 thousand and financial liabilities received in the amount of PLN 260,410 thousand.

V. The independent registered auditor's statement

(a) In the course of the audit, the Management Board of the Parent Company presented the required information, explanations, and representations and provided us with a representation letter confirming the completeness of the data in the consolidation documentation and the disclosure of all the contingent liabilities. They also informed us of significant events which occurred between the end of the reporting period and the date of that letter being signed.
(b) The scope of the audit was not limited.
(c) The consolidation documentation was complete and accurate, and it is stored in a manner which ensures proper safeguarding.
(d) In all material respects, the accounting policies and disclosures specified by the manager of the Parent Company were in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Changes in the accounting policies used and their implications are correctly presented in the notes to the consolidated financial statements.
(e) The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.
(f) The elimination of mutual balances (receivables and payables) and intra-Group transactions (revenue and costs) of the consolidated entities was carried out in accordance with the IFRS as adopted by the European Union in all material respects.
(g) The eliminations of gains/losses not realized by the consolidated entities, included in the value of assets and in respect of dividends, were conducted in accordance with the IFRS as adopted by the European Union in all material respects.
(h) The effects of the sale of all or some of the shares in subordinated entities were accounted for properly in all material respects.
(i) The notes to the consolidated financial statements present all the material information specified by the IFRS as adopted by the European Union.
(j) The information in the Directors' Report for the year ended 31 December 2009 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws No. 33, item 259) and is consistent with the information presented in the audited financial statements.
(k) The total regulatory requirement along with the requirement concerning the risk of excessive capital exposures amounted to PLN 4,356,859 thousand as at the end of the reporting period. The capital adequacy ratio amounted to 11.50% as at 31 December 2009. As at the end of the reporting period, the Group complied with the applicable prudence standards in all material respects.
(l) We determined the materiality levels at the planning stage. The materiality levels specify the limits up to which the irregularities identified may be left unadjusted without detriment to the quality of the consolidated financial statements or the correctness of the underlying books of account, since failing to make such adjustments will not be misleading for the users of the financial statements. Materiality measures both the quantity and quality of the audited items, and therefore it varies for different balance sheet and income statement items. Due to the complexity and the number of the materiality levels adopted for audit purposes, they are included in the audit documentation.
(m) The consolidated financial statements for the previous year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued an unqualified opinion.
(n) The financial statements of the BRE Bank SA Group as at and for the year ended 31 December 2008 were approved by Resolution No. 27 of the General Shareholders' Meeting dated 16 March 2009, filed with the National Court Register in Warsaw on 20 March 2009 and published in Monitor Polski B No. 905, item 5198 on 4 June 2009.

VI. Final information and comments

This report has been prepared in connection with our audit of the consolidated financial statements of the BRE Bank SA Group, in which BRE Bank SA, Warsaw, ul. Senatorska 18, is the Parent Company. The audited consolidated financial statements comprised:

(a) the consolidated statement of financial position as at 31 December 2009, showing total assets and total liabilities & equity of PLN 81,023,886 thousand;
(b) the consolidated income statement for the period from 1 January to 31 December 2009, showing a net profit of PLN 130,523 thousand;
(c) the consolidated statement of comprehensive income for the period from 1 January to 31 December 2009, showing comprehensive income of PLN 229,977 thousand;
(d) the consolidated statement of changes in equity for the period from 1 January to 31 December 2009, showing an increase in the equity of PLN 223,118 thousand;
(e) the consolidated cash flow statement for the period from 1 January to 31 December 2009, showing net cash outflows of PLN 1,780,998 thousand;
(f) additional information on the adopted accounting policies and other explanatory notes.

The consolidated financial statements were signed by the Management Board of the Parent Company on 1 March 2010. This report should be read in conjunction with the Independent Registered Auditor's Opinion to the General Shareholders' Meeting and the Supervisory Board of BRE Bank SA dated 1 March 2010, concerning the said consolidated financial statements. The opinion is a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of the individual components of the consolidated financial statements or issues.
This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., registered audit company no. 144:

Adam Celiński
Registered Auditor for the Group, Key Registered Auditor
No. 90033
Warsaw, 1 March 2010

BRE BANK SA GROUP

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2009

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Selected Financial Data

The selected financial data are supplementary information to these consolidated financial statements of BRE Bank SA Group for 2009.

SELECTED FINANCIAL DATA FOR THE GROUP		in'000 PLN		in EUR '000	
		Year ended 31.12.2009	Year ended 31.12.2008	Year ended 31.12.2009	Year ended 31.12.2008
I.	Interest income	3 453 207	3 639 652	795 560	1 030 450
II.	Fee and commission income	1 001 287	869 839	230 679	246 267
III.	Net trading income	406 374	483 854	93 622	136 988
IV.	Operating profit	209 389	1 000 115	48 240	283 150
V.	Profit before income tax	209 389	1 000 115	48 240	283 150
VI.	Net profit attributable to Owners of BRE Bank SA	128 928	857 459	29 703	242 762
VII.	Net profit attributable to minority interest	1 595	31 885	367	9 027
VIII.	Net cash flows from operating activities	(670 775)	(7 911 232)	(154 535)	(2 239 810)
IX.	Net cash flows from investing activities	(126 806)	403 437	(29 214)	114 220
X.	Net cash flows from financing activities	(983 417)	8 527 796	(226 562)	2 414 370
XI.	Net increase / decrease in cash and cash equivalents	(1 780 998)	1 020 001	(410 311)	288 780
XII.	Earnings on continued operations per 1 ordinary share (in PLN/EUR)	4.34	24.49	1.00	6.93
XIII.	Diluted earnings on continued operations per 1 ordinary share (in PLN/EUR)	4.34	24.47	1.00	6.93
XIV.	Declared or paid dividend per share (in PLN/EUR per share)	-	-	-	-

In the above selected financial data continued and discontinued operations are presented together in positions from I to XI

SELECTED FINANCIAL DATA FOR THE GROUP		in'000 PLN		in EUR '000	
		Year ended 31.12.2009	Year ended 31.12.2008	Year ended 31.12.2009	Year ended 31.12.2008
I.	Total assets	81 023 886	82 605 202	19 722 478	19 798 006
II.	Amounts due to the Central Bank	2 003 783	1 302 469	487 752	312 163
III.	Amounts due to other banks	25 019 805	27 488 807	6 090 211	6 588 248
IV.	Amounts due to customers	42 791 387	37 750 027	10 416 091	9 047 557
V.	Capital and reserves attributable to the Company's equity holders	4 120 187	3 894 452	1 002 918	933 384
VI.	Minority interest	150 967	153 584	36 748	36 810
VII.	Share capital	118 764	118 764	28 909	28 464
VIII.	Number of shares	29 690 882	29 690 882	29 690 882	29 690 882
IX.	Book value per share (in PLN/EUR)	138.77	131.17	33.78	31.44
X.	Diluted book value per share (in PLN/EUR)	138.59	131.08	33.73	31.41
XI.	Capital adequacy ratio	11.50	10.04	11.50	10.04

The following exchange rates were used in translating selected financial data into euro:
for items of the Statement of Financial Position – an exchange rate announced by the National Bank of Poland as at 31 December 2009 EUR 1 = PLN 4.1082 and an exchange rate announced by the National Bank of Poland as at 31 December 2008 EUR 1 = PLN 4.1724;

- for items of the Income Statement – an exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of 2009 and 2008: EUR 1 = PLN 4.3406 and EUR 1 = PLN 3.5321 respectively.

CONSOLIDATED INCOME STATEMENT	Note	Year ended 31 December	
		2009	2008
Continued operations			
Interest income	6	3 453 207	3 637 222
Interest expense	6	(1 795 030)	(2 244 770)
Net interest income		**1 658 177**	**1 392 452**
Fee and commission income	7	1 001 287	844 463
Fee and commission expense	7	(406 564)	(292 997)
Net fee and commission income		**594 723**	**551 466**
Dividend income	8	99 067	9 429
Net trading income, including:	9	406 374	483 855
Foreign exchange result		415 048	517 314
Other trading income		(8 674)	(33 459)
Gains less losses from investment securities	23	(772)	135 765
Other operating income	10	263 522	266 505
Net impairment losses on loans and advances	13	(1 097 134)	(269 144)
Overhead costs	11	(1 285 425)	(1 346 601)
Amortization and depreciation	25 26	(259 362)	(203 475)
Other operating expenses	12	(169 781)	(153 106)
Operating profit		**209 389**	**867 146**
Profit before income tax from continued operations		**209 389**	**867 146**
Income tax expense	14	(78 866)	(108 435)
Net profit from continued operations		**130 523**	**758 711**
Discontinued operations	28		
Profit before income tax from discontinued operations		-	132 969
Income tax expense		-	(2 336)
Net profit from discontinued operations		**-**	**130 633**
Net profit from continued and discontinued operations		**130 523**	**889 344**
Net profit from continued and discontinued operations, attributable to:			
- Owners of BRE Bank SA		128 928	857 459
- Non-controlling interests		1 595	31 885
Net profit from continued operations attributable to Owners of BRE Bank SA		**128 928**	**726 826**
Weighted average number of ordinary shares		**29 690 882**	**29 680 542**
Earnings on continued operations per 1 ordinary share (in PLN)	**15**	**4.34**	**24.49**
Weighted average number of ordinary shares for diluted earnings		**29 729 741**	**29 701 246**
Diluted earnings on continued operations per 1 ordinary share (in PLN)	**15**	**4.34**	**24.47**

Notes presented on pages 36 – 156 constitute an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note	Year ended 31 December	
		2009	2008
Financial result		**130 523**	**889 344**
Other comprehensive income subject to taxation	**16**	**99 454**	**(278 443)**
Exchange differences on translating foreign operations (net)		6 114	13 569
Available-for-sale financial assets (net)		93 340	(292 012)
Total comprehensive income net of tax, total		**229 977**	**610 901**
Total comprehensive income (net), attributable to:			
- Owners of BRE Bank SA		229 406	568 887
- Non-controlling interests		571	42 014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Note	31.12.2009	31.12.2008
ASSETS			
Cash and balances with the Central Bank	17	3 786 765	2 512 333
Debt securities eligible for rediscounting at the Central Bank	18	9 134	9 238
Loans and advances to banks	19	2 530 572	6 104 093
Trading securities	20	1 065 190	4 624 621
Derivative financial instruments	21	1 933 627	5 632 872
Loans and advances to customers	22	52 468 812	52 142 477
Investment securities	23	13 120 687	5 502 312
- Available for sale		13 120 687	5 502 312
Pledged assets	20, 23, 38	3 516 525	3 445 281
Investments in associates	24	1 150	16 953
Intangible assets	25	441 372	438 452
Tangible fixed assets	26	786 446	814 469
Current income tax assets		125 308	-
Deferred income tax assets	35	331 828	327 558
Other assets	27	906 470	1 034 543
Total assets		**81 023 886**	**82 605 202**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	29	2 003 783	1 302 469
Amounts due to other banks	29	25 019 805	27 488 807
Derivative financial instruments and other trading liabilities	21	1 935 495	6 174 491
Amounts due to customers	30	42 791 387	37 750 027
Debt securities in issue	31	1 415 711	1 790 745
Subordinated liabilities	32	2 631 951	2 669 453
Other liabilities	33	776 195	996 280
Current income tax liabilities		904	218 807
Deferred income tax liabilities	35	544	81
Provisions	34	176 957	166 006
Total liabilities		**76 752 732**	**78 557 166**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Note	31.12.2009	31.12.2008
Equity			
Equity attributable to Owners of the parent		4 120 187	3 894 452
Share capital:		1 521 683	1 521 683
- Registered share capital	39	118 764	118 764
- Share premium	40	1 402 919	1 402 919
Retained earnings:	**41**	**2 712 394**	**2 587 137**
- Profit from the previous years		2 583 466	1 729 678
- Profit for the current year		128 928	857 459
Other components of equity	42	(113 890)	(214 368)
Non-controlling interests		**150 967**	**153 584**
Total equity		**4 271 154**	**4 048 036**
Total equity and liabilities		**81 023 886**	**82 605 202**
Capital adequacy ratio	**48**	**11,50**	**10,04**
Book value		**4 120 187**	**3 894 452**
Number of shares		**29 690 882**	**29 690 882**
Book value per share (in PLN)		**138.77**	**131.17**
Diluted number of shares		**29 729 741**	**29 711 586**
Diluted book value per share (in PLN)		**138.59**	**131.08**

Notes presented on pages 36 – 156 constitute an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Changes in equity from 1 January to 31 December 2009

	Note	Share capital		Retained earnings					Other components of equity		Equity attributable to Owners of BRE Bank SA, total	Non-controlling interest	Total equity
		Registered share capital	Share premium	Pozostały kapitał zapasowy	Other supplementary capital	Other reserve capital	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available for sale financial assets			
Equity as at 1 January 2009		**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**958 791**		**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**
- reclassification to book value through profit and loss account		-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies		-	-	-	-	-	-	-	-	-	-	-	-
- adjustment of errors		-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2009		**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**958 791**	**-**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**
Total comprehensive income	**16**							**128 928**	**7 156**	**93 322**	**229 406**	**571**	**229 977**
Dividends paid		-	-	-	-	-	-	-	-	-	-	(3 188)	(3 188)
Transfer to General Risk Fund		-	-	-	-	105 900	(105 900)	-	-	-	-	-	-
Transfer to reserve capital		-	-	-	13 334	-	(13 334)	-	-	-	-	-	-
Transfer to supplementary capital		-	-	790 419	-	-	(790 419)	-	-	-	-	-	-
Stock option program for employees	41	-	-	-	(3 671)	-	-	-	-	-	(3 671)	-	(3 671)
- value of services provided by the employees		-	-	-	(3 671)	-	-	-	-	-	(3 671)	-	(3 671)
Equity as at 31 December 2009		**118 764**	**1 402 919**	**1 761 960**	**53 158**	**719 210**	**49 138**	**128 928**	**3 017**	**(116 907)**	**4 120 187**	**150 967**	**4 271 154**

Consolidated Statement of Changes in Equity

Changes in equity from 1 January to 31 December 2008

	Note	Share capital		Retained earnings					Other components of equity		Equity attributable to Owners of BRE Bank SA, total	Non-controlling interest	Total equity
		Registered share capital	Share premium	Pozostały kapitał zapasowy	Other supplementary capital	Other reserve capital	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available for sale financial assets			
Equity as at 1 January 2008		**118 643**	**1 398 789**	**322 262**	**22 288**	**559 110**	**829 215**	**-**	**(7 579)**	**81 783**	**3 324 511**	**116 812**	**3 441 323**
- reclassification to book value through profit and loss account		-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies		-	-	-	-	-	-	-	-	-	-	-	-
- change in the scope of consolidation		-	-	-	-	-	(6 789)	-	-	-	(6 789)	-	(6 789)
- adjustment of errors		-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008		**118 643**	**1 398 789**	**322 262**	**22 288**	**559 110**	**822 426**	**-**	**(7 579)**	**81 783**	**3 317 722**	**116 812**	**3 434 534**
Total comprehensive income	**16**							**857 459**	**3 440**	**(292 012)**	**568 887**	**42 014**	**610 901**
Dividends paid		-	-	-	-	-	-	-	-	-	-	(12 419)	(12 419)
Transfer to General Risk Fund		-	-	-	-	54 200	(54 200)	-	-	-	-	-	-
Transfer to reserve capital		-	-	-	10 440	-	(10 440)	-	-	-	-	-	-
Transfer to supplementary capital		-	-	653 929	-	-	(653 929)	-	-	-	-	-	-
Loss coverage with supplementary capital		-	-	(2 731)	-	-	2 731	-	-	-	-	-	-
Issue of shares	39, 40	121	2 784	-	-	-	-	-	-	-	2 905	-	2 905
Additional shareholder payments		-	-	-	-	-	-	-	-	-	-	2	2
Change in the scope of consolidation		-	-	(1 919)	-	-	1 919	-	-	-	-	-	-
Other changes		-	-	-	-	-	(7 175)	-	-	-	(7 175)	7 175	-
Stock option program for employees	41	-	1 346	-	10 767	-	-	-	-	-	12 113	-	12 113
- value of services provided by the employees		-	-	-	12 113	-	-	-	-	-	12 113	-	12 113
- settlement of exercised options		-	1 346	-	(1 346)	-	-	-	-	-	-	-	-
Equity as at 31 December 2008		**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**101 332**	**857 459**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**

Notes presented on pages 36 – 156 constitute an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows	Note	Year ended 31 December	
		2009	2008
A. Cash flow from operating activities		**(670 775)**	**(7 911 232)**
Profit before income tax		**209 389**	**1 000 115**
Adjustments:		**(880 164)**	**(8 911 347)**
Income taxes paid (negative amount)		(466 859)	(190 884)
Amortisation		259 362	203 720
Foreign exchange (gains) losses		5 783	640 007
(Gains) losses on investing activities		(13 197)	(260 433)
Impairment of financial assets		17 840	-
Dividends received		(99 092)	(9 472)
Interest received		(2 116 956)	(2 305 749)
Interest paid		1 561 443	1 674 979
Change in loans and advances to banks		929 627	39 348
Change in trading securities		3 730 876	(1 678 005)
Change in derivative financial instruments		3 699 245	(3 360 234)
Change in loans and advances to customers		1 655 068	(16 473 103)
Change in investment securities		(8 066 164)	(1 908 931)
Change in other assets		144 518	(240 255)
Change in amounts due to other banks		(1 251 740)	6 762 888
Change in financial instruments and other trading liabilities		(4 238 996)	4 010 277
Change in amounts due to customers		3 840 382	4 297 628
Change in debt securities in issue		(271 183)	(316 487)
Change in provisions		10 951	85 731
Change in other liabilities		(211 072)	117 628
Net cash from operating activities		**(670 775)**	**(7 911 232)**

B. Cash flows from investing activities		**(126 806)**	**403 437**
Investing activity inflows		**133 776**	**781 666**
Disposal of stocks or shares in associates	24	-	485 013
Disposal of stocks or shares in subsidiaries, net of cash disposed		17 181	-
Disposal of intangible assets and tangible fixed assets		17 287	13 755
Other investing inflows		99 308	282 898
Investing activity outflows		**260 582**	**378 229**
Acquisition of stocks or shares in subsidiaries, net of cash acquired		272	-
Purchase of intangible assets and tangible fixed assets		259 566	378 229
Other investing outflows		744	-
Net cash used in investing activities		**(126 806)**	**403 437**

Consolidated Statement of Cash Flows	Note	Year ended 31 December	
		2009	2008
C. Cash flows from financing activities		**(983 417)**	**8 527 796**
Financing activity inflows		**4 637 079**	**19 562 231**
Proceeds from loans and advances from other banks		2 432 049	14 431 066
Proceeds from other loans and advances		209 030	-
Issue of debt securities		1 996 000	4 381 408
Increase of subordinated liabilities		-	746 852
Issue of ordinary shares		-	2 905
Financing activity outflows		**5 620 496**	**11 034 435**
Repayments of loans and advances from other banks		3 024 300	4 864 369
Repayments of other loans and advances		25 774	148 734
Redemption of debt securities		2 105 515	5 202 590
Decrease of subordinated liabilities		-	359 500
Payments of financial lease liabilities		342	1 072
Dividends and other payments to non-controlling interests		3 187	12 266
Interest payments on loans received from banks and subordinated liabilities		461 378	445 904
Net cash from financing activities		**(983 417)**	**8 527 796**
Net increase / decrease in cash and cash equivalents (A+B+C)		**(1 780 998)**	**1 020 001**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses		(44 849)	157 364
Cash and cash equivalents at the beginning of the reporting period		8 693 727	7 516 362
Cash and cash equivalents at the end of the reporting period	**44**	**6 867 880**	**8 693 727**

Notes presented on pages 36 – 156 constitute an integral part of these Consolidated Financial Statements.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information Concerning the Group of BRE Bank SA

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

- **strategic** – shares and equity interests in companies supporting the different particular business lines of BRE Bank SA (corporates and financial markets line, retail banking line, asset management line) with an investment horizon not shorter than 3 years. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank;
- **other** – company shares and equity interests acquired in exchange for receivables, in transactions resulting from composition and work out agreements with debtors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

The parent entity of the Group is BRE Bank SA, a joint stock company registered in Poland and a part of Commerzbank AG Group. The head office of the Bank is located at 18 Senatorska St., Warsaw, Poland.

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

As at 31 December 2009, the BRE Bank SA Group covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA; the parent entity

Bank Rozwoju Eksportu SA (Export Development Bank) was established by Resolution of the Council of Ministers N´ 99 of 20 June 1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, 16th Economic Registration Division on 23 December 1986 in the Business Register under the number RHB 14036. The 9th Extraordinary Meeting of Shareholders held on 4 March 1999 adopted the resolution changing the Bank's name to BRE Bank SA. The new name of the Bank was entered in the Business Register on 23 March 1999. On 11 July 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Register (KRS) under number KRS 0000025237.
According to the Polish Classification of Business Activities, the business of the Bank was classified as "Other banking business" under number 6512A. According to the Stock Exchange Quotation, the Bank is classified as pertaining to the "Banks" sector of the "Finance" macro-sector.
According to the By-laws of the Bank, the scope of its business consists of providing banking services and consulting-advisory services in financial matters, as well as the conduct of business activities within the scope described in its By-laws. The Bank operates within the scope of corporate, institutional and retail banking (including private banking) throughout the whole country and operates trading and investment activity.
Foreign branches of mBank in both the Czech Republic and Slovakia opened business under the retail banking umbrella of BRE Bank.
The Bank provides services to Polish and international corporations and individuals, both in the local currency (Polish Zloty, PLN) and in foreign currencies. In particular, the Bank supports all kinds of activities leading to the development of exports.
The Bank may open and maintain accounts with Polish and foreign banks, and can possess foreign exchange assets and trade in them.
The average employment in 2009 was: in BRE Bank SA 5 162 persons and in the Group 7 473 persons (2008: BRE Bank 5 364; the Group 6 982).
The business activities of the Group are conducted in the following business segments, presented in detail in the Note 5.

Corporates and Financial Markets, including:

Corporates and Institutions

BRE Bank Hipoteczny SA, subsidiary
The core business of BRE Bank Hipoteczny SA is to grant mortgage loans to finance commercial real estate, development projects and local governments and issuing mortgage and public bonds.
Moreover, the company accepts term deposits, takes loans, is entrusted with securities for safekeeping and purchases shares of other entities whose legal form ensures the limitation of the Bank's liability up to the level of money invested.
The Bank holds directly and indirectly through BRE Holding, its subsidiary, 100% of the shares of the company.

BRE Corporate Finance SA, subsidiary
The company focuses on four key areas: mergers and acquisitions, privatisation, strategic consulting, and fund sourcing, including public and private issues of stocks.

BRE Holding Sp. z o.o., subsidiary
The company was founded in connection with restructuring conducted within the BRE Bank Group with the object of maintenance of effective cooperation with the companies of the corporate banking area. The company holds 50.004% of the shares of BRE Leasing Sp. z o.o., 50% of the shares of Polfactor SA and 75.71% of the shares of BRE Bank Hipoteczny.

BRE Leasing Sp. z o.o., subsidiary
The company's core business is to acquire, rent, lease, and hire chattels, and to acquire, build, rent and lease all types of plots of land, buildings, and facilities. The company may conduct transactions and take actions aimed at direct or indirect pursuit of its business objectives, including purchase of receivables and agency services in real estate trading. The company has a network of offices in the largest cities of Poland. The Bank holds indirectly through BRE Holding, its subsidiary, 50.004% of the company's shares.

Dom Inwestycyjny BRE Banku SA, subsidiary
The company's core business is to provide services related to trading in securities rights in property other than securities, and other financial instruments on the capital market in accordance with the applicable law and the licences held by the company.

Garbary Sp. z o.o., subsidiary
Managing real estate located at 101/111 Garbary St. in Poznań is the only task of the company. The real estate consists of several meat factories which are not used at present. The company employs 2 persons.

Intermarket Bank AG, subsidiary
Four companies, centred around the Austrian bank Intermarket Bank AG, which are in leading/strong market positions on their home markets, provide factoring services both on domestic and foreign markets. The Intermarket Group, apart from Intermarket Bank AG, consists of the companies operating on the Czech market (Transfinance a.s.), the Hungarian market (Magyar Factor zRt.) and the Polish market (Polfactor SA).
The Intermarket Group primarily offers its services to the fast moving consumer goods sector, the metal sector, the building materials sector and the food sector.
The main products of Intermarket Bank AG are: finance factoring - providing financing against bought receivables and full finance – a product combining financing with receivables management services as well as enforcement.

Magyar Factor zRt., subsidiary
Magyar Factor zRt. provides domestic, export and import factoring services as part of Factors Chain International, an international organisation of factoring companies. The Bank holds 50% of Magyar Factor zRt.'s shares and Intermarket Bank AG holds the remaining 50%.

Polfactor SA, subsidiary
The Bank holds an indirect (through BRE Holding, its subsidiary) 50% share in the share capital and 50.01% of votes at the General Meeting of the company and Intermarket Bank AG holds the remaining shares. The company provides factoring services for domestic, export and import transactions as part of Factors Chain International.

Transfinance a.s., subsidiary
The core business of the company includes purchase of receivables and intermediary services in collection of these receivables. The Bank holds 50% of Transfinance's shares and Intermarket Bank AG holds the remaining 50%.

Tele-Tech Investment Sp. z o.o., subsidiary
The company's core business involves investment in securities and trading in receivables, executing securities transactions on its own account, management of controlled companies as well as business and management consulting services. The company has no employees.

BRE GOLD Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych, subsidiary
As of November 2009 the Group consolidates BRE GOLD Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych after BRE Bank acquired all its investment certificates (A and B series). The only asset of the fund is the package of PZU SA shares which was previously held by BRE Bank directly. The agreement on the transfer of PZU SA shares from BRE Bank to BRE GOLD Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych is described below under "Other information concerning the companies of the Group".

Trading and Investment Activity

BRE Finance France SA, subsidiary
It is a special purpose vehicle. The company obtains funds for the Bank, issuing debt securities on international financial markets. On 9 December 2009 the last tranche of bonds issued by the company on 9 December 2004 in the amount of USD 10 million was redeemed.

Retail Banking (including private banking)

Aspiro Sp. z o.o. (previously: emFinanse Sp. z o.o.), subsidiary
The company emFinanse Sp. z o.o. was founded in August 2005. Since 2 October of 2009 the company has conducted its business as Aspiro Sp. z o.o. In the first half of 2009 the company concentrated on preparations for to new operating activity consisting in both the sale of credit products of mBank and MultiBank, and extending the product offer. For this purpose, the sales force of mBank and MultiBank was transferred to the company and advanced negotiations with suppliers of products were carried out. In the second half of 2009 the company started operating activity – sale of credit products. On 25 June BRE Bank as the only shareholder of the company, decided to capitalise the company in the amount of PLN 10 million. The amount was used to finance the operating activity of the company at the early development stage.

BRE Wealth Management SA, subsidiary
The core business of BRE Wealth Management is securities portfolio management for clients as well as providing wealth management services comprising: finance planning, tax and investment advising.

BRE Ubezpieczenia TUiR SA, subsidiary
The company started its activity in January 2007. The core business of the company is insurance activity within the scope of the second division of underwriting – Other personal insurances and property insurances. The company sells its products both through the Internet platform produced in cooperation with retail branches of BRE Bank and typical products known as bancassurance for customers of BRE Bank sold by hand of an underwriter, the company BRE Ubezpieczenia Sp. z o.o. The Bank holds 100% of the company's shares.

BRE Ubezpieczenia Sp. z o.o., subsidiary
The company started its activity in the middle of 2006. The core business involves services provided as an underwriter and services within the scope of settlements due to insurance agreements of insured persons. Its direct parent entity is BRE Ubezpieczenia TUiR SA. The Bank holds 100% shares in the company indirectly, through BRE Ubezpieczenia TUiR SA.

Asset Management (discontinued operations Note 28)

After 30 December 2008 the Group had no shares in companies whose activities were presented in previous periods as discontinued operations under the asset management segment.
Detailed Information concerning discontinued operations is presented in comparative data under Note 28 of these financial statements.

Remaining business:

Centrum Rozliczeń i Informacji CERI Sp. z o.o., subsidiary
The core business of the company includes providing services such as settlements, database servicing, electronic data and document archiving and input of data to systems.

BRE.locum SA, subsidiary
BRE.locum is a property developer. It invests in real estate, primarily residential buildings, manages the property and provides consulting services. As its core business, the company develops and assesses investment projects; arranges for, supervises and prepares building designs; supervises and performs construction work; acts as a 'substitute investor' for building projects; sources funds for investments; finds tenants; operates commercial real estates; trades in real estate; provides real estate trading services; offers advice for realisation of investments in real estate and real estate trading and mediates in real estate trading.

Other information concerning the companies of the Group

On 2 October 2009, according to a decision of the Łódź District Court, the change of the name of the company emFinanse Sp. Z o.o. to Aspiro Sp. Z o.o was registered in the National Court Register.
On 5 November 2009 BRE Bank acquired all deposit certificates (A and B series), issued by BRE GOLD FIZ Aktywów Niepublicznych – closed-end investment fund of non-public assets in exchange for 651 660 PZU SA shares. The only asset of the fund is the package of PZU SA shares which was previously held by BRE Bank directly. In connection with ownership of 100% of certificates issued by BRE GOLD FIZ Aktywów Niepublicznych, BRE Bank started consolidation of the fund as of November of 2009.
Additionally, information concerning the nature of business conducted by the companies is described under Note 5 "Business Segments" of these Consolidated Financial Statements.

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

Company	31.12.2009		31.12.2008	
	Share of voting rights (directly and indirectly)	Consolidation method	Share of voting rights (directly and indirectly)	Consolidation method
Aspiro Sp. z o.o. (previously emFinanse Sp. z o.o.)	100%	full	100%	full
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Corporate Finance SA	100%	full	100%	full
BRE Holding Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia TUiR SA	100%	full	100%	full
BRE Wealth Management SA	100%	full	100%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full
Tele-Tech Investment Sp. z o.o.	100%	full	100%	full
BRE Finance France SA	99.98%	full	99.98%	full
BRE.locum SA	79.99%	full	79.99%	full
Magyar Factor zRt.	78.12%	full	78.12%	full
Polfactor SA	78.12%	full	78.12%	full
Transfinance a.s.	78.12%	full	78.12%	full
Intermarket Bank AG	56.24%	full	56.24%	full
BRE Leasing Sp. z o.o.	50.004%	full	50.004%	full
BRE GOLD FIZ Aktywów Niepublicznych	100% of certificates	full	-	-

The Management Board of BRE Bank SA approved these Consolidated Financial Statements for issue on 1 March 2010.

2. Description of Relevant Accounting Policies

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

2.1. Accounting Basis

These Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 12 - month period ended 31 December 2009. These Consolidated Financial Statements of BRE Bank SA Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union, according to the historical cost method, as modified by the revaluation of available for sale financial assets, financial assets and financial liabilities measured at fair value through the Income Statement as well as all derivative contracts.
The drafting of the financial statements in compliance with IFRS requires the application of specific accounting estimates. It also requires the Management Board to use its own judgment when applying the accounting policies adopted by the Group. The issues in relation to which a greater degree of judgment is required, more complex issues, or such issues which involve a significant degree of application of estimates or judgments for the purpose of the Consolidated Financial Statements are disclosed in the Note 4.

2.2. Consolidation

Subsidiaries:
Subsidiaries comprise any entities (including special purpose vehicles) over which the Group has the power to manage their financial and operating policies generally accompanying a shareholding of a majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.18).
Inter-Group transactions, balances and unrealised gains on transactions between the companies of the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.
The company also applies accounting policy in line with IFRS 3 Business Combinations to combinations of businesses under common control.
Consolidation does not cover those companies whose scale of business operations is immaterial in relation to the volume of business of the Group, as well as companies acquired for the purpose of their resale or liquidation.

Associates:
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are settled using the equity method of accounting and they are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on the acquisition date (see Note 2.18).
The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the Income Statement, whereas its share in changes in other reserves since the date of acquisition – in other reserves. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition. When the share of the Group in the losses of an associate becomes equal to or greater than the share of the Group in that associate, possibly covering receivables other than secured claims, the Group discontinues the recognition of any further losses, unless it has assumed obligations or has settled payments on behalf of the respective associate.
Unrealised gains on transactions between the Group and its associates are eliminated proportionally to the extent of the Group's interest in the respective associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. The accounting policies applied by the associates have been adjusted, wherever necessary, to assure consistency with the accounting principles applied by the Group.

2.3. Interest Income and Expenses

All interest proceeds linked with financial instruments carried at amortised cost using the effective interest rate method are recognised in the Income Statement.
The effective interest rate method is a method of calculation of the amortised initial value of financial assets or financial liabilities and allocation of interest income or interest expenses to the proper periods. The effective interest rate is the interest rate at which the discounted future payments or future cash inflows are equal to the net present carrying value of the respective financial asset or liability. When calculating the effective interest rate, the Group estimates the cash flows taking into account all the contractual conditions attached to the given financial instrument, but without taking into account the possible future losses on account of non-recovered loans. This calculation takes into account all the fees paid or received between the contracting parties, which constitute an integral component of the effective interest rate, as well as transaction expenses and any other premiums or discounts.
Following the recognition of an impairment loss on a financial asset or a group of similar financial assets, the subsequent interest income is measured according to the interest rate at which the future cash flows were discounted for the purpose of valuation of impairment.

Interest income includes interest and commissions received or due on account of loans, inter-bank deposits or investment securities recognised in the calculation of the effective interest rate.
Interest income, including interest on loans, is recognised in the Income Statement, and on the other side in the Statement of Financial Position as receivables from banks or from other customers.

The calculation of the effective interest rate takes account of the cash flows resulting from only those embedded derivatives which are strictly linked to the underlying contract.

2.4. Fee and Commission Income

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

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

Additionally, fee and commission income on insurance activity comprises income on services provided by insurance agent and income on account of payments for arranging instalments for a premium for insurance products sold through the Internet platform. Payment on account of arranging instalments for a premium is recognised entirely at the policy issue date.

Income on account of services provided as an insurance agent is recognised at the time of performance of the services in the net amount, after deduction of expenses (directly connected with the income) of services provided by the entities from outside of the Group.

2.5. Insurance premium revenue

Insurance premium revenue accomplished upon insurance activity is recognised at the policy issue date and calculated proportionally over the period of insurance cover. Insurance premium revenue is recognised under other operating income in the Consolidated Financial Statements of the Group.

2.6. Compensations and benefits, net

Compensations and benefits, net concern insurance activity. They comprise payoffs and charges made in the reporting period due to compensations and benefits for events arising in the current and previous periods, together with costs of claim handling and costs of enforcement of recourses, less received returns, recourses and any recoveries, including recoveries from sale of remains after damages and reduced by reinsurers' share in these positions. Costs of claims handling and costs of enforcement of recourses also comprise costs of legal proceedings. The item also comprises compensations and benefits due to co-insurance activity in the part related to the share of the Group. Compensations and benefits, net are recognised together with insurance premium revenue recognition under other operating income in the Consolidated Financial Statements of the Group.

2.7. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Management Board of the Bank as its chief operating decision-maker (as defined in IFRS 8).

In accordance with IFRS 8, the Group has the following business segments: Retail Banking, Corporates and Markets including Corporates and Institutions and Trading and Investment Acivity, and the remaining business. The Group does not distinguish geographic segments as reportable segments.

2.8. Financial Assets

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

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

Disposals of debt and equity securities held for trading are accounted according to the weighted average method.
The Group classifies financial assets/financial liabilities as measured at fair value through the income statement if they meet either of the following conditions:

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

If a contract contains one or more embedded derivatives, the Group designates the entire hybrid (combined) contract as a financial asset or financial liability at fair value through the Income Statement unless:

a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
b) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

The Group also designates the financial assets/ financial liabilities at fair value through the Income Statement when doing so results in more relevant information, because either

a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
b) a group of financial assets, financial liabilities or both is properly managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

Financial assets and financial liabilities classified to this category are valued at fair value upon initial recognition.
Interest income/expense on financial assets/financial liabilities designated at fair value, except for derivatives the recognition of which is discussed in the Note 2.15, is recognised in net interest income. The valuation and result on disposal of financial assets/ financial liabilities designated at fair value is recognised in trading income.
The Group did not designate any financial assets/financial liabilities as measured at fair value through the Income Statement at the initial recognition.

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

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

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

In reporting periods presented in these consolidated financial statements, there were no assets held to maturity at the Group.

Available for Sale Investments
Available for sale investments consist of investments which the Group intends to hold for an undetermined period of time. They may be sold, e.g., in order to improve liquidity, in reaction to changes of interest rates, foreign exchange rates, or prices of equity instruments.
Interest income and expense from available for sale investments are presented in net interest income. Gains and losses from sale of available for sale investments are presented in gains and losses from investment securities.
Standardised purchases and sales of financial assets at fair value through the Income Statement, held to maturity and available for sale are recognised on the settlement date – the date on which the Group delivers or receives the asset. Changes in fair value in the period between trade and settlement date with respect to assets carried at fair value is recognised in profit or loss or in other components of equity. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs, except for financial assets at fair value through the Income Statement. Financial assets are excluded from the Statement of Financial Position when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Group has transferred substantially all risks and rewards of ownership.

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

The fair value of quoted investments in active markets is based on current bid prices. If the market for a given financial asset is not an active one, the Group determines the fair value by applying valuation techniques. These comprise recently conducted transactions concluded according to normal market principles, reference to other instruments, discounted cash flow analysis, as well as valuation models for options and other valuation methods generally applied by market participants.
If the application of valuation techniques does not ensure obtaining a reliable fair value of investments in equity instruments not quoted on an active market they are stated at cost.
Investments in associates are initially recognised at cost and settled using the equity method of accounting.

2.9. Reinsurance assets

The Group transfers insurance risks to reinsurers in the course of typical operating activities in insurance activity. Reinsurance assets comprise primarily reinsurers' share in technical-insurance provisions.

The amounts of settlements with reinsurers are estimated according to relevant reinsured polices and reinsurance agreements. Tests for impairment of reinsurance assets are carried out if there is objective evidence that the reinsurance asset is impaired. Impairment loss of reinsurance asset is calculated if either there is an objective evidence that the Group might not receive the receivable in accordance with the agreement or the value of such impairment can be reliably assessed.

If in a subsequent period the impairment loss is decreasing and the decrease can be objectively related to an event occurring after the recognition of impairment, then the previously recognised impairment loss is reversed as an adjustment of the impairment loss through the Consolidated Income Statement.

The reversal cannot cause an increase of the carrying amount of the financial asset more than the amount which would constitute the amortised cost of this asset on the reversal date if the recognition of the impairment did not occur at all.

2.10. Offsetting Financial Instruments

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

2.11. Impairment of Financial Assets

Assets Carried at Amortised Cost
At the end of the reporting period, the Group estimates whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

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

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

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

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

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

Assets Measured at Fair Value
At the end of the reporting period the Group estimates whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost resulting from higher credit risk is considered in determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value – is removed from equity and recognised in the Income Statement. The above indicated difference should be reduced by the impairment concerning given asset which was previously recognised in the Income Statement. Impairment losses concerning equity instruments recorded in the Income Statement are not reversed through the Income Statement, but through equity. If the fair value of a debt instrument classified as available for sale increases in a subsequent period, and such increase can be objectively related to an event occurring after the recording of the impairment loss in the Income Statement, then the respective impairment loss is reversed in the Income Statement.

Renegotiated agreements
The Group considers renegotiations on contractual terms of loans and advances as evidence of impairment unless the renegotiation was not due to the situation of the debtor but had been carried out on normal business terms. In such a case the Group makes an assessment whether the impairment should be recognised on either individual or group basis.

2.12. Financial Guarantee Contracts

In accordance with amendment to IAS 39, which came into force at 1 January 2006, the Group has an obligation to recognise financial guarantee contracts in its financial statements.

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

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

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

2.13. Cash and Cash Equivalents

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

2.14. Sell-buy-back, Buy-sell-back, Reverse Repo and Repo Contracts

TRepo and reverse-repo transactions are defined as selling and purchasing securities for which a commitment has been made to repurchase or resell them at a contractual date and for a specified contractual price and are recognised when the money is transferred.

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

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

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

Securities borrowed under "buy-sell-back" transactions and then lent under "sell-buy-back" transactions are not recognised as financial assets.

As a result of "sell-buy-back" transactions concluded on securities held by the Group, financial assets are transferred in such a way that they do not qualify for derecognition. Thus, the Group retains substantially all risks and rewards of ownership of the financial assets.

2.15. Derivative Financial Instruments and Hedge Accounting

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

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

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

In accordance with IAS 39 AG 30 (g), there is no need to separate the prepayment option from the host debt instrument for the needs of consolidated financial statements, because the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument. If the value of prepayment option was not to be closely linked to the underlying debt instrument, the option should be separated and fair valued in the consolidated financial statements of the Group.

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

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
b) The hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.
c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

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

Income and expense from interest rate derivative financial instruments and their valuation are presented in net trading income.

Fair Value Hedges

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

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

Cash Flow Hedges
The effective part of the fair value changes of derivative instruments designated and qualifying as cash flow hedges is recognised in equity. The gain or loss concerning the ineffective part is recognised in the Income Statement of the current period.

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

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

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting
Changes of the fair value of derivative instruments that do not meet the criteria of hedge accounting are recognised in the Income Statement of the current period.

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:
a) Futures contracts for bonds, index futures
b) Options for securities and for stock-market indices
c) Options for futures contracts
d) Forward transactions for securities
e) Commodity swaps

Interest rate risk instruments:
a) Forward Rate Agreement (FRA)
b) Interest Rate Swap (IRS), Overnight Index Swap (OIS)
c) Interest Rate Options

Foreign exchange risk instruments:
a) Currency forwards, fx swap, fx forward
b) Cross Currency Interest Rate Swap (CIRS)
c) Currency options.

2.16 Gains and Losses on Initial Recognition

The best evidence of fair value of a financial instrument at initial recognition is the transaction price (i.e., the fair value of the payment given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

A transaction for which the fair value determined using a valuation model (where inputs are both observable and non-observable data) and the transaction price differ is initially recognised is at the transaction price. The Group assumes that the transaction price is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as ‘day one profit and loss’, is not recognised immediately in the Income Statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument’s fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the income statement without reversal of deferred day one profits and losses.

2.17. Borrowings

Borrowings (including deposits) are initially recognised at fair value reduced by the incurred transaction costs. After the initial recognition, borrowings are recorded at adjusted cost of acquisition (amortised cost). Any differences between the amount received (reduced by transaction costs) and the redemption value are recognised in the Income Statement over the period of duration of the respective agreements according to the effective interest rate method.

2.18. Intangible Assets

Intangible assets are recognised at their cost of acquisition adjusted by the costs of improvement (rearrangement, development, reconstruction, adaptation or modernisation) and accumulated amortisation. Accumulated amortisation is accrued by the straight line method taking into account the expected period of economic useful life of the respective intangible assets.

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

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

Goodwill is allocated to cash generating units or groups of cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with
IFRS 8.

Computer software
Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. These costs are amortised on the basis of the expected useful life of the software (2-11 years). Expenses attached to the development or maintenance of computer software are expensed when incurred. Costs directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Group, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets.
Direct costs comprise personnel expenses attached to the development of software and the corresponding part of the respective general overhead costs.

Capitalised costs attached to the development of software are amortised over the period of their estimated useful life. Computer software directly connected with the functioning of specific information technology hardware is recognised as "Tangible fixed assets".

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

Development costs' useful lives are finite and the amortisation period does not exceed 3 years. Amortisation rates are adjusted to the period of economic utilisation. The Group shows separately additions from internal development and separately those acquired through business combinations.

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

Intangible assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the Statement of Financial Position might not be possible to be recovered.

2.19. Tangible Fixed Assets

Tangible fixed assets are carried at historical cost reduced by depreciation. Historical cost takes into the account the expenses directly attached to the acquisition of the respective assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Any other expenses incurred on repairs and maintenance are expensed to the Income Statement in the reporting period in which they were incurred.

Accounting principles concerning assets held for liquidation or withdrawal from usage were described under Note 2.21.

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

- Buildings and constructed structures 25-40 years,
- Equipment 5-15 years,
- Transport vehicles 5 years,
- Information technology hardware 3.33-5 years,
- Investments in the third party (leased) fixed assets 10-40 years or the period of the lease contract,
- Office equipment, furniture 5-10 years.

GLand and buildings consist mainly of branch outlets and offices. Residual values and estimated useful life periods are verified at the end of the reporting period and adjusted accordingly as the need arises.

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

If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs (cash-generating unit of the asset).

Gains and losses on account of the disposal of fixed assets are determined by comparing the proceeds from their sale against their carrying value in the Statement of Financial Position and they are recognised in the Income Statement.

2.20. Inventories

Inventories are stated at the lower of: cost of purchase/cost of construction and net realisable value. Cost of construction of inventories comprises direct construction costs, the relevant portion of fixed indirect production costs incurred in the construction process and the borrowing costs, which can be directly allocated to the purchase or construction of an asset. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs. The amount of any inventory write-downs to the net realisable value and any inventory losses are recorded as costs of the period in which a write-down or a loss occurred and they are classified as the cost of finished goods sold. Reversals of inventory write-downs resulting from increases in their net realisable value are recorded as a reduction of the inventories recognized as cost of the period in which the reversals took place. Inventory issues are valued through detailed identification of the individual purchase prices or costs of construction of the assets which relate to the realisation of the individual separate undertakings. In particular, inventories comprise land and rights to perpetual usufruct of land designated for use as part of construction projects carried out. They also comprise fixed assets held for lease as well as fixed assets taken over as a result of terminated lease agreements.

2.21. Non-Current Assets Held for Sale and Discontinued Operation

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and it sale must be highly probable, i.e., the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

Discontinued operations are a component of the Group that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation or is a subsidiary acquired exclusively with a view to resale. The classification to this category takes places at the moment of sale or when the operation meets criteria of the operation classified as held for sale, if this moment took place previously.
Disposal group which is to be taken out of usage may also be classified as discontinued operation.

2.22. Deferred Income Tax

The Group forms a provision for the temporary difference on account of deferred corporate income tax arising due to the discrepancy between the timing of recognition of income as earned and of costs as incurred according to accounting regulations and according to legal regulations concerning corporate income taxation.

A positive net difference is recognised in liabilities as "Provisions for deferred income tax". A negative net difference is recognised under "Deferred income tax assets". Any change in the balance of the deferred tax liability in relation to the previous accounting period is recorded under the item "Income tax". The balance sheet method is applied for the calculation of the deferred corporate income tax.

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

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

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

The Group presents the deferred income tax assets and provisions netted in the Statement of Financial Position separately for each subsidiary undergoing consolidation. Such assets and provisions may be netted against each other if the Group possesses the legal rights allowing it to simultaneously account for them when calculating the amount of the tax liability.

In the case of the Bank, the deferred income tax assets and deferred income tax provisions are netted against each other for each country separately where the Bank conducts its business and is obliged to settle corporate income tax.

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

Deferred income tax for the Group is provided on assets or liabilities due to temporary differences arising from investments in subsidiaries and associates, except where, on the basis of any evidence, the timing of the reversal of the temporary difference is controlled by the Group and it is possible that the difference will not reverse in the foreseeable future.

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

2.23. Assets Repossessed for Debt

Assets repossessed for debt at their initial recognition are measured at their fair values. In case the fair value of acquired assets is higher than the debt amount the difference constitutes a liability toward the debtor.

At the end of the reporting period the initial amount is tested for impairment.

2.24. Prepayments, Accruals and Deferred Income

Prepayments are recorded if the respective expenses concern the months succeeding the month in which they were incurred. Prepayments are presented in the Statement of Financial Position under "Other assets".

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

Deferred income comprises reinsurance and co-insurance commissions, resulting from insurance agreements included in reinsurance and co-insurance agreements, which are subject to settlement over the period in the proportional part to the future reporting periods.

Acquisition costs in the part attributable to the future reporting periods are subject to settlement proportionally to the duration of the relevant insurance agreements.

2.25. Leasing

BRE Bank SA Group as a Lessor
In the case of assets in use on the basis of a finance lease agreement, the amount equal to the net investment in the lease is recognised as receivables. The difference between the gross receivable amount and the present value of the receivables is recognised as unrealised financial income. The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

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

2.26. Provisions

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

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

Technical-insurance provisions for unpaid compensations, benefits and premiums concern insurance activity.
Provision for unpaid compensations and benefits is created in the amount of the established or expected final value of future compensations and benefits paid in connection with events before the reporting period date, including related claims handling costs.

Provision for unpaid compensations and benefits which were notified to the insurer and in relation to which the information held does not enable to assess the value of compensations and benefits is calculated using the lump sum method.

Provision for premiums is created individually for each insurance agreement as premium written, attributed to subsequent reporting periods, proportionally to the period for which the premium was written on the daily basis. However, in case of insurance agreements whose risk is not evenly apportioned in the period of duration of insurance, provision is created proportionally to the expected risk in subsequent reporting periods.

At each reporting date the Group tests for adequacy of technical-insurance provisions to ensure whether the provisions deducted by deferred acquisition costs are sufficient. The adequacy test is carried out using up-to-date estimates of future cash flows arising from insurance agreements, including costs of claims handling and policy-retated costs.

If the assessment reveals that the technical-insurance provisions are insufficient in relation to estimated future cash flows, then the whole disparity is promptly recognised in the Consolidated Income Statement through impairment of deferred acquisition costs or/and supplementary provisions.

2.27. Retirement Benefits and Other Employee Benefits

Retirement Benefits
The Group forms provisions against future liabilities on account of retirement benefits determined on the basis of an estimation of liabilities of that type, using an actuarial model. All provisions formed are charged to the Income Statement.

Benefits Based on Shares
The Group runs a program of remuneration based on and settled in own shares and shares of the ultimate parent of the Group. These benefits are accounted for in compliance with IFRS 2 Share-based Payment. The fair value of the work performed by employees in return for options and shares granted increases the costs of the respective period, corresponding to own equity in the case of transaction settled in own shares and liabilities in the case of transaction settled in shares of the ultimate parent of the Group (cash-settled part). The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options and shares to become exercisable are vested is determined on the basis of the fair value of the granted options and shares. There are no market vesting conditions that shall be taken into account when estimating the fair value of share options and shares at the measurement date. Non-market vesting conditions are not taken into account when estimating the fair value of share options and shares but they are taken into account through adjustment on the number of equity instruments. At the end of each reporting period, the Group revises its estimates of the number of options and shares that are expected to become exercised. In accordance with IFRS 2 it is not necessary to recognise the change in fair value of the share-based payment over the term of the program. In case of cash-settled part until the liability is settled, the Group measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

2.28. Equity

Equity consists of capital and own funds attributable to the Bank's equity holders, and minority interest created in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the By-laws or the company Articles of Association.

Registered share capital
Share capital is presented at its nominal value, in accordance with the By-laws and with the entry in the business register.

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

b) **Dividends**
Dividends for the given year, which have been approved by the Extraordinary General Meeting but not distributed at the end of the reporting period, are shown under the liabilities on account of dividends payable under the item "Other liabilities".

c) **Own Shares**
In the case of acquisition of shares or equity interests in the company by the company the amount paid reduces the value of equity as Treasury shares until the time when they are cancelled. In the case of sale or reallocation of such shares, the payment received in return is recognised in equity.

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

Retained earnings
Retained earnings include
- other supplementary capital,
- other reserve capital,
- general risk fund,
- undistributed profit for the previous year,
- net profit (loss) for the current year.

Other supplementary capital, other reserve capital and general risk fund are formed from allocations of profit and they are assigned to purposes specified in the By-laws or other regulations of the law.

Moreover, other reserve capital comprises valuation of employee options.

Other components of equity
Other components of equity result from:
- valuation of available for sale financial instruments,
- currency translation differences resulting from valuation of structural items.

2.29. Valuation of Items Denominated in Foreign Currencies

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

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

Foreign exchange differences arising on account of such non-monetary items such as financial assets measured at fair value through the Income Statement are recognised under gains or losses arising in connection with changes of fair value. Foreign exchange differences on account of such non-monetary assets as equity instruments classified as available for sale financial assets are recognised under other components of equity.
Changes in fair value of monetary items available for sale cover foreign exchange differences arising from valuation at amortised

cost, which are recognised in the Income Statement, and foreign exchange differences relating to other changes in carrying value, which are recognised under other components of equity.

Items of the Statement of Financial Position of foreign branches are converted from functional currency to the presentation currency with the application of the average exchange rate as at the end of the reporting period. Income Statement items of these entities are converted to presentation currency with the application of the arithmetical mean of average exchange rates quoted by the National Bank of Poland on the last day of each month of the reporting period. Foreign exchange differences so arisen are recognised under other components of equity.

Companies Belonging to the Group
The performance and the financial position of all the entities belonging to the Group, none of which conduct their operations under hyperinflationary conditions, the functional currencies of which differ from the presentation currency, are converted to the presentation currency as follows:
a) assets and liabilities in each presented Statement of Financial Position are converted at the average rate of exchange of the National Bank of Poland (NBP) in force at the end of this reporting period;
b) revenues and expenses in each Income Statement are converted at the rate equal to the arithmetical mean of the average rates quoted by NBP on the last day of each of twelve months of each presented periods; whereas
c) all resulting foreign exchange differences are recognised as a distinct item of equity.

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

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

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

Additionally, in the case of operating lease agreements, all future receivables on account of leasing payments (including receivables in foreign currencies) are not presented on the face of the financial reports. In the case of finance lease agreements the foreign exchange differences arising from the valuation of leasing payments due as well as of liabilities denominated in foreign currency are recognised through the Income Statement at the end of the reporting period.

2.30 Trust and Fiduciary Activities

BRE Bank SA operates trust and fiduciary activities including domestic and foreign securities and services provided to investment and pension funds.

Dom Inwestycyjny BRE Banku SA operates trust and fiduciary activities in connection with the handling of securities accounts of the clients.

The assets concerned are not shown in these financial statements as they do not belong to the Group.
Other companies belonging to the Group do not conduct any trust or fiduciary activities..

2.31 New Standards, Interpretations and Amendments to Published Standards

Changes in the published Standards and Interpretations that have come into force since 1 January 2009:

- IFRIC 13, Customer Loyalty Programmes, binding for annual periods starting on or after 1 January 2009.
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, binding for annual periods starting on 1 January 2009.
- IFRS 1 (Revised), First-Time Adoption of International Accounting Standards and IAS 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting on or after 1 January 2009.
- IFRS 2 (Revised), Share-based Payment, binding for annual periods starting on or after 1 January 2009.
- IFRS 7 (Revised) Financial Instruments: Disclosures, binding for annual periods starting on or after 1 January 2009.
  The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment resulted in additional disclosures but did not have an impact on the financial position or the comprehensive income of the Group.
- IFRS 8, Operating Segments, binding for annual periods starting on or after 1 January 2009.
- IFRS 8 was issued in November 2006 and replaced IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The application of IFRS 8 did not result in change of the number of operating segments, and did not have any material effect for the Group but has an impact on segment disclosure.
- IAS 1 (Revised), Presentation of Financial Statements, binding for annual periods starting on or after 1 January 2009.
  A revised version of IAS 1 was issued in September 2007. It changed the presentation of items of income and expenses in the statement of changes in equity (that is, 'non-owner changes in equity'), requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presented in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.
- IAS 23 (Revised), Borrowing Costs, binding for annual periods starting on or after 1 January 2009.
  The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The Group applied IAS 23 (Amendment) retrospectively from 1 January 2009. The Group started to capitalise the borrowing costs with respect to qualifying assets. The change did not materially impact the Group's financial result.
- IAS 32 (Revised), Financial Instruments: Presentation and IAS 1 (Revised), Presentation of Financial Statements-Puttable Financial Instruments and Obligation arising on Liquidation, binding for annual periods starting on or after 1 January 2009.
- Improvements to IFRS 2008 revising 20 standards, binding mostly for annual periods starting on 1 January 2009.
- Embedded Derivatives, Amendments to IFRIC 9 and IAS 39, binding for annual periods ended after 30 June 2009.

Published Standards and Interpretations which have been issued but are not yet binding or have not been adopted early:

- IFRIC 12, Service Concession Arrangements, binding for annual periods starting on 29 March 2009. Interpretation has not been approved by the European Union yet.
- IFRIC 14, (Revised), Prepayments of a Minimum Funding Requirement, binding for annual periods starting on or after 1 January 2011.
- IFRIC 15, Agreements for the Construction of Real Estate, binding for annual periods starting on or after 1 January 2009.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, binding for annual periods starting on or after 1 July 2009.
- IFRIC 17, Distribution of Non-Cash Assets to Owners, binding for annual periods starting after 1 November 2009.
- IFRIC 18, Transfers of Assets from Customers, binding for annual periods starting after 1 July 2009.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, binding for annual periods starting on or after 1 November 2010.
- IFRS 1 (Revised), Additional Exemptions in First-time Adoption of IFRS, binding for annual periods starting on or after 1 January 2010. Revision has not been approved by the European Union yet.
- IFRS 1 (Revised), Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, binding for annual periods starting on or after 1 July 2010. Revise has not been approved by the European Union yet.
- IFRS 2 (Revised), Share-based Payment, binding for annual periods starting on or after 1 January 2010. Revisions has not been approved by the European Union yet.
- IFRS 3 (Revised), Business Combinations, binding prospectively to business combinations for which the acquisition date is on or after 1 July 2009.

- IFRS 9, Financial Instruments, binding for annual periods starting on or after 1 January 2013. Standard has not been approved by the European Union yet.
- IAS 24, Related Party Disclosures, retrospectively binding for annual periods starting on or after 1 January 2011. Standard has not been approved by the European Union yet.
- IAS 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting after 1 July 2009.
- IAS 32 (Revised), Classification of Rights Issues, binding for annual periods starting on or after 1 February 2010.
- IAS 39 (Revised), Financial Instruments: Recognition and Measurement – criteria of qualification as hedged item, binding for annual periods starting on or after 1 July 2009.

Improvements to IFRS 2009 revising 12 standards, binding mostly for annual periods starting on 1 January 2010. Improvements have not been approved by the European Union yet.

The Group is considering the implications of the IFRS 9, the impact on the Group and the timing of its adoption by the Group. The Group believes that the application of remaining standards and interpretations will not have a significant effect on the financial statements in the period of their first application.

2.32 Comparative Data

Data prepared as at 31 December 2008 are totally comparable with data introduced in the current financial period so they were not adjusted.

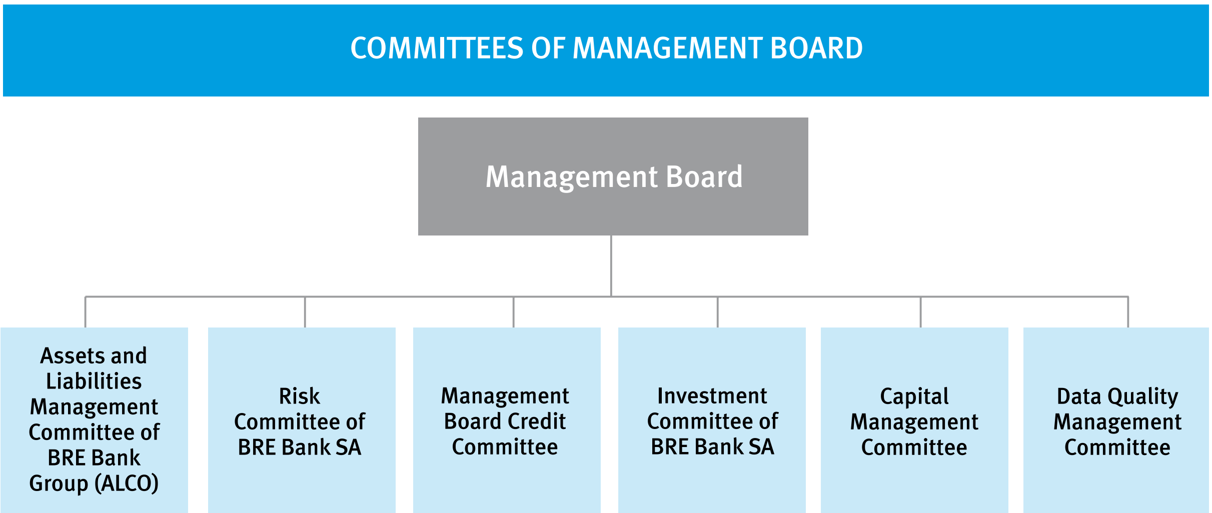
3. Financial and Insurance Risk Management

The structure of Risk Management in the BRE Bank Group

Risk management in the BRE Bank Group starts with widely understood responsibility of the Supervisory Board of BRE Bank, which, among other activities, grants approvals to the Bank's risk management strategies and polices. The Supervisory Board Risk Committee is a body within the Board aimed both at risk management processes supervision (especially market, liquidity, credit and operational risk management) and at assessment of the Bank's exposure to particular risks.

The Management Board Members of the Bank, adequately to their duties and powers, have assigned responsibilities for the different risk types present in the Bank's activities. The President of the Management Board of the Bank is responsible for the risk of the Bank's business strategy, reputation risk and compliance risk. The Vice-President, Head of Risk Management bears responsibility for the supervision of market, liquidity, credit and operational risk, and accordingly for the implementation of the risk strategies and realisation of the risk management polices in the Bank. The Head of Investment Banking, Member of the Management Board is responsible for investment risks. The Head of Operations and IT, Member of the Management Board bears responsibility for business processes risk. Moreover, the human resources risks are under supervision of the Bank Director in charge of Human Resources Management.

The daily management of market, liquidity, credit and operational risks is performed on several defined management levels, ranging from the Management Board level at the top to the risk control and management units level at the bottom. In order to effectively execute the above mentioned risk management duties, the Management Board has defined the appropriate organisational structure of the Bank with clearly assigned and divided responsibilities of particular units, as well as has delegated the supervision of different types of risk to the respective Committees. The below chart presents the structure of the Committees:

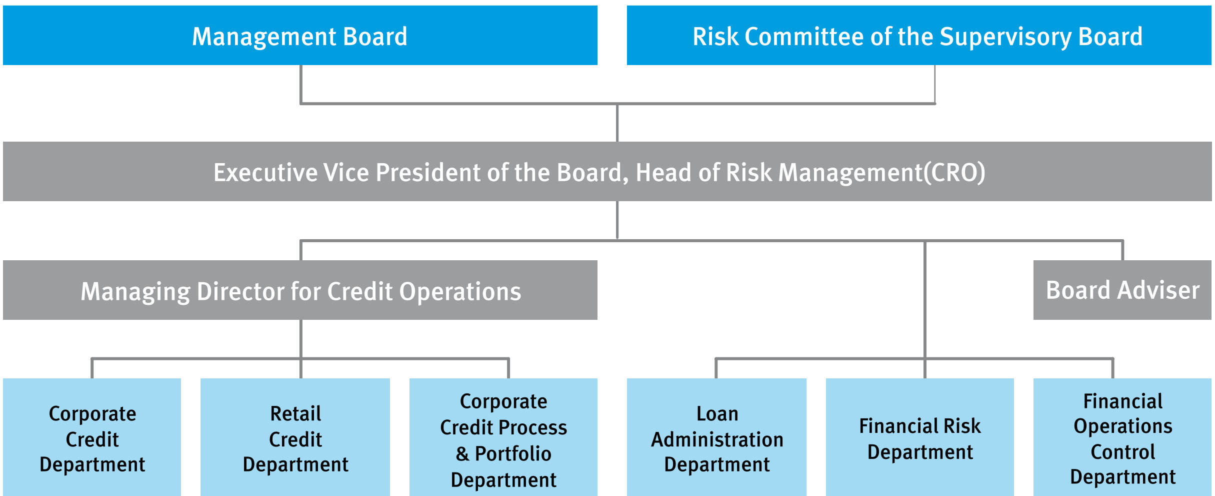


The Risk Committee of BRE Bank SA carries out the Management Board responsibilities in the area of control and management of financial risk (i.e. market, liquidity and banking book interest rate risk), portfolio credit risk and operational risk, including coordination of actions of the Bank's units participating in relevant risk control and management processes. The Risk Committee is comprised of four Management Board Members, out of which the Head of Risk Management chairs the Committee, and of the heads of the departments which control and monitor the risks, of the heads of departments which manage operationally the relevant risks, and of the heads of the Controlling Department, the Strategy Department, and the Internal Audit Department. The Committee is responsible for: setting the rules and the framework for the processes of control of financial and operational risks, setting the risk limits, accepting methodologies for calculations of regulatory and economic capital, approving financial risk measurement methodologies and reporting forms, setting the rules for inclusion of Bank's operations in the trading book or in the banking book respectively, setting the structure and minimal volume of liquidity reserves of the Bank, taking actions to neutralise the possibility of losing the Bank's liquidity. Moreover, the Risk Committee reviews regularly the Bank's exposure to market risk, banking book interest rate risk, liquidity risk, portfolio credit risk and operational risk, and assesses the Bank's capital adequacy level and the level of capital requirements, and reviews operational losses and the profile of operational risk of the Bank, reviews utilisation of limits established by the Committee and limits imposed by external supervisory institutions, presettlement and settlement limits, P&L results of front-office departments, and price conformity of concluded transactions with the market. The Committee holds its meetings on at least monthly basis.

The Management Board Credit Committee consists of: the Management Board Members, the adviser of the Management Board and the Heads of: the Corporate Credit Department, the Credit Administration Department (both Heads of the Departments enjoy voting power), the Trading Transaction Department (the Head of the Department does not enjoy voting power). The Committee is responsible for credit decisions concerning: loan exposures; debt conversions into shares, bonds etc. and other decisions exceeding competences of lower level decision-making bodies.

The Data Quality Management Committee for the purpose of calculating the regulatory capital requirement of the Bank (AIRB) was appointed due to the need for creating conditions for introduction and development of an effective system for managing the quality of data necessary in the processes related with application of the advanced approaches to calculation of the regulatory capital requirement. The gravity of the quality of data used in the management processes is of special importance in the case of advanced internal ratings based approach used, for example, in credit risk assessment. The rules of the system operation are set out in the Data Quality Management Policy and the Standards of Operation (good practice) approved by the Management Board and the Committee respectively. The Committee is composed of the Vice-President of the Management Board, Head of Risk Management (Chairperson), Head of Operations and IT (Vice-Chairperson) and representatives of the areas supervised by the Management Board members appointed by them. The works performed by the Committee are supported by the data quality units located in the retail and corporate part of the risk management area.

The Head of Risk Management (CRO) supervises the Risk Line, which consists of the Bank's units shown in the bottom on the diagram below.



Credit risk management is an integrated and continuous process operating at both the transaction and portfolio levels. The process is carried out within the credit departments responsible for clear definition of complementary areas.

The mission of the Corporate Credit Department (DKK) is mainly focused on the credit risk controlling and management in the area of Corporate Banking on the Bank level and the level of the subsidiaries of BRE Bank Group. The key functions of the DKK include: analysing and managing credit risk of the Bank's customers and the BRE Bank Group's subsidiaries (except for retail credits); monitoring the structure of exposure of the risk portfolio; analysing and managing country credit risk and controlling country limits; controlling customer limits (for non-financial customers, banks, and international financial institutions); assignment of customer and Expected Loss ratings.

The Corporate Credit Process and Portfolio Department (DPP) is responsible for organising the corporate credit process and supervising its course, establishing and implementing principles of operation of the data quality management system for the purpose of AIRB in the corporate area and supervising their observance. Moreover, in the future the Department will also prepare portfolio analyses of credit risk.

The mission of the Credit Administration Department (DAK) is to administer credit risk in the Corporate Banking and Private Banking Area. In particular, DAK administers credit risk provisions and monitors concentration risk in the case of large exposures.
The mission of the Retail Credit Department (DKD) is management of credit risk in retail banking on the domestic and foreign markets. The main operational responsibilities of DKD include: the assessment of credit risk and making credit decisions, administration of credit agreements concluded with retail clients, monitoring and collecting credit receivables. Furthermore, rules for assessment of credit risk and for calculation of exposure limits of retail clients are developed in the Department and they are implemented by means of tools which support the credit decision-making process.

All Departments co-operate closely in attributed areas. Finally, credit risk on the portfolio level is monitored, valued and reported by the Financial Risk Department (DRF).

Market risk is controlled and monitored by the Financial Risk Department (DRF) and the Financial Operations Control Department (DKF). DRF is responsible for measurement of exposures to market risk of the Bank's front-office units portfolios using market risk measures: Value at Risk (VaR) and stress tests. Moreover, DRF monitors the level of market risk in the subsidiaries of the BRE Bank Group having portfolios sensitive to market risk factors – in BRE Bank Hipoteczny, in BRE Leasing, and in Dom Inwestycyjny BRE Banku. DRF controls and monitors on a daily basis utilisation of the limits for these risk measures established by the Risk Committee of BRE Bank and provides daily and periodical reporting on market risk exposure to managers of the Bank's front-office units, to the Risk Committee of BRE Bank, and directly to the Head of Risk Management. Moreover, DRF carries research on market risk measurement methodologies, presettlement counterparty risk of derivative transactions, and establishes valuation models for financial instruments.

DKF calculates and reconciles daily P&L on transactions carried out by the front-office units and delivers daily reconciled P&L to the financial division. NPV of derivative transactions is also delivered to the business units responsible for managing clients (investment and corporate division). Likewise valuations prepared at DKF are the basis for exchanging collateral which mitigates counterparty credit risk in derivative transactions. Moreover, DKF is responsible for the administration of the front-office dealing systems, supervises access rights to the systems and is responsible for feeding market data to the systems utilised at the Bank. DKF monitors whether transactions carried out are within earlier established credit limits (pre-settlement, settlement, issuer and country risk) imposed on trading activities and monitors infringement escalation. Likewise, DKF verifies the market conformity of the transactions carried out by the front-office units and supervises the process of modifying and deleting deals in the front-office systems.

The purpose of l**iquidity risk management** is to ensure and maintain the Bank's ability to fulfill both current and future liabilities taking into account the cost of liquidity obtaining. The liquidity management process consists of the procedures that aim at identification, measurement, controlling, monitoring, reducing and defining the acceptable level of the risk exposure. This process can be divided into two main elements in the operational sense: the part involving all forms of management and the part of controlling and monitoring liquidity risk. The Assets and Liabilities Management Committee of the BRE Bank Group, the BRE Bank Risk Committee and the Management Board of the Bank are responsible for liquidity management on the strategic level. On the operational level responsible for liquidity management are: the Settlement and Custody Department – operational supervision over cash flows in the Bank's accounts and the Treasury Department providing necessary funds for the settlements in the Bank's accounts, implementing strategic decisions made by the Assets and Liabilities Management Committee of the BRE Bank Group, calibrating the structure of the future cash flows within the limits imposed by the BRE Bank Risk Committee, maintaining defined securities portfolios whose purpose is to secure liquidity within the limits imposed by the BRE Bank Risk Committee and the Assets and Liabilities Management Committee of the BRE Bank Group. The Treasury Department is supported in its tasks by the Financial Institutions Department (arranging funding from domestic and foreign banks and international financial institutions) and the Financial Markets Department (arranging issues of the Bank's debt securities).

The Financial Risk Department is in charge of controlling and monitoring financial liquidity risk of the Bank on the strategic level and reporting to the Head of Risk Management and to the BRE Bank Risk Committee. The Financial Risk Department monitors financial liquidity on a daily basis using methods based on the cash flow analysis. Liquidity risk measurement is based on the regulatory model and an internal model, which has been established taking into consideration the specific character of the Bank, the volatility of deposit base, the level of funding concentration and projected development of particular portfolios. The value of mismatch of cash flows over defined periods of time (the liquidity gap), the level of liquidity reserves of the Bank, the usage of external and internal liquidity limits are monitored daily. The Bank assesses the current liquidity situation and the probability of its deterioration using scenario methods including stress tests. The Bank has established a Liquidity Contingency Plan, which regulates the proceedings in the case of illiquidity threat. The Contingency Plan defines the organisation of an appropriate warning system, the scope of responsibilities of particular officers and Committees in relation to the whole process and on each of its stages.

The operational risk control and monitoring function is realised by the Financial Risk Department on the Bank and the BRE Bank Group (consolidated) level. As a part of the operational risk control activities BRE Bank collects data about operational risk events and losses (loss collection database), regularly carries out the operational risk self-assessment within organisational units, collects and monitors key risk indicators and performs scenario analysis in order to identify exposure to potential high-severity events. At the same time the function maintains communication channels with all areas of the Bank (business and support areas) for remedial action once the systems spot critical patterns of operational risk in any area. The results of operational risk control and monitoring are reported to the Management Board, the BRE Bank Risk Committee and the Head of Risk Management on a regular basis. Within the scope of its operational risk control function duties, the Financial Risk Department closely co-operates with other units and projects within the Bank involved in operational risk, in particular with the Compliance Bureau, the Internal Audit Department and the Business Continuity Project.

The enhanced credit risk control function at the Group level is carried out by a specially dedicated Bureau established in the Corporate Credit Department. The main tasks of the Bureau are: analysing credit risk connected with new exposures of the companies, monitoring credit risk of the biggest exposures, analysis of risk portfolio quality, participation in development and modification of strategies, policies and risk management rules applied by the companies and supervision over planning and realisation of provisions, furthermore the biggest exposures audit with reference to the Group's commitments (consolidation of commitments).

An important part in the risk management process in the Bank is played by the well organised reporting system. On one hand, the Heads of the Bank's organisational units that deal with risk management operationally, report directly and on ongoing basis to the Management Board Members responsible for the relevant units. On the other hand, with regard to quantifiable risks, units of the Risk Line that control and monitor these risks submit independent risk reports to the Heads of the Departments that manage the respective risks operationally, to the Head of Risk Management, and to appropriate Committees of the Bank's Management Board. The CRO regularly presents reports concerning the risks under his supervision to the Risk Committee of the Supervisory Board and to the Management Board. Moreover, the above mentioned bodies are provided with regular reports about the risk profile of the Bank as a whole. In particular, a quarterly risk report addressed to the Risk Committee of the Supervisory Board, prepared by the units of the Risk Line, presents a comprehensive and synthetic approach to the risk profile of the Bank. Furthermore, every event that has considerable impact on the risk profile of the Bank is reported on an ad hoc basis and with no delay at reported to the appropriate levels of risk management system, depending on the significance of the situation.

The Capital Management Committee under the direction of the Vice-President of the Management Board of the Bank (the Chief Financial Officer) is advisory collegiate body performing among others advisory functions in relation to capital management to the Management Board. The Committee consists of the Bank's Directors of Finance, Risk, Investment Banking, Corporate Banking and Retail Banking Line. In particular, the Committee recommends to the Management Board capital management activities, including the capital strategy of the Bank and the Group, activities concerning maintenance of a safe level and optimal capital structure by the Bank and the Group, activities related to enhancement of capital utilisation, draft internal procedures, concerning planning and capital management processes.

Moreover, the Committee monitors and determines the structure of capital in order to provide optimal allocation of capital, taking into account the Bank's internal strategy, concerning the capital adequacy ratio and elaborating optimal return on capital. Additionally, the Committee participates in identification and validation of relevance of the risks. The Committee has powers in making-decisions on:

1) establishing management rules in relation to regulatory and internal capital,
2) approvals concerning estimation and maintenance of internal capital,
3) establishing the rules of capital estimation and allocation of capital to particular business areas of the Bank's activities, depending on the actual level of the risk taken,
4) establishing the rules of minimum margin assessment in relation to capital used and risks taken,
5) introducing capital measures,
6) limits of capital utilisation by particular business activities of the Bank and the units of the Bank.

The Committee has approval powers related to activities aiming at optimisation of capital utilisation and the capital strategy of the Bank, in particular long-term capital goals of the Bank within the scope of capital adequacy as well as the preferred structure of the capital.

The Bank has an **Assets and Liabilities Committee of BRE Bank Group (ALCO).**

ALCO performs advisory functions towards the Management Board in the following areas:
1) assets and liabilities management,
2) liquidity management,
3) funding of the Bank and the BRE Bank Group.

Its duties are:
1) decision-making on liquidity and sources of funding, taking into consideration the currency and maturity structure,
2) Bank's balance sheet management using a transfer pricing system,
3) carrying out regular reviews of:
   - liquidity,
   - currency size and structure as well as maturity structure of the portfolio of loans and deposits,
   - level of stable funding in relation to the amount of illiquid assets,
4) carrying out stress tests.

The Committee consists of:
1) Chairman of the Committee – Member of the Management Board, Head of Investment Banking,
2) Deputy Chairman of the Committee – Vice-President of the Management Board, the Chief Financial Officer,
3) Members of the Committee:
    - President of the Management Board, Director General of the Bank,
    - Vice-President of the Management Board, the Head of Risk Management,
    - Head of the Controlling Department,
    - Head of the Accounting Department,
    - Head of the Financial Risk Department.
    - Head of the Treasury Department,

The Chairman of the Committee can invite other employees of the Bank or employees of the companies of the BRE Bank Group to meetings if he deems their presence is grounded by the topics to be discussed.

The Members of the Committee meet once a month. In justified cases, the Chairman or the Deputy Chairman of the Committee can convoke an extraordinary session on their own initiative or on a motion of one of the Members of the Committee.

Authority to Approve Credit Decisions

The Bank actively manages credit risk, striving to optimise its level. For this purpose, uniform principles of credit risk management apply across the Bank's structure. The main principles include: separation of the functions of credit risk rating from the sales functions; setting exposure limits; monitoring the concentration risk of large exposures; monitoring concentration risk in other significant dimensions. The separation of the functions of credit risk rating from the sales functions applies at all levels in the Bank, up to and including the Management Board level. After a product is sold, exposures generating credit risk are also administered by the Risk Line, completely independently from the Sales Line. Limits of exposure are set per individual clients and groups of associated entities, sectors, countries, etc. The concentration risk of large exposures is monitored by means of imposing limits, making observations, and by provisioning by the units which offer products generating the risk of planned future exposure in correspondence with regulatory limits under the Banking Law.

The Corporate Banking Line has a credit decision-making scheme. Decisions on products generating credit risk are made by decision-making bodies whose composition, tasks, and procedures are uniform across all levels, the only difference is their powers. The authority of the decision-making bodies is determined on the basis of the amount of the Bank's total acceptable exposure to a client or a group of associated clients and the rating of exposure to a client or a group of associated clients set pursuant to the Bank's internal regulations. The specific rating is determined on the basis of the client's probability of default. Each credit decision is preceded by risk assessment carried out by an experienced analyst. The main purpose of the analysis is to determine the EL rating, i.e., the quality of the client as measured by expected loss caused by the Bank's exposure to the client's business. Depending on the level of the Bank's exposure to the client and the client's rating, the decisions are made by the relevant decision-making bodies after risk appraisal made by Risk Line.

The decision-making process for the Private Banking clients is identical to the process in Corporate Banking, i.e., the decision-making bodies (Credit Committees) make decisions within the scope of their authority, while appeals against credit decisions are elevated to a superior decision-making level.

The Bank applies other rules to the assessment of risk posed by funding retail clients (mBank and MultiBank). Due to a different profile of those clients, the amount of exposure per client and standardisation of products offered to those clients, the risk assessment and criteria for making credit decisions differ from those applied to corporate clients. The decision-making process is automated to a large extent, both in terms of acquiring data on the borrower from internal and external data sources, and in terms of risk assessment by means of the scoring techniques. The tasks which are not automated within this process refer mainly to verification of the credit documentation and are performed by operational units within the Risk Business Line. With reference to mBank and MultiBank clients, all the situations which diverge from the standard are forwarded to the senior level management.

The area of significant importance in the retail banking is that of mortgage-backed loans. The Bank reduces the probability of risk by application of a very conservative approach to the clients' creditworthiness and by favouring clients with a positive credit history. Another, independent factor decreasing loan loss in the case of the client's insolvency is a very strict approach to real estate valuation and the Bank's policy on applicable LtV (Loan to Value). With reference to other credit products offered to the clients of mBank and MultiBank, the Bank observes the rule which forbids granting non-secured loans, such as bank account overdrafts, credit cards and cash borrowings to new clients with no developed relation with the Bank or with no positive credit history in the banking system. Furthermore, the Bank analyses in detail the client's conduct in the period prior to submission of the credit application in order to identify clients that are about to end up in a vicious circle of debt or those already overburdened with loans taken.

The New Basel Capital Accord

The Bank is undertaking a project to implement the advanced methods (AIRB) of calculating capital requirements and the capital adequacy ratio. As a result of the project the Bank is ready to comply with AIRB Basel II requirements and it prepared and submitted on 18 December 2009 a motion to the Polish Financial Supervision Authority for the approval to use the advanced methods.

In view of the high complexity of the process of preparation to implement the AIRB method, the Basel II AIRB project has received the highest priority of the Bank's Management Board, and a team of specialists from Commerzbank has been engaged in the project in addition to the Bank's employees and the employees of the consulting company supporting the Bank.
The strategic goal of the project is to provide the potential for the development of BRE Bank Group due to optimisation of the level and the structure of risk weighted assets, and in consequence to improve the match of the structure and the level of capital requirements to the risk profile resulting from business operations of the Bank, which cannot be achieved with application of the standard methods.

The essential added value following from direct engagement of the strategic shareholder of BRE Bank in the project is not only the operational support in realisation of the project tasks but also the transfer of knowledge, experience and solutions both in relation to methodology and IT area which were worked out in the course of the Basel II AIRB project at Commerzbank. These solutions are adaptable to the needs and surroundings of BRE Bank and also reflect the specific conditions of the Polish market.
The ongoing support from the principal shareholder of the company is aimed at application of the knowledge and experience of Commerzbank in the process of implementation of the complex elements AIRB method at BRE Bank and at adaptation of the Bank, in the most efficient manner possible, to solutions used in the Commerzbank Group.

Work on the deployment of the AIRB method is also carried out by BRE BANK Hipoteczny SA and BRE Leasing Sp. z o.o. The project is related to the plan of use of AIRB by BRE Bank SA at the stand-alone and consolidated levels and the need to apply AIRB to an appropriate volume of risk-weighted assets of the BRE Bank Group. Completion of the project will result in a better alignment of the structure and level of capital requirements with the risk profile of the business operations conducted.

Insurance Risk Management

The risk connected with insurance contracts is the possibility of occurrence of the insured event and the uncertainty of the amount of the resulting claim the insurer is to pay by virtue of this event. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For the portfolio of insurance contracts where for creating new products, calculating premiums as well as producing financial plans for subsequent periods the theory of probability is applied, the basis risk is the risk of discrepancy between actual claims and their expected values.

As loss ratio-based estimates are usually based on historic values, there is the risk that their actual realisation will differ from their expected realisation with regard to factors changing over the period such as:
a) demographic structure of insured persons upon collective health insurance,
b) regulations of the law concerning the insurance market,
c) other regulations of the law affecting the insurance market.

Too small insurance portfolio which does not enable the Law of Great Numbers to function but also does not provide sufficient statistical information for proper risk management is also a factor increasing the risk of discrepancy between loss ratio-based estimates and their actual realisation.

In order to decrease this risk, the Group concentrates primarily on increasing given insurance risk portfolios while limiting the risk as well as the amount of individual risks insured on the Group's share by application of profound reinsurance.
In 2009 the Group offered short-term property and personal insurance contracts both in individual and collective models. However, the collective model is applied to the insurance portfolio known as bancassurance.

The Group also offers individual agreements in co-insurance with other insurers.
Collective agreements are usually concluded for one year with the possibility of renewal with the exception of tourist insurance agreements which are concluded for the duration of the trip, i.e., from 1 to 90 days. Once a year the Group has the right to propose new conditions while renewing the agreement or may not propose such renewal at all.

Collective agreements are concluded in perpetuity. However, the Group has the right to propose new conditions at any time with a three-month notice with the exception of financial agreements where the agreement conditions can be changed by mutual agreement or with a twelve-month notice.

The Group reinsures insurance contracts upon reinsurance agreements.

Concentration of insurance risk was presented in accordance with the breakdown by the groups and the scope of risks defined by the Polish Financial Supervision Authority as well as according to the individual and collective sale model.

The concentration of insurance risk stated in provisions for compensations and benefits

Gross risk	31.12.2009	share %	31.12.2008	share %
casualty	2 572	8	995	5
disease	5 076	15	1 482	8
casco of land vehicles	4 445	13	2 701	14
damages caused by elements	4 588	5	1 398	7
other material damages	1 522	4	687	4
civil liability due to owing and usage of land vehicles	8 802	26	4 042	20
civil liability	184	1	84	0
loan	6 480	19	6 341	32
guarantee	851	2	450	2
different financial risks	411	1	202	1
protection by law	103	0	48	0
providing help	2 164	6	1 474	7
Gross provision for compensations and benefits	**34 198**	**100**	**19 904**	**100**

Risk on own share	31.12.2009	share %	31.12.2008	share %
casualty	2 572	15	938	11
disease	5 076	29	1 482	17
casco of land vehicles	647	4	280	3
damages caused by elements	798	4	411	5
other material damages	1 284	7	595	7
civil liability due to owing and usage of land vehicles	1 400	8	461	5
civil liability	125	1	63	1
loan	3 778	21	3 277	38
guarantee	851	5	450	5
different financial risks	411	2	202	2
protection by law	103	1	48	1
providing help	566	3	391	5
Provisions for compensations and benefits on own share	**17 611**	**100**	**8 598**	**100**

Gross risk	31.12.2009	share %	31.12.2008	share %
individual	18 732	55	15 938	80
group	15 466	45	3 966	20
Provisions for compensations and benefits	**34 798**	**100**	**19 904**	**100**

Risk on own share	31.12.2009	share %	31.12.2008	share %
individual	5 636	32	5 616	65
group	11 975	68	2 982	35
Provisions for compensations and benefits on own share	**17 611**	**100**	**8 598**	**100**

Sensitivity analysis of provisions for damages

With regard to the accepted methodology of calculation of the IBNR provision (Naive Loss Ratio), total provisions for compensations and benefits together with costs of claims handling are generally linearly dependent on the assumed loss-based ratio, ULR (Ultimate Loss Ratio), accepted for calculation of the IBNR provision with the exception of situations when the ratio calculated only on the basis of damages claimed in a given group of insurance exceeds the accepted value of ULR.

However, the IBNR provision alone is sensitive to changes of assumed loss-based ratios.

Sensitivity analysis was carried out simultaneously for all insured risks of the portfolio, through a change of predicted IBNR ratios with other parameters of the model being unchanged.

The following table presents changes of the IBNR provision depending on changes of parameters of predicted ULR ratios:

Change of ULR ratio (%)		Change of IBNR provision (%)		IBNR provision (PLN '000)		Change of the value of IBNR provision (PLN '000)		The impact on profit after reinsurance (PLN '000)	
31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
(20)	(20)	(46)	(53)	14 084	6 876	(11 803)	7 686	4 689	4 212
(10)	(10)	(24)	(34)	19 550	9 660	(6 337)	4 902	2 405	2 943
-	-	-	-	25 887	14 562	-	-	-	-
10	10	25	37	32 277	19 884	6 390	(5 322)	(2 413)	(3 262)
20	20	49	73	38 669	25 207	12 783	(10 645)	(4 826)	(6 525)

Provisions adequacy analysis

Based on a carried out provisions adequacy analysis, the main actuary states that technical-insurance provisions (reduced by activated acquisition costs) as at 31 December 2009 were created at a level sufficient to cover commitments arising from insurance agreements till 31 December 2009.

Another source of insurance risk is insurance fraud which occurs in a higher or lesser degree in most of insurance products. This phenomenon consists in fraudulent claims for compensations or benefits which are not due actually.

Methods limiting the results of occurrence of the above indicated phenomenon include among others: preventive actions taken up by insurance companies (registers etc.) as well as procedures preventing acceptance of such risk for insurance and relevant procedures of claims handling

Capital management

Since the start of business of BRE Ubezpieczenia TUiR SA, i.e., 15 January 2007, capital management in both insurance companies is connected with the aspiration for maintenance of regular adequacy. The purpose of the Group within the scope of capital management is the maintenance of the capacity of both insurance companies of the Group for continuance of business and maintenance of an optimal structure of capital in order to reduce costs of capital.

For this purpose, the Group constantly monitors the value of its own resources in relation to the margin of solvency and guarantee capital in accordance with capital requirements imposed by regulations binding in Poland (Insurance Activity Act and Accounting Act with relevant decrees).

In accordance with these regulations, the company BRE Ubezpieczenia TUiR SA is obliged to hold own resources in the value not lower than the margin of solvency and not lower than the guarantee capital. The guarantee capital equals the bigger of: one-third of the margin of solvency or minimum value of the guarantee capital.

The Decree of Minister of Finance, which takes into account the necessity of ensuring solvency of companies conducting insurance activities, determines the manner of calculation of the solvency margin and minimum value of the guarantee capital.

Own resources of the company are the assets of the insurance company, excluding:
1) assets assigned for coverage of all expected commitments;
2) intangible assets other than DAC (Deferred Acquisition Cost);
3) own shares held by the insurance company;
4) deferred income tax assets.

The company BRE Ubezpieczenia TU SA is guided only by the law requirements in calculating the solvency margin and the minimum guarantee capital.

Insurance companies check the compliance of capital with law requirements as at the end of each reporting period. Within the whole year 2009 the law requirements were met.

The following table presents own resources of the company BRE Ubezpieczenia TUiR SA and coverage of the solvency margin and the guarantee capital as at 31 December 2009 and 31 December 2008.

PLN '000	31.12.2009	31.12.2008
Own resources	45 479	20 050
Margin of solvency	11 391	11 391
Minimal guarantee capital	13 351	11 512
1/3 rd of margin of solvency	3 797	3 797
Own resources surplus for coverage of margin of solvency	34 088	8 659
Guarantee capital	13 351	11 512
Own resources surplus for coverage of guarantee capital	32 128	8 538

The impact of the worldwide turmoil on the financial and insurance risk management

The financial worldwide turmoil has had also an impact on the Polish economy, and has put Polish financial institutions, banks in particular, in a very strained environment. The main problem since the emergence of the crises in the Polish market has been the rapidly drying liquidity on the interbank market. The Risk Committee of BRE Bank in October 2008 decided to implement actions within the liquidity contingency plan to secure the Bank's ability to cover its obligations and to have stable funding sources, although the liquidity profile of the Bank remained safe and stable at that time. Moreover, in order to have reliable diagnosis of the liquidity needs of the Bank, scenarios used in assessment of the Bank's liquidity profile were adjusted accordingly to reflect the current situation on the financial markets. Due to the crisis in the interbank market, both in Poland and internationally, the Bank decided to fund long-term CHF assets with direct credit lines within the Group, and thus gained independence of funding from the expensive and illiquid interbank market of fx swaps and CIRS. In addition, the Bank strengthened its monitoring of the customer deposit portfolio. ALCO took a range of decisions (approved by the Bank's Management Board) concerning the pricing policy of deposit and savings products offered to retail and corporate clients which were historically very stable. The decisions were aimed at maintaining an attractive product offering and sourcing stable long-term funding at a cost lower than interbank and capital market prices (interbank borrowings, issues of own securities).

Another problem faced by the Bank was the increased counterparty exposure of the Bank to its corporate clients caused by sudden reverse of the trends of major market parameters, such as accelerated depreciation of the Polish Zloty and high market volatility. In response to this situation, in addition to typical actions as calls for collaterals, the Bank adjusted internal parameters used in evaluation of potential future counterparty exposure as a measure to assess this risk correctly in the currently strained market. Moreover, in order to appropriately value the Bank's positions in corporate debt securities, the Bank priced these securities by applying updated credit spreads with respect to default risk of the issuer, concentration risk and the cost of the capital consumption.

In view of the current situation, while assessing capital adequacy, the Group also decided to calculate its economic capital in a conservative way anticipating strong correlation between risk categories.

Due to significant write-offs in respect of the risk posed by the consumer loan portfolio (mainly cash loans), in H1 2009, the Bank introduced major changes in the rules for granting those loans, mainly in the area of creditworthiness assessment, also to reduce the influx of the clients who are already in a vicious circle of debt. Simultaneously, the Bank introduced changes tightening up the process of borrower verification. Implemented modifications aim at minimising the credit risk and the operational risk posed by fraud. Due to worse quality of the clients acquired by external agents, the Bank has changed the model of credit product sales and focused on supporting own network of outlets and increasing sales to existing clients.

What is more, the Bank has been monitoring this portfolio closely. The reviews are carried out in two stages – by cross-sectional analyses and by verification of individual transactions in terms of identified risks.

As regards monitoring of timely repayment, the process of contacting clients with amounts due on their accounts has changed significantly. At present, the Bank uses new communication channels, including text messages and e-mails, whereas the client is contacted already on the day following his/her delay in repayment. Finally, the construction of the product itself was revised, and due to changes implemented in May, the product has been much simpler in handling, mainly for Clients not using Internet banking.

Due to the declining financial standing of companies, controls of credit risk in leasing were made more rigorous last year. Actions taken include the introduction of a system of sector limits, reduction of funding of heavy vehicles under simplified procedures, stricter criteria of client risk rating, introduction of a client classification based on the history of relations, and increase of clients' own share in transaction value. Following the implementation of the AIRB project as of 1 January 2010, credit risk assessment in leasing is now fully harmonised with credit risk assessment at the Bank, including the development of a scoring model of retail banking clients and the adoption of the Bank's rating model of corporate clients. Expected Loss is now calculated for each transaction, and additionally transactions are subject to expert estimates.

3.1. Strategy in Using Financial Instruments

Due to its nature, the business of the Group focuses on using financial instruments, including derivatives. The Group accepts customers' deposits with both fixed and variable interest for various terms and attempts to earn above-average percent margins by investing the funds in top quality assets. The Group works to increase its percentage margins by accumulating short-term funds and lending the funds for longer terms, for higher interest rates, while retaining liquidity at a level ensuring that all liabilities are met.

Further, the Group works to improve its earnings by obtaining above-average margins, net of provisions, by lending funds to corporate and retail customers with varying credit ratings. Such exposures include not only credits and loans recognised in the Balance Sheet but also guarantees and other off-balance sheet liabilities, such as letters of credit, good performance guarantees, etc.

Also, the Group trades in listed and unlisted financial instruments, including derivatives, in order to take advantage of short-term changes on the equity instruments, bonds, currencies and interest rate markets. The Management Board sets exposure limits for overnight market positions.

Hedge Accounting
The Group did not use hedge accounting in the reporting periods.

3.2. Credit Risk

GThe Group is exposed to credit risk, i.e., risk that a borrower may be unable to repay its liabilities to the Group on time and in amounts due. The Group creates provisions for its losses on the reporting date. Because of strong concentration of the risk portfolio, a change in the economy or an industry sector with a large share in the Group's portfolio may create additional risk, for which no provisions were made on the reporting date. For this reason, the Management monitors the customers and customer groups in connection with the service of which the exposure of the Group is significant.

The Group manages the level of its credit exposure by setting limits for acceptable risks per borrower or group of related borrowers and by using a structure of sub-limits. Sub-limits make it possible to adjust a limit to the requirements of customers in functional terms and, on the other hand, they enable control of the use of funds provided to each customer. The risk management exercise involves also setting limits for geographic and industrial concentration. Credit risk is monitored daily on the basis of financial documents received from customers and observation of all trends, signals, and economic projections. In addition, the Group can access external database and information services that capture economic information in various cross-sections.

In response to the unfavorable development of the market situation, the Group introduced significant changes to the credit policy. A more conservative approach had been adopted in respect of customer creditworthiness and collateral polices.

The most important changes were the following:
1. change of creditworthiness model parameters,
2. restrictions in respect of customers without a documented positive credit history,
3. restrictions in the area of loans secured with real estate under construction,
4. limitation of the maximum loan amount for mortgage loans with Low Down-payment Insurance (to the level of 100% of real estate value).
5. in the area of loans to Small Enterprises rules were introduced for obligatory collateral in the form of mortgage for loans in the amount of more than PLN 1 million as well as decreasing the acceptable LtV by 20 percentage points for such transactions.

In 2009, despite the fact that financial markets became more stable, the real estate market reported stagnation. Therefore, the Bank still applied conservative solutions to the credit policy, as introduced already in late 2008, which referred mainly to mortgage-backed transactions, including:
a. increased requirements for DTI (Debt to Income) ratio, aiming at reduction of the risk posed by the client's insolvency;
b. reduction in financing real estate by decreasing the acceptable LtV ratio, mainly in the case of real estate located on low liquidity markets, which aim at retaining high recovery rates in the case of mortgage collateral execution.

Additionally, in H1 2009, the Bank undertook measures in order to tighten up the credit policy in the area of non-secured loans of the retail portfolio, mainly for the clients with no earlier relations with the Bank. These measures consisted mainly in:
a. discontinuation of the application procedure which did not require an income statement to be provided;
b. limiting the risk posed by acquiring clients already in a vicious circle of debt by changing the client acquisition model (terminating cooperation with agents), centralisation of the verification process and change in the schema of decision-making powers.

Credit risk connected with the Group's insurance activity is significantly limited in accordance with a policy of safe allocating of all resources. For the purpose of limitation of the risk, resources are allocated primarily in term placements in a bank as well as in debt securities of the State Treasury. In the course of typical operating insurance activity, credit risk is connected mainly with financial insurances, i.e., it relates mainly to enforcement of recourse receivables from persons causing damage, and with obligatory civil liability insurance of owners of motor vehicles in the case of premium paid in instalments. The risk of non-enforcement of both due premiums and recourse receivables was taken into account in calculation of insurance premiums. Credit risk is also connected with passive reinsurance of the Group. In order to limit the risk, the Group, in its risk management policy, only allows for transactions with reinsurers with rating on a level acceptable or higher in the long-term horizon.

3.2.1 Collateral

Derivative instruments

The Group controls net open derivatives, i.e., the difference between purchase and sale contracts, both in terms of amount and maturity. The amount exposed to credit risk is limited at any time to the present fair value of the instruments with positive values (assets), which, in relation to derivative instruments, represents only a small fraction of contract or nominal value used to express the volume of the existing instruments. The level of exposure to this credit risk, together with potential risk exposure related to market changes, is managed under the overall credit limits for customers. . In case of the growth of value of exposure (growth of value favourable to the Bank or, in theory, growth of weights of the risk for calculation of potential loss) related to transactions on derivatives or in case of exceeding a limit, the customer is asked to provide or increase the collateral. Typically, the Bank does not require collateral for credit risk related to such instruments. The exception is a situation when the Bank requires deposits as collateral from its contracting parties.

Master netting agreements

Master netting agreements made with contracting parties with which the Group concludes large transactions are an additional measure used by the Group to limit the credit risk. As a rule, such master netting agreements do not result in compensation of balance sheet assets and liabilities because transactions are usually settled in gross amounts. However, credit risk related to a favourable agreement is alleviated through execution of a master netting agreement because if the agreement is breached, all accounts with the contracting party are terminated and realised in net amounts. The total credit risk exposure of the Group related to derivative instruments covered by master netting agreements can undergo significant changes over a short time because each transaction covered by the agreement affects the exposure.

Off-balance sheet credit-related commitments

These instruments are used mainly to ensure availability of required funds to customers. "Standby" guarantees and letters of credit, representing irrevocable assurance of payment of a customer's liabilities to third parties by the Group if the customer is unable to do so, involve the same risk as credits. Documentary letters of credits and commercial letters of credit (CLC), representing written commitments of the Group given to a customer, authorising third parties to draw checks on the Group up to an agreed amount and on specified terms, are secured with deliveries of goods they relate to, by which they involve less risk than direct credits.

Credit-related off-balance sheet commitments concern the unused parts of credits, guarantees and letters of credit granted by the Group. As regards credit risk related to credit commitments, the Group can be exposed to loss equal to the whole amount of unused credit commitments. However, the probable amount of loss is smaller than the whole amount of unused credit commitments because most of such commitments are contingent on meeting specific credit standards by customers. The Group monitors the terms of validity of credit commitments because, as a rule, longer terms involve larger risk.

Collateral on securities resulting from buy-sell-back transactions

The Bank accepts collateral in the form of securities in connection with the buy-sell-back transactions concluded. Depending on the agreement such collateral may be sold or repledged. The total market value of collateral that can be sold or repledged, including the case of lack of default of the customer, as at 31 December 2009 amounted to PLN 710 379 thousand (as at 31 December 2008: PLN 925 775 thousand), including the value of taken collaterals which were resold or pledged with another pledge as at 31 December 2009 amounting to PLN 346 537 thousand (as at 31 December 2008: PLN 806 583 thousand).

Collaterals accepted by BRE Bank

In making a decision about granting a credit risk bearing product, the Bank strives to obtain the highest possible quality collateral that would be adequate to the risk. The quality of the proposed tangible collateral is assessed according to its liquidity and market value, and the quality of collateral in form of guarantees is assessed according to the financial situation of the guarantor. Moreover, the impact of collateral on the impairment of the loan portfolio is a significant factor in the assessment of the collateral's quality. The quality of the accepted collateral is correlated to the amount of the product bearing credit risk and the level of risk related to granting such a product.

The most frequently applied collateral includes:

a) monetary deposit;
b) guarantee deposit or cash blocked in BRE Bank SA;
c) cession of receivables (cession of rights);
d) mortgage on real estate;
e) registered pledge;
f) transfer of ownership to collateral;
g) bill of exchange – including blank bill of exchange with declaration on the bill of exchange;
h) a letter of comfort issued by a company whose reliability and fairness is known on the international financial markets;
i) guarantees and warranties.

In the case of personal collateral (e.g. warranty, guarantee), the situation and reliability of the entity issuing such security is evaluated against the standards concerning customer assessment.

In the case of tangible collateral the following principles for assessing their value are applied:
The value of fixed assets set up as collateral is determined on the basis of a valuation survey prepared by an expert surveyor. The valuation survey submitted at the Bank is verified by a team of specialists situated in the Corporate Credit Department who verify the correctness of the market value assumptions and assess the liquidity of the collateral from the Bank's point of view.

The following factors are taken into account in the verification process:

a) for collateral on real estate:
   - Type of real estate (industrial, housing, commercial)
   - Legal status
   - Designation in the local land development plan
   - Technical description of buildings and structures
   - Description of land
   - Situation on the local market
   - Other price-making factors

b) for collateral on plant and machinery:
   - General application and function in the technological process / possibilities of alternative use
   - Technical description and parameters
   - Exploitation and maintenance conditions
   - Availability of similar devices and machinery
   - Current market situation
   - Forecasts of demand for specific machinery in connection with the situation in the industrial sectors applying such machinery

c) for collateral on inventories:
- Formal and legal requirements related to specific products (e.g. a security certificate "CE" for electrical equipment, permit of UDT (the Office of Technical Inspection) for appliances which operate under pressure, etc.)
- Saleability
- Warehousing conditions required (e.g. for paper materials, sensitive to humidity, precise materials sensitive to pollution, etc.)
- Security and insurance of both the warehouse and the goods stored therein

Collaterals accepted by the BRE Bank Group companies
The BRE Bank SA Group companies accept various forms of legal collateral of credit risk-bearing products. Their list depends on the specific nature of activities and the products offered. A blank bill of exchange plays the role of universal collateral, which makes potential recovery of debt more efficient.

BRE Bank Hipoteczny applies mortgage on the financed real estate as the basic collateral. Additional collateral may include bills of exchange or civil surety by the borrowing company's owners, as well as pledge on shares in the borrower's company. Loan insurance in an insurance company approved by the Bank may be accepted for a period necessary to effectively set up collateral.
BRE Leasing applies types of collateral that are most similar to those of BRE Bank. It accepts both standard personal security – bill of exchange and civil surety, letters of comfort, guarantees and tangible collateral – ordinary and capped mortgage, registered liens, transfer of ownership of collateral, transfer of receivables and cession of receivables and rights to an insurance policy, and deposits. Moreover, conditional taking over of debt is a frequently accepted security – in the case of this security, it is possible to accept the evaluation of risk related to the conditional lender. BRE Leasing also accepts declarations of voluntary submission for enforcement

Factoring companies only accept highly liquid collateral. Apart from own blank bills of exchange, these are mainly bill of exchange surety of the owners of the customer's company, cession of receivables from bank accounts (mainly those maintained by BRE Bank), insurance of receivables, cession of rights from insurance policies in respect of receivables, concluded by customers. In the case of providing services to several companies belonging to one group, a customary form of collateral is a power of attorney to perform cross-settlement of agreements concluded with the particular companies.

Insurance companies which secure their activities against credit risk, by implementing a policy of safe allocation of all resources and using comprehensive reinsurance, do not have any additional collateral for assets exposed to credit risk.

3.2.2 Rating System Description

Rating system of BRE Bank
Current rating methodology (RC-POL) consists of two elements:
- Customer rating (PD-rating) – which describes the probability of lack of loan repayment (PD – Probability of Default)
- Credit rating (EL-rating) – which describes expected loss (EL - Expected Loss) and takes into consideration both customer risk (PD) and transaction risk (LGD, Loss Given Default – loss resulting from the lack of loan repayment). EL can be described as PD*LGD product. EL indicator is used mainly at the decision-making stage.

Rating provides absolute measure of credit risk both in percentages (PD % and EL %) and on the scale from 1.0 to 6.5 (PD-rating, EL-rating) for Corporate (annual revenue above PLN 30 million) and for SMEs (annual revenue below PLN 30 million).

PD rating calculation includes seven steps:
1. Financial analysis of annual reports – based on discrimination function in logistic regression of 7 financial indicators and corresponding default/non-default status of the client in one-year period;
2. Financial analysis of following interim figures:
   - assessment of trends, essential for rating,
   - increase of PD as an effect of delay of data updating;
3. Assessment of timeliness of presenting financial statements
4. Analysis of qualitative risks:
   - analysis of quality factors including among others macroeconomics, business risk, management quality, value added activities, accounting policies, etc;
5. Warning indicators:
   - 2 warning indicators:
     - 14 warning indicators from financial analysis or qualitative analysis of risk (answers),
     - 18 direct warning indicators,
   - 3 criteria for assigning the lowest intermediate rating,

- other 3 steps which influence rating;

6. Level of integration of the debtor's group:
   - applying the PD of the parent entity,
   - diverse procedure according to the PD of the parent entity;
7. Overruling:
   - manual change of PD by one category is possible.

In the year 2009 development of rating model for corporations (RC_POL 5.0) has been made, by diversifying algorithms and parameters for the segment of SMEs and large corporations, and taking into account the negative effect of customer valuation of derivatives on its financial position.

Credit rating based on expected loss (EL) is created by combining customer risk and transactional risk, which results from the value of exposure (EAD, Exposure At Default) and the character and coverage of collateral for transactions carried out with the client (LGD).

EAD represents actual balance sheet exposure increased by the expected level of off-balance sheet items to be converted to balance sheet items at the date of default.

LGD, described as % of EAD, is a function of possibly executed value of collateral and depends on the type and the value of the collateral, the type of transaction and recovery ratio from sources other than collateral (which depends on the client type).

As part of preparatory work to implement AIRB in 2009 made a significant re-parameterization LGD and CCF models to take into account of all the supervisory requirements in this area and rely models mainly on empirical data. In order to do this, complex task of collection and recovery of historical data (including the media on paper) where performed. Task was based on results of restructuring and recovery process for cases completed during the period 2004 to 2008.

The rating system generates the probability of lack of loan repayment directly in the form of PD ratio, expressed in percentage on the continuous scale. Classes of rating are calculated on the basis of procedures of dividing PD into groups based on geometric stepladder.

Mapping the internal PD-rating scale to external ratings

Sub-portfolio	1				2			3		4			5			6	7		8	
PD r rating	1,0 - 1,2	1,4	1,6	1,8	2	2,2	2,4 - 2,6	2,8	3	3,2 - 3,4	3,6	3,8	4	4,2 - 4,6	4,8	5	5,2 - 5,4	5,6 - 5,8	No rating	6,1 - 6,5
S&P	AAA	AA+	AA, AA-	A+, A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B+	B	B-	B-	CCC+	CCC bis CC-	n/a	C, D-I, D-II
	Investment Grade								Non-Investment Grade											Default

The rating system is based on Commerzbank and BRE Bank solution. Mapping the internal rating scale to external ratings is based on PD statistics.

Method of calculating the portfolio provision for loans and advances to corporates and retail, based on the rating system

The portfolio provision is formed on the credit portfolio of customers not classified to the default category. The portfolio is divided into 8 subportfolios for corporates based on client rating determined by means of aggregation of similar grades on the rating scale as presented in the table above.

Subportfolios are homogeneous groups having similar credit risk outlines. The amount of provisions is a sum of incurred losses resulting from arisen economic events which haven't been identified by Bank at the provisions calculation date.

The probability of disclosure of a loss is modeled by logistic regression based on financial indicators and qualitative data. The model is calibrated on the Bank's internal data, comprising a several years' period of observation of the corporate portfolio. A 9-month-period was established as the average period between the loss event occurrence and its identification by the Bank (loss identification period "LIP"). Therefore, the Bank performs calculations on the basis of default observation of 9 months. The value of incurred loss is calculated based on current exposure multiplied by LGD (parameter describing the loss resulting from the lack of loan repayment), calculated by rating model RC-POL at the stage of estimating the EL-rating.

In the opinion of the Management Board, the profile of the corporate rating system as a model sensitive to changes in economic cycle (Point-in-Time) as well as recognition of interim financial data and warning indicators as rating assessment drivers should ensure, in the opinion of the Management Board, adequate reflection of the amounts of the calculated portfolio provision to the changing market environment.

Moreover, for the purpose of calculating the portfolio provisions for loans and advances to corporates, the Bank uses own AIRB compliant estimates of LGD model parameters since December 2009.

For the purpose of calculating the provisions for retail receivables, loan contracts are classified into subportfolios –groups of contracts of similar risk level. Risk parameters are determined for each transaction: probability of default of a client (PD) and loss so arisen (LGD). Contracts upon one subportfolio with the same status of delay, have the same values of PD and LGD parameters. Portfolio provision is created for the transaction with no insolvency event occurrence as well as for default receivables for which 100% of PD is taken into account.

For the purpose of LLP calculation retail exposures are grouped into homogenous portfolios of similar risk characteristics. For each of them, risk parameters are estimated (probability of impairment – PD and a level of potential loss in case such an event occurs – LGD). Values of these parameters are based on historical data for each portfolio and depend on overdue period. Then, the risk parameters and the amortised cost of the exposures are used in the calculation of the retail portfolio LLP.

In case of retail exposures, impairment triggers are identified at the level of a particular transaction, not a customer. Therefore, if an impairment trigger occurs on one obligation, the Bank is not required to treat all other obligations of the debtor as impaired. Shall an impairment trigger be identified on one obligation of a customer, such debtor is classified to a group of default clients.

All BRE Bank SA Group companies whose operations are burdened with credit risk, before concluding an agreement and upon its performance, apply a monitoring process to estimate the risk using rating systems. The systems are different for different types of operations, with the exception of all factoring companies which use the same solution, moreover lease contracts and mortgage loans are concluded on the basis of individual systems. The common feature is a two-stage methodology: at the first stage the customer rating is assigned and at the second stage the rating of the transaction/portfolio is established. Both above-mentioned ratings constitute credit risk rating. Both quantitative indicators and qualitative features with material impact on credit risk are classified as essential. The impact on particular risk categories is decomposed depending on the character of the operation (client/transaction).

Rating systems that are used by the Group's companies were created either on the basis of BRE Bank's systems or by an application of expert estimates.

3.2.3 Measurement of Impairment

The Bank measures impairment of loan exposures in accordance with the International Accounting Standards 37 and 39. The intranet application IMPAIRMENT-KORPO is a tool used to calculate impairment losses for impaired exposures granted to corporate customers and banks. The classification of customers to default portfolio and calculation of impairment write-off is as follows:

a) acase by case approach - identifying impairment indications, and if they exist, classifying a customer to a default category;
b) assessing estimated future cash flows (repayments) both from collateral and from repayments by a customer;
c) calculating impairment losses taking into account the future amount of estimated discounted cash flows using the effective interest rate;
d) booking of impairment losses (specific provisions).

In order to specify a default, the Bank defined loss events. Loss events were divided into definite ("hard") loss events of which occurrence requires that the client be classified into the default category, and indefinite ("soft") loss events of which occurrence may imply that there is a need to classify the client into the default category. In the case of indefinite loss events, CA assesses additionally whether the event impacted adversely the obligor's creditworthiness. Indefinite loss events have been introduced so that CAs who are responsible for identification of default cases pay attention to cases that may potentially increase the credit risk of the obligor, which may result in the loss of the obligor's ability to meet fully his credit obligations towards the Bank.

The list of definite loss events:

1. The number of days from which any exposure being the obligor's credit obligation becomes overdue is above 90 days and the overdue amount exceeds PLN 3,000 for corporate clients and PLN 500 for clients of Private Banking.
2. The Bank has sold exposures with a significant economic loss related to the change of the obligor's creditworthiness.
3. The Bank performed enforced restructuring of the exposure, which resulted in the change of the loan/transaction service schedule due to the lack of possibility of the obligor to meet his obligations under loan/transaction agreement, as initially stipulated, which resulted in:

a) reduction of financial obligations by remitting part of these obligations, or
b) postponing the repayment of the substantial part of the principal, interest or (if it refers to) commission; provided that the lack of approval for restructuring would cause more than 90 calendar days delay in repayment of substantial part of the obligation.

4. Filing by the Bank, the parent or subsidiary entity of the Bank a bankruptcy petition against obligor or filing similar petition in respect of credit obligations of the obligor towards the Bank, the parent or subsidiary entity of the Bank.
5. Declaring the obligor bankrupt or acquiring by him a similar legal protection resulting in his evasion of or delay in repayment of credit obligations towards the Bank, the parent or subsidiary entity of the Bank.
6. Termination of part or whole credit agreement by the Bank and the beginning of restructuring/collection procedures.
7. Client's fraud.

The list of required conditions for indefinite loss events is prepared separately for each following entity type:
a) governments and central banks,
b) banks,
c) corporations, including specialised lending,
d) local government units,
e) insurers,
f) pension fund managing companies, investment fund managing companies.

Defining separately the conditions for indefinite loss events for particular types of entities aimed at reflecting specificity of particular types of entities in identification of loss events.

If there are no impairment indicators for a specified customer, a provision for losses which occurred but they were not identified (IBNI, Incurred But Not Identified Losses) is calculated based on the probability of default (PD).

In the Bank's retail division losses for impaired exposures are calculated, similarly to the corporate division, with the usage of the IMPAIRMENT application. Retail exposures are considered impaired when:
a) the exposure exceeds 500 PLN and it is more than 90 days past due,
b) the loan has been identified as fraudulent,
c) the contract is restructured.

Restructured and fraudulent contracts are identified based on an individual analysis while other cases of defaulted loans are automatically marked by the system. In the Bank's retail division, the methodology of impairment calculation is based on portfolio approach with the exception of selected mortgage exposures analysed individually.

The companies of the Group have their own models for estimating impairment of financial assets. All the models meet the requirements specified above.

The table below shows the percentage of the Group's on- and off-balance sheet items relating to loans and advances and the coverage of the exposure with impairment provision for each of the Group's internal rating categories (description of the rating model is given above)

PD/Rating	31.12.2009		31.12.2008	
	Exposure (%)	Provision coverage (%)	Exposure (%)	Provision coverage (%)
1	36,42	0,05	38,36	0,01
2	16,89	0,10	24,22	0,17
3	9,39	0,37	9,51	0,35
4	19,94	0,61	17,35	0,81
5	5,88	1,74	3,22	1,40
6	1,62	1,16	0,20	2,77
7	0,60	16,72	0,54	2,25
8	2,05	-	1,80	-
other *)	2,33	3,75	2,73	3,05
Default category	4,88	52,73	2,07	47,27
Total	100,00	3,08	100,00	1,34

* position "other" concerns these entities which do not use the same systems as BRE Bank SA

3.2.4 Maximum Exposure to Credit Risk – before taking account of the accepted collateral

	31.12.2009 r.	31.12.2008 r.
Credit risk exposures relating to on-balance sheet assets:		
Debt securities eligible for rediscounting at the Central Bank	**9 134**	**9 238**
Loans and advances to banks	**2 530 572**	**6 104 093**
Loans and advances to customers	**52 468 812**	**52 142 477**
Loans to individuals:	28 144 729	26 358 681
• Current accounts	3 649 451	3 358 878
• Term loans, including:	24 495 278	22 999 803
- housing and mortgage loans	22 427 162	21 453 528
Loans to corporate clients:	22 182 427	24 451 911
• Current accounts	2 906 140	3 649 710
• Term loans:	17 064 098	18 352 141
- corporate & institutional enterprises	3 393 330	4 004 260
- medium & small enterprises	13 670 768	14 347 881
• Reverse repo / buy-sell-back transactions	353 808	407 579
• Other	1 858 381	2 042 481
Loans and advances to public sector	1 325 135	663 201
Other receivables	816 521	668 684
Trading assets		
• Debt securities	1 058 389	4 616 433
Derivative financial instruments	**1 933 627**	**5 632 872**
Investment securities		
• Debt securities	12 978 327	5 405 918
Pledged assets	**3 516 525**	**3 445 281**
Other assets - debtors	**312 364**	**290 873**
Total exposures relating to on-balance sheet assets	**74 807 750**	**77 647 185**
Credit risk exposures relating to off-balance sheet items:		
Loan commitments and other commitments	9 946 384	15 899 977
Guarantees, banker's acceptances, documentary and commercial letters of credit	2 312 114	3 027 249
Total exposures relating to off-balance sheet items	**12 258 498**	**18 927 226**
Total on-balance sheet assets and off-balance sheet items	**87 066 248**	**96 574 411**

The above table shows the maximum exposure to credit risk as at 31 December 2009 and 31 December 2008 without taking account of any collateral held or credit enhancements attached. Balance Sheet exposures set out above are based on net carrying amounts.

As shown above, 73.52% of the total maximum balance sheet exposure is derived from loans and advances to banks and customers (31 December 2008: 75.01%); 17.35% represents investments in debt securities (31 December 2008: 6.96%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk of the Group resulting from both its loan and advances portfolio and debt securities based on the following:

- 53.31% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (31 December 2008: 62.58%);
- 91.04% of the loans and advances portfolio is considered to be neither past due nor impaired (31 December 2008: 92.84%);
- 97.79% of the investments in debt securities got at least A- credit rating (31 December 2008: 95.67%).

3.2.5 Loans and Advances to Customers and Banks

Loans and advances to customers	31.12.2009		31.12.2008	
	exposure in PLN '000	share/coverage (%)	exposure in PLN '000	share/coverage (%)
Neither past due nor impaired	49 555 124	91.04	49 208 781	92.84
Past due but not impaired	2 317 529	4.26	2 623 337	4.95
Impaired	2 560 928	4.70	1 170 091	2.21
Total, gross	**54 433 581**	**100.00**	**53 002 209**	**100.00**
Provision (provision for impaired loans and advances as well as IBNI provision)	(1 964 769)	3.61	(859 732)	1.62
Total, net	**52 468 812**	**96.39**	**52 142 477**	**98.38**

The table below shows amounts due from banks:

Loans and advances to banks	31.12.2009		31.12.2008	
	exposure in PLN '000	share/coverage (%)	exposure in PLN '000	share/coverage (%)
Neither past due nor impaired	2 481 832	96.62	6 058 244	98.75
Past due but not impaired	-	0.00	-	-
Impaired	86 827	3.38	76 863	1.25
Total, gross	**2 568 659**	**100.00**	**6 135 107**	**100.00**
Provision (provision for impaired loans and advances as well as IBNI provision)	(38 087)	1.48	(31 014)	0.51
Total, net	**2 530 572**	**98.52**	**6 104 093**	**99.49**

The total impairment provision for loans and advances is PLN 2 002 856 thousand (as at 31 December 2008: PLN 890 746 thousand) of which PLN 1 768 491 thousand (as at 31 December 2008: PLN 719 078 thousand) represents the individually impaired loans and advances to customers and banks and the remaining amount of PLN 234 365 thousand represents the portfolio provision (as at 31 December 2008 PLN 171 668 thousand). Further information on the impairment allowance for loans and advances to banks and to customers is provided in Notes 19 and 22.

In 2009, the amount of loans and advances granted to the Group's customers increased by 2.63% compared to the end of the year.

Loans and advances neither past due nor impaired

31 December 2009	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers	Loans and advances to banks
PD/Rating	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy-sell-back transactions	Other				
1	367 844	20 237 498	20 160 404	18 289	-	222 903	-	-	1 078 656	-	21 925 190	1 536 499
2	1 854 364	2 543 201	1 364 885	299 614	608 594	1 280 407	-	-	25 211	-	6 611 391	606 340
3	618 157	751 976	116 534	537 859	900 757	1 315 262	-	-	-	-	4 124 011	55 442
4	-	48 455	48 455	1 318 386	1 246 266	6 936 758	-	412 595	17 375	-	9 979 835	35 771
5	410 349	-	-	350 022	415 884	1 664 943	-	-	206 098	-	3 047 296	32 882
6	-	-	-	30 892	10 189	821 980	-	-	-	-	863 061	-
7	-	-	-	35 164	1 201	50 389	-	-	-	-	86 754	12 125
8	-	207	-	59	-	-	353 808	-	-	816 521	1 170 595	95 030
pozostałe *)	-	-	-	9 425	8 595	29 241	-	1 329 217	-	-	1 376 478	107 743
kategoria default	327	18 884	2 239	27 550	-	323 752	-	-	-	-	370 513	-
Razem	**3 251 041**	**23 600 221**	**21 692 517**	**2 627 260**	**3 191 486**	**12 645 635**	**353 808**	**1 741 812**	**1 327 340**	**816 521**	**49 555 124**	**2 481 832**

31 December 2008	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers	Loans and advances to banks
PD/Rating	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy-sell-back transactions	Other				
1	609 828	20 615 417	20 489 595	58 956	261 450	336 888	-	-	626 455	-	22 508 994	3 679 406
2	1 628 787	1 017 109	54 732	1 126 613	1 572 879	5 057 688	-	-	3 336	-	10 406 412	1 779 064
3	87 981	389 573	57 084	800 380	1 158 370	1 632 196	-	-	444	-	4 068 944	219 697
4	734 496	-	-	1 221 116	767 729	4 764 187	-	393 646	30 602	-	7 911 776	154 175
5	-	-	-	267 741	13 428	936 784	-	-	-	-	1 217 953	54 504
6	-	-	-	10 949	-	88 671	-	-	-	-	99 620	-
7	-	-	-	11 762	17 454	140 292	-	-	-	-	169 508	29 286
8	-	-	-	1 159	-	-	407 579	-	-	668 684	1 077 422	34 880
pozostałe *)	-	-	-	8 446	-	21 611	-	1 492 505	-	-	1 522 562	107 232
kategoria default	315	6 118	1 642	19 878	2 984	196 295	-	-	-	-	225 590	-
Razem	**3 061 407**	**22 028 217**	**20 603 053**	**3 527 000**	**3 794 294**	**13 174 612**	**407 579**	**1 886 151**	**660 837**	**668 684**	**49 208 781**	**6 058 244**

*) position “other” concerns these entities which do not use the same rating systems as BRE Bank

Other loans and advances to corporate entities without rating constitute factoring receivables. As at 31 December 2009 these receivables amounted to PLN 1 329 217 thousand (31 December 2008: PLN 1 492 505 thousand).

Loans and advances past due but not impaired

Gross amounts of loans and advances which were past due but not impaired are presented below by classes of assets. No impairment is recognised in respect of loans and advances past due for less than 90 days, unless other available information indicates their impairment.

31 December 2009	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers	Loans and advances to banks
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy-sell-back transactions	Other				
Past due up to 30 days	335 270	606 124	514 620	20 480	800	456 042	-	29 742	596	-	1 449 054	-
Past due 31-60 days	70 197	113 833	103 060	10 959	46	147 643	-	71 564	-	-	414 242	-
Past due 61-90 days	60 654	108 978	57 345	12 140	24	263 255	-	9 182	-	-	454 233	-
Total	**466 121**	**828 935**	**675 025**	**43 579**	**870**	**866 940**	**-**	**110 488**	**596**	**-**	**2 317 529**	**-**

31 December 2008	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers	Loans and advances to banks
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy-sell-back transactions	Other				
Past due up to 30 days	254 029	830 478	734 204	19 511	203 588	814 502	-	36 299	2 743	-	2 161 150	-
Past due 31-60 days	40 731	68 244	59 298	11 350	3 219	201 553	-	11 699	-	-	336 796	-
Past due 61-90 days	33 377	31 674	23 856	8 759	211	51 219	-	151	-	-	125 391	-
Total	**328 137**	**930 396**	**817 358**	**39 620**	**207 018**	**1 067 274**	**-**	**48 149**	**2 743**	**-**	**2 623 337**	**-**

As at 31 December 2009 the fair value of received collaterals for mortgage loans to retail customers, amounted to PLN 535 226 thousand (31 December 2008: PLN 605 891 thousand) for the group of loans and advances past due but not impaired.

In relation to the corporate loans and advances portolio, upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market prices of similar assets or on the basis of a valuation performed, if required. At present, procedures of credit risk management in relation to the past due but not impaired portfolio (including monitoring in accordance with the Note 3.2.1) do not require to update the fair value of collateral at each balance sheet date.

Loans and advances individually impaired

Loans and advances individually impaired amounted to PLN 879 264 thousand (as at 31 December 2008: PLN 527 876 thousand). Gross amounts of loans and advances individually impaired (i.e., before taking into consideration the cash flows from collateral held and expected repayments) are presented below by classes of assets, together with the corresponding collateral:

	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers	Loans and advances to banks
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy-sell-back transactions	Other				
31 December 2009												
Loans and advances with impairment	519 064	189 747	101 871	578 768	309 386	890 298	-	73 665	-	-	2 560 928	86 827
Fair value of collateral	19 562	94 664	72 639	88 658	38 247	274 215	-	-	-	-	515 346	-
31 December 2008												
Loans and advances with impairment	175 332	130 199	69 151	191 123	33 954	463 182	-	176 301	-	-	1 170 091	76 863
Fair value of collateral	8 913	66 825	55 725	59 493	-	203 594	-	-	-	-	338 825	-

The fair value of collateral was established as the value of expected cash flows arising from collateral (recoverable value) discounted with the application of the effective interest rate at the balance sheet date.
The Group is characterised by a conservative approach in the area of verification of collateral value and setting of acceptable LtV levels. The policy, in this respect, imposes particularly significant restrictions in case of transactions with probability of default higher than average (non-purpose loans and consolidation loans) and/or secured on low-liquid real estates (localised on not well developed markets).
In the 12-month-period ended 31 December 2009, the Group recognised impairment of exposures to banks in the amount of PLN 36 238 thousand (PLN 26 212 thousand as at 31 December 2008).

Renegotiated loans and advances
The renegotiations of contractual terms of loans and advances is an evidence of impairment unless it is not caused by the situation of a debtor and it was carried out in normal business conditions. The restructuring processes consists in changing the agreements through extension of payments, recognised reparation plans, modification and delay of repayment of the customer's debt, which as a result of the process is classified into the default portfolio. The restructuring procedures and practice are based on ratios and criteria which, in the opinion of the Management Board, show that payments will most probably be made on time. The restructuring procedures are conditioned by regular reviews. Most frequently, restructuring is carried out in respect of term loans. In connection with established accounting principles, renegotiated loans are impaired if the change of contractual terms was caused by higher credit risk. As at 31 December 2009 renegotiated loans and advances not impaired amounted to PLN 91 683 thousand.

3.2.6 Debt Instruments: treasury bonds and other eligible debt securities

31 December 2009	Trading securities and pledged assets			Investment debt securities and pledged assets	Total
Rating	Government bonds	Treasury bills	Other debt securities		
AAA	-	-	-	-	-
AA- to AA+	-	-	6 935	2 399	9 334
A- to A+	1 079 141	227 557	180 127	15 668 866	17 155 691
BBB+ to BBB-	-	-	86 746	-	86 746
BB+ to BB-	-	-	47 652	-	47 652
B+ to B-	-	-	-	-	-
Lower than B-	-	-	-	-	-
Unrated	-	-	196 544	57 274	253 818
Total	**1 079 141**	**227 557**	**518 004**	**15 728 539**	**17 553 241**

31 December 2008	Trading securities and pledged assets			Investment debt securities and pledged assets	Total
Rating	Government bonds	Treasury bills	Other debt securities		
AAA	-	-	-	-	-
AA- to AA+	-	-	-	2 399	2 399
A- to A+	836 767	874 579	3 470 236	7 700 044	12 881 626
BBB+ to BBB-	-	-	49 908	-	49 908
BB+ to BB-	-	-	-	-	-
B+ to B-	-	-	67 228	-	67 228
Lower than B-	-	-	-	-	-
Unrated	-	-	414 499	51 972	466 471
Total	**836 767**	**874 579**	**4 001 871**	**7 754 415**	**13 467 632**

In 2009 included in the amount of debt securities with ratings A- to A+ were securities issued by the Central Bank in the amount of PLN 6 693 975 thousand (2008: PLN 3 162 714 thousand).

Information about impairment allowance for investment debt securities occurs under the Note 23.

3.2.7 Repossessed Collateral

In 2009, the Group did not take over or sell any assets established as collateral.

The Group classifies repossessed collaterals as assets repossessed for debt and measures them in accordance with the adopted accounting policies described in paragraph 2.19. Repossessed collaterals classified as assets held for sale shall be put up for sale on an appropriate market and sold at the soonest possible date. The process of selling collaterals repossessed by the Bank is arranged in line with the policies and procedures specified by the units managing the collection process for individual types of repossessed collaterals. The policy of the companies of the Group is to sell repossessed assets or - in the case of leases - lease them out again to another customer. Cases in which the repossessed collateral is used for own needs are rare – such a step must be economically justified and reflect the company's urgent need, and must at each time be approved by the Management Board. In 2009, the Group did not have any repossessed collaterals that were difficult to sell. Repossessed collaterals are presented in "Other assets" (Note 27).

3.3. Concentration of Assets, Liabilities and Off-balance Sheet Items

Geographic concentration risk

In order to actively manage the risk of concentration by country, the Group:

a) Complies with the formal procedures aimed at identifying, measurement and monitoring this risk.
b) Complies with the formal limits mitigating the risk by country and the procedures to be followed when the limits are exceeded.
c) Uses a management reporting system which enables monitoring the risk level by country and supports the decision-making process related to management.
d) Maintains contacts with a selected group of the largest banks with good ratings, which are active in handling foreign transactions. On some markets, where the risk is difficult to estimate, the Group avails itself of the services of its foreign correspondents, e.g. Commerzbank, and insurance in the Export Credit Insurance Corporation ("KUKE"), which covers the economic and political risk.

The BRE Bank Group does not classify assets, liabilities or off-balance sheet items according to geographic areas because of insignificance of geographic variation of risks.

Sector concentration risk

If the exposure of the Bank is concentrated in an industry, the Group monitors its share in the financing of the whole industry and the standing of each customer of the Group vs. the rest of the industry. For this purpose, the Bank uses a statistical database, in which each parameter of financing each of the Group's customers is mapped onto a docile grid of the parameter for the whole industry. This enables the Group to monitor its industry-related risk to its portfolio at times when the standing of the whole industry undergoes rapid changes under the influence of external factors.

Sector limits are set for sectors defined by BRE Bank SA in accordance with the internal regulations of the Bank, in quarterly reporting periods. Monitoring and analysis covers all the sectors in which the Bank's exposure exceeds PLN 800 million, and additionally those indicated by the Head of Risk Management of the Bank. Unless the Bank's Management Board Credit Committee decides otherwise, an exposure limit is set for the Group in any sector on a level not higher than:

a) 10% of the gross loan portfolio in the prior reporting period for low risk sectors;
b) 8% of the gross loan portfolio in the prior reporting period for medium risk sectors;
c) 6% of the gross loan portfolio in the prior reporting period for high risk sectors.

In the case of exceeding any sector limit or an expectation that such a limit may be exceeded in the next reporting period, activities preventing the exceeding of limits are implemented.

The table below presents the structure of concentration of exposures to particular business lines of the BRE Bank SA Group.

No.	Sectors	Principal exposure (in PLN millions)	%	Principal exposure (in PLN millions)	%
		31.12.2009		31.12.2008	
1.	Household customers	28 880 998	53,06%	26 653 688	50,29%
2.	Real estate management	3 633 779	6,68%	3 632 976	6,85%
3.	Building industry	1 966 738	3,61%	1 931 461	3,64%
4.	Transport and travel agencies	1 528 405	2,81%	2 130 806	4,02%
5.	Metals	1 164 163	2,14%	1 256 768	2,37%
6.	Wholesale trade	1 126 252	2,07%	1 284 879	2,42%
7.	Management, consulting, advertising	1 124 020	2,06%	904 823	1,71%
8.	Liquid fuels and natural gas	975 529	1,79%	1 076 000	2,03%
9.	Wood and furniture	854 870	1,57%	894 538	1,69%
10.	Power industry and heat engineering	821 326	1,51%	930 687	1,76%
11.	Building materials	766 793	1,41%	934 353	1,76%
12.	Motorization	754 903	1,39%	789 591	1,49%
13.	Basic groceries	708 945	1,30%	704 515	1,33%
14.	Chemistry and plastics	570 039	1,05%	610 935	1,15%
15.	Leasing and renting	519 234	0,95%	790 312	1,49%
16.	Insurance	458 484	0,84%	180	0,88%
17.	Financial agencies	449 424	0,83%	455 794	0,07%
18.	Fleshy industry	421 950	0,78%	437 050	0,51%
19.	Household goods	420 572	0,77%	6 400	0,50%
20.	Other	7 287 157	13,39%	7 576 453	14,03%

The total exposure of the Group in the above sectors (excluding household customers) amounts to 33.56% of the credit portfolio (2008: 35.68%). According to the study of The Gdańsk Institute for Market Economics as at the end of 2009 as well as on the basis of recommendations of trade analysts from the Bank the risk of investing in these sectors (in a 5-point scale, i.e., small, medium, increased, large and very large) was assessed as follows:

Leasing and renting	- large
Metals	- medium
Real estate management	- medium
Management, consulting, advertising	- increased
Liquid fuels and natural gas	- increased
Power industry and heat engineering	- medium
Wood and furniture	- large
Building industry	- large
Wholesale trade	- increased
Motorization	- large
Basic groceries	- increased
Building materials	- increased
Insurance	- medium
Chemistry and plastics	- increased
Financial agencies	- medium
Transport and travel agencies	- medium
Fleshy industry	- increased
Household goods	- medium

Large exposures concentration risk

The purpose of management of the risk of concentration of large exposures is to regularly monitor and control exposures for compliance with the legal limits. In order to ensure safety against the risk of exceeding the legal limits in companies of the Group:

a) internal limits are set, which are lower than those specified in the Banking Law,
b) for customers whose exposures exceeds 5% of equity a process of bookings (permits) is introduced in respect of exposure limits,
c) a weekly large exposure report is maintained for participants of the lending and investment processes.

These activities have a direct impact on the decisions of bodies of companies of the Group concerning the approval of increase and undertaking of exposures to customers.

The exposure related to each borrower (including banks and brokers) is additionally limited by application of detailed balance sheet and off-balance sheet exposure limits and daily risk limits for transactions such as forward currency contracts. The actual exposure is compared to the maximum limits on a daily basis.

The level of exposure to credit risk is managed by regular reviews of the existing and potential borrowers' ability to repay principal and interest; if necessary, credit limits are changed. he level of exposure to credit risk is also managed by accepting security and/or guarantees.

3.4. Market Risk

The Bank is exposed to market risk, which is defined as a risk of unfavourable change of the current valuation of the Bank's open positions in interest rate, foreign currency and equity instruments, which are exposed to market changes in the values of the appropriate risk factors, in particular interest rates, foreign exchange rates, stock share prices and indices, and implied volatilities of relevant options. The Bank identifies market risk on trading book portfolios and also on positions belonging to the banking book. Market risk is managed operationally in the Bank's front office units – in the Treasury Department, which is responsible mainly for banking book portfolios and in the Financial Markets Department, which mainly manages trading book portfolios. Market risk resulting from transactions concluded by other units of the Bank is transferred, in principle, to the Treasury Department or the Financial Markets Department in line with the type of risk.

The strategic management of market risk, including independent monitoring and control, is performed by the Bank's units which are functionally independent of the front office units – particularly by the Financial Risk Department, while decisions relating to the strategic market risk management are made by the Risk Committee of BRE Bank. The Committee, acting on behalf of the Management Board, sets the VaR and stress tests limits whose utilisation is monitored and reported on a daily basis by DRF.

The management of market risk is performed in accordance with the strategy and the policy of market risk management approved by the Supervisory Board of BRE Bank.

The level of exposure to market risk

The level of market risk of the Group's position is quantified in the first place by the following risk measures: value at risk (VaR) and stress tests values.

Value at Risk

Value at Risk (VaR) is the basic standard measure of market risk applied to the trading book portfolios and the banking book portfolios. VaR is a statistical measure which expresses potential loss to which a portfolio is exposed in a specified period, for a specified confidence level, in normal market conditions, in connection with changes in risk factors, such as interest rates, foreign exchange rates, stock share prices / stock indices values and implied volatilities of relevant options. The potentiality of this loss means that with a predetermined high probability (i.e. at the given confidence level) at which value at risk is determined, in a specified holding period, a loss lower than VaR can occur. In BRE Bank value at risk is determined using historical simulation method, based on time series of 254 (1 year) observed values of all the risk factors to which the Bank's portfolios are exposed. The Bank monitors value at risk at 97.5% confidence level for the one-day holding period.

In the process of determining value at risk the Bank applies full valuation methods for pricing financial instruments, and this ensures that VaR monitored by the Bank accurately reflects market risk of these instruments, in particular non-linear instruments (e.g. options). The model for determining value at risk is subjected to historical back tests on an ongoing basis.

The table below shows the level of market risk exposure of the BRE Bank Group (i.e. in this case, of BRE Bank, BRE Bank Hipoteczny, BRE Leasing, and Dom Inwestycyjny BRE Banku portfolios) as of 31 December 2009 measured by VaR (at 97.5% confidence level for a one-day holding period) and its decomposition to the VaRs corresponding to the main risk factor types – interest rate risk (VaR IR), foreign exchange risk (VaR FX), and equity risk (VaR EQ).

PLN 000's	BRE Group	BRE	BRE BH	BRE Leasing	DI BRE
VaR IR	6 667	6 496	378	358	0
VaR FX	1 969	2 293	70	571	0
VaR EQ	174	163	0	0	139
VaR	**7 339**	**7 685**	**439**	**652**	**139**

By comparison, at the end of 2008 VaR for the BRE Bank Group was PLN 9 108 thousand, with VaR of BRE Bank at PLN 8 623 thousand of, BRE Bank Hipoteczny – PLN 80 thousand, BRE Leasing – PLN 2 927 thousands, and Dom Inwestycyjny BRE Banku – PLN 113 thousand.

The main sources of market risk of the BRE Bank Group are the Bank's positions. The table below presents the picture of the structure of market risk of the Bank's positions measured by value at risk (at 97.5% confidence level for the one day holding period). The average, the lowest and the greatest values of value at risk presented in the table were computed on the yearly samples of the daily value at risk figures in 2009 and 2008 relatively.

	2008				2009			
PLN 000's	31.12.2009	Mean	Maximum	Minimum	31.12.2008	Mean	Maximum	Minimum
VaR IR	6 496	7 278	8 847	4 881	5 409	4 649	8 173	2 378
VaR FX	2 293	2 778	4 310	1 139	3 301	927	3 301	378
VaR EQ	163	152	694	1	66	273	906	11
VaR	**7 685**	**9 396**	**14 657**	**6 485**	**8 623**	**5 309**	**11 575**	**2 336**

WThe utilisation of VaR limits in 2009 was on a safe level and amounted to 25% on average for the Financial Markets Department (DFM) portfolio, whereas the Treasury Department (DS) utilised 63% of the VaR limit.

The level of VaR in the course of 2009 was driven mainly by portfolios of instruments sensitive to interest rates (predominantly PLN rates), such as debt securities, interest rate swaps and secondly, by portfolios of instruments sensitive to foreign exchange rates, such as currency options and currency exchange transactions. The remaining groups of risk factors had a relatively smaller impact on VaR.

Stress testing

Stress tests are additional measures of market risk, supplementing the measurement of value at risk. The tests show the hypothetical changes in the current valuation of the Bank's portfolios, which would take place as a result of realisation of the so-called stress scenarios – i.e. market situations at which the risk factors would reach specified extreme values in a one-day period. The Bank applies two methods for carrying out stress tests: in one, the scenarios of changes in risk factors have been constructed on the basis of large changes in market parameters observed during past market crisis situations, and in the other, the scenarios are composed of large changes in risk factors - perfectly correlated and having the same magnitude in each risk factor group. The value of the stress test is subject to a limit treated as the control number (management action trigger). The average value of a stress test (based on observed crisis situations in the past) in 2009 was for the Financial Markets Department portfolio - PLN 12 million (in 2008 – PLN 20 million), and for the Treasury Department - PLN 44 million (in 2008 – PLN 42 million).

3.5. Currency Risk

The Group is exposed to changes in currency exchange rates. The following tables present the exposure of the Group to currency risk as at 31 December 2009 and 31 December 2008. The tables present assets and liabilities of the Group at balance sheet carrying amount, for each currency:

31.12.2009	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with the Central Bank	3 686 559	31 623	4 825	106	287	63 365	3 786 765
Debt securities eligible for rediscounting at the Central Bank	9 134	-	-	-	-	-	9 134
Loans and advances to banks	862 081	271 163	160 328	3 534	1 033	1 232 433	2 530 572
Trading securities	1 063 326	-	1 864	-	-	-	1 065 190
Derivative financial instruments	1 801 415	40 853	64 236	3 004	-	24 119	1 933 627
Loans and advances to customers	22 366 161	6 680 581	1 633 718	20 196 760	26 919	1 564 673	52 468 812
Investment securities	12 960 636	146 647	13 403	-	-	1	13 120 687
- Available for sale	12 960 636	146 647	13 403	-	-	1	13 120 687
Pledged assets	3 516 525	-	-	-	-	-	3 516 525
Investments in associates	-	1 150	-	-	-	-	1 150
Intangible assets	429 082	3 444	-	-	-	8 846	441 372
Tangible fixed assets	756 054	15 171	-	-	-	15 221	786 446
Other assets, including tax assets	1 333 191	21 932	26	1	8	8 448	1 363 606
Total assets	**48 784 164**	**7 212 564**	**1 878 400**	**20 203 405**	**28 247**	**2 917 106**	**81 023 886**
LIABILITIES							
Amounts due to the Central Bank	2 003 440	343	-	-	-	-	2 003 783
Amounts due to other banks	3 420 945	3 970 542	414 752	16 599 052	1 844	612 670	25 019 805
Derivative financial instruments and other trading liabilities	1 764 596	123 231	41 893	-	-	5 775	1 935 495
Amounts due to customers	33 695 267	4 774 819	719 906	23 888	54 511	3 522 996	42 791 387
Debt securities in issue	1 387 185	-	28 526	-	-	-	1 415 711
Subordinated liabilities	-	-	-	2 631 951	-	-	2 631 951
Other liabilities including tax liabilities	706 044	35 224	3 134	-	1	33 240	777 643
Provisions	161 193	10 998	256	915	-	3 595	176 957
Total liabilities	**43 138 670**	**8 915 157**	**1 208 467**	**19 255 806**	**56 356**	**4 178 276**	**76 752 732**
Net on-balance sheet position	**5 645 494**	**(1 702 593)**	**669 933**	**947 599**	**(28 109)**	**(1 261 170)**	**4 271 154**
Loan commitments and other commitments	**8 797 676**	**870 079**	**174 431**	**1 024**	**4 788**	**98 386**	**9 946 384**

31.12.2008	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with the Central Bank	2 437 968	19 637	4 939	27	170	49 592	2 512 333
Debt securities eligible for rediscounting at the Central Bank	9 238	-	-	-	-	-	9 238
Loans and advances to banks	3 053 778	827 883	477 045	749 715	24 144	971 528	6 104 093
Trading securities	4 545 632	66 383	12 606	-	-	-	4 624 621
Derivative financial instruments	5 336 436	107 091	44 559	29 950	1 371	113 465	5 632 872
Loans and advances to customers	22 580 025	6 334 609	1 491 840	19 729 702	15 151	1 991 150	52 142 477
Investment securities	5 365 382	126 796	10 118	-	-	16	5 502 312
- Available for sale	5 365 382	126 796	10 118	-	-	16	5 502 312
Pledged assets	3 445 281	-	-	-	-	-	3 445 281
Investments in associates	238	16 715	-	-	-	-	16 953
Intangible assets	431 927	2 128	-	-	-	4 397	438 452
Tangible fixed assets	775 304	6 269	-	-	-	32 896	814 469
Other assets, including tax assets	1 310 279	39 486	349	475	17	11 495	1 362 101
Total assets	**49 291 488**	**7 546 997**	**2 041 456**	**20 509 869**	**40 853**	**3 174 539**	**82 605 202**
LIABILITIES							
Amounts due to the Central Bank	1 302 469	-	-	-	-	-	1 302 469
Amounts due to other banks	5 589 567	4 153 439	23 313	16 842 916	90	879 482	27 488 807
Derivative financial instruments and other trading liabilities	5 739 440	327 883	63 836	13 458	3 700	26 174	6 174 491
Amounts due to customers	30 103 604	3 134 809	1 032 261	32 021	85 243	3 362 089	37 750 027
Debt securities in issue	1 472 634	196 514	121 597	-	-	-	1 790 745
Subordinated liabilities	-	-	-	2 669 453	-	-	2 669 453
Other liabilities including tax liabilities	1 124 710	45 858	3 393	1 235	2	39 970	1 215 168
Provisions	160 957	1 521	3 420	-	-	108	166 006
Total liabilities	**45 493 381**	**7 860 024**	**1 247 820**	**19 559 083**	**89 035**	**4 307 823**	**78 557 166**
Net on-balance sheet position	**3 798 107**	**(313 027)**	**793 636**	**950 786**	**(48 182)**	**(1 133 284)**	**4 048 036**
Loan commitments and other commitments	**13 110 998**	**1 806 682**	**185 753**	**745 390**	**3 966**	**47 188**	**15 899 977**

3.6. Interest Rate Risk

BRE Bank SA

Interest rate risk at BRE Bank SA is managed on the basis of the following key interest rate risk measures: repricing date misfit gap and interest earnings at risk (EaR) based on the former. The Bank also performs stress test analyses based on these methods.

As at 31 December 2009 and 31 December 2008 a sudden, lasting and disadvantageous change of market interest rates by 100 basis points for all maturities would result in decrease in the annual interest income within 12 months after the Balance Sheet date by the following amounts ("EaR"):

31.12.2009		31.12.2008	
in PLN millions	currency	in PLN millions	currency
7.47	PLN	7.85	PLN
0.13	EUR	5.04	EUR
1.46	USD	0.06	USD
14.18	CHF	16.3	CHF
5.09	CZK	2.64	CZK

To calculate these values, the Bank assumed that the structure of financial assets and liabilities disclosed in the financial statements as of above indicated dates would be fixed during the year and the Bank would not take any measures to change related exposure to interest rate change risk.

In addition to the above analyses, the structure of the banking book is monitored regarding basic risk, yield curve risk, and client's options risk.

The Bank runs also other analyses of the changes of the economic value of the banking book under stress test scenarios. Under the stress test, which assumes unfavorable shift of the interest rates for respective currencies by 200 bps, the economic value of the banking book at the end of 2009 would change by PLN 121 million, out of which PLN 111 million due to available for sale instruments. During the calculation of these values no correlation between currencies was taken into account and it was assumed that after the negative shift interest rates cannot become negative.

BRE Bank Hipoteczny SA

Repricing date misfit gap and interest earnings at risk (EaR) based on the former are the key interest rate risk measures at BRE Bank Hipoteczny SA.

As at 31 December 2009 and 31 December 2008 a sudden, lasting and disadvantageous change of market interest rates by 100 basis points for all maturities would result in decrease in the annual interest income by the following amounts, on average:

31.12.2009		31.12.2008	
in PLN millions	currency	in PLN millions	currency
3.70	PLN	3.54	PLN
0.09	EUR	0.16	EUR
0.01	USD	0.01	USD

To calculate these values, the Bank assumed that the structure of financial assets and liabilities disclosed in the financial statements as of above indicated dates would be fixed during the year and the Bank would not take any measures to change related exposure to interest rate change risk.

BRE Leasing Sp. z o.o.

BRE Leasing Sp. z o.o. performs risk analysis based on the following risk factors:

- interest rates;
- fx rates.

The sensitivity of individual transactions to the risk factors is calculated by adding the shock rate and analysing its impact on the present value of the portfolio (MTM).

As at 31 December 2009 and 31 December 2008 a sudden, lasting and disadvantageous change of market interest rates by 100 basis points for all maturities would result in decrease in the annual interest income by the following amounts, on average:

31.12.2009		31.12.2008	
in PLN millions	currency	in PLN millions	currency
4.65	PLN	5.02	PLN
2.04	EUR	2.60	EUR
0.01	USD	0.00	USD
0.24	CHF	0.30	CHF
0.61	JPY	1.07	JPY

The following tables present the Group's exposure to interest rate risk. The tables present the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31.12.2009	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with the Central Bank	1 053 859	-	-	-	-	2 732 906	**3 786 765**
Debt securities eligible for rediscounting at the Central Bank	-	9 134	-	-	-	-	**9 134**
Loans and advances to banks	847 346	1 192 854	197 255	-	-	293 117	**2 530 572**
Securities (trading securities, investment securities and pledged assets)	11 158 517	3 411 958	2 133 870	45 981	775 001	177 075	**17 702 402**
Loans and advances to customers	45 465 239	3 314 402	1 726 962	1 060 445	23 622	878 142	**52 468 812**
Other assets and derivative financial instruments	433 020	430 584	727 956	302 002	25 656	1 046 187	**2 965 405**
Total assets	**58 957 981**	**8 358 932**	**4 786 043**	**1 408 428**	**824 279**	**5 127 427**	**79 463 090**
LIABILITIES							
Amounts due to the Central Bank	2 003 440	-	-	-	-	343	**2 003 783**
Amounts due to other banks	12 161 676	11 543 742	1 168 557	9 683	-	136 147	**25 019 805**
Amounts due to customers	34 520 969	5 204 812	2 326 656	128 892	343 421	266 637	**42 791 387**
Debt securities in issue	255 702	430 330	729 679	-	-	-	**1 415 711**
Subordinated liabilities	472 965	2 158 986	-	-	-	-	**2 631 951**
Other liabilities and derivative financial instruments	245 776	464 544	790 386	316 372	25 816	868 796	**2 711 690**
Total liabilities	**49 660 528**	**19 802 414**	**5 015 278**	**454 947**	**369 237**	**1 271 923**	**76 574 327**
Total interest repricing gap	**9 297 453**	**(11 443 482)**	**(229 235)**	**953 481**	**455 042**		

31.12.2008	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with the Central Bank	1 195 921	-	-	-	-	1 316 412	**2 512 333**
Debt securities eligible for rediscounting at the Central Bank	-	9 238	-	-	-	-	**9 238**
Loans and advances to banks	4 987 748	434 622	303 915	6 685	-	371 123	**6 104 093**
Securities (trading securities, investment securities and pledged assets)	7 866 448	2 099 933	2 532 074	284 249	682 250	107 260	**13 572 214**
Loans and advances to customers	45 477 721	3 549 079	1 719 187	572 787	41 845	781 858	**52 142 477**
Other assets and derivative financial instruments	994 932	1 001 549	2 294 344	1 036 308	32 888	1 307 394	**6 667 415**
Total assets	**60 522 770**	**7 094 421**	**6 849 520**	**1 900 029**	**756 983**	**3 884 047**	**81 007 770**
LIABILITIES							
Amounts due to the Central Bank	1 090 545	211 924	-	-	-	-	**1 302 469**
Amounts due to other banks	14 447 988	11 609 117	1 334 469	71 166	-	26 067	**27 488 807**
Amounts due to customers	32 072 768	4 687 169	720 685	167 890	56 687	44 828	**37 750 027**
Debt securities in issue	229 938	425 548	1 135 259	-	-	-	**1 790 745**
Subordinated liabilities	482 077	2 187 376	-	-	-	-	**2 669 453**
Other liabilities and derivative financial instruments	961 570	1 065 094	2 638 458	1 146 922	36 369	1 322 358	**7 170 771**
Total liabilities	**49 284 886**	**20 186 228**	**5 828 871**	**1 385 978**	**93 056**	**1 393 253**	**78 172 272**
Total interest repricing gap	**11 237 884**	**(13 091 807)**	**1 020 649**	**514 051**	**663 927**		

3.7. Liquidity Risk

BRE Bank SA

The objective of liquidity risk management (funding) is to ensure and maintain the Bank's ability to fulfil both current and future commitments, taking into account the costs of liquidity.

Process of ensuring financial liquidity in the Bank comprises of the following sub-processes:
1) liquidity risk management, i.e., taking preventive actions for the purpose of not allowing the occurrence the threat of losing liquidity,
2) monitoring liquidity situation of the Bank.

The Bank's liquidity risk management process contains two stages:
1) strategic stage that enables to ensure financial liquidity in the long term and includes a prognostic point of view,
2) operational which allows to observe exposure to liquidity risk for the purpose of protecting immediate and current liquidity.

Financial liquidity risk management at the strategic level in the Bank is executed via ALCO and the Risk Committee decisions and concerns, among others:
a) establishing the structure and levels of strategic limits of the risk,
b) setting up the structure and minimum amount of liquidity reserves of the Bank,
c) adapting methods of calculating financial liquidity risk and forms of banking reports,
d) neutralising emergency situations due to the threat of losing liquidity,
e) establishing the Bank's strategy in relation to the structure of assets, debt, equity, liabilities and off-balance items,
f) determining a long term financing strategy.

Financial liquidity risk management at the operational level takes place in the Treasury Department of the Bank in the following areas:

a) ensuring resources for the purpose of settlements on the Bank's accounts (e.g. nostro accounts),
b) realisation of strategic recommendations of ALCO,
c) forming the structure of future cash flows in the range of the limits set up by the Risk Committee,
d) keeping securities portfolios in proper size, which ensures preservation of liquidity in the scope of the limits of Risk Committee, on established levels (liquid assets),
e) keeping other parameters on levels determined by the limits established by ALCO and the Risk Committee,
f) performing emergency procedures in order to neutralise emergency situations related to the treatment of losing financial liquidity.

The Bank monitors financial liquidity daily, using methods based on cash flows analyses. The measurement of liquidity risk is based on an internal model created on the basis of analyses of the Bank's specificity, deposit base variability, concentration of funding and developments planned for each item. The following are monitored daily: value of mismatch in specific time intervals (gap), the level of liquidity reserves of the Bank, and the rate of usage of internal liquidity limits. The Bank systematically estimates liquidity as well as probability of its worsening, using scenario methods, herein stress tests.

The Bank also monitors on an on-going basis concentration of funding, in particular in the deposit base, and the liquidity reserves.

For the purpose of securing liquidity, the Bank establishes resources of current and immediate reinforcement of liquidity which are liquidity reserves. The Bank holds its own procedures concerning emergency actions against material worsening of financial liquidity of the Bank.

In 2009 Bank has built and has maintained high level of liquid securities assuming that the only source of cash from debt securities are: Repo or Lombard Credit with NBP. This steps was taken in a context of rapidly drying liquidity on the interbank market, uncertainty of future depositor's decisions and materializing credit risk in a banking sector according to current emergency proceedings

For the purpose of current monitoring of liquidity, the Bank establishes values of realistic, cumulated gap of cash flows misfit. The gap is calculated on the basis of contractual cash flows (Note 3.7.1). Cash flows in portfolios of non-banking customers' deposits, overdrafts and term loans are mainly materialised (stability assumption). In assessing its liquidity position the Bank takes into account the low liquidity of securities at the time of crisis and the tendency of banks not to lend to other banks on the money market. As a result it is assumed that only NBP remain the most certain source of cash (by pledging securities in lombard credit or repo transactions).

Value of realistic, cumulative gap of cash flows misfit (in PLN millions)		
Time range	**31.12.2009**	**31.12.2008**
up to 3 working days	5 405	4 394
up to 7 calendar days	2 686	5 642
up to 15 calendar days	11 223	4 912
up to 1 month	12 336	6 083
up to 2 months	13 421	6 783
up to 3 months	14 119	6 662
up to 4 months	14 241	6 537
up to 5 months	14 329	6 738
up to 6 months	14 368	6 504
up to 7 months	13 115	6 400
up to 8 months	13 253	6 492
up to 9 months	13 268	7 319
up to 10 months	11 887	7 310
up to 11 months	11 942	6 559
up to 12 months	12 475	6 564

The liquidity of the Bank was maintained on the safe level in the periods presented. The above values should be interpreted as liquidity surplus in relevant time ranges.

Analysing the liquidity situation of the Bank in the period of the financial market crisis, it should be underlined that:

- the funding structure was stable. The biggest position in this structure was current and term customers deposit portfolio. The second biggest source of funding, with a growing share in the funding structure, were long-term borrowings from banks (over 1 year), especially from Commerzbank (Note 29). Borrowings and subordinated loans (Note 32) were the main sources of financing the mortgage loan portfolio in CHF. BRE Bank's dependency on money market funding was low (ca. 1 % of total funding), and fully resulted from the market maker's operations on the interbank market.
- BRE Bank, which analyses liquidity risk on a daily basis , increased, during the crisis, the number and the range of scenario analysis, especially in stress test scenarios. The results of these scenarios were regularly presented and discussed at ALCO, Risk Committee and Management Board meetings. A very detailed stability analysis applied to loan and deposit portfolios. ALCO established a Task Force responsible for analysing the Bank's deposit base and preparing recommendations for ALCO and the Management Board on the pricing policy, the product and currency structure. In view of the first symptoms of "deposit wars", it proposed actions necessary to prevent the observed outflow of funds from term accounts and to stabilise and increase the deposit base. The initiated actions produced the expected effects. Additionally, the securities portfolio, which is an important source of funding in time of a crisis, was precisely analysed. Moreover, the Bank prepared information for the Polish Financial Supervision Authority as required by the regulator.
- The Management Board of the Bank agreed with Commerzbank on a strategy of funding the CHF mortgage loans portfolio. Considering the continued confidence crisis on the interbank market, it was decided that long-term CHF assets will continue to be funded with direct credit lines within the group. Maturing funds were gradually replaced with new long-term borrowings.
- In 2009, the Bank built and maintained a high level of liquid securities assuming that the only source of cash from debt securities are: repo transactions and lombard credit with NBP. These steps were taken in the context of rapidly drying liquidity on the interbank market, uncertainty of future depositor's decisions and materialising credit risk in the banking sector.

BRE Bank Hipoteczny SA

Liquidity risk occurs due to a gap between the maturity of the Bank's assets and its liabilities. The Bank manages liquidity risk by implementing procedures of monitoring of and reporting on the expected inflows and outflows and the net cash flows.

The sources of financing are diversified by means of co-operation with multiple partners and the selection of diverse instruments in order to finance lending. The Bank finances long-term assets in the first place with mortgage bonds of long-term maturity and with long-term deposits accepted from BRE Bank and Commerzbank and fulfils its current demand for funding in the interbank market by means of issues of short-term bonds and accepted deposits.

The Bank has put in place a contingency plan applicable in the event of deterioration of liquidity.

In 2009, the liquidity ratios up to 1 month were between 25.81% and 79.59% and the average liquidity ratio was 48.87%. The liquidity ratio was 36.62% at 31 December 2009. The liquidity ratio up to 1 month at 36.62% results from including unconditional stand-by lines of credit in the total amount of PLN 250 million.

BRE Leasing Sp. z o.o.

The purpose of liquidity risk management is to assure and maintain the capacity of the company to honour both its current and future liabilities, taking into account the costs of liquidity.

The company manages its liquidity risk by matching the maturity of amounts receivable under leasing contracts with the maturity of credit liabilities on the basis of cash flow reports. In addition, the company has open sources of refinancing for periods exceeding 6 months.

3.7.1 Cash Flows from Transactions in Non-derivative Financial Instruments

The table below shows cash flows the Group is required to settle, resulting from financial liabilities. The cash flows have been presented as at the Balance Sheet date, categorised by the remaining contractual maturities. The amounts denominated in foreign currencies were converted to Polish zloty at the average rate of exchange announced by the National Bank of Poland at the Balance Sheet date. The amounts disclosed in maturity dates analysis are undiscounted contractual cash flows.

Liabilities (by contractual maturity dates)	as at 31.12.2009					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Amounts due to the Central Bank	2 007 327	-	-	-	-	**2 007 327**
Amounts due to other banks	2 838 037	817 993	4 219 060	17 787 968	31 974	**25 695 032**
Amounts due to customers	34 410 559	5 094 926	2 496 993	297 266	712 568	**43 012 312**
Debt securities in issue	187 916	12 152	545 434	852 844	-	**1 598 346**
Subordinated liabilities	-	5 803	17 732	94 205	2 693 870	**2 811 610**
Technical-insurance provisions	6 351	11 379	25 905	23 049	372	**67 056**
Other liabilities	397 791	34 237	155 822	12 115	31 958	**631 923**
Total liabilities	**39 847 981**	**5 976 490**	**7 460 946**	**19 067 447**	**3 470 742**	**75 823 606**
Assets (by remaining contractual maturity dates)						
Total assets	**15 653 297**	**6 279 280**	**11 613 391**	**19 702 824**	**40 606 293**	**93 855 085**
Net liquidity gap	**(24 194 684)**	**302 790**	**4 152 445**	**635 377**	**37 135 551**	**18 031 479**

Liabilities (by contractual maturity dates)	as at 31.12.2008					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Amounts due to the Central Bank	1 097 633	213 201	-	-	-	**1 310 834**
Amounts due to other banks	3 558 876	578 843	2 309 074	22 178 671	68 836	**28 694 300**
Amounts due to customers	32 093 561	4 458 731	936 948	380 391	104 849	**37 974 480**
Debt securities in issue	238 178	17 808	575 083	1 880 866	-	**2 711 935**
Subordinated liabilities	5 979	9 777	28 196	149 797	2 799 066	**2 992 815**
Technical-insurance provisions	-	9 233	31 738	31 933	1 270	**74 174**
Other liabilities	441 574	42 608	204 016	13 306	33 766	**735 270**
Total liabilities	**37 435 801**	**5 330 201**	**4 085 055**	**24 634 964**	**3 007 787**	**74 493 808**
Assets (by remaining contractual maturity dates)						
Total assets	**13 452 793**	**4 637 121**	**12 122 810**	**21 228 421**	**42 066 940**	**93 508 085**
Net liquidity gap	**(23 983 008)**	**(693 080)**	**8 037 755**	**(3 406 543)**	**39 059 153**	**19 014 277**

The assets which ensure the payment of all the liabilities and lending commitments comprise cash in hand, cash at the Central Bank, cash in transit and T-bonds and other eligible bonds; amounts due from banks; loans and advances to customers.

In the normal course of activities, some of the loans granted to customers with the contractual repayment date falling due within the year, will be prolonged.

Moreover, debt securities and T-bonds and other bonds were pledged as collateral for liabilities. The Group could ensure cash for unexpected net outflows by selling securities and availing itself of other sources of financing, such as the market of securities secured with assets (e.g. securitisation transactions).

3.7.2 Cash Flows from Derivatives

Derivative financial instruments settled in net amounts

Derivative financial instruments settled in net amounts by the Group comprise:

- Derivative futures;
- Forward Rate Agreements (FRA);
- Options;
- Warrants;
- Interest rate swaps (IRS);
- Cross currency interest rate swaps (CIRS);
- Security forwards.

The table below shows derivative financial liabilities of the Group, which will be settled on a net basis, grouped by appropriate remaining maturities as at the Balance Sheet date. The amounts denominated in foreign currencies were converted to Polish zloty at the average rate of exchange announced by the National Bank of Poland at the Balance Sheet date. The amounts disclosed in the table are undiscounted contractual outflows.

31.12.2009

Derivatives settled on a net basis	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Forward Rate Agreements (FRA)	18 217	31 061	11 807	548	-	**61 633**
Overnight Index Swaps (OIS)	124	3 045	362	-	-	**3 531**
Interest Rate Swaps (IRS)	84 240	183 403	370 544	424 388	48 210	**1 110 785**
Cross Currency Interest Rate Swaps (CIRS)	-	9 880	83 055	172 852	-	**265 787**
Options	24 720	47 360	158 629	22 999	11 805	**265 513**
Futures contracts	-	68	21	-	-	**89**
Other	1 678	-	-	-	-	**1 678**
Total derivatives settled on a net basis	**128 979**	**274 817**	**624 418**	**620 787**	**60 015**	**1 709 016**

31.12.2008

Derivatives settled on a net basis	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Forward Rate Agreements (FRA)	32 018	100 566	264 617	77 491	-	**474 692**
Overnight Index Swaps (OIS)	1 822	10 754	84 702	-	-	**97 278**
Interest Rate Swaps (IRS)	238 732	285 297	552 935	1 545 460	201 702	**2 824 126**
Cross Currency Interest Rate Swaps (CIRS)	71 013	4 195	127 995	337 391	-	**540 594**
Options	78 809	237 686	480 680	127 018	15 652	**939 845**
Futures contracts	-	39	-	-	-	**39**
Other	868	-	3 249	-	-	**4 117**
Total derivatives settled on a net basis	**423 262**	**638 537**	**1 514 178**	**2 087 360**	**217 354**	**4 880 691**

Derivative financial instruments settled in gross amounts
Derivative financial instruments settled in gross amounts by the Group comprise foreign exchange derivatives: currency forwards and currency swaps.

The table below shows derivative financial liabilities/assets of the Group, which will be settled on a gross basis, grouped by appropriate remaining maturities as at the Balance Sheet date. The amounts denominated in foreign currencies were converted to Polish zloty at the average rate of exchange announced by the National Bank of Poland at the Balance Sheet date.

31.12.2009

Derivatives settled on a gross basis	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Currency derivatives:						
- outflows	5 222 505	2 653 672	2 857 443	335 315	-	**11 068 935**
- inflows	5181306	2 694 361	2 890 762	346 182	-	**11 112 611**

31.12.2008

Derivatives settled on a gross basis	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Currency derivatives:						
- outflows	6 719 513	4 394 543	6 353 392	784 894	-	**18 252 342**
- inflows	6542224	4 349 791	6 224 016	837 295	-	**17 953 326**

The amounts disclosed in the table are undiscounted contractual outflows/inflows.

The amounts presented in the table above are nominal cash flows which have not been settled up yet due to currency derivatives, while the Note 21 shows nominal values of all open by contract derivative transactions.

Detailed data concerning liquidity risk related to off-balance sheet items are presented in the Note 37.

3.8. Fair Value of Financial Assets and Liabilities

Fair value is a price, for which an asset could be exchanged, or an obligation fulfilled, between well informed and interested parties in a direct transaction other than a forced sale or liquidation. The market price, if available, is the best reflection of fair value.

Following market practices the Group values open positions in financial instruments using either mark-to-market method or pricing models well established in market practice (mark-to-model method) which use as inputs market prices or market parameters, and in few cases parameters estimated internally by the Group. All open positions in derivatives (currency or interest rates) are valued by relevant market models fed with prices or parameters observable by market. Domestic commercial papers are mark-to-model (by discounting cash flows), which in addition to market interest rate curve uses credit spreads estimated internally.
The Group estimated that the fair value of variable rate and short-term (less than 1 year) fixed rate financial instruments was equal to the balance sheet values of such items.

In addition, the Group assumed that the estimated fair value of fixed interest instruments with maturities longer than 1 year was based on discounted cash flows. The discounting factor used to discount cash for such financial instruments was based on the zero coupon curve.

The following table presents a summary of balance sheet and fair values for each group of financial assets and liabilities not recognised in the Balance Sheet of the Group at their fair values.

	31.12.2009		31.12.2008	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and advances to banks	**2 530 572**	**2 530 572**	**6 104 093**	**6 104 093**
Loans and advances to customers	**52 468 812**	**54 368 342**	**52 142 477**	**52 045 697**
Loans and advances to individuals	**28 144 729**	**28 855 566**	**26 358 681**	**26 355 549**
current accounts	3 649 451	4 236 226	3 358 878	3 358 878
term loans including:	24 495 278	24 619 340	22 999 803	22 996 671
• housing and mortgage loans	22 427 162	22 469 514	21 453 528	21 453 333
Loans and advances to corporate entities	**22 182 427**	**23 367 284**	**24 451 911**	**24 359 569**
current accounts	2 906 140	3 249 607	3 649 710	3 649 710
term loans	17 064 098	17 935 712	18 352 141	18 324 187
• corporate & institutional enterprises	3 393 330	3 505 796	4 004 260	3 989 506
• medium & small enterprises	13 670 768	14 429 916	14 347 881	14 334 681
reverse repo / buy sell back transactions	353 808	353 808	407 579	407 579
other	1 858 381	1 828 157	2 042 481	1 978 093
Loans and advances to public sector	**1 325 135**	**1 328 971**	**663 201**	**661 895**
Other receivables	**816 521**	**816 521**	**668 684**	**668 684**
Assets available for sale				
Debt securities unlisted	**57 274**	**57 274**	**51 972**	**51 972**
Equity securities unlisted	**128 292**	**128 292**	**88 436**	**88 436**
Financial liabilities				
Amounts due to other banks	**25 019 805**	**25 019 896**	**27 488 808**	**27 488 667**
Amounts due to customers	**42 791 387**	**42 916 904**	**37 750 027**	**37 722 896**
Debt securities in issue	**1 415 711**	**1 415 711**	**1 790 745**	**1 790 594**

The following sections present the key assumptions and methods used by the Group for estimation of the fair values of financial instruments:

Amounts due from banks. The fair values of variable interest deposits and fixed interest deposits with less than 1 year to maturity approximates the balance sheet carrying amounts.

Loans and advances to customers are disclosed at net values adjusted for impairment write-offs. The fair value of fixed interest rate loans and advances granted to customers with more than 1 year to maturity was calculated as value of expected future receivables on the account of principal and interest discounted on the basis of zero-coupon curve, including credit spread. It was assumed that credits and loans would be repaid on dates set in agreements. The fair values of credits with recognised impairment are equal to their net balance sheet values that take account of all premises indicative of impairment of the value of such credits. So estimated fair value of credits and loans reflects changes in credit risk from the grant of each credit/loan and changes in interest rates for fixed rate credits.

As at 31 December 2009 the value of loans and advances to customers includes the value of bonds of the following companies: ABC Data Holding SA (bonds with embedded warrant), Internet Group SA (convertible bonds). The aforementioned bonds were taken up by the Bank. The maturity dates for the bonds fall in 2012 and 2013 with earlier redemption clause. Because of complicated agreements and lack of analogous transactions at the Polish market in relation to bonds of the company ABC Data Holding SA it is not possible to determine reliably the fair value of acquired instruments at the moment of the transaction.

Consequently, the Group, abiding by the principle of prudence, recognised the transactions at acquisition cost being also the nominal value of the acquired bonds.

In December 2009, a partial redemption of the bonds issued by ABC Data Holding SA took place in the amount of PLN 39 853 thousand. Additionally changes in terms of the bonds of Internet Group SA were made allowing the conversion of the bonds into equity and introducing the Bank's resignation from the warrants for Call Center Poland SA shares.

All acquired bonds were classified as credit receivables subject to tests for impairment and valuation at amortised cost.

Available for sale financial assets. Listed available for sale financial instruments held by the Group are valued at fair value. The fair value of debt securities unlisted at an active market is calculated by the use of zero-coupon curve (including credit spread). The model of spread determination in the case of illiquid commercial papers was extended in order to reflect the costs of unexpected loss component of the credit spread more precisely. Since November 2008 the above element has been a product of portfolio CVAR risk contribution (modelled by Enhanced Credit Risk Plus model at 99,90% confidence level) of given issuance as a measure of UL and estimation of required return on BRE equity (CAPM model based on WSE data) as a measure of equity / UL costs.

The Group was unable to prepare reliable fair value estimates for unlisted equity instruments and it used the acquisition cost adjusted for impairment losses for the balance sheet valuation purposes.

Financial Liabilities. Financial instruments on the liabilities side include the following:
1. Contracted borrowings;
2. Liabilities resulting from the issue of securities;
3. Deposits.

The fair value for these fixed interest rate financial liabilities with more than 1 year to maturity is based on cash flows from principal and interest repayments discounted by a discounting factor based on zero coupon curve.

The Group assumed that the fair values of such variable interest rate instruments or fixed interest rate instruments with less than 1 year to maturity was equal to the balance sheet values of the instruments.

The fair value of listed debt securities issued was calculated on the basis of quoted market prices.

Credit risk exposures relating to off-balance sheet items. As at 31 December 2009 the fair value of financial guarantees amounted to PLN 7 506 thousand (31 December 2008: PLN 11 644 thousand). As at 31 December 2009 and 31 December 2008 the fair value of lending commitments did not significantly differ from their carrying amount.

The following table presents fair values hierarchy of financial assets and liabilities recognised in the Group's Statement of Financial Position at their fair values.

	31.12.2009	Including:		
		Level 1	Level 2	Level 3
		Quoted prices in active markets for identical instruments	Quoted prices in active markets based on observable market data	Value measurements for inputs that are not based on observable market data
Financial assets				
Trading securities	**1 831 503**	**1 313 499**	**-**	**518 004**
• Debt*	1 824 702	1 306 698	-	518 004
• Equity	6 801	6 801	-	-
Derivative financial instruments	**1 933 627**	**8 757**	**1 924 870**	**-**
Investment securities	**15 870 899**	**8 991 358**	**6 693 975**	**185 566**
• Debt*	15 728 539	8 977 290	6 693 975	57 274
• Equity	142 360	14 068	-	128 292
Total financial assets	**19 636 029**	**10 313 614**	**8 618 845**	**703 570**
Financial liablitities				
Derivative financial instruments and other trading liabilities	1 935 495	5 746	1 929 749	-
Total financial liablitities	**1 935 495**	**5 746**	**1 929 749**	**-**

* the amount include pledged assets

Assets Measured at Fair Value Based on Level 3	Debt trading securities	Debt investment securities	Equity investment securities
As at the beginning of the period	**1 053 736**	**51 972**	**88 436**
Gains and losses for the period:	(3 666)	(1 158)	91 699
- Recognised in profit or loss	(3 666)	-	-
- Recognised in other comprehensive income	-	(1 158)	91 699
Purchases	10 211 987	-	193 867
Settlements	(10 744 053)	6 460	(245 710)
As at the end of the period	**518 004**	**57 274**	**128 292**

On the basis of methods used by the Group to measure the fair value, financial assets and financial liabilities are classified to the following levels in fair value hierarchy:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities,
- **Level 2:** inputs other than quoted prices included in within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 1

On the Level 1 of the fair value hierarchy, the Bank presented the fair value of trading government bonds and Treasury bills amounting to PLN 1 306 698 thousand (see Note 20) as well as the fair value of investment government bonds and Treasury bills amounting to PLN 8 879 422 thousand. The Level 1 includes also the fair value of bonds issued by foreign banks amounting to PLN 95 469 thousand.
Those instruments were classified into Level 1 because their pricing relies on the usage of current market prices of those instruments that are observed on active and liquid financial markets.

Level 2

The Level 2 in its entirety represents the fair value of the National Bank of Poland bills amounting to PLN 6 693 975 thousand, which valuation is based on NPV model (discounting of future cash flows), which uses as its input yield curves, that are calculated by means of transformation of current quotations that are observed on active and liquid financial markets.
Additionally, Level 2 comprises valuation of derivative financial instruments that use models for their pricing , that are compliant with market best practices. Those models are fed with parameters stemming directly from active markets (e.g. exchange rates, implied volatilities, equity prices or indexes values) or with parameters that are transformations of quotations observed directly on active and liquid financial markets (e.g. yield curves).

Level 3

On the Level 3 the Bank presents the fair value of the commercial debt securities issued by Polish banks and corporations (bonds, deposit certificates) amounting to PLN 575 278 thousand. Investment equity securities presented on the Level 3 include mainly PZU SA shares held by the Group which amounted to PLN 112 517 thousand.

Above mentioned instruments were classified into Level 3, as for their pricing, apart from parameters that are transformations of quotations observed directly on active and liquid financial markets (e.g. yield curves), so called credit spread is used. This spread is estimated by the Bank by means of in-house credit risk model. This model utilises parameters such rates of return of collaterals, migration of ratings or volatility of default rates. Those parameters are not observed on active markets and were evaluated on the basis of statistical analyses.
Had the credit spread used for valuation increased by 20 basic points, the valuation of domestic commercial debt securities would have been lower by PLN 0.1 million.
Valuation of PZU SA shares was performed by the independent consulting company on the basis of financial data of PZU SA, market valuations of insurance companies representing PZU SA's peer group as well as other data concerning PZU SA.

3.9 Other Business

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. In connection with these, the Group makes decisions concerning allocation, purchase and sale of numerous financial instruments of many types. Assets held in a fiduciary capacity are not disclosed in these financial statements.

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

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

Impairment of loans and advances
The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the Income Statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio, before such a decrease will be able to be attributed to a specific loan. The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets. The Management plans future cash flows based on estimates drawing on historical experience of losses incurred on assets featuring the traits of credit risk exposure and objective impairment symptoms similar to those which characterise the portfolio. The methodology and the assumptions on the basis of which the estimated cash flow amounts and their anticipated timing are determined will be regularly reviewed in order to reduce the discrepancies between the estimated and the actual magnitude of the impairment losses concerned. If the current value of estimated cash flows for portfolio of loans and advances, individually impaired, changed by +/-10%, the estimated loans and advances impairment would either decrease by PLN 49.6 million or increase by PLN 76.7 million respectively. The above indicated estimation was performed for portfolio of loans and advance impaired on the basis of individual analysis of future cash flows due to repayments and recovery from collateral.

Credit risk management connected with changes in market conditions was described under Note 3, in the part regarding the impact of the worldwide turmoil on financial and insurance risk management.

Fair value of derivative instruments
The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All the models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, the models applied resort exclusively to observable data originating from an active market. Changes in market conditions on valuation of the trading book of the Group (containing inter alia derivatives) are presented in the Note 3.4.

Impairment of debt instruments available for sale
Impairment and increase in value of debt securities available for sale is determined at the date of valuation, i.e. at the end of the reporting period, separately for each category of debt security. Impairment is recognised if the issuer incurs a loss not covered by its equity capital over a period of one year or in the event of other circumstances indicating impairment. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Income Statement.

As at 31 December 2009 there are no debt financial instruments available for sale threatened with significant and prolonged declines in fair values.

Technical-insurance provisions
Provisions for unpaid claims and benefits which were reported to the insurer and in relation to which the information held does not enable an assessment of compensations and benefits is calculated using a lump sum method. Values of lump sum-based ratios for particular risks were established on the basis of information concerning the average value of loss arising from the given risk.

As at 31 December 2009 provisions for claims incurred but not reported to the insurer (IBNR) were calculated using the actuarial Naive Loss Ratio ULR (Ultimate Loss Ratio) method which consists in establishing the value of claims only on the basis of the expected loss ratio. The expected loss ratios are composed on the basis of available market studies concerning loss arising from the given group of risks.

5. Business Segments

In the financial year 2009 segment reporting by the Group was prepared for the first time in accordance with IFRS 8 "Operating segments". Segment information for 2008 that is reported as comparative information for 2009 has been restated to conform to the requirements of IFRS 8. Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Bank's Management Board (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses their performance.

The classification by business segments is based on client groups and product groups defined by homogenous transaction characteristics. The classification is consistent with sales management and the philosophy of delivering complex products to the Bank's clients, including both standard banking products and more sophisticated investment products. The method of presentation of financial results coupled with the business management model ensures a constant focus on creating added value in relations with clients of the Bank and Group companies and should be seen as a primary division which serves the purpose of both managing and perceiving business within the Group.

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

1) Retail Banking, including private banking services, current accounts for retail customers, savings accounts, deposits, investment products, trust and fiduciary services, credit and debit cards, consumer and mortgage loans, term deposits for retail customers as well as microenterprises, financial settlements, operations on bills of exchange, checks and guarantees issue.

The results of Retail Banking include the results of foreign branches of mBank: mBank Czech Republic and mBank Slovakia. The branches provide basic products such as current and savings accounts as well as cash loans and mortgage loans, debit and credit cards. The aim is to operate a full scope of services typical of retail banking (offer for entrepreneurs and individual customers).

Retail Banking also includes the results of BRE Wealth Management SA, Aspiro Sp. z o.o. (till 2 October 2009: emFinanse Sp. z o.o.) as well as two insurance companies: BRE Ubezpieczenia TUiR SA and BRE Ubezpieczenia Sp. z o.o. BRE Wealth Management SA provides corporate finance advisory and complex asset management services for wealthy private banking clients. Until the second half of 2008 the company emFinanse operated on the market of financial agents and advisors, selling bank products. In June 2008 the restructuring process began in order to strengthen the sales network of BRE Bank Retail Banking products through transition of emFinanse outlets into a sales network of BRE Bank Retail Banking products. The restructuring process was completed. In 2009 emFinanse concentrated on activities aimed at preparing the new operational activity which consists of selling mBank and MultiBank credit products and widening the product offer. For this purpose, the process of transferring the sales force from mBank and MultiBank to the structures of the company was completed and advanced negotiations with providers of the products were conducted. On 25 June 2009, BRE Bank, being the only shareholder of the company, decided to invest PLN 10 million to recapitalise the company. The funds will be allocated for financing the company's operations by the time it reaches the target model. The core business of BRE Ubezpieczenia TUiR SA is insurance activity within the scope of the second division of underwriting – Other personal insurances and property insurances. The company sells its products both through the Internet platform produced in cooperation with retail branches of BRE Bank and as typical products known as bancassurance for customers of BRE Bank by hand of an underwriter, the company BRE Ubezpieczenia Sp. z o.o. Apart from services of an underwriter, the business of BRE Ubezpieczenia Sp. z o.o. includes services within the scope of settlements due to insurance agreements of insured persons.

2) Corporates and Markets - consists of two sub-segments/business lines:
2.1.) Corporates and Institutions, including current accounts, savings accounts and term deposits, trust and fiduciary activities, currency and derivative products, sell-buy-back and buy-sell-back transactions with the customers of the Bank, offering of investment products, credit cards and debit cards, business loans, as well as financial and operating leasing of vehicles, machines, office equipment, real estate as well as administration support in leasing of the above indicated fixed assets. Within that sub-segment, the Bank finances large projects with loans single-handedly and in syndicates with other banks.

The Bank's product offer within this business sub-segment is targeted at large, medium-sized and small enterprises, as well as local governments. A significant part of the activities within the Corporates and Institutions business line consists of services supporting foreign trade transactions. The Bank's offer addressed to enterprises includes currency exchange, international transfers, checks, collection of payments, short-term loans, as well as a whole range of financial tools, such as purchasing of claims to receivables, forfaiting, letters of credit, bank guarantees, and others. Moreover, clients are offered financial instruments designed to hedge against foreign exchange risk exposure. The Bank also offers financial instruments used in interest rate risk management, including forward rate agreements (FRA), interest rate swaps (IRS), interest rate options, as well as cross-currency interest rate swaps (CIRS).

Within this sub-segment the Bank cooperates with domestic and foreign financial institutions (in addition to transactions via nostro and loro accounts) in acquiring loans on the international inter-bank market. The Bank also administers overdrafts for import financing and refinancing investment loans for medium-sized and small enterprises, mainly from the European Investment Bank.

The Corporates and Institutions sub-segment includes the results of the following subsidiaries: BRE Bank Hipoteczny SA, BRE Leasing Sp. z o.o., Dom Inwestycyjny BRE Banku SA, BRE Corporate Finance SA, Intermarket Bank AG, Polfactor SA, BRE Holding Sp. z o.o., Transfinance a.s. and Magyar Factor zRt. The subsidiaries enrich the Bank's offer with commercial and municipal real estate financing, leasing, factoring, offering of publicly traded stocks and securities, purchase and sales of securities on the account of clients, merger and acquisition advisory, corporate restructuring consulting and privatisation projects.

The Bank also benefits from capital gains on its own investments portfolio, including direct and indirect stakes acquired with the objective of high long-term yields. Apart from the specialised organisational unit of the Bank managing the long-term investment portfolio, the business line also comprises BRE Gold FIZ Aktywów Niepublicznych, whose all investment certificates were acquired by BRE Bank in November 2009. The only asset of BRE Gold FIZ Aktywów Niepublicznych is a package of shares in PZU, owned earlier by BRE Bank.

This business line also includes the results of Garbary Sp. z o.o. and Tele-Tech Investment Sp. z o.o., whose core business is to invest in securities, to trade in debt, to manage controlled companies and to provide advisory services.

2.2.) Trading and Investment Activity, including financial instruments dealing, purchase and sale of stocks and securities on primary and secondary markets on own account, i.e., transactions in Treasury bills, Treasury bonds, monetary bills of the National Bank of Poland, placements and deposits and FX swaps. The Bank also participates in the securities market, focusing on trading in securities on the primary and secondary markets, as well as repo and reverse repo transactions. Moreover the Bank is engaged in sell-buy-back and buy-sell-back transactions on the inter-bank market. The Bank also participates in money market inter-bank transactions.

Within the Trading and Investments sub-segment, the Bank underwrites issues of securities (bonds, investment bills and certificates of deposit) single-handedly and in syndicates with other banks.

This area also includes the results of BRE Finance France SA.

3) The remaining business of the Group includes the results on transactions not classified strictly as business areas and the results of the companies BRE.locum SA and CERI Sp. z o.o.

The Group has ceased to separate the segment "Asset Management – discontinued operations" since 1 January 2009. Till 31 December 2008 the segment included the result of the company PTE Skarbiec-Emerytura SA (PTE) generated up to 30 June 2008, when PTE Skarbiec Emerytura SA and Aegon PTE SA were merged. On 30 December 2008 the Bank sold the shares of Aegon PTE SA, which were taken over as a result of the merger of both companies. Results of the translation of the merger and sale were also included in the results of this area in 2008.

Detailed information concerning assets held for sale and discontinued operations which were presented by the Group in previous reporting periods were introduced under the Note 28 of these financial statements.

As of the beginning of 2009, as a result of organisation changes consisting in transferring the Bank organisational unit managing long-term investments from Investment to Corporate Banking, the Bank's income in the form of capital gains on the proprietary investments portfolio comprising investment in the companies Garbary Sp. z o.o. and Tele-Tech Investment Sp. z o.o. undertaken in order to reach high long-term rate of return is presented under the Corporates and Institutions sub-segment.

As a result, as of 1 January 2009 the operations of Garbary Sp. z o.o. and Tele-Tech Investment Sp. z o.o. have been reclassified from the sub-segment Trading and Investment Activity to Corporates and Institutions, and the comparative data 2008 concerning the business segments of BRE Bank SA Group have been adjusted accordingly to ensure the comparability of the data between reporting periods.

The principles of segment classification of the Group's activities are described below.

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

Allocation of funds to the Group companies and assigning them to particular business segments results in funding cost transfers. Interest charged for these funds is based on the Group's weighted average cost of capital and presented in operating income.

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

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

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

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

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

Business segment reporting on the activities of BRE Bank Group for the period from 01.01.2009 to 31.12.2009 (PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**714 400**	**(1 949)**	**955 375**	**(4 671)**	**(4 978)**	**1 658 177**	**1 658 177**
- sales to external clients	727 399	347 244	591 869	(3 357)	(4 978)	1 658 177	
- sales to other segments	(12 999)	(349 193)	363 506	(1 314)	-	-	
Net fee and commission income	**395 035**	**(9 674)**	**173 585**	**(1 504)**	**37 281**	**594 723**	**594 723**
- sales to external clients	381 025	(97)	178 018	(1 504)	37 281	594 723	
- sales to other segments	14 010	(9 577)	(4 433)	-	-	-	
Trading income	**125 912**	**134 740**	**142 647**	**(452)**	**3 527**	**406 374**	**406 374**
Gains less losses from investment securities	**(19 805)**	**985**	**(1 508)**	**19 794**	**(238)**	**(772)**	**(772)**
Net impairment losses on loans and advances	**(651 210)**	**(5 280)**	**(440 647)**	**3**	**-**	**(1 097 134)**	**(1 097 134)**
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit of the segment	**(215 916)**	**186 103**	**216 253**	**17 136**	**5 813**	**209 389**	**209 389**
Income tax						(78 866)	(78 866)
Net profit attributable to Owners of BRE Bank SA						128 928	128 928
Net profit attributable to non-controlling interests						1 595	1 595
Assets of the segment	**29 697 434**	**24 944 930**	**29 152 371**	**1 243 486**	**(4 014 335)**	**81 023 886**	**81 023 886**
Liabilities of the segment	**49 412 460**	**4 608 648**	**25 577 889**	**373 356**	**(3 219 621)**	**76 752 732**	**76 752 732**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(169 654)	(12 264)	(85 234)	(2 883)	-	(270 035)	
Amortisation/depreciation	(140 493)	(8 785)	(107 476)	(2 984)	376	(259 362)	(259 362)
Losses on credits and loans	(1 405 347)	(11 241)	(527 981)	(933)	-	(1 945 502)	
Other costs/ income without cash outflows/ inflows*	17 732	12 233	(97)	(55)	-	29 813	
- other non-cash costs	(925)	(5 465 237)	(97)	(55)	-	(5 466 314)	
- other non-cash income	18 657	5 477 470	-	-	-	5 496 127	

* Other costs/income without cash outflows/inflows include income and expenses arising from valuation of both trading financial instruments and foreign exchange result as well as changes in technical-insurance provisions.

Since 30 December 2008 the Group has not held shares in the companies whose activity was presented in previous periods as discontinued operations under asset management segment.

Business segment reporting on the activities of BRE Bank Group for the period from 01.01.2008 to 31.12.2008 (PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity						
Net interest income	**652 320**	**94 488**	**680 076**	**(18 910)**	**(13 092)**	**-**	**1 394 882**	**1 394 882**
- sales to external clients	772 689	235 726	394 932	2 430	(10 895)	-	1 394 882	
- sales to other segments	(120 369)	(141 238)	285 144	(21 340)	(2 197)	-	-	
Net fee and commission income	**376 225**	**(23 696)**	**163 040**	**13 795**	**(1 795)**	**37 690**	**565 259**	**565 259**
- sales to external clients	353 561	(5 028)	167 036	13 795	(1 795)	37 690	565 259	
- sales to other segments	22 664	(18 668)	(3 996)	-	-	-	-	
Trading income	**177 200**	**142 114**	**164 515**	**(1)**	**26**	**-**	**483 854**	**483 854**
Gains less losses from investment securities	**(349)**	**137 114**	**(1 000)**	**121 313**	**(54)**	**-**	**257 024**	**257 024**
Net impairment losses on loans and advances	**(120 064)**	**(14 402)**	**(134 749)**	**-**	**71**	**-**	**(269 144)**	**(269 144)**
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-	-
Gross profit of the segment	**342 628**	**274 774**	**241 510**	**109 768**	**27 813**	**3 622**	**1 000 115**	**1 000 115**
Income tax								(110 771)
Net profit attributable to Owners of BRE Bank SA								857 459
Net profit attributable to non-controlling interests								31 885
Assets of the segment	**29 270 216**	**27 720 756**	**27 276 331**	**-**	**981 555**	**(2 643 656)**	**82 605 202**	**82 605 202**
Liabilities of the segment	**44 576 787**	**13 473 269**	**21 980 940**	**-**	**531 864**	**(2 005 694)**	**78 557 166**	**78 557 166**
Other items of the segment								
Expenditures incurred on fixed assets and intangible assets	(201 046)	(11 826)	(145 769)	(764)	(18 824)	-	(378 229)	
Amortisation/depreciation	(114 336)	(10 492)	(75 005)	(963)	(3 300)	376	(203 720)	(203 720)
Losses on credits and loans	(416 655)	(5 332)	(89 873)	-	(208)	-	(512 068)	
Other costs/ income without cash outflows/ inflows*	-	(78 385)	(63 726)	-	(0)	-	(142 111)	
- other non-cash costs	-	(4 067 265)	(63 730)		(3)	-	(4 130 998)	
- other non-cash income	-	3 988 880	4	-	-	-	3 988 884	

* Other costs/income without cash outflows/inflows include income and expenses arising from valuation of both trading financial instruments and foreign exchange result as well as changes in technical-insurance provisions.

6. Net Interest Income

	Year ended 31 December	
	2009	2008
Interest income		
Loans and advances including the unwind of the impairment provision discount	2 623 911	2 676 885
Cash and short-term placements	190 829	394 903
Investment securities	530 331	317 533
Trading debt securities	94 442	238 251
Other	13 694	9 650
	3 453 207	**3 637 222**
Interest expense		
Arising from amounts due to banks and customers	(1 642 814)	(2 009 607)
Arising from issue of debt securities	(90 102)	(150 895)
Other borrowed funds	(58 180)	(82 086)
Other	(3 934)	(2 182)
	(1 795 030)	**(2 244 770)**

Interest income related to financial assets which have been impaired amounted to PLN 105 363 thousand (PLN 56 350 thousand in 2008).
Net interest income per segment is as follows:

	Year ended 31 December	
	2009	2008
Interest income		
From banking sector	244 754	410 773
From clients, including:	3 208 453	3 226 449
- corporate clients	1 413 968	1 685 798
- individual clients	1 216 245	1 039 125
- public sector	578 240	501 526
	3 453 207	**3 637 222**
Interest expense		
From banking sector	(613 203)	(704 926)
From clients, including:	(1 044 227)	(1 358 328)
- corporate clients	(342 860)	(629 150)
- individual clients	(658 601)	(648 000)
- public sector	(42 766)	(81 178)
Own issue	(137 600)	(181 516)
	(1 795 030)	**(2 244 770)**

7. Net Fee and Commission Income

	Year ended 31 December	
	2009	2008
Fee and commission income		
Credit-related fees and commissions	203 877	178 992
Payment cards-related fees	289 104	206 445
Commissions from insurance activity	79 443	89 659
Fees from brokerage activity	107 574	73 491
Commissions from money transfers	73 139	72 718
Commissions from bank accounts	86 149	62 175
Guarantees granted and trade finance commissions	46 371	39 257
Commissions on trust and fiduciary activities	10 171	10 164
Fees from portfolio-management services and other management-related fees	10 612	8 385
Other	94 847	103 177
	1 001 287	**844 463**
Fee and commission expense		
Payment cards-related fees	(188 796)	(143 629)
Brokerage fees discharged	(26 365)	(20 713)
Commissions costs of insurance activity	(2 096)	(34)
Other fees discharged	(189 307)	(128 621)
	(406 564)	**(292 997)**

	Year ended 31 December	
	2009	2008
Commissions from insurance activity		
- Income from insurance policies administration	13 059	1 942
- Income from insurance intermediation	66 384	87 717
Total fee and commission income from insurance activity	**79 443**	**89 659**

The amount of other fees discharged comprises mainly commissions paid for the sale of the Group's products to external customers.

8. Dividend Income

	Year ended 31 December	
	2009	2008
Trading securities	117	1 699
Securities available for sale	98 950	7 730
Total dividend income	**99 067**	**9 429**

In 2009, the Group received a dividend from PZU SA in amount of PLN 96 218 thousand.

9. Net Trading Income

	Year ended 31 December	
	2009	2008
Foreign exchange result	**415 048**	**517 314**
Foreign exchange differences from the conversion (net)	(333 488)	417 755
Net transaction gains and losses	748 536	99 559
Other net trading income	**(8 674)**	**(33 459)**
Interest-bearing instruments	(20 803)	(28 564)
Equities	4 081	(8 394)
Market risk instruments	8 048	3 499
Total net trading income	**406 374**	**483 855**

"Foreign exchange result" includes profits and losses on spot transactions and forward contracts, options, futures and translated assets and liabilities denominated in foreign currencies. "Interest-bearing instruments" include the profit/(loss) on money market instrument trading, swap contracts for interest rates and currencies (IRS), options and other derivative instruments. "Equity instruments" include the valuation and profit/loss on global trade in equity securities. "Market risk instruments" include profits and losses on: bond futures, index futures, security options, stock exchange index options, and options on futures contracts as well as the result from securities forward transactions and commodity swaps.

In 2009 the valuation of currency derivatives resulted in decrease of valuation by PLN 31 629 thousand included under the item "Net transaction gains and losses" (in 2008: decrease of valuation by PLN 56 613 thousand).

10. Other Operating Income

	Year ended 31 December	
	2009	2008
Income from sale or liquidation of fixed assets, intangible assets and assets held for resale	**105 409**	**172 184**
Income from services provided	51 436	44 274
Income from insurance activity net	50 401	20 513
Income due to release of provisions for future commitments	27 123	10 213
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	5 957	5 048
Income from compensation, penalties and fines received	3 365	419
Other	19 831	13 854
Total other operating income	**263 522**	**266 505**

Income from sale or liquidation of tangible fixed assets, intangible assets as well as assets held for disposal comprises primarily income of the company BRE.locum from developer activity.

Income from services provided concerns non-banking services.

Income from insurance activity net comprises income from premiums, reinsurance and co-insurance activity, reduced by claims paid and costs of claims handling and adjusted by the changes in provisions for claims connected with the insurance activity conducted within the BRE Bank SA Group.

Income from insurance activity net generated in 2009 and 2008 is presented below.

	Year ended 31 December	
	2009	2008
Income from premiums		
- Premiums attributable	72 120	108 551
- Change in provision for premiums	14 726	(63 299)
Premium revenue	**86 846**	**45 252**
Reinsurance contracts		
- Premiums attributable	(25 671)	(21 517)
- Change in provision for premiums	869	5 956
Premiums on reinsurer's share	**(24 802)**	**(15 561)**
Net premiums	**62 044**	**29 691**
Compensations and benefits		
- Compensations and benefits paid out in the current year including costs of liquidation before tax	(19 328)	(9 513)
- Change in provision for compensations and benefits paid out in the current year including costs of liquidation before tax	(14 626)	(15 148)
- Compensations and benefits paid out in the current year including reinsurer's share of costs of liquidation	17 052	8 593
- Change in provision for compensations and benefits paid out in the current year including reinsurer's share of costs of liquidation	6 074	8 799
Compensations and benefits net	**(10 828)**	**(7 269)**
- Other costs on own share	(536)	(1 942)
- Other operating income	-	33
- Expert and certification costs concerning risk assessment	(279)	-
Income from insurance activity net, total	**50 401**	**20 513**

11. Overhead Costs

	Year ended 31 December	
	2009	2008
Staff-related expenses	(644 751)	(738 697)
Material costs	(585 227)	(561 476)
Taxes and fees	(25 222)	(26 598)
Contributions and transfers to the Bank Guarantee Fund	(22 711)	(6 923)
Contribution to the Social Benefits Fund	(5 034)	(5 483)
Other	(2 480)	(7 424)
Total overhead costs	**(1 285 425)**	**(1 346 601)**

"Material costs" consist of tangible assets operating lease payment costs (mainly real estate) of PLN 28 130 thousand (2008: PLN 22 605 thousand).

Staff-related Expenses

	Year ended 31 December	
	2009	2008
Wages and salaries	(541 661)	(593 902)
Social security expenses	(69 889)	(82 483)
Pension fund expenses	(1 320)	(1 091)
Remuneration settled in the form of shares and share options	(2 388)	(18 898)
Other staff expenses	(29 493)	(42 323)
Staff-related expenses, total	**(644 751)**	**(738 697)**

The average level of employment in the Group in the year 2009 was 7 473 persons (2008: 6 982).

Additional information related to share-based payments is presented in the Note 41 “Retained earnings”.

12. Other Operating Expenses

	Year ended 31 December	
	2009	2008
Costs arising from sale or liquidation of fixed assets, intangible assets and assets held for resale	(82 981)	(114 627)
Costs arising from provisions created for other receivables (excluding loans and and advances)	(19 333)	(8 604)
Provisions for future commitments	(34 538)	(4 935)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(284)	(4 464)
Donations made	(2 974)	(3 360)
Costs of services provided	(1 118)	(1 968)
Compensation, penalties and fines paid	(651)	(790)
Costs arising from impairment provisions created for tangible fixed assets and intangible assets	(4 838)	-
Other operating costs	(23 064)	(14 358)
Total other operating expenses	**(169 781)**	**(153 106)**

Costs arising from sale or liquidation of fixed assets, intangible assets and assets held for disposal comprise primarily the expenses incurred by BRE.locum in connection with its developer activity.

In 2009, impairment provisions created for other receivables (excluding loans and advances) include the amount of PLN 18 476 thousand of provision created by Intermarket Bank AG due to impaired receivables from Compania de Factoring IFN, Romania, which was in 50% held by Intermarket. On 28 October 2009, Intermarket Bank AG sold all shares held in the company Compania de Factoring IFN SA.

In 2009 provisions created for future commitments include the amount of PLN 31 854 thousand of provisions for future liabilities of the Bank arising from signed contracts and liabilities arising from court decisions concerning excessive fees charged for bridge insurance of mortgage loans.

Costs of services provided concern non-banking services.

13. Impairment Losses on Loans and Advances

	Year ended 31 December	
	2009	2008
Impairment losses on amounts due from other banks (Note 19)	(19 950)	(21 894)
Impairment losses on off-balance sheet contingent liabilities due to other banks (Note 34)	542	(287)
Impairment losses on loans and advances to customers (Note 22)	(1 087 919)	(233 747)
Impairment losses on off-balance sheet contingent liabilities due to customers (Note 34)	10 193	(13 216)
Total impairment losses on loans and advances	**(1 097 134)**	**(269 144)**

14. Income Tax Expense

	Year ended 31 December	
	2009	2008
Current tax	(98 459)	(306 606)
Deferred income tax (Note 35)	19 593	198 171
Total income tax	**(78 866)**	**(108 435)**
Profit before tax	**209 389**	**867 146**
Tax calculated at Polish current tax rate (19%)	(39 784)	(164 758)
Effect of different tax rates in other countries	(1 013)	(2 677)
Income not subject to tax	11 292	42 219
Costs other than tax deductible costs	(34 360)	(31 007)
Other positions affecting income tax	7 179	64 190
Losses of foreign branches of the Bank	(22 180)	(16 402)
Income tax expense	**(78 866)**	**(108 435)**
Effective tax rate calculation		
Profit before income tax	209 389	867 146
Income tax	(78 866)	(108 435)
Effective tax rate	**37,66%**	**12,50%**

The effective tax rate of 37.66% is mainly a result of losses incurred by the Bank's foreign branches, costs not deductible for tax purposes and costs of provisions and write-offs not allowed for tax purposes.

In 2008 the effective tax rate of 12.50% is mainly attributable to the sale for redemption purposes of Vectra SA shares and the tax loss on the sale of the Aegon PTE shares.

In 2008 the item "Other positions affecting income tax" comprises tax result on the sale of the shares of Aegon PTE SA.

Further information about deferred income tax is presented in the Note 35. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as presented above.

15. Earnings per Share

Earnings per share for 12 months – continued operations

	Year ended 31 December	
	2009	2008
Basic:		
Net profit from continued operations attributable to the Bank's equity holders	128 928	726 826
Weighted average number of ordinary shares	29 690 882	29 680 542
Net basic profit per share (in PLN per share)	**4.34**	**24.49**
Diluted:		
Net profit from continued operations attributable to the Bank's equity holders applied for	128 928	726 826
Weighted average number of ordinary shares	29 690 882	29 680 542
Adjustments for:		
- stock options for employees	38 859	20 704
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 729 741	29 701 246
Diluted earnings per share (in PLN per share)	**4.34**	**24.47**

Earnings per share for 12 months – together continued and discontinued operations

	Year ended 31 December	
	2009	2008
Basic:		
Net profit from continued and discontinued operations attributable to the Bank's equity	128 928	857 459
Weighted average number of ordinary shares	29 690 882	29 680 542
Earnings per 1 ordinary share (in PLN per share)	**4.34**	**28.89**
Diluted:		
Net profit from continued and discontinued operations attributable to the Bank's equity	128 928	857 459
Weighted average number of ordinary shares	29 690 882	29 680 542
Adjustments for:		
- stock options for employees	38 859	20 704
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 729 741	29 701 246
Diluted earnings per share (in PLN per share)	**4.34**	**28.87**

The basic earnings per share is computed as the quotient of the Bank stockholders' share of the profit and the weighted average number of ordinary shares during the year.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares as if all possible ordinary shares causing the dilution were replaced with shares. The Bank has one category of potential ordinary shares causing the dilution: share options. The number of diluting shares is computed as the number of shares that would be issued if all share options were realised at the market price, determined as the average annual closing price of the Bank's shares.

According to IAS 33, the Bank prepares a calculation of the so-called "diluted earnings per share", taking account of share purchase options granted to employees.

On 14 March 2008, the Ordinary General Meeting of BRE Bank adopted a resolution approving an incentive program for Management Board Members of the Bank. Under the program, the Management Board Members can acquire bonds with the pre-emptive right to acquire shares of the Bank and shares of the ultimate parent of the Group, Commerzbank AG.

The Bank conducted two option programs from 1 January 2007 to 31 December 2008. The programs were valued in accordance with IFRS 2.

The employee options program (initiated in May 2003) assumes that the members of the Bank's Management will receive 500 000 options to be exercised in phases between 1 June 2005 and 30 June 2008. Under these options, the employees may have assumed 500 000 of newly issued shares of the Bank.

Detailed information concerning the conducted remuneration program based on and settled in shares is described in the Note 41.

Detailed information concerning the option program which the Bank conducted in previous years and which expired during the year 2008 is presented in the BRE Bank SA IFRS Financial Statements 2008 and BRE Bank SA Group IFRS Consolidated Financial Statements 2008, published on 27 February 2009.

16. Other Comprehensive Income

	Year ended 31 December 2009			Year ended 31 December 2008		
Disclosure of tax effects relating to each component of other comprehensive income	Before-tax amount	Tax (expense) benefit	Net amount	Before-tax amount	Tax (expense) benefit	Net amount
Exchange differences on translating foreign operations	6 114	-	6 114	16 935	-	13 569
Available-for-sale financial assets	107 846	(14 506)	93 340	(303 629)	11 617	(292 012)
Total other comprehensive income	**113 960**	**(14 506)**	**99 454**	**(286 694)**	**11 617**	**(278 443)**

The table presents detailed information concerning other comprehensive income for the year 2009 and 2008:

	Year ended 31 December	
	2009	2008
Exchange differences on translating foreign operations	6 114	13 569
Unrealized gains (positive differences) arising during the year (net)	9 130	24 741
Unrealized losses (negative differences) arising during the year (net)	(3 016)	(11 172)
Available-for-sale financial assets	**93 340**	**(292 012)**
Unrealized gains on debt instruments arising during the year (net)	62 103	9 823
Unrealized losses on debt instruments arising during the year (net)	(354)	(161 257)
Reclassification adjustments for gains (losses) on debt instruments included in the income statement (net)	(799)	559
Unrealized gains on equity instruments arising during the year (net)	32 390	-
Unrealized losses on equity instruments arising during the year (net)	-	(2 064)
Reclassification adjustments for gains (losses) on equity instruments included in the income statement (net)	-	(139 073)
Total other comprehensive income (net)	**99 454**	**(278 443)**

The year-on-year increase in the valuation of the portfolio of securities available for sale in 2009 was mainly due to an increase in the value of variable-coupon Treasury securities held by the Bank. The change in the valuation was mainly related to an increase in the value of variable-coupon securities held by the Bank. The change in the valuation of the portfolio was largely impacted by an increase of market prices of debt securities issued by foreign banks as a result of improving sentiment on the financial markets, increased confidence in the banking sector, and decreased credit spreads. In addition, the increase in the valuation was driven by redemption of zero-coupon Treasury securities, stated at a negative amount at the end of 2008, as well as an increase in the valuation of Treasury bills acquired for the Bank's portfolio in 2009 resulting from reduced interest rates. The positive impact of these factors was partly offset by the negative valuation of long-term fixed-income Treasury securities.

The biggest impact on unrealised net gains on equity instruments arising during the year 2009 was caused by fair value pricing of PZU SA shares in Q4 2009 as well as their fair value adjustment made on 31 December 2009 taking into account income from dividend paid by PZU SA in November 2009. The total amount resulting from the above events, presented in unrealised net gains on equity instruments arising during the year 2009, was PLN 31 025 thousand.

A net gain in a total amount of PLN 799 thousand from a net increase/decrease in the value of securities (bonds, Treasury bonds and bills) sold in 2009 was released from the other components of equity and recognised in the Income Statement Account (for the year 2008: net gain PLN 138 620 thousand).

The biggest material impact on the change in other components of equity in 2008 was caused by the release to the Income Statement of the change in value of the investment in Vectra SA and the release on sale of shares disposed by the Bank on 25 January 2008 (Reclassification adjustments for gains on equity instruments included in the income statement in the amount of PLN 139 073 thousand), (Note 23).

17. Cash and Balances with Central Bank

	31.12.2009	31.1.2.2008
Cash in hand	149 245	143 340
Current account	3 637 520	2 368 993
Total cash and balances with the Central Bank (Note 44)	**3 786 765**	**2 512 333**
Including: mandatory reserve deposit	1 053 745	1 190 991

On the basis of the National Bank of Poland Act dated 29 August 1997, the BRE Bank SA holds mandatory reserve deposit. The mandatory reserve is held in an account with the Central Bank and in the Bank's hand. As at 31 December 2009, the former part of the reserve bore 3.38% interest (31 December 2008: 4.73%).

18. Debt Securities Eligible for Rediscounting at the Central Bank

Debt securities eligible for rediscounting are bills of exchange issued by non-financial organisations with maturities up to 3 months.

19. Loans and Advances to Banks

	31.12.2009	31.1.2.2008
Current accounts	380 982	192 296
Placements with other banks	1 254 389	4 268 514
Included in cash equivalents (Note 44)	**1 635 371**	**4 460 810**

	31.12.2009	31.1.2.2008
Loans and advances	497 890	936 315
Reverse repo / buy-sell-back transactions	357 161	515 694
Other receivables	78 237	222 288
Total (gross) loans and advances to banks	**2 568 659**	**6 135 107**
Provisions created for loans and advances to banks (negative amount)	(38 087)	(31 014)
Total (net) loans and advances to banks	**2 530 572**	**6 104 093**
Short-term (up to 1 year)	2 459 414	5 766 396
Long-term (over 1 year)	71 158	337 697

The following table presents receivables from Polish and foreign banks:

	31.12.2009	31.1.2.2008
Loans and advances to Polish banks (gross)	691 692	847 391
Provisions created for loans and advances to Polish banks	(331)	(57)
Loans and advances to foreign banks (gross)	1 876 967	5 287 716
Provisions created for loans and advances to foreign banks	(37 756)	(30 957)
Total (net) loans and advances to banks	**2 530 572**	**6 104 093**

As at 31 December 2009, the variable rate loans to banks amount to PLN 406 949 thousand and the fixed rate loans to banks amounted to PLN 10 323 thousand (as at 31 December 2008 – variable rate loans to banks amounted to PLN 860 452 thousand and fixed rate loans: PLN 54 670 thousand). An average deposit interest rate for deposits in other banks and loans granted to banks amounted to 2.96% (31 December 2008: 5.32%).

The following table presents the changes in provisions for losses on amounts due from banks:

	31.12.2009	31.1.2.2008
Provisions for loans and advances to banks as at the beginning of the period	**31 014**	**5 209**
Increase (due to)	26 405	25 805
- provisions created (Note 13)	26 405	21 894
- foreign exchange differences	-	3 911
Release (due to)	(19 332)	-
- release of provisions (Note 13)	(6 455)	-
- write-offs	(10 565)	-
- foreign exchange differences	(2 312)	-
Provisions for loans and advances to banks as at the end of the period	**38 087**	**31 014**

Provisions for loans and advances to banks in 2009 comprise provisions of PLN 36 238 thousand for receivables analysed on an individual basis (2008: PLN 26 212 thousand).

20. Trading Securities and Pledged Assets

	31.12.2009	31.1.2.2008
Debt securities:	**1 824 702**	**5 713 217**
Government bonds included in cash equivalents and pledged government bonds (sell-buy-back transactions) (Note 44), including:	1 079 141	836 767
- pledged government bonds (sell-buy-back transactions) (Note 38)	766 313	716 356
Treasury bills included in cash equivalents and pledged treasury bills (sell-buy-back transactions) (Note 44), including:	227 557	874 579
- pledged treasury bills (sell-buy-back transactions) (Note 38)	-	380 428
Other debt securities	518 004	4 001 871
Equity securities:	**6 801**	**8 188**
- listed	6 801	8 188
Debt and equity securities, including:	**1 831 503**	**5 721 405**
- Trading securities	1 065 190	4 624 621
- Pledged assets (Note 38)	766 313	1 096 784

Government bonds include securities used to secure sell-buy-back transactions with customers, the market value of which as at 31 December 2009 amounted to PLN 766 313 thousand (31 December 2008: PLN 716 356 thousand). The bonds are disclosed separately within the “Pledged assets” in the Statement of Financial Position.

In 2008 Treasury bills include bills used to secure sell-buy-back transactions with customers, the market value of which as at 31 December 2008 amounted to PLN 380 428 thousand.. The bills are disclosed separately within the “Pledged assets” in the Statement of Financial Position.

“Debt securities” include Treasury bills eligible for rediscounting issued by the Polish Treasury for a period of up to one year. All Treasury notes bear fixed interest rates.

The above note includes neither government bonds nor Treasury bills pledged under the Bank Guarantee Fund in the amount of PLN 187 564 thousand (31 December 2008: Treasury bills of PLN 176 592 thousand) and investment government bonds pledged as sell-buy-back transactions and loan collateral in the amount of PLN 2 562 648 thousand (31 December 2008: PLN 2 171 905 thousand) which have been classified into investment securities (the Note 23).

21. Derivative Financial Instruments and Other Trading Liabilities

The Group uses the following derivative instruments for economic hedging and for other purposes:

Forward currency transactions represent commitments to purchase foreign and local currencies, including outstanding spot transactions. **Futures for currencies and interest rates** are contractual commitments to receive or pay a specific net value, depending on currency rate of exchange or interest rate variations, or to buy or sell a foreign currency or a financial instrument on a specified future date for a fixed price established on the organised financial market. Because futures contracts are collateralised with fair-valued cash or securities and the changes of the face value of such contracts are accounted for daily in reference to stock exchange quotations, the credit risk is marginal. **FRA contracts** are similar to futures except that each of them is negotiated individually and each requires payment on a specific future date of the difference between the interest rate set in the agreement and the current market rate on the basis of theoretical amount of capital.

Currency and interest rate swap contracts are commitments to exchange one cash flow for another cash flow. Such a transaction results in swap of currencies or interest rates (e.g., fixed to variable interest rate) or combination of all these factors (e.g., inter-currency interest rate swap contracts). With the exception of specific currency swap contracts, such transactions do not result in swaps of capital. The credit risk of the Group consists of the potential cost of replacing swap contracts if the parties fail to discharge their liabilities. This risk is monitored daily by reference to the current fair value, proportion of the face value of the contracts and market liquidity. The Group evaluates the parties to such contracts using the same methods as for its credit business, to control the level of its credit exposure.

Currency and interest rate options are agreements, pursuant to which the selling party grants the buying party the right, but not an obligation, to purchase (call option) or sell (put option) a specific quantity of a foreign currency or a financial instrument at a predefined price on or by a specific date or within an agreed period. In return for accepting currency or interest rate risk, the buyer offers the seller a premium. An option can be either a public instrument traded at a stock exchange or a private instrument negotiated between the Group and a customer (private transaction). The Group is exposed to credit risk related to purchased options only up to the balance sheet value of such options, i.e. the fair value of the options.

Face values of certain types of financial instruments provide a basis for comparing them to instruments disclosed in the Balance Sheet but they may not be indicative of the value of the future cash flows or of the present fair value of such instruments. For this reason, the face values do not indicate the level of the Group's exposure to credit risk or price change risk. Derivative instruments can have positive value (assets) or negative value (liabilities), depending on market interest or currency exchange rate fluctuations. The aggregate fair value of derivative financial instruments may be subject to strong variations.

Market risk transactions include futures contracts as well as commodity options, stock options and index options.

The following table presents the fair values of the derivatives held by the Group:

	Contract amount		Fair value	
	purchase	disposal	assets	liabilities
As at 31 December 2009				
Derivatives held for trading				
Foreign exchange derivatives				
- Currency forwards	9 832 664	9 943 857	114 392	65 713
- Currency swaps	8 143 028	8 131 581	148 035	141 841
- Cross-currency interest rate swaps	5 794 847	5 941 004	142 688	274 383
- OTC currency options bought and sold	4 679 412	4 819 890	352 161	250 895
Total OTC derivatives	**28 449 951**	**28 836 332**	**757 276**	**732 832**
Total foreign exchange derivatives	**28 449 951**	**28 836 332**	**757 276**	**732 832**
Interest rate derivatives				
- Interest rate swap, OIS	97 299 568	97 299 568	1 080 865	1 120 891
- Forward rate agreements	26 136 492	35 190 000	62 547	52 152
- OTC interest rate options	462 575	455 447	11 568	10 773
Total OTC interest rate derivatives	**123 898 635**	**132 945 015**	**1 154 980**	**1 183 816**
Total interest rate derivatives	**123 898 635**	**132 945 015**	**1 154 980**	**1 183 816**
Market risk transactions	853 602	797 641	21 371	18 847
Total derivative assets / liabilities held for trading	**153 202 188**	**162 578 988**	**1 933 627**	**1 935 495**

	Contract amount		Fair value	
	purchase	disposal	assets	liabilities
Total derivative assets / liabilities held for trading	**153 202 188**	**162 578 988**	**1 933 627**	**1 935 495**
Total recognised derivative assets/ liabilities and other trading liabilities	**153 202 188**	**162 578 988**	**1 933 627**	**1 935 495**
Short-term (up to 1 year)	102 917 811	112 759 947	1 265 442	1 232 950
Long-term (over 1 year)	50 284 377	49 819 041	668 185	702 545

	Contract amount		Fair value	
	purchase	disposal	assets	liabilities
As at 31 December 2008				
Derivatives held for trading				
Foreign exchange derivatives				
- Currency forwards	16 503 882	16 135 075	615 328	191 351
- Currency swaps	11 380 057	12 090 905	410 042	1 141 798
- Cross-currency interest rate swaps	6 710 761	6 755 264	518 271	513 708
- OTC currency options bought and sold	10 393 957	11 311 674	1 169 471	908 457
Total OTC derivatives	**44 988 657**	**46 292 918**	**2 713 112**	**2 755 314**
Total foreign exchange derivatives	**44 988 657**	**46 292 918**	**2 713 112**	**2 755 314**
Interest rate derivatives				
- Interest rate swap, OIS	163 567 075	163 567 074	2 281 861	2 912 871
- Forward rate agreements	102 672 586	131 095 000	599 517	470 713
- OTC interest rate options	518 134	509 829	15 296	13 742
Total OTC interest rate derivatives	**266 757 795**	**295 171 903**	**2 896 674**	**3 397 326**
Total interest rate derivatives	**266 757 795**	**295 171 903**	**2 896 674**	**3 397 326**
Market risk transactions	**750 581**	**647 227**	**23 086**	**21 851**
Total derivative assets / liabilities held for trading	**312 497 033**	**342 112 048**	**5 632 872**	**6 174 491**
Total recognised derivative assets/ liabilities	**312 497 033**	**342 112 048**	**5 632 872**	**6 174 491**
Total recognised derivative assets/ liabilities and other trading liabilities	**312 497 033**	**342 112 048**	**5 632 872**	**6 174 491**
Short-term (up to 1 year)	217 363 511	242 866 362	3 613 618	4 389 939
Long-term (over 1 year)	95 133 522	99 245 686	2 019 254	1 784 552

In all reporting periods, market risk transactions comprise the fair values of: stock index options, shares and other equity securities, futures for commodities, swap contracts for commodities.
Under financial derivative instruments the Group presented derivative instruments in the amount of PLN 13 486 thousand (liabilities), which have been separated from the structured investment deposits (31 December 2008: PLN 11 906 thousand).
As at 31 December 2009 and 31 December 2008 the Group did not have any other financial assets or liabilities in the category priced at fair value through the Income Statement.

22. Loans and Advances to Customers

	31.12.2009	31.1.2.2008
Loans and advances to individuals:	**28 855 129**	**26 653 688**
- overdrafts	4 236 226	3 564 876
- term loans, including:	24 618 903	23 088 812
housing and mortgage loans	22 469 413	21 489 562
Loans and advances to corporate entities:	**23 433 995**	**25 016 257**
- overdrafts	3 249 607	3 757 743
- term loans:	17 904 615	18 740 334
corporate & institutional enterprises	3 501 742	4 035 266
medium & small enterprises	14 402 873	14 705 068
- reverse repo / buy-sell-back transactions	353 808	407 579
- other	1 925 965	2 110 601
Loans and advances to public sector	**1 327 936**	**663 580**
Other receivables	**816 521**	**668 684**
Total (gross) loans and advances to customers	**54 433 581**	**53 002 209**
Provisions for loans and advances to customers (negative amount)	(1 964 769)	(859 732)
Total (net) loans and advances to customers	**52 468 812**	**52 142 477**
Short-term (up to 1 year)	17 018 006	16 241 124
Long-term (over 1 year)	35 450 806	35 901 353

As at 31 December 2009, variable and fixed rate credits amounted to PLN 53 442 731 thousand and PLN 892 846 thousand, respectively (as at 31 December 2008: PLN 51 957 457 thousand and PLN 966 471 thousand respectively). The values mentioned above relate to loans granted to individual clients, corporate clients and the budget sector. An average interest rate for loans granted to customers (excluding reverse repos) amounted to 4.76% (31 December 2008: 6.57%).

The Group accepted exchange-listed securities at the fair value of PLN 1 634 789 thousand (31 December 2008: PLN 789 160 thousand) as collateral for commercial loans.

Provisions for Loans and Advances

	31.12.2009	31.1.2.2008
Receivables classified as “non-default”		
Gross balance sheet exposure	51 872 653	51 832 118
Impairment provisions for exposures analysed according to portfolio approach	(232 516)	(166 866)
Net balance sheet exposure	**51 640 137**	**51 665 252**
Receivables classified as “default”		
Gross balance sheet exposure	2 560 928	1 170 091
Provisions for exposures analysed individually	(1 732 253)	(692 866)
Net balance sheet exposure	**828 675**	**477 225**

Movements in provisions for loans and advances

INDIVIDUALS	31.12.2009	31.1.2.2008
Current accounts		
As at the beginning of the period	**205 998**	**116 907**
increase (due to)	384 952	113 773
- provisions created	384 952	113 773
release (due to)	(4 175)	(24 682)
- release of provisions	(804)	(6 845)
- write-offs	(3 371)	(17 837)
As at the end of the period	**586 775**	**205 998**
Term loans		
As at the beginning of the period	89 009	66 747
increase (due to)	58 998	35 388
- provisions created	58 899	31 814
- reclassification of provisions & foreign exchange differences	99	3 574
release (due to)	(24 382)	(13 126)
- release of provisions	(5 477)	(6 113)
- write-offs	(18 905)	(7 013)
As at the end of the period	**123 625**	**89 009**
including:		
Housing and mortgage loans		
As at the beginning of the period	**36 034**	**24 886**
increase (due to)	25 617	15 150
- provisions created	25 617	15 143
- reclassification of provisions & foreign exchange differences	-	7
release (due to)	**(19 400)**	**(4 002)**
- release of provisions	(1 944)	(1 769)
- write-offs	(17 456)	(2 233)
As at the end of the period	**42 251**	**36 034**

TOTAL - INDIVIDUALS	31.12.2009	31.1.2.2008
As at the beginning of the period	**295 007**	**183 654**
increase (due to)	443 950	149 161
- provisions created	443 851	145 587
- reclassification of provisions & foreign exchange differences	99	3 574
release (due to)	(28 557)	(37 808)
- release of provisions	(6 281)	(12 958)
- write-offs	(22 276)	(24 850)
As at the end of the period	**710 400**	**295 007**

CORPORATE ENTITIES	31.12.2009	31.1.2.2008
Current accounts		
As at the beginning of the period	**108 033**	**79 963**
increase (due to)	652 822	92 952
- provisions created	579 394	83 417
- reclassification of provisions & foreign exchange differences*	73 428	9 535
release (due to)	(417 388)	(64 882)
- release of provisions	(405 824)	(50 482)
- reclassification of provisions & foreign exchange differences	(9 253)	-
- write-offs	(2 311)	(14 400)
As at the end of the period	**343 467**	**108 033**
Term loans		
As at the beginning of the period	**388 193**	**370 002**
increase (due to)	668 403	167 036
- provisions created	667 517	167 036
- reclassification of provisions & foreign exchange differences	886	-
release (due to)	(216 079)	(148 845)
- release of provisions	(205 786)	(115 468)
- reclassification of provisions & foreign exchange differences	(588)	(5 241)
- write-offs	(9 705)	(28 136)
As at the end of the period	**840 517**	**388 193**
including:		
Corporate & institutional enterprises		
As at the beginning of the period	**31 006**	**28 480**
increase (due to)	111 760	11 817
- provisions created	110 874	11 817
- reclassification of provisions & foreign exchange differences	886	-

CORPORATE ENTITIES	31.12.2009	31.1.2.2008
release (due to)	(34 354)	(9 291)
- release of provisions	(34 354)	(8 422)
- reclassification & foreign exchange differences	-	(869)
As at the end of the period	**108 412**	**31 006**
Medium & small enterprises		
As at the beginning of the period	**357 187**	**341 522**
increase (due to)	556 643	155 219
- provisions created	556 643	155 219
release (due to)	(181 725)	(139 554)
- release of provisions	(171 432)	(107 046)
- reclassification of provisions & foreign exchange differences	(588)	(4 372)
- write-offs	(9 705)	(28 136)
As at the end of the period	**732 105**	**357 187**
As at the beginning of the period	**68 120**	**48 770**
increase (due to)	24 766	33 783
- provisions created	24 300	25 170
- reclassification of provisions & foreign exchange differences	466	8 613
release (due to)	(25 302)	(14 433)
- release of provisions	(11 674)	(8 620)
- reclassification of provisions & foreign exchange differences	(1 419)	(681)
- write-offs	(12 209)	(5 132)
As at the end of the period	**67 584**	**68 120**

TOTAL - CORPORATE ENTITIES	31.12.2009	31.1.2.2008
As at the beginning of the period	**564 346**	**498 735**
increase (due to)	1 345 991	293 771
- provisions created	1 271 211	275 623
- reclassification of provisions & foreign exchange differences	74 780	18 148
release (due to)	(658 769)	(228 160)
- release of provisions	(623 284)	(174 570)
- reclassification of provisions & foreign exchange differences	(11 260)	(5 922)
- write-offs	(24 225)	(47 668)
As at the end of the period	**1 251 568**	**564 346**

PUBLIC SECTOR	31.12.2009	31.1.2.2008
As at the beginning of the period	**379**	**314**
increase (due to)	2 468	193
- provisions created	2 468	193
release (due to)	(46)	(128)
- release of provisions	(46)	(128)
As at the end of the period	**2 801**	**379**

TOTAL - MOVEMENTS IN PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS	31.12.2009	31.1.2.2008
As at the beginning of the period	**859 732**	**682 703**
increase (due to)	1 792 409	443 125
- provisions created (Note 13)	1 717 530	421 403
- reclassification of provisions & foreign exchange differences	74 879	21 722
release (due to)	(687 372)	(266 096)
- release of provisions (Note 13)	(629 611)	(187 656)
- reclassification of provisions & foreign exchange differences	(11 260)	(5 922)
- write-offs	(46 501)	(72 518)
As at the end of the period	**1 964 769**	**859 732**

In 2009 the amount of PLN 73 428 thousand includes PLN 72 887 thousand derivatives' fair value adjustment reclassified to provisions for loans, concernig receivables from customers who previously held derivative instruments in potrfolio.

Loans and advances to customers include finance lease receivables

Receivables under finance leases.

	31.12.2009	31.1.2.2008
Gross investment in finance leases, receivable:	**4 283 194**	**4 606 419**
- not later than 1 year	1 779 141	1 668 067
- later than 1 year and not later than 5 years	2 222 855	2 717 550
- later than 5 years	281 198	220 802
Unearned future finance income on finance leases (negative amount)	(499 819)	(363 835)
Net investment in finance leases	**3 783 375**	**4 242 584**
Net investment in finance leases, receivable:		
- not later than 1 year	1 573 789	1 625 270
- later than 1 year and not later than 5 years	1 996 160	2 429 145
- later than 5 years	213 426	188 169
	3 783 375	**4 242 584**

23. Investment Securities and Pledged Assets

	31.12.2009	31.1.2.2008
Debt securities	**15 728 539**	**7 754 415**
Listed, including:	15 671 265	7 702 443
- pledged government bonds (sell-buy-back transactions)	2 188 251	2 171 905
- pledged government bonds (loan collateral)	374 397	-
- government bonds pledged under the Bank Guarantee Fund	145 323	175 300
- Treasury bills pledged under the Bank Guarantee Fund	42 241	1 292
Unlisted	57 274	51 972
Equity securities	142 360	96 394
- listed	14 068	7 958
- unlisted	128 292	88 436
Total securities	**15 870 899**	**7 850 809**
Total investment securities and pledged assets, including:	**15 870 899**	**7 850 809**
- Available for sale securities	13 120 687	5 502 312
- Pledged assets (Note 38)	2 750 212	2 348 497
Short-term (up to 1 year)	9 547 762	1 545 996
Long-term (over 1 year)	6 323 137	6 304 813

The fair values of equity securities presented above include impairment in the amount of PLN 2 814 thousand (31 December 2008: PLN 20 941 thousand).

As at 31 December 2009, the carrying values of debt securities with fixed interest rates amounted to PLN 10 190 547 thousand and debt securities with variable interest rates PLN 5 535 658 thousand respectively (31 December 2008: PLN 2 234 299 thousand and PLN 5 520 116 thousand).

The above includes government bonds and Treasury bills under the Bank Guarantee Fund, investment government bonds pledged as sell-buy-back transactions and government bonds pledged as collateral for the loan received from EBI, which are presented in the Statement of Financial Position in a separate position “Pledged assets” (see the Note 38).

The above note also includes the Central Bank’s bills with maturity date up to three months, which are presented in cash equivalents (see the Note 44).

In accordance with the Bank Guarantee Fund Law of 14 December 1994, the Group had PLN 187 564 thousand, at face value PLN 187 800 thousand of Treasury securities (bonds and bills) disclosed in its Statement of Financial Position as at 31 December 2009 (31 December 2008: fair value PLN 176 592 thousand; face value PLN 176 320 thousand). The notes were used as security under the Bank Guarantee Fund and they were deposited in a separate account at the National Bank of Poland.

Gains and Losses from Investment Securities:

	31.12.2009	31.1.2.2008
Sale / redemption by the issuer of the financial assets available for sale	**(2 725)**	**136 787**
Impairment of available for sale equity securities	1 953	(1 022)
Total gains and losses from investment securities	**(772)**	**135 765**

In 2009, impairment of available for sale equity securities includes a write-off in the amount of PLN 16 836 thousand done by Intermarket Bank AG due to impairment of Compania de Factoring IFN, Romania, of which 50% is held by Intermarket. On 28 October 2009, Intermarket Bank AG sold all of its shares in the company Compania de Factoring IFN SA.

The item also comprises the amount of a reversal of prior impairment of Czwarty Polski Fundusz Rozwoju Sp. z o.o. in the amount of PLN 19 794 thousand made by BRE.locum Sp. z o.o. in connection with the sale of real estate being the only asset belonging to the company Czwarty Polski Fundusz Rozwoju Sp. z o.o., a subsidiary which is 100% held by BRE.locum.

In 2008 the biggest material impact on the value of sale/redemption of financial assets available for sale came from the result on the sale of shares of Vectra SA. The transaction of sale was described under Note 22 of the Financial Statements of BRE Bank for 2008 and under Note 23 of the Consolidated Financial Statements of BRE Bank Group for 2008, published on 27 February 2009.

Movements in investment securities and pledged assets:

	31.12.2009	31.1.2.2008
Available for sale securities and pledged assets		
As at the beginning of the period	**7 850 809**	**6 467 016**
Exchange differences	(2 371)	23 187
Additions	75 440 516	9 042 087
Disposals (sale, redemption and remission)	(67 655 352)	(7 515 344)
Gains / (losses) from impairment of equity securities and debt securities available for sale	18 127	(1 022)
Gains / (losses) from changes in fair value	219 170	(165 115)
As at the end of the period	**15 870 899**	**7 850 809**

Changes in provisions for losses on investment securities and pledged assets:

	31.12.2009	31.1.2.2008
Provisions for losses on available for sale securities and pledged assets		
Equity securities		
- Listed		
As at the beginning of the period	**(125)**	**(125)**
As at the end of the period	**(125)**	**(125)**
- Unlisted		
As at the beginning of the period	**(20 816)**	**(28 951)**
allowance for impairment	(1 667)	(1 022)
amounts written off during the period as uncollectible	-	9 157
amounts recovered during the period	19 794	-
As at the end of the period	**(2 689)**	**(20 816)**
Total available for sale securities		
As at the beginning of the period	**(20 941)**	**(29 076)**
allowance for impairment	(1 667)	(1 022)
amounts written off during the period as uncollectible	-	9 157
amounts recovered during the period	19 794	-
As at the end of the period	**(2 814)**	**(20 941)**

24. Investments in Associates

The Group had the following shares in its major unlisted associates:

31 December 2009 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
S-Factoring d.d.	Slovenia	33 420	31 908	4 054	104	22,50

31 December 2008 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
Xtrade SA	Poland	1 448	1 799	3 757	772	24,90
Compania de Factoring SA	Romania	131 324	101 110	49 496	1 755	28,12
S-Factoring d.d.	Slovenia	30 141	28 871	1 920	(580)	22,50

Changes in investments in associates:

	31.12.2009	31.1.2.2008
As at the beginning of the period	**16 953**	**4 823**
Increase due to:	**-**	**12 130**
- purchase	-	11 374
- foreign exchange differences	-	756
Decrease due to:	**(15 803)**	**-**
- sale	(15 545)	-
- foreign exchange differences	(258)	-
Investments in associates as at the end of the period	**1 150**	**16 953**

25. Intangible Assets

	31.12.2009	31.1.2.2008
Development costs	**2 015**	**2 774**
Goodwill	7 137	7 137
Patents, licences and similar assets, including:	363 251	376 316
- computer software	298 291	311 955
Other intangible assets	2 209	5 635
Intangible assets under development	66 760	46 590
Total intangible assets	**441 372**	**438 452**

Movements in intangible assets:

Movements in intangible assets from 1 January 2009 to 31 December 2009	Development costs	Acquired concessions, patents, licences and other similar assets, including:		Other intangible assets	Intangible assets under development	Goodwill	Total intangible assets
			acquired computer software				
Gross value of intangible assets as at the beginning of the period: 01.01.2009	**31 959**	**699 265**	**561 882**	**17 657**	**46 590**	**7 137**	**802 608**
Increase (due to)	**-**	**107 305**	**80 559**	**16**	**90 207**	**-**	**197 528**
- purchase	-	32 776	10 209	16	88 385	-	121 177
- transfer from fixed assets under construction	-	3 671	3 671	-	1 808	-	5 479
- transfer from intangible assets under development	-	69 484	66 643	-	-	-	69 484
- other increases	-	1 374	36	-	14	-	1 388
Decrease (due to)	**-**	**(82 148)**	**(67 007)**	**(1 411)**	**(70 037)**	**-**	**(153 596)**
- liquidation	-	(82 054)	(66 930)	(75)	-	-	(82 129)
- transfer to intangible assets given to use	-	-	-	-	(69 484)	-	(69 484)
- other decreases	-	(94)	(77)	(1 336)	(553)	-	(1 983)
Gross value of intangible assets as at the end of the period: 31.12.2009	**31 959**	**724 422**	**575 434**	**16 262**	**66 760**	**7 137**	**846 540**
Accumulated amortization as at the beginning of the period: 01.01.2009	**(29 185)**	**(322 942)**	**(249 920)**	**(12 022)**	**-**	**-**	**(364 149)**
Amortization for the period (due to)	**(759)**	**(38 222)**	**(27 216)**	**(2 031)**	**-**	**-**	**(41 012)**
- amortization	(759)	(119 851)	(93 802)	(2 105)	-	-	(122 715)
- other increases	-	(39)	(36)	-	-	-	(39)
- sale	-	123	123	-	-	-	123
- liquidation	-	81 451	66 327	74	-	-	81 525
- other decreases	-	94	172	-	-	-	94
Accumulated amortization as at the end of the period: 31.12.2009	**(29 944)**	**(361 164)**	**(277 136)**	**(14 053)**	**-**	**-**	**(405 161)**
Impairment losses as at the beginning of the period: 01.01.2009	**-**	**(7)**	**(7)**	**-**	**-**	**-**	**(7)**
Impairment losses as at the end of the period: 31.12.2009	**-**	**(7)**	**(7)**	**-**	**-**	**-**	**(7)**
Net value of intangible assets as at the end of the period: 31.12.2009	**2 015**	**363 251**	**298 291**	**2 209**	**66 760**	**7 137**	**441 372**

Movements in intangible assets from 1 January 2008 to 31 December 2008	Development costs	Acquired concessions, patents, licences and other similar assets, including:		Other intangible assets	Intangible assets under development	Goodwill	Total intangible assets	Assets held for sale (Note 28)
			acquired computer software					
Gross value of intangible assets as at the beginning of the period: 01.01.2008	**31 959**	**560 110**	**470 300**	**17 699**	**75 069**	**7 137**	**691 974**	**465 321**
Increase (due to)	**-**	**148 041**	**92 732**	**26**	**85 733**	**-**	**233 800**	**-**
- purchase	-	32 397	7 743	26	84 687	-	117 110	-
- transfer from fixed assets under construction	-	1 852	928	-	-	-	1 852	-
- transfer from intangible assets under development	-	109 942	80 221	-	-	-	109 942	-
- first-time inclusion of the company into consolidation, using full consolidation method	-	1 024	1 014	-	836	-	1 860	-
- other increases	-	2 826	2 826	-	210	-	3 036	-
Decrease (due to)	**-**	**(8 886)**	**(1 150)**	**(68)**	**(114 212)**	**-**	**(123 166)**	**(465 321)**
- liquidation	-	(8 886)	(1 150)	(68)	(108)	-	(9 062)	-
- transfer to intangible assets given to use	-	-	-	-	(109 942)	-	(109 942)	-
- other decreases	-	-	-	-	(4 162)	-	(4 162)	(465 321)
Gross value of intangible assets as at the end of the period: 31.12.2008	**31 959**	**699 265**	**561 882**	**17 657**	**46 590**	**7 137**	**802 608**	**-**
Accumulated amortization as at the beginning of the period: 01.01.2008	**(28 368)**	**(248 951)**	**(192 991)**	**(9 681)**	**-**	**-**	**(287 000)**	**(342)**
Amortization for the period (due to)	**(817)**	**(73 991)**	**(56 929)**	**(2 341)**	**-**	**-**	**(77 149)**	**342**
- amortization	(817)	(81 947)	(57 154)	(2 409)	-	-	(85 173)	-
- first-time inclusion of the company into consolidation, using full consolidation method	-	(93)	(93)	-	-	-	(93)	-
- other increases	-	(921)	(916)	-	-	-	(921)	-
- sale of the company consolidation previously	-	8	8	-	-	-	8	-
- liquidation	-	8 869	1 133	68	-	-	8 937	-
- other decreases	-	93	93	-	-	-	93	342
Accumulated amortization as at the end of the period: 31.12.2008	**(29 185)**	**(322 942)**	**(249 920)**	**(12 022)**	**-**	**-**	**(364 149)**	**-**
Impairment losses as at the beginning of the period: 01.01.2008	**-**	**(7)**	**(7)**	**-**	**-**	**-**	**(7)**	**(243 967)**
- increase	-	-	-	-	-	-	-	243 967
Impairment losses as at the end of the period: 31.12.2008	**-**	**(7)**	**(7)**	**-**	**-**	**-**	**(7)**	**-**
Net value of intangible assets as at the end of the period: 31.12.2008	**2 774**	**376 316**	**311 955**	**5 635**	**46 590**	**7 137**	**438 452**	**-**

26. Tangible Fixed Assets

	31.12.2009	31.1.2.2008
Tangible fixed assets, including:	**742 880**	**771 627**
- land	18 726	10 937
- buildings and constructions	236 811	247 270
- equipment	136 925	141 431
- vehicles	169 154	185 253
- other tangible fixed assets	181 264	186 736
Fixed assets under construction	43 566	42 842
Total tangible fixed assets	**786 446**	**814 469**

Movements in fixed assets:

Movements in tangible fixed assets from 1 January 2009 to 31 December 2009	Land	Buildings	Equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross value of tangible fixed assets as at the beginning of the period: 01.01.2009	**11 012**	**366 106**	**505 173**	**243 946**	**361 955**	**42 978**	**1 531 170**
Increase (due to)	**7 800**	**18 698**	**52 075**	**54 642**	**33 306**	**52 559**	**219 080**
- purchase	7 800	319	33 864	49 883	5 416	52 550	149 832
- transfer from fixed assets under construction	-	238	16 974	1	27 577	-	44 790
- other increases	-	18 141	1 237	4 758	313	9	24 458
Decrease (due to)	**(12)**	**(24 370)**	**(17 981)**	**(61 810)**	**(5 938)**	**(51 835)**	**(161 946)**
- sale	-	(24 292)	(8 082)	(36 308)	(1 351)	-	(70 033)
- liquidation	-	(5)	(9 003)	(3 075)	(3 291)	-	(15 374)
- transfer to fixed assets	-	-	-	-	-	(44 790)	(44 790)
- transfer to intangible assets	-	-	-	-	-	(5 479)	(5 479)
- other decreases	(12)	(73)	(896)	(22 427)	(1 296)	(1 566)	(26 270)
Gross value of tangible fixed assets as at the end of the period: 31.12.2009	**18 800**	**360 434**	**539 267**	**236 778**	**389 323**	**43 702**	**1 588 304**
Accumulated depreciation as at the beginning of the period: 01.01.2009	**(75)**	**(65 896)**	**(362 350)**	**(58 430)**	**(175 088)**	**-**	**(661 839)**
Depreciation for the period (due to)	1	(2 921)	(39 817)	(9 194)	(30 253)	-	(82 184)
- depreciation charge	-	(7 748)	(53 761)	(39 556)	(35 582)		(136 647)
- other increases	-	(201)	(723)	(25)	(11)		(960)
- sale	-	5 019	5 720	22 275	1 411		34 425
- liquidation	-	1	8 704	904	2 687		12 296
- other decreases	1	8	243	7 208	1 242		8 702

Movements in tangible fixed assets from 1 January 2009 to 31 December 2009	Land	Buildings	Equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Accumulated depreciation as at the end of the period: 31.12.2009	**(74)**	**(68 817)**	**(402 167)**	**(67 624)**	**(205 341)**	**-**	**(744 023)**
Impairment losses as at the beginning of the period: 01.01.2009	-	(52 940)	(1 392)	(263)	(131)	(136)	(54 862)
- increase	-	(2 076)	(175)	-	(2 587)		(4 838)
- decrease	-	210	1 392	263			1 865
Impairment losses as at the end of the period: 31.12.2009	-	(54 806)	(175)	-	(2 718)	(136)	(57 835)
Net value of tangible fixed assets as at the end of the period: 31.12.2009	**18 726**	**236 811**	**136 925**	**169 154**	**181 264**	**43 566**	**786 446**

Movements in tangible fixed assets from 1 January 2008 to 31 December 2008	Land	Buildings	Equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total	Assets held for sale (Note 28)
Gross value of tangible fixed assets as at the beginning of the period: 01.01.2008	**8 154**	**342 184**	**450 699**	**160 757**	**281 903**	**55 331**	**1 299 028**	**2 841**
Increase (due to)	**3 392**	**30 497**	**64 289**	**113 537**	**85 651**	**103 554**	**400 920**	**-**
- purchase	3 279	2 530	37 319	86 546	28 363	103 082	261 119	-
- transfer from fixed assets under construction	-	27 186	24 864	676	57 106	2	109 834	-
- first-time inclusion of the company into consolidation according to full consolidation method	-	-	773	-	99	416	1 288	-
- other increases	113	781	1 333	26 315	83	54	28 679	-
Decrease (due to)	**(534)**	**(6 575)**	**(9 815)**	**(30 348)**	**(5 599)**	**(115 907)**	**(168 778)**	**(2 841)**
- sale	(65)	(2 474)	(1 373)	(22 611)	(1 099)	-	(27 622)	-
- liquidation	-	-	(8 352)	(1 891)	(3 392)	-	(13 635)	-
- transfer to fixed assets	-	-	-	-	-	(109 834)	(109 834)	-
- transfer to intangible assets	-	-	-	-	-	(1 852)	(1 852)	-
- sale of the company consolidated previously	-	-	-	-	-	-	-	-
- other decreases	(469)	(4 101)	(90)	(5 846)	(1 108)	(4 221)	(15 835)	(2 841)
Gross value of tangible fixed assets as at the end of the period: 31.12.2008	**11 012**	**366 106**	**505 173**	**243 946**	**361 955**	**42 978**	**1 531 170**	**-**
Accumulated depreciation as at the beginning of the period: 01.01.2008	**(60)**	**(60 184)**	**(321 931)**	**(39 000)**	**(149 762)**	**-**	**(570 937)**	**(1 505)**
Depreciation for the period (due to)	**(15)**	**(5 712)**	**(40 419)**	**(19 430)**	**(25 326)**	**-**	**(90 902)**	**1 505**
- depreciation charge	-	(7 141)	(48 282)	(33 945)	(28 934)	-	(118 302)	-
- first-time inclusion of the company into consolidation according to full consolidation method	-	-	(212)	-	(56)	-	(268)	-
- other increases	(15)	(89)	(937)	(219)	(51)	-	(1 311)	-
- sale	-	436	1 221	11 853	645	-	14 155	-
- liquidation	-	-	7 686	1 002	2 753	-	11 441	-
- sale of the company consolidated previously	-	-	-	-	-	-	-	-
- other decreases	-	1 082	105	1 879	317	-	3 383	1 505
Accumulated depreciation as at the end of the period: 31.12.2008	**(75)**	**(65 896)**	**(362 350)**	**(58 430)**	**(175 088)**	**-**	**(661 839)**	**-**

Movements in tangible fixed assets from 1 January 2008 to 31 December 2008	Land	Buildings	Equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total	Assets held for sale (Note 28)
Impairment losses as at the beginning of the period: 01.01.2008	**(104)**	**(55 607)**	**(1 205)**	**(270)**	**(131)**	**(561)**	**(57 878)**	**-**
- increase	-	(30)	(187)	(43)	-	-	(260)	-
- decrease	104	2 697	-	50	-	425	3 276	-
Impairment losses as at the end of the period: 31.12.2008	-	(52 940)	(1 392)	(263)	(131)	(136)	(54 862)	-
Net value of tangible fixed assets as at the end of the period: 31.12.2008	**10 937**	**247 270**	**141 431**	**185 253**	**186 736**	**42 842**	**814 469**	**-**

The recoverable value of impaired fixed assets is the net sale price determined on the basis of market prices for similar assets.

27. Other Assets

	31.12.2009	31.1.2.2008
Assets taken over and held for resale	**-**	**-**
Other, including:	906 470	1 034 543
- debtors	312 364	290 873
- interbank balances	360	1 208
- other accruals	87 088	92 933
- accrued income	15 473	24 868
- inventories	371 050	458 559
- receivables resulting from insurance premiums	11 305	15 990
- other	108 830	150 112
Total other assets	**906 470**	**1 034 543**
Short-term (up to 1 year)	652 987	603 210
Long-term (over 1 year)	253 483	431 333

The value of inventories results primarily from the business of the companies: BRE.locum and BRE Leasing.

As at 31 December 2009 the Group capitalised its borrowing costs amounting to PLN 4 978 thousand. The capitalised borrowing cost increased the value of inventories.

28. Discontinued Operations

Beginning from 30 December 2008 the Group has had no shares in the companies whose activities were presented in previous periods as discontinued operations under the asset management segment.

Detailed information concerning assets held for sale and discontinued operations is presented in BRE Bank Financial Statements and BRE Bank Group Consolidated Financial Statements for the year 2008, published on 27 February 2009.

Financial data presented below concerns non-current assets (disposal groups) held for sale and discontinued operations in comparative periods presented in these financial statements.

Financial data for the period from 1 January to 31 December 2008 concerning items of the Income Statement connected with the assets held for sale and discontinued operations was as follows

	Year ended 31 December 2008
Interest income	2 430
Net interest income	**2 430**
Fee and commission income	25 376
Fee and commission expense	(11 583)
Net fee and commission income	**13 793**
Net trading income, including:	(1)
Foreign exchange result	(1)
Other operating income	701
Overhead costs	(4 935)
Amortization and depreciation	(245)
Other operating expenses	(33)
Operating profit	**11 710**
Income from sale / income from merger of assets held for disposal	121 259
Profit before income tax from discontinued operations	**132 969**
Income tax expense	(2 336)
Net profit from discontinued operations	**130 633**
Net profit from discontinued operations, attributable to:	
- Owners of BRE Bank SA	**130 633**
- Non-controlling interests	-

The amount of PLN 121 259 thousand is a result of the Group on the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA and the sale of shares of Aegon PTE SA.
Financial data for the period from 1 January to 31 December 2008 concerning cash flows connected with the assets held for sale and discontinued operations was as follows:

	Year ended 31 December 2008
Cash flow from operating activities	10 680
including sale of assets held for sale	485 013
Cash flows from financing activities	485 013

Earnings per share for 12 months - discontinued operations

	Year ended 31 December 2008
Basic:	
Net profit from discontinued operations attributable to the Bank's equity holders	130 633
Weighted average number of ordinary shares	29 680 542
Earnings per 1 ordinary share (in PLN per share)	**4,40**
Diluted:	
Net profit from discontinued operations attributable to the Bank's equity holders applied for calculation of diluted earnings per share	130 633
Weighted average number of ordinary shares	29 680 542
Adjustments for:	
- stock options for employees	**20 704**
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 701 246
Diluted earnings per share (in PLN per share)	**4,40**

29. Amounts due to Other Banks

	31.12.2009	31.1.2.2008
Payables to be settled	**1 535**	**26 067**
Current accounts	737 222	453 179
Term deposits	1 152 115	1 374 150
Loans and advances received	22 320 066	23 541 750
Repo / sell-buy-back transactions	632 927	1 861 683
Liabilities in respect of cash collaterals	148 072	231 978
Other	27 868	-
Amounts due to other banks	**25 019 805**	**27 488 807**
Short-term (up to 1 year)	**7 492 043**	**7 123 662**
Long-term (over 1 year)	17 527 762	20 365 145

As at 31 December 2009 term deposits accepted from other banks were fixed interest rate deposits. The average interest rate for loans and deposits obtained from banks in 2009 amounted to 1.90% (31 December 2008: 3.95%).

BRE Bank did not provide collateral to its lenders. The Group did not note any violations of contractual terms related to liabilities in respect of loans received.

As at 31 December 2009, apart from amounts due to other banks, the Group held amounts due to the Central Bank in the amount of PLN 2 003 783 thousand, including the amount of PLN 2 003 440 thousand arising from repo transactions with maturity dates up to 3 months and average interest rate of 3.81% (31 December 2008: PLN 1 302 469 thousand with average interest of 6.04%).

30. Amounts due to Customers

	31.12.2009	31.1.2.2008
Individual customers:	**25 064 578**	**21 047 662**
Current accounts	16 808 287	13 430 357
Term deposits	8 206 679	7 567 276
Other liabilities:	49 612	50 029
- liabilities in respect of cash collaterals	36 030	42 693
- other	13 582	7 336
Corporate customers:	**17 479 925**	**16 626 162**
Current accounts	8 486 646	7 895 523
Term deposits	7 256 219	6 711 777
Loans and advances received	289 691	97 285
Repo transactions	881 157	933 924
Other liabilities:	566 212	987 653
- liabilities in respect of cash collaterals	378 540	813 914
- other	187 672	173 739

	31.12.2009	31.1.2.2008
Public sector customers:	**246 884**	**76 203**
Current accounts	139 446	61 276
Term deposits	106 063	13 812
Other liabilities:	1 375	1 115
- liabilities in respect of cash collaterals	-	80
- other	1 375	1 035
Total amounts due to customers	**42 791 387**	**37 750 027**
Short-term (up to 1 year)	41 767 594	37 079 660
Long-term (over 1 year)	1 023 793	670 367

As at 31 December 2009 the majority of the deposits from retail and corporate customers bore variable interest rates. The average interest rate for amounts due to customers (excluding repos) amounted to 2.81% (31 December 2008: 3.97%).

As at 31 December 2009 the balance of loans and advances received included a loan received from European Investment Bank amounting to PLN 205 410 thousand. The loan was collateralized with Treasury bonds which were disclosed in the balance sheet under the line “Pledged assets” (see Note 38).

31. Debt Securities in Issue

As at 31 December 2009					
Debt securities in issue by category	Nominal value	Contractual interest rate	Guarantee/collateral	Redemption date	Carrying value
Short-term issues	**622 200**				**641 949**
- Bonds (in PLN)	10 000	4,83%	no collateral	06-01-2010	9 992
- Bonds (in PLN)	50 000	5,30%	no collateral	15-01-2010	49 896
- Bonds (in PLN)	56 000	5,00%	no collateral	15-01-2010	55 890
- Bonds (in PLN)	50 000	4,90%	no collateral	15-01-2010	49 904
- Bonds (in PLN)	10 000	4,84%	no collateral	15-01-2010	9 980
- Bonds (in PLN)	4 600	4,90%	no collateral	21-01-2010	4 584
- Bonds (in PLN)	600	5,05%	no collateral	28-01-2010	592
- Bonds (in PLN)	4 000	5,85%	no collateral	29-01-2010	3 861
- Mortgage bonds (in PLN)	100 000	4,63%	mortgage bond register	12-04-2010	100 990
- Mortgage bonds (in PLN)	125 000	5,13%	mortgage bond register	28-09-2010	126 535
- Mortgage bonds (in USD)	10 000	0,74%	mortgage bond register	22-11-2010	28 510
- Mortgage bonds (in PLN)	83 000	4,90%	mortgage bond register	29-11-2010	83 240
- Mortgage bonds (in PLN)	95 000	4,80%	mortgage bonds publicly registered	29-11-2010	95 284
- Bonds (in PLN)	24 000	5,76%		23-12-2010	22 691
Emisje długoterminowe	**767 250**				**773 762**
- Mortgage bonds (in PLN)	250 000	5,20%	mortgage bond register	28-04-2011	251 024
- Mortgage bonds (in PLN)	149 000	5,31%	mortgage bond register	15-06-2011	149 162

As at 31 December 2009					
Debt securities in issue by category	Nominal value	Contractual interest rate	Guarantee/collateral	Redemption date	Carrying value
- Mortgage bonds (in PLN)	68 250	4,52%	mortgage bonds publicly registered	27-07-2012	70 303
- Mortgage bonds (in PLN)	200 000	4,63%	mortgage bonds publicly registered	28-09-2012	202 069
- Mortgage bonds (in PLN)	100 000	4,85%	mortgage bonds publicly registered	20-09-2013	101 204
Debt securities in issue (carrying value in PLN '000)					**1 415 711**

As at 31 December 2008					
Debt securities in issue by category	Nominal value	Contractual interest rate	Guarantee/collateral	Redemption date	Carrying value
Short-term issues	**573 600**				**571 944**
- Deposit certificates (in PLN)	8 000	7,75%	no collateral	06-05-2009	7 829
- Mortgage bonds (in EUR)	5 900	4,96%	mortgage bond register	20-05-2009	24 610
- Mortgage bonds (in EUR)	16 000	4,96%	mortgage bond register	20-05-2009	66 987
- Mortgage bonds (in EUR)	25 000	4,81%	mortgage bond register	20-05-2009	104 819
- Mortgage bonds (in USD)	25 000	3,23%	mortgage bond register	20-05-2009	74 260
- Bonds (in PLN)	493 700	average return - 6.55%	no collateral	01/2009-12/2009	293 439
Long-term issues	1 194 250				1 218 801
- Mortgage bonds (in PLN)	100 000	7,10%	mortgage bonds publicly registered	14-04-2010	101 458
- Mortgage bonds (in PLN)	125 000	7,42%	mortgage bond register	28-09-2010	126 194
- Mortgage bonds (in USD)	10 000	2,83%	mortgage bond register	22-11-2010	29 679
- Mortgage bonds (in PLN)	83 000	7,36%	mortgage bond register	29-11-2010	82 219
- Mortgage bonds (in PLN)	95 000	7,26%	mortgage bonds publicly registered	29-11-2010	94 581
- Mortgage bonds (in PLN)	250 000	7,78%	mortgage bond register	28-04-2011	253 031
- Mortgage bonds (in PLN)	149 000	7,51%	mortgage bond register	15-06-2011	142 339
- Mortgage bonds (in PLN)	82 250	6,84%	mortgage bonds publicly registered	27-07-2012	84 418
- Mortgage bonds (in PLN)	200 000	6,92%	mortgage bonds publicly registered	28-09-2012	203 098
- Mortgage bonds (in PLN)	100 000	7,15%	mortgage bonds publicly registered	20-09-2013	101 784
Debt securities in issue (carrying value in PLN '000)					**1 790 745**

The Group did not note any violations of contractual terms related to liabilities in respect of issued debt securities.

Movements in Debt Securities in Issue

	31.12.2009	31.12.2008
As at the beginning of the period	**1 790 745**	**2 928 414**
Increase (due to):	1 953 238	914 075
- issuance	1 853 408	759 110
- valuation at amortized cost	83 159	91 513
- foreign exchange differences	15 246	42 779
- other	1 425	20 673
Decrease (due to):	(2 328 272)	(2 051 744)
- redemption	(2 238 171)	(1 906 961)
- valuation at amortized cost	(88 683)	(97 389)
- foreign exchange differences	-	(47 394)
- other	(1 418)	-
Debt securities in issue at the end of the period	**1 415 711**	**1 790 745**

As at 31 December 2009, the carrying value of receivables constituting collateral for the issue of mortgage covered bonds amounted to PLN 2 127 868 thousand (31 December 2008: PLN 1 961 322 thousand). These receivables are secured by mortgages on the related real estate. According to legal requirements the nominal value of mortgage covered bonds issued cannot exceed 60% of the value of the related real estate. At 31 December 2009 this amount in the register of collateral of mortgage bond amounted to PLN 1 591 746 thousand (31 December 2008: PLN 1 442 932 thousand). Both as at 31 December 2009 and as at 31 December 2008, covered bonds were secured with receivables secured with mortgage entered as the first item in the land and mortgage register. The value of receivables constituting collateral for the issue of public sector covered bonds amounted to PLN 700 000 thousand as at 31 December 2009 compared with PLN 687 923 thousand as at 31 December 2008.

32. Subordinated Liabilities

As at 31 December 2009						
SUBORDINATED LIABILITIES	**Nominal value**	**Currency**	**Terms of interest rate (%)**	**Effective interest rate (%)**	**Redemption date**	**As at the end of the period (in PLN '000)**
Commerzbank AG	400 000	CHF	3M LIBOR + 0,7%*	0,95	08.03.2017	1 107 143
Commerzbank AG	80 000	CHF	3M LIBOR + 1,4%**	1,65	not defined	221 400
Commerzbank AG	120 000	CHF	3M LIBOR + 1,5%***	1,75	18.12.2017	332 158
Commerzbank AG	170 000	CHF	3M LIBOR + 2,2%****	2,49	not defined	472 965
Commerzbank AG	90 000	CHF	3M LIBOR + 4,0%	4,25	not defined	249 184
Commerzbank AG	90 000	CHF	3M LIBOR + 2,5%	2,75	24.06.2018	249 101
						2 631 951

As at 31 December 2008						
SUBORDINATED LIABILITIES	Nominal value	Currency	Terms of interest rate (%)	Effective interest rate (%)	Redemption date	As at the end of the period (in PLN '000)
Commerzbank AG	400 000	CHF	3M LIBOR + 0,7%*	1,88	08.03.2017	1 121 966
Commerzbank AG	80 000	CHF	3M LIBOR + 1,4%**	2,15	not defined	224 246
Commerzbank AG	120 000	CHF	3M LIBOR + 1,5%***	2,29	18.12.2017	336 468
Commerzbank AG	170 000	CHF	3M LIBOR + 2,2%****	5,26	not defined	482 077
Commerzbank AG	90 000	CHF	3M LIBOR + 4,0%	4,72	not defined	252 390
Commerzbank AG	90 000	CHF	3M LIBOR + 2,5%	3,22	24.06.2018	252 306
						2 669 453

* margin amounting to 0.7% is in force within the period of first five years. Within the period of next five years it will be equal to 1.2%.
** margin amounting to 1.4% is in force within the period of first ten years. Within the period of next years it will be equal to 3.4%.
*** margin amounting to 1.5% is in force within the period of first five years. Within the period of next years it will be equal to 2.0%.
**** margin amounting to 2.2% is in force within the period of first ten years. Within the period of next years it will be equal to 4.2%.

In 2009 (as in 2008), the Group did not note any delays in repayments of interest instalments and was not in default of any other contractual provisions related to its subordinated liabilities.

Subordinated liabilities include the amount of issued subordinated debt securities with an indefinite maturity term. In the calculation of the capital adequacy ratio the funds raised through these issues were used to change the structure of the Group's own funds by increasing the share of supplementary funds. The Group obtained the approvals of KNF for the inclusion of the funds obtained from the issues into the Group's supplementary capital.

Movements in Subordinated Liabilities

	31.12.2009	31.12.2008
As at the beginning of the period	**2 669 453**	**1 661 785**
Increase (due to:)	58 534	1 436 491
- subordinated loan raised	-	740 745
- interest on subordinated loan	58 116	75 443
- foreign exchange differences	418	620 303
Decrease (due to):	(96 036)	(428 823)
- capital repayment	-	(360 800)
- interest repayment	(62 311)	(68 023)
- foreign exchange differences	(33 725)	-
Subordinated liabilities as at the end of the period	**2 631 951**	**2 669 453**
Long-term (over 1 year)	2 631 951	2 669 453

33. Other Liabilities

	31.12.2009	31.12.2008
Special Funds	**4 473**	**7 590**
- Social Benefits Funds	4 473	7 590
Other liabilities	**771 722**	**988 690**
- tax liabilities	29 388	38 623
- interbank settlements	83 322	88 285
- dividends payable	2 272	-
- creditors	270 216	362 265
- accrued expenses	123 577	148 642
- deferred income	120 136	140 878
- reinsurance liabilities	10 174	-
- accrual of pension benefits	14 833	14 768
- accrual of holiday equivalents	6 694	6 928
- accrual of other employee benefits	82 553	181 453
- other	28 557	6 848
Total special funds and other liabilities	**776 195**	**996 280**

As at 31 December 2009 the presented note includes financial liabilities of PLN 355 810 thousand (as at 31 December 2008: PLN 450 550 thousand).

34. Provisions

	31.12.2009	31.12.2008
For off-balance sheet contingent liabilities *	61 323	73 229
For legal proceedings	2 637	4 177
Technical-insurance provisions	67 056	74 174
Total provisions	45 941	14 426
Rezerwy, razem	**176 957**	**166 006**

* includes valuation of financial guarantees

The estimated cash flow due to created provisions for legal proceedings is expected to crystallise within the period one to two years.

Movements in the Provisions:

	31.12.2009	31.12.2008
As at the beginning of the period (by type)	**166 006**	**71 227**
For off-balance sheet contingent liabilities	73 229	58 060
For legal proceedings	4 177	4 355
Technical-insurance provisions	74 174	-
Other	14 426	8 812
Increase (due to)	**152 263**	**166 848**
- increase of provisions, due to:	152 263	153 575
for off-balance-sheet contingent liabilities (Note 13)	118 984	78 045
for legal proceedings	1 169	3 351
technical-insurance provisions	-	63 730
other	32 110	8 449
- foreign exchange differences	-	2 829
- other	-	10 444
Decrease (due to)	**(141 312)**	**(72 069)**
- charge-offs	(276)	(3 625)
- release of provisions, due to:	(132 419)	(66 608)
for off-balance-sheet contingent liabilities (Note 13)	(129 719)	(64 542)
for legal proceedings	(2 380)	(710)
other	(320)	(1 356)
- utilization	(58)	(864)
- utilization of technical-incurance provisions	(7 118)	-
- reclassification	-	(972)
- foreign exchange differences	(1 199)	-
- other	(242)	-
As at the end of the period (by type)	**176 957**	**166 006**
For off-balance sheet contingent liabilities	61 323	73 229
For legal proceedings	2 637	4 177
Technical-insurance provisions	67 056	74 174
Other	45 941	14 426

In 2008 other increase of provisions in the amount of PLN 10 444 thousand concerns inclusion of opening balance sheets of the insurance companies.

Technical-insurance provisions

	31.12.2009	31.12.2008
Insurance provisions and reinsurance assets		
Insurance provisions gross, including:		
- Provision for losses raised and costs of liquidation	8 423	5 106
- IBNR	25 748	14 891
- Provision for premiums	62 433	77 109
- Provision for the insurers' share in technical profit	21	33
Insurance provisions gross, total	96 625	97 139
Reinsurer's share, including:		
- Provision for losses raised and costs of liquidation	5 695	3 393
- IBNR	10 981	8 006
- Provision for premiums	12 893	11 566
Reinsurer's share, total	29 569	22 965
Insurance provisions net, including		
- Provision for losses raised and costs of liquidation	2 728	1 713
- IBNR	14 767	6 885
- Provision for premiums	49 540	65 543
- Provision for the insurers' share in technical profit	21	33
Insurance provisions net, total	**67 056**	**74 174**

Provisions for Off-balance Sheet Contingent Liabilities

	31.12.2009	31.12.2008
Incurred but not identified losses		
Off-balance sheet contingent liabilities	12 155 925	18 881 386
Provisions for off-balance sheet contingent liabilities analysed according to portfolio approach (negative amount)	(28 165)	(57 787)
Net off-balance sheet contingent liabilities	**12 127 760**	**18 823 599**
Off-balance sheet contingent liabilities with impairment		
Off-balance sheet contingent liabilities	102 573	45 840
Provisions for off-balance sheet contingent liabilities analysed individually (negative amount)	(33 158)	(15 442)
Net off-balance sheet contingent liabilities	**69 415**	**30 398**

35. Assets and Provisions for Deferred Income Tax

Assets and provisions for deferred income tax are calculated for all temporary differences in accordance with the balance sheet method, using an effective income tax rate of 19% in 2009 and 2008.

Changes in assets and provisions for deferred income tax are presented below:

	31.12.2009	31.12.2008
As at the beginning of the period	**327 477**	**115 835**
Deferred income tax included in the financial result of the period (Note 14)	19 593	198 171
Deferred income tax included in equity:	(14 506)	11 617
- valuation of available for sale securities (Note 42)	(14 506)	11 617
Other changes	(1 280)	1 854
As at the end of the period	**331 284**	**327 477**
Interest payable on bank deposits	7 019	20 086
Interest payable on customer deposits	18 404	22 038
Valuation of derivatives and futures	63 717	162 348
Valuation of financial instruments at fair value through profit or loss and held for trading	1 405	4 974
Valuation of financial instruments available for sale	20 504	46 752
Provisions for impairment of loans and off-balance sheet exposures	217 516	84 350
Provisions for pensions, holiday equivalents, jubilee and other bonuses	20 199	35 653
Other provisions	5 196	290
Accruals and prepayments	19 740	21 239
Tax loss to be settled in future periods	861	596
Other negative temporary differences	182 943	160 939
Interest receivable on loans and advances granted to banks	(3 042)	(3 953)
Interest receivable on loans granted to customers	(31 508)	(29 612)
Valuation of derivatives and futures	(19 202)	(21 425)
Valuation of financial instruments at fair value through profit or loss and held for trading	(2 945)	(11 721)
Valuation of financial instruments available for sale	(42 503)	(61 644)
Investment tax relief	(28 111)	(29 486)
Difference between the amortization and depreciation for tax and accounting purposes	(39 947)	(46 860)
Other positive temporary differences	(58 962)	(27 087)
Total net deferred income tax assets	**331 828**	**327 558**
Total net deferred income tax liabilities	**(544)**	**(81)**

	31.12.2009	31.12.2008
Deferred income tax included in the profit and loss account		
Interest	(17 844)	13 210
Provisions for impairment of loans and guarantees determined individually	133 166	36 938
Valuation of derivatives and futures	(105 859)	149 934
Valuation of financial instruments at fair value through profit or loss and held for trading	5 330	(2 224)
Valuation of financial instruments available for sale	25 122	(11 992)
Valuation of financial instruments held to maturity	-	10
Investment tax relief	1 375	960
Tax losses carried forward	340	243
Provisions for pensions, holiday equivalents, jubilee and other bonuses	(15 368)	1 024
Other provisions	4 880	21
Accruals and prepayments	(1 993)	541
Impairment of shares	(134)	(1 740)
Difference between the amortization and depreciation for tax and accounting purposes	7 301	(6 346)
Other temporary differences	(16 723)	17 592
Total deferred income tax included in the profit and loss account (Note 14)	**19 593**	**198 171**

Deferred income tax assets are recognised if it is probable that there will be sufficient taxable income in the future.

36. Proceedings Before a Court, Arbitration Body or Public Administration Authority

As at 31 December 2009, BRE Bank SA (the "Bank") was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries whose value would be equal to or greater than 10% of the Bank's equity. Moreover, the total value of claims concerning liabilities of the issuer or its subsidiary in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2009 also was not greater than 10% of the issuer's equity.

Report on major proceedings concerning contingent liabilities of the issuer

1. **Lawsuit initiated by Bank Leumi and Migdal Insurance Company against the Bank for indemnity**
   At present proceedings are pending against BRE Bank in the Court of Jerusalem initiated by Bank Leumi and an insurance company of Bank Leumi, Migdal Insurance Company. It is an action for indemnity in the amount of USD 13.5 million (PLN 38.5 million according to the average exchange rate of the National Bank of Poland of 31 December 2009). This action was originally initiated by Art-B Sp. z o.o. Eksport – Import with its registered office in Katowice, under liquidation ("Art-B") against the main defendant Bank Leumi, whereas BRE Bank was garnished by Bank Leumi. Considering a settlement concluded between ART-B and Bank Leumi, and Migdal Insurance Company, on the basis of which Art-B received from Bank Leumi and Migdal Insurance Company an amount of USD 13.5 million, Bank Leumi and Migdal Insurance Company claim from BRE Bank refund of the amount paid to Art-B that is USD 13.5 million. BRE Bank's liability towards Bank Leumi and Migdal Insurance Company is under recourse.

2. **Lawsuit brought by the Official Receiver of bankrupt Zakłady Mięsne POZMEAT SA with its registered office in Poznań ("Pozmeat") against the Bank and Tele-Tech Investment Sp. z o.o. ("TTI")**
   PThe Official Receiver of the bankrupt Pozmeat brought the case against the Bank and TTI to court on 29 July 2005. The value of the dispute amounted to PLN 100 000 thousand. The purpose was to cancel Pozmeat's agreements to sell shares of Garbary Sp. z o.o. ("Garbary") to TTI and then to the Bank. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings, representing the only assets of Garbary on the date of sale of Pozmeat's interest in Garbary (19 July 2001). The District Court in Warsaw has granted the receiver security by forbidding BRE Bank to dispose of or to encumber the interests in Garbary.

   On 8 October 2008 the Court issued a verdict which dismissed the bankrupt's complaint in its entirety. The Official Receiver of the bankrupt filed an appeal on 8 December 2008. The Court of Appeal dismissed the appeal on 1 December 2009.

3. **Lawsuit brought by Bank BPH SA ("BPH") against Garbary**
   BPH brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 854 thousand. The purpose was to cancel actions related to the creation of Garbary and the contribution in kind. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that Zakłady Mięsne POZMEAT contributed in kind to Garbary as payment for a stake in Pozmeat's share capital worth PLN 100 000 thousand. On 6 June 2006 the District Court in Poznań issued a verdict according to which the claims were dismissed in their entirety. The claimant filed an appeal against that verdict. On 6 February 2007 the Court of Appeal dismissed the claimant's appeal. The claimant filed the last resort appeal against the ruling of the Court of Appeal. On 2 October 2007, the Supreme Court revoked the ruling of the Court of Appeal and referred the case back. After re-examining the case, the Court of Appeal dismissed the ruling of the District Court in Poznań on 4 March 2008 and referred the case back. The action is still before the District Court in Poznań.

4. **Lawsuit brought by Bank BPH SA against BRE Bank SA and Tele-Tech Investment Sp. z o.o.**
   On 17 November 2007 BPH brought to court a case for damages in the amount of PLN 34 880 thousand plus statutory interest from 20 November 2004 to the date of payment, due to alleged illegal actions such as the sale by ZM Pozmeat SA to Tele-Tech Investment Sp. z o.o. of all shares in the equity of Garbary Sp. z o.o. (previously Milenium Center Sp. z o.o.), an important part of its assets, while Pozmeat was at risk of insolvency .
   The case was filed with the District Court in Warsaw. The Court has not set the date of the first hearing in this case. In the light of the action, the claimed amount of damages of PLN 34 880 thousand is equivalent to the claim of the creditor under a credit agreement between ZM Pozmeat SA and Bank BPH SA not paid to date in the bankruptcy proceeding of ZM Pozmeat SA.
   The defendants filed a reply to the claim, where they request dismissal of the claim due to the lack of right of action on the part of the claimant. In case the District Court does not accept their arguments, the defendants refer to the merit of the claim, raising an objection that their actions were not illegal and that the claimant has not proven to have incurred losses.

5. **Claims of clients of Interbrok**
   As at 25 February 2010, 85 entities who were clients of Interbrok Investment E. Drożdż i Spółka Spółka jawna (hereinafter referred to as Interbrok) called the Bank for amicable settlement in the total amount of PLN 195 287 thousand via the District Court in Warsaw. Additionally, by 25 February 2010 8 legal suits have been delivered to the Bank where former clients of Interbrok claimed compensation in the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. In all court cases the Bank moves for dismissal of the claims in entirety and objects to charges raised in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the case. Therefore the BRE Bank SA Group did not create provisions for the above claims.
   The District Court in Warsaw settled two of the aforementioned court cases and dismissed both actions of the former clients of Interbrok. The verdict is not in force yet.

As at 31 December 2009, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2009 also was not greater than 10% of the issuer's equity.

Taxes
Within the period from 20 March to 8 April 2009, officers of the First Mazovian Treasury Office carried out tax audits, concerning calculation, reporting and withholding of the personal income tax for the period from 1 January to 31 December 2007. The audits did not identify any irregularities.

Within the period from 14 May to 30 June 2008, officers of the First Mazovian Treasury Office carried out tax audits at the Bank concerning correctness of the payment of the corporate income tax to the Treasury for the period from 1 January to 31 December 2005. The audits did not identify any irregularities that would have a material impact on the financial statements.

Within the period from 12 May to 30 June 2009, the officers of the First Mazovian Treasury Office carried out tax audits at the company BRE Leasing concerning the settlement of the value added tax for the period from 1 March to 31 December 2007. The audits did not identify any irregularities.

There were no tax audits at the other companies of the Group within the year 2009 or 2008.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year and may impose additional tax assessments and penalties. The Management Board is not aware of any circumstances which may give rise to a potential tax liability in this respect.

37. Off-balance Sheet Liabilities

Off-balance sheet liabilities of the Group comprise:

(a) *Lending commitments*
The amounts and deadlines by which the Group will be obliged to realise its off-balance sheet liabilities by granting loans or other monetary services are presented in the table below.

(b) *Guarantees and other financial facilities*
Guarantees are presented in the table below based on the earliest contractual maturity date.

(c) *Operating lease liabilities*
Where a company of the Group is a lessee, the minimum future lease payments as part of irrevocable operating lease agreements are presented in the table below.
The following table presents the Group's off-balance sheet commitments granted and received as well as nominal value of open positions of derivative transactions as at 31 December 2009 and 31 December 2008.

31.12.2009	Up to 1 year	1 - 5 years	Over 5 years	Total
I. Contingent liabilities granted and received	**10 943 248**	**1 574 446**	**673 566**	**13 191 260**
Commitments granted	**10 632 254**	**1 389 660**	**436 320**	**12 458 234**
1. Financing	**9 018 582**	**671 617**	**412 306**	**10 102 505**
a) Lending commitments	8 996 162	587 258	319 349	9 902 769
b) Operating lease commitments	22 420	84 359	92 957	199 736
2. Guarantees and other financial facilities	**1 570 965**	**717 135**	**24 014**	**2 312 114**
a) Banker's acceptances	8 883	-	-	8 883
b) Guarantees and standby letters of credit	1 345 978	717 135	24 014	2 087 127
c) Guarantees of issue	35 000	-	-	35 000
d) Documentary and commercial letters of credit	181 104	-	-	181 104
3. Other commitments	**42 707**	**908**	**-**	**43 615**
Commitments received	**310 994**	**184 786**	**237 246**	**733 026**
a) Financing	55 000	-	205 410	260 410
b) Guarantees	255 994	184 786	31 836	472 616
II. Derivatives	**215 677 756**	**91 234 064**	**8 869 356**	**315 781 176**
1. Interest rate derivatives	172 145 798	75 918 213	8 779 639	256 843 650
2. Currency derivatives	42 021 917	15 174 649	89 717	57 286 283
3. Market risk derivatives	1 510 041	141 202	-	1 651 243
Total off-balance sheet items	**226 621 004**	**92 808 510**	**9 542 922**	**328 972 436**

31.12.2008	Up to 1 year	1 - 5 years	Over 5 years	Total
I. Contingent liabilities granted and received	**16 654 281**	**2 732 471**	**1 349 079**	**20 735 831**
Commitments granted	**15 389 632**	**2 455 057**	**1 307 926**	**19 152 615**
1. Financing	**13 181 588**	**1 539 727**	**1 218 736**	**15 940 051**
a) Lending commitments	13 158 860	1 452 455	1 103 347	15 714 662
b) Operating lease commitments	22 728	87 272	115 389	225 389
2. Guarantees and other financial facilities	**2 023 637**	**914 422**	**89 190**	**3 027 249**
a) Banker's acceptances	2 858	-	-	2 858
b) Guarantees and standby letters of credit	1 633 490	914 422	89 190	2 637 102
c) Guarantees of issue	150 000	-	-	150 000
d) Documentary and commercial letters of credit	237 289	-	-	237 289
3. Other commitments	**184 407**	**908**	**-**	**185 315**
Commitments received	**1 264 649**	**277 414**	**41 153**	**1 583 216**
a) Financing	956 208	-	-	956 208
b) Guarantees	308 441	277 414	41 153	627 008
II. Derivatives	**460 229 873**	**184 400 279**	**9 978 929**	**654 609 081**
1. Interest rate derivatives	388 636 987	163 506 144	9 786 567	561 929 698
2. Currency derivatives	70 539 454	20 549 759	192 362	91 281 575
3. Market risk derivatives	1 053 432	344 376	-	1 397 808
Total off-balance sheet items	**476 884 154**	**187 132 750**	**11 328 008**	**675 344 912**

The above operating lease liabilities only concerned the lease of buildings.

The nominal values of derivatives are presented in the Note 21.

Apart from financial commitments granted by the Bank, PLN 419 793 thousand worth of commitments granted by BRE Bank Hipoteczny, PLN 312 237 thousand worth of commitments granted by Polfactor and PLN 52 191 thousand worth of commitments granted by Intermarket had the largest impact on the amount of financial commitments granted as at 31 December 2009.

As at 31 December 2009, the list of issues underwritten by BRE Bank SA Group was as follows:

Payee	Type of guaranteed securities	Amount of guarantee in PLN	Financial, organizational and personal relationships	Marketability
ECHO Investment SA	Bonds	35 000 000	none	Marketable

The foregoing list does not include agreements for one-time underwriting of securities, which are still valid in terms of administrative activities, keeping a register of subscribers and performing other responsibilities with respect to the securities.

No other member of the Group except BRE Bank SA issued any guarantee commitments.

As at 31 December 2009, the Group had PLN 733 026 thousand worth of contingent commitments received.

As at 31 December 2009 BRE Bank SA received commitments in the amount of PLN 684 503, including unused credits granted by foreign banks in the amount of PLN 260 410 thousand and guarantees received, securing given credits and guarantees, in the amount of PLN 424 093 thousand.

As at 31 December 2009, apart from BRE Bank, BRE Leasing Sp. z o.o. received commitments from entities other than the companies of the Group in the amount of PLN 41 082 thousand.

38. Pledged Assets

Assets are pledged as security in connection with sell-buy-back agreements made with other banks and securing deposits are created in connection with conclusion of futures or options contracts and with membership in stock exchanges. Further, deposits are held in the Central Bank, representing statutory reserves required by the law.

	31.12.2009	31.12.2008
Pledged assets, including:	**3 516 525**	**3 445 281**
- Trading securities (Note 20)	766 313	1 096 784
- Investment securities (Note 23)	2 750 212	2 348 497
Liabilities arising from pledged assets, including:	**3 682 267**	**4 250 240**
- Sell-buy back transactions (Note 29,30)	3 517 524	4 098 076
- Funds guaranteed under the Bank Guarantee Fund	164 743	152 164

In 2009, investment securities include government bonds in the amount of PLN 347 397 thousand, pledged as collateral for a loan received from the European Investment Bank.

39. Registered Share Capital

The total number of ordinary shares as at 31 December 2009 was 29 690 882 shares (29 690 882 as at 31 December 2008) of PLN 4 nominal value each (2008: PLN 4). All issued shares were fully paid up.

Series / issue	Share type	Type of privilege	Type of limitation	Number of shares	Series / issue value	Paid up	Registered on	Dividend right since
1986-12-11	ordinary bearer**	-	-	9 978 500	39 914 000	fully paid up in cash	1986-12-23	1989-01-01
1986-12-11	ordinary registered**	-	-	21 500	86 000	fully paid up in cash	1986-12-23	1989-01-01
1993-10-20	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	1994-03-04	1994-01-01
1994-10-18	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	1995-02-17	1995-01-01
1997-05-28	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	1997-10-10	1997-10-10
1998-05-27	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	1998-08-20	1999-01-01
2000-05-24	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	2000-09-15	2001-01-01
2004-04-21	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	2004-06-30	2004-01-01
2003-05-21	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	05-07-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	53 320	213 280	fully paid up in cash	10-01-06*	10-01-06*
2003-05-21	ordinary bearer	-	-	3 040	12 160	fully paid up in cash	10-01-06*	10-01-06*

Series / issue	Share type	Type of privilege	Type of limitation	Number of shares	Series / issue value	Paid up	Registered on	Dividend right since
2003-05-21	ordinary bearer	-	-	46 230	184 920	fully paid up in cash	08-02-06*	08-02-06*
2003-05-21	ordinary bearer	-	-	19 700	78 800	fully paid up in cash	08-02-06*	08-02-06*
2003-05-21	ordinary bearer	-	-	92 015	368 060	fully paid up in cash	09-03-06*	09-03-06*
2003-05-21	ordinary bearer	-	-	19 159	76 636	fully paid up in cash	09-03-06*	09-03-06*
2003-05-21	ordinary bearer	-	-	8 357	33 428	fully paid up in cash	11-04-06*	11-04-06*
2003-05-21	ordinary bearer	-	-	800	3 200	fully paid up in cash	11-04-06*	11-04-06*
2003-05-21	ordinary bearer	-	-	108 194	432 776	fully paid up in cash	16-05-06*	16-05-06*
2003-05-21	ordinary bearer	-	-	20 541	82 164	fully paid up in cash	16-05-06*	16-05-06*
2003-05-21	ordinary bearer	-	-	17 000	68 000	fully paid up in cash	09-06-06*	09-06-06*
2003-05-21	ordinary bearer	-	-	2 619	10 476	fully paid up in cash	09-06-06*	09-06-06*
2003-05-21	ordinary bearer	-	-	33 007	132 028	fully paid up in cash	10-07-06*	10-07-06*
2003-05-21	ordinary bearer	-	-	2 730	10 920	fully paid up in cash	10-07-06*	10-07-06*
2003-05-21	ordinary bearer	-	-	48 122	192 488	fully paid up in cash	09-08-06*	09-08-06*
2003-05-21	ordinary bearer	-	-	700	2 800	fully paid up in cash	12-09-06*	12-09-06*
2003-05-21	ordinary bearer	-	-	3 430	13 720	fully paid up in cash	11-10-06*	11-10-06*
2003-05-21	ordinary bearer	-	-	38 094	152 376	fully paid up in cash	10-11-06*	10-11-06*
2003-05-21	ordinary bearer	-	-	15 005	60 020	fully paid up in cash	08-12-06*	08-12-06*
2003-05-21	ordinary bearer	-	-	800	3 200	fully paid up in cash	10-01-07*	10-01-07*
2003-05-21	ordinary bearer	-	-	200	800	fully paid up in cash	16-02-07*	16-02-07*
2003-05-21	ordinary bearer	-	-	1 150	4 600	fully paid up in cash	09-03-07*	09-03-07*
2003-05-21	ordinary bearer	-	-	9 585	38 340	fully paid up in cash	09-03-07*	09-03-07*
2003-05-21	ordinary bearer	-	-	600	2 400	fully paid up in cash	11-04-07*	11-04-07*
2003-05-21	ordinary bearer	-	-	32 964	131 856	fully paid up in cash	17-05-07*	17-05-07*
2003-05-21	ordinary bearer	-	-	2 700	10 800	fully paid up in cash	15-06-07*	15-06-07*
2003-05-21	ordinary bearer	-	-	8 640	34 560	fully paid up in cash	12-07-07*	12-07-07*
2003-05-21	ordinary bearer	-	-	41 898	167 592	fully paid up in cash	14-08-07*	14-08-07*
2003-05-21	ordinary bearer	-	-	400	1 600	fully paid up in cash	14-09-07*	14-09-07*
2003-05-21	ordinary bearer	-	-	2 540	10 160	fully paid up in cash	11-10-07*	11-10-07*
2003-05-21	ordinary bearer	-	-	30 807	123 228	fully paid up in cash	15-11-07*	15-11-07*
2003-05-21	ordinary bearer	-	-	12 349	49 396	fully paid up in cash	13-12-07*	13-12-07*
2003-05-21	ordinary bearer	-	-	700	2 800	fully paid up in cash	13-02-08*	13-02-08*
2003-05-21	ordinary bearer	-	-	2 410	9 640	fully paid up in cash	19-03-08*	19-03-08*
2003-05-21	ordinary bearer	-	-	650	2 600	fully paid up in cash	15-04-08*	15-04-08*
2003-05-21	ordinary bearer	-	-	18 609	74 436	fully paid up in cash	19-05-08*	19-05-08*
2003-05-21	ordinary bearer	-	-	4 900	19 600	fully paid up in cash	13-06-08*	13-06-08*
2003-05-21	ordinary bearer	-	-	2 945	11 780	fully paid up in cash	10-07-08*	10-07-08*

* date of registration of shares in National Securities Deposit (KDPW SA)
** as at the balance sheet date

Total number of shares	**29 690 882**						
Total registered share capital		**118 763 528**					
Nominal value per share		**4**					

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 December 2009 it held 69.7847% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2009 – 69.7847%).

In 2009, there was a change in the holding of material share packages of the Bank.

In accordance with the notification of 7 November 2008, the Bank informed in the Current Report No. 139/2008 that Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK held 1 498 598 shares of BRE Bank, which constituted 5.05% of the share capital of BRE Bank SA and authorised to exercise 1 498 598 votes at the General Meeting of BRE Bank SA, which represented 5.05% of the total number of votes at the General Meeting of BRE Bank SA.

In accordance with the notification of 23 November 2009 sent to BRE Bank by Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA, the Bank informed in the Current Report No. 56/2009 that Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA (formerly Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK) reduced its share package to 1 463 873 shares of BRE Bank, which currently constitute 4.93% of the share capital of BRE Bank SA and authorise to exercise 1 463 873 votes at the General Meeting of BRE Bank SA, representing 4.93% of the total number of votes at the General Meeting of BRE Bank SA.

In accordance with the notification of 11 August 2009 sent to BRE Bank by ING Powszechne Towarzystwo Emerytalne SA, the Bank informed in the Current Report No. 44/2009 that ING Otwarty Fundusz Emerytalny reduced its share package to 1 474 015 shares of BRE Bank, which currently constitute 4.96% of the share capital of BRE Bank SA and authorise to exercise 1 474 015 votes at the General Meeting of BRE Bank SA, representing 4.96% of the total number of votes at the General Meeting of BRE Bank SA.

40. Share Premium

Share premium is formed from the share premium obtained from the issue of shares reduced by the attached direct costs incurred with that issue. This capital is intended to cover all balance sheet losses that may result from the business activity of the Bank.

The increase of share premium in 2008 results from realisation of employee option programs. The detailed information concerning the programs is described in Note 41.

41. Retained Earnings

Retained earnings include: other supplementary capital, other reserve capital, general risk fund, profit (loss) from the previous year and profit for the current year.

Other supplementary capital, other reserve capital and general risk fund are created from profit for the current year and their aim is described in the By-laws or in other regulations of the law.

	31.12.2009	31.12.2008
Other supplementary capital	**1 761 960**	**971 541**
Other reserve capital	53 158	43 495
General Risk Fund	719 210	613 310
Profit from the previous year	**49 138**	**101 332**
Profit for the current year	128 928	857 459
Total retained earnings	**2 712 394**	**2 587 137**

According to the Polish legislation, each bank is required to allocate 8% of its net profit to a statutory undistributable reserve capital until this reserve capital reaches 1/3 of the share capital.

In addition, the Group transfers some of its net profit to the general risk fund to cover unexpected risks and future losses. The general risk fund can be distributed only on consent of shareholders at a general meeting.

Share Options

Between 1 January 2007 and 31 December 2008, the Bank had two active option programs. Their valuation was determined in accordance with IFRS 2. Moreover, on 27 October 2008 the General Meeting of BRE Bank gave its consent to start a new option program for the key managers of the BRE Bank Group as of 2009.

2003 Employee Option Program

Share options were granted to BRE Bank SA managers as an incentive. For the options to be exercised, new BRE Bank SA shares were issued.

471 300 share options were granted at 15 October 2003 with an issue price of PLN 96.16 per share; they expired on 30 June 2008. At 31 July 2004, another 21 700 options were granted. The remaining 7 000 options were granted at 1 July 2005. The program comprised a total of 500 000 options, including 175 000 options for the Management Board and 325 000 options for other managers. The options were stated at fair value.

Options were acquired for 0.1% of the share issue price. Options were allocated on a straight line basis, 20% each year in advance starting on 15 October 2003 until 30 June 2007. Options could be exercised not earlier than 1 June 2005 and not later than 30 June 2008 concerning already acquired options. Options could not be sold. The program ended on 30 June 2008.

The following table presents changes in the number of issued share options under the option program that was active up to 30 June 2008 :

	31.12.2009	31.12.2008
As at the beginning of the period	**-**	**29 464**
Granted		-
Realized		29 364
Expired		**100**
As at the end of the period	-	-
Exercisable at the end of period	-	-

By 30 June 2008, all options were exercised with the exception of 100 options which expired.

Until 31 December 2008, 499 900 shares were issued in implementation of the employee option program.

30 214 shares were issued under options exercised in 2008 (144 633 shares in 2007) under this option program. The weighted average market price of shares at the option exercise date was PLN 390.05 per share in 2008 (the weighted average market price of shares at the option exercise date was PLN 491.54 per share in 2007).

The fair value of options granted as at 15 October 2003 determined using the Black-Scholes valuation model was PLN 45.57 per option. The fair value of options granted as at 31 July 2004 also determined using the Black-Scholes valuation model was PLN 40.15 per option. The valuation model was selected mainly due to the terms of the program. The volatility of BRE Bank shares was calculated based on a standard deviation estimator with a sample of 252 prices (one year back) and an interest rate based on zero-coupon rates capitalised on an on-going basis as required under the Black-Scholes model, determined in the structure of interest rates on the valuation date.

2008 Incentive Program for the Management Board Members of the Bank

On 14 March 2008, the Ordinary General Meeting of BRE Bank adopted a resolution approving an incentive program for Management Board Members of the Bank. Under the program, the Management Board Members can acquire bonds with the pre-emptive right to acquire shares of the Bank and shares of the ultimate parent of the Group, Commerzbank AG.

In implementation of the program in the part comprising BRE Bank shares, the share capital of the Bank will be increased conditionally by PLN 2 200 000 through an issue of 550 000 bearer ordinary shares. In implementation of the program, the Bank will issue 550 000 bonds with the pre-emptive right to acquire shares of the Bank in 10 series (C1 to C10), 55 000 bonds in each series, with an issue price of PLN 0.01. Bonds can be acquired by entitled persons in 2010 – 2018 provided that their employment continues, however in special cases C1 series bonds can be acquired in 2009. The bonds' pre-emptive right to acquire shares from the conditional capital increase can be exercised by entitled persons in the period from the acquisition of bonds until 31 December 2018. The issue price of each share acquired under the program will be equal to the nominal price at PLN 4.

The right to acquire bonds and the number of bonds will depend on the degree of fulfilment of the following conditions: individual assessment of the entitled person by the Supervisory Board, return on equity (ROE) net in the financial year for which shares are granted, performance of the financial year's consolidated profit before tax of the BRE Bank Group or consolidated profit before tax of a BRE Bank Group business line.

In addition, under the incentive program, the Management Board Members of the Bank can acquire shares of Commerzbank AG. Shares will be transferred to the Management Board Members by BRE Bank. The right to acquire shares and the value of shares transferred will also depend on the degree of fulfilment of the above mentioned conditions. The number of granted Commerzbank shares will depend on the market price of the shares within 30 days before their allocation date in 2010 – 2018.

In 2008 the cost of implementation of the program was estimated on the basis of fair value of BRE Bank share options and Commerzbank share options, valued at the grant date of the program by using the Monte Carlo simulation.

In the current reporting period the Bank has modified the rules of valuation of the incentive program for the Management Board Members of the Bank and starting from 2009 the cost of implementation of the program has been calculated on the basis of the value of the program during the Management Board term in office. The cost of the program is charged into the income statements of the respective reporting periods in line with the estimated scheme of acquiring rights in the particular years in correspondence with other reserve capital (the part of the program comprising BRE Bank shares) or other liabilities (the part of the program comprising Commerzbank shares). The cost is estimated starting from the date of taking up the office by a Management Board Member on the basis of the assessed fulfillment of the conditions which enable an entitled person to gain rights to acquire BRE Bank shares and Commerzbank shares. The estimation of the cost is updated at the end of each year on the basis of actual fulfillment of the conditions and potential changes in assessed fulfillment of these conditions in the coming years.

The choice of the valuation technique has been significantly influenced by the conditions of the program.

The table below presents changes in other reserve capital generated by the above mentioned incentive programs.

	31.12.2009	31.12.2008
Option program ended 30 June 2008		
As at the beginning of the period	**-**	**1 346**
- value of services provided (Note 11)	-	-
- settlement of exercised options	**-**	**(1 346)**
As at the end of the period	-	-
New incentive program		
As at the beginning of the period	**12 113**	**-**
- value of services provided (Note 11)	(3 671)	**12 113**
- settlement of exercised options	-	-
As at the end of the period	**8 442**	**12 113**
As at the end of the period, total	**8 442**	**12 113**

The new incentive program for the Management Board of the Bank in the part comprising Commerzbank shares has no impact on other reserves as its cost is taken to the Income Statement in correspondence with liabilities. The value of provided services associated with this part of the program was PLN 6 785 thousand in 2008 (Note 11).

2008 Incentive Program for key managers of BRE Bank Group

On 27 October the Extraordinary General Meeting of the Bank approved an incentive program for key managers of the BRE Bank Group.

The goal of the program is to tie a large part of remuneration of the key managers with the value of the Bank and the interest of the shareholders by means of building long-term value of the Bank, improvement of the effectiveness of the business of the Bank and the Group, and stabilization of management through the introduction of a long-term element of the remuneration package with lasting value both at the time of a market downtrend and uptrend.

The scheme participants include:

- Members of the Management Boards of the key subsidiaries of the BRE Bank Group;
- Bank Directors;
- Representatives of key management

These officers are responsible for decisions which materially impact the implementation of the strategy defined by the Management Board of the Bank, the results of the Group, the viability and safety of business, and the development and creation of added value of the organisation.

The maximum size of the program is 700 000 shares. The lifetime of the programme is 10 years (2009-2019). The decision on commencing the program was postponed till 2010.

42. Other components of equity

	31.12.2009	31.12.2008
Exchange differences on translating foreign operations	**3 017**	**(4 139)**
Unrealized gains (positive differences)	33 859	24 729
Unrealized losses (negative differences)	(30 842)	(28 868)
Available-for-sale financial assets	**(116 907)**	**(210 229)**
Unrealized gains on debt instruments	5 547	7 891
Unrealized losses on debt instruments	(174 977)	(245 061)
Unrealized gains on equity instruments	41 974	1 886
Deferred income tax	10 549	25 055
Total other components of equity	**(113 890)**	**(214 368)**

The year-on-year increase in the valuation of the portfolio of securities available for sale in 2009 was mainly due to an increase in the value of variable-coupon Treasury securities held by the Bank. The change in the valuation of the portfolio was largely impacted by an increase of market prices of debt securities issued by foreign banks as a result of improving sentiment on the financial markets, increased confidence in the banking sector, and decreased credit spreads. In addition, the increase in the valuation was driven by redemption of zero-coupon Treasury securities, stated at a negative amount at the end of 2008, as well as an increase in the valuation of Treasury bills acquired for the Bank's portfolio in 2009 resulting from reduced interest rates. The positive impact of these factors was partly offset by the negative valuation of long-term fixed-income Treasury securities.

43. Dividend per Share

On 1 March 2010, the Management Board of BRE Bank SA passed a resolution on submitting to the 23rd Ordinary General Meeting a motion concerning non-payment of dividend for the year 2009 to the shareholders. The Management Board's motion will be presented for opinion to the Supervisory Board of the Bank.

The recommendation of the Management Board is connected with continuation of the development policy for the BRE Bank Group and intensive expansion on the financial services market, which in consequence cause a necessity to maintain a solid capital basis.

44. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the balance of cash and cash equivalents comprises the following balances with maturities shorter than 3 months:

	31.12.2009	31.12.2008
Cash and balances with the Central Bank (Note 17)	3 786 765	2 512 333
Debt securities eligible for rediscounting at the Central Bank	9 134	9 238
Loans and advances to banks (Note 19)	1 635 371	4 460 810
Trading securities (Note 20)	1 306 698	1 711 346
Available for sale debt securities (note 23)	129 912	-
Total cash and cash equivalents	**6 867 880**	**8 693 727**

45. Transactions with Related Entities

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

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

- On 13 October 2009, BRE Bank SA and Commerzbank AG, the ultimate parent of the group, concluded the agreement on terms and procedure for sale of the banking enterprise of the Commerzbank AG SA Branch in Poland (former branch of Dresdner Bank AG in Poland) (the "Branch") to BRE Bank SA. On 14 October 2009, BRE Bank SA put a motion to the Polish Financial Supervision Authority for consent to the purchase of the banking enterprise of the Branch.
- On 16 November 2009, under the agreement concluded between BRE Bank and Commerzbank AG on 10 November 2009, BRE Bank received a loan in the amount of USD 100 000 thousand (the equivalent of PLN 274 000 thousand according to the average exchange rate of the National Bank of Poland of 16 November 2009) for the purpose of satisfying general financial needs of the Bank.
- On 16 November 2009, under the agreement concluded between BRE Bank and Commerzbank AG, BRE Bank received a loan in the amount of CHF 280 000 thousand (the equivalent of PLN 760 648 thousand according to the average exchange rate of the National Bank of Poland of 16 November 2009) for the purpose of satisfying general financial needs of the Bank.

In the presented reporting periods there were no mutual transactions with the direct parent entity of BRE Bank.

The amounts of transactions with related entities, i.e., balances of receivables and liabilities and related costs and income as at 31 December 2009 and 31 December 2008 and for the respective periods then ended were as follows:

Numerical data concerning transactions with related entities (in PLN thousand) as at 31 December 2009								
Company's name	Statement of Financial Position		Income Statement				Contingent commitments granted and received	
	Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
Subsidiaries not included in consolidation due to immateriality								
AMBRESA Sp. z o.o.	-	688	-	-	2	-	-	-
BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	-	775	-	(3)	1	-	-	-
BRE Systems Sp. z o.o. (previously Service Point Sp. z o.o.)	-	2 469	17	(2)	30	-	1 000	-
Ultimate Parent Group								
Commerzbank AG Capital Group	311 900	23 420 712	13 019	(466 647)	-	-	782 779	171 656

Numerical data concerning transactions with related entities (in PLN thousand) as at 31 December 2008								
Company's name	Statement of Financial Position		Income Statement				Contingent commitments granted and received	
	Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
Subsidiaries not included in consolidation due to immateriality								
AMBRESA Sp. z o.o.	-	847	-	-	2	-	-	-
BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	-	715	-	(1)	1	-	-	-
BRE Systems Sp. z o.o. (previously Service Point Sp. z o.o.)	-	150	9	(6)	17	-	1 000	-
Associates								
Xtrade SA	-	34	-	(4)	7	-	-	-
Ultimate Parent Group								
Commerzbank AG Capital Group	1 834 878	23 420 712	38 424	(549 414)	-	-	580 504	557 636

The table below presents the values of transactions between the Bank and: the Members of the Management Board of the Bank, the Management of the Subsidiaries and key executive management of the Group.

(in PLN '000)	Directors and key management personnel of the Bank		Directors and key management personnel of other entities of the Group	
As at the end of the period	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Loans outstanding	4 262	6 731	596	2 898
Deposits received	18 146	11 704	749	1 170
Interest expense on deposits	(451)	(352)	(19)	(32)
Interest, fee and commission income	92	250	1	71
Directors and key management remuneration	31 460	41 379	33 845	37 166

In 2009 no provisions were created in connection with credits granted to related entities.

Management Board Compensation

The composition of the Management Board of BRE Bank which consists of seven persons was as follows at the end of 2009:

1. Mariusz Grendowicz – President of the Management Board, Director General of the Bank,
2. Wiesław Thor – Vice-President of the Management Board, Chief Risk Officer,
3. Karin Katerbau – Vice-President of the Management Board, Chief Financial Officer,
4. Przemysław Gdański – Member of the Management Board, Head of Corporate Banking,
5. Hans-Dieter Kemler – Member of the Management Board, Head of Investment Banking,
6. Jarosław Mastalerz – Member of the Management Board, Head of Retail Banking,
7. Christian Rhino – Member of the Management Board, Chief Operating and IT Officer.

On 10 June 2009 Mr. Bernd Loewen, a Member of the Management Board of BRE Bank SA resigned from his post as of 1 July 2009.

By resolution of the Supervisory Board of BRE Bank SA of 10 July 2009, Mr. Hans-Dieter Kemler was appointed Member of the Management Board, Bank Director for Investment Banking as of 10 July 2009 for the period until the end of the current term of office of the Management Board.

Ms. Karin Katerbau, who previously performed the function of a Member of the BRE Bank SA Management Board, Bank Director as of 5 September 2008, was appointed Deputy President of the Bank's Management Board, Bank Director as of 1 October 2009 by resolution of the BRE Bank SA Supervisory Board.

Information on the salaries, bonuses and benefits paid out and due to the members of the Management Board of the Bank who were the members at the end of 2009 as at 31 December 2009 and 31 December 2008 is presented below:

Remuneration paid in 2009 (in PLN)			
	Basic salary	Other benefits	Bonus for 2008
Mariusz Grendowicz	1 800 000	236 696	2 400 000
Wiesław Thor	1 508 186	148 430	862 500
Katrin Katerbau	1 275 000	208 751	223 068
Przemysław Gdański	1 200 000	143 661	1 000 000
Hans-Dieter Kemler	569 565	760 098	-
Jarosław Mastalerz	1 200 000	167 408	870 000
Christian Rhino	1 200 000	101 878	553 890
Total	**8 752 751**	**1 766 922**	**5 909 458**

Remuneration of the Management Board Members who ceased performing their functions in the year 2009.

Remuneration paid in 2009 (in PLN)			
	Basic salary	Other benefits	Bonus for 2008
Bernd Loewen	600 000	71 043	1 270 000
Razem	**600 000**	**71 043**	**1 270 000**

Remuneration of the Management Board Members who ceased performing their functions in the year 2008 paid in 2009.

Remuneration paid in 2009 (in PLN)			
	Basic salary	Other benefits	Bonus for 2008
Andre Carls	-	-	310 146
Sławomir Lachowski	-	1 225 337	-
Janusz Wojtas	-	726 168	-
Rainer Ottenstein	-	-	6 000 000
Razem	**-**	**1 951 505**	**910 146**

Additionally, due to the fact that the effects of a one-off transaction were excluded from the basis for the calculation of the bonus for 2008, Members of the Management Board, Mrs. Karin Katerbau and Mr. Christian Rhino, signed additional agreements with the Bank. The agreements foresee payment of an additional amount in cash and transfer of additional shares of BRE Bank and Commerzbank in case the employee is dismissed from the Management Board Member function on or before 16 March 2012 due to ownership changes in the Commerzbank Group, which could theoretically result in excluding the Bank from the Commerzbank Group (i.e. 50% or more of voting rights at the General Meeting would be transferred outside the Commerzbank Group). In case such hypothetical event took place, Mrs. Karin Katerbau would be entitled to an additional cash payment amounting to PLN 96 987 as well as additional 1 534 BRE Bank shares and 4 263 Commerzbank shares whereas Mr. Christian Rhino would be entitled to an additional cash payment amounting to PLN 240 882 as well as additional 3 807 BRE Bank shares and 10 586 Commerzbank shares.

In both cases, the Bank would be entitled to pay cash compensation to the employees in exchange for BRE Bank and Commerzbank shares. Cash compensation should be calculated on the basis of the market price of BRE Bank shares and Commerzbank shares prevailing one day before the execution of the appropriate payment on the Warsaw Stock Exchange and Xetra stock exchange in Frankfurt, respectively.

Members of the Management Board, Mr. Mariusz Grendowicz, Mr. Wiesław Thor and Mr. Jarosław Mastalerz, are currently negotiating similar agreements with the Bank.

Remuneration of the Management Board Members paid in the year 2008.

Remuneration paid in 2008 (in PLN)			
	Basic salary	Other benefits	Bonus for 2008
Mariusz Grendowicz	1 425 000	45 954	-
Wiesław Thor	1 341 250	117 347	2 583 000
Przemysław Gdański	142 105	5 402	-
Karin Katrbau	384 478	29 242	-
Bernd Loewen	1 110 726	107 912	2 400 000
Jarosław Mastalerz	1 103 750	146 988	999 375
Christian Rhino	970 988	129 057	-
Razem	**6 478 297**	**581 902**	**5 982 375**

Remuneration of the Management Board Members who ceased performing their functions in the year 2008.

Remuneration paid in 2008 (in PLN)			
	Basic salary	Other benefits	Bonus for 2008
Sławomir Lachowski	659 730	1 995 417	4 300 000
Jerzy Jóźkowiak	433 571	1 565 502	2 583 000
Andre Carls	543 240	26 063	-
Rainer Ottenstein	168 878	32 425	2 400 000
Janusz Wojtas	420 393	466 353	2 583 000
Razem	**2 225 812**	**4 085 761**	**11 866 000**

The total compensation of members of the Management Board consists of: salary, bonuses, termination of agreement payment, prohibition of competitiveness payment, insurance costs and accommodation costs.

The above mentioned benefits are short-term employee benefits.

In accordance with the Bank's remuneration system in force, the members of the Management Board of the Bank may be eligible to receive bonuses for the year 2009, which would be paid out in 2010. The final decision concerning the level of the bonus will be taken by the Executive Committee of the Supervisory Board by 30 March 2010.

In 2009, the members of the Management Board of BRE Bank SA did not receive a compensation for their role as members of the management boards and supervisory boards of the Bank's related companies (in 2008: PLN 331 569).

The total amount of remuneration received in 2009 by Bank's Management Board members was PLN 18 370 174 (2008: PLN 31 551 716).

Supervisory Board Compensation

The composition of the Supervisory Board at the end of 2009 was as follows:

1. Maciej Leśny – Chairman of the Supervisory Board, Chairman of the Executive Committee, Member of the Risk Committee, Member of the Audit Committee,
2. Andre Carls – Deputy Chairman of the Supervisory Board, Member of the Executive Committee, Member of the Risk Committee, Member of the Audit Committee,
3. Michael Schmid – Member of the Supervisory Board, Member of the Executive Committee (since October 1, 2009), Chairman of the Risk Committee,
4. Martin Zielke – Member of the Supervisory Board, Chairman of the Audit Committee,
5. Jan Szomburg – Member of the Supervisory Board, Member of the Executive Committee, Member of the Audit Committee,
6. Achim Kassow – Member of the Supervisory Board, Member of the Executive Committee (until September 30, 2009),
7. Waldemar Stawski – Member of the Supervisory Board, Member of the Risk Committee,
8. Teresa Mokrysz – Member of the Supervisory Board,
9. Marek Wierzbowski – Member of the Supervisory Board,
10. Stefan Schmittmann – Member of the Supervisory Board.

On 16 March 2009 the 22nd Ordinary General Meeting of BRE Bank appointed Mr. Stefan Schmittmann as new (tenth) BRE Bank Supervisory Board.

Information about the Supervisory Board members' salaries, bonuses and benefits paid as at 31 December 2009 and 31 December 2008 is presented below:

	Remuneration paid in 2009 (in PLN)	Remuneration paid in 2008 (in PLN)
Maciej Leśny	315 000	315 000
Andre Carls	273 000	86 864
Jan Szomburg	231 000	231 000
Teresa Mokrysz	132 000	132 000
Waldemar Stawski	198 000	156 750
Michael Schmid	206 250	198 000
Martin Zielke	198 000	156 750
Achim Kassow	181 500	213 625
Marek Wierzbowski	132 000	104 500
Stefan Schmittmann	-	-
Gromosław Czempiński *	-	27 500
Nicholas Teller *	-	48 125
Martin Blessing **	-	178 011
Total	**1 866 750**	**1 848 125**

* On 14 March 2008 the members completed their term of office.
** On 4 September 2008 Mr. Martin Blessing resigned from the office.

In accordance with the wording of paragraph 11(j) of the By-laws of BRE Bank SA the General Meeting determines remuneration for members of the Supervisory Board in a resolution. Remuneration of the Management Board members is determined by the Supervisory Board (paragraph 22.1(e) of the By-laws of BRE Bank SA).

46. Acquisitions and Disposals

On 5 November 2009 BRE Bank acquired all deposit certificates (A and B series) issued by BRE GOLD FIZ Aktywów Niepublicznych – closed-end investment fund of non-public assets, in exchange for 651 660 PZU SA shares. The only asset of the fund is a package of PZU SA shares which was previously held by BRE Bank directly. In connection with ownership of 100% of certificates issued by BRE GOLD FIZ Aktywów Niepublicznych, BRE Bank started the consolidation of the fund as of November 2009.

47. Information about the Registered Audit Company

The registered audit company with whom BRE Bank SA signed an agreement is PricewaterhouseCoopers Sp. z o.o. The agreement to conduct an audit of stand-alone financial statements of BRE Bank SA and consolidated financial statements of BRE Bank SA Group was signed on 4 July 2008.

The total amount of PricewaterhouseCoopers Sp. z o.o. remuneration related to the audit and review of stand-alone financial statements and consolidated financial statements of BRE Bank SA was PLN 2 919 thousand in 2009 (2008: PLN 3 308 thousand).

The total amount of PricewaterhouseCoopers Sp. z o.o. remuneration related to consulting services for BRE Bank SA was PLN 781 thousand in 2009 (2008: PLN 1 223 thousand).

48. Capital Adequacy Ratio / Capital Adequacy

One of the main tasks of balance sheet management is to ensure an appropriate level of the capital. Under the Group's capital management policy, BRE Bank creates its framework and directions in order to ensure the most effective planning and utilisation of capital which:

- are consistent with valid external regulations and internal regulations of the Group,
- place in safety continuation of accomplishment of financial targets providing a suitable level of return for shareholders,
- enable to maintain a stable capital base which is the basis for growth of business.

The capital management policy in BRE Bank is based on:

1. maintenance of an optimal level and structure of own funds with the application of available methods and means (retention of net profit, subordinated loan, issue of shares, etc.);
2. effective utilisation of existing capital among others through application of a set of measures of effective utilisation of the capital, limitation of activities that do not provide an expected rate of return, development of products with lower capital absorption.

Effective utilisation of capital is an integral part of the capital management policy oriented at reaching an optimal rate of return on capital and, as a result, forming a stable basis of reinforcement of the capital base in future periods, which enables to maintain the capital adequacy ratio at least on the level required by the supervision authority (the Polish Financial Supervision Authority, "KNF"). The capital adequacy ratio is calculated as a quotient of own funds to the total capital requirement multiplied by 12.5, and it should be 8% at least.

Own funds comprise:

a) core funds including:

- principal funds (paid and registered share capital, supplementary capital and reserve funds excluding any liabilities due to preference shares),
- additional items of core funds (general risk fund for unidentified banking business risk, retained earnings, profit under approval by shareholders and net profit for the current reporting year, calculated in accordance with valid accounting principles, less any expected costs and dividends in the amounts not greater than the profit verified by auditors, other balance sheet items determined by KNF),
- items reducing core funds – own shares held by the Bank, valued at carrying amount and reduced by impairment losses on them, intangible assets measured according to the balance sheet method, loss from previous years, loss under approval by shareholders, net loss for the current year, other decreases of core funds of the Bank determined by KNF (including missing provisions for banking business risk and exposure to securitisation items),

b) supplementary funds including:

- revaluation reserve resulting from valuation of tangible fixed assets – formed on the basis of separate regulations,
- balance sheet items whose inclusion is conditional on KNF decisions (including subordinated liabilities, liabilities due to securities with unlimited maturities and other similar instruments),
- items determined by KNF for the purpose of ensuring business safety and proper risk management within the Bank,
- decreases of supplementary funds, determined by KNF.

The Bank adjusts the own funds to the level and kind of the risk, it is exposed to, and to the character, scale and complexity of its business activity. For that purpose, the Bank prepared and implemented ICAAP process (Internal Capital Adequacy Assessment Process). The aim of this process it to have the own funds at the level adequate to the risk profile and the risk level of the Group's activities to ensure the safety of the of BRE Bank SA Group's business.

Internal capital is estimated by the Group as a capital level needed to cover all identified, material types of risk within the Group's activity, including so-called permanent material risks and other material risks being difficult to measure. The permanent material risks are to be covered by the economic capital, while other risks are to be covered by the capital for coverage of risks being difficult to measure.

The process of internal capital adequacy assessment in the BRE Bank SA Group is performed on an on-going basis and is based on the following tasks completed by the organisational units of the Bank:

- identification and description of the material risks occurring in the business of the Group,
- calculation of the capital to cover each of the material risks,
- aggregation of the capital to cover risks,
- allocation of capital to business lines and the Group's companies,
- monitoring containing permanent identification of the risks occurring in the business activities of the BRE Bank SA Group and analysis of the level of consumed capital in the scope of the risks expected to be material.

The process of internal capital adequacy assessment is approved by the Supervisory Board of the Bank.

Total capital requirement comprises:

- credit capital requirement,
- market risk capital requirement comprising: foreign exchange risk capital requirement, commodities risk capital requirement, specific risk for equity instruments prices capital requirement, specific risk for debt instruments prices capital requirement, general interest rate risk capital requirement,
- settlement risk capital requirement, delivery risk capital requirement and counterparty risk capital requirement,
- capital requirement due to the risk of exceeding the limit of concentration of exposures and the risk of exceeding the limit of concentration of large exposures,
- capital requirement due to risk of exceeding the level of capital concentration,
- operational risk capital requirement.

The calculation of the Group's capital adequacy ratio and own funds is made on the following basis:

- Banking Act dated 29 August 1997 (Dz.U. from the year 2002 No 72, item 665, as amended),
- Resolution No. 380/2008 of the Polish Financial Supervision Authority dated 17 December 2008 (Dz. Urz. KNF from the year 2008 No 8 item 34),
- Resolution No. 381/2008 of the Polish Financial Supervision Authority dated 17 December 2008 (Dz. Urz. KNF from the year 2008 No 8 item 35),
- Resolution No. 382/2008 of the Polish Financial Supervision Authority dated 17 December 2008 (Dz. Urz. KNF from the year 2008 No 8 item 36),
- Resolution No. 383/2008 of the Polish Financial Supervision Authority dated 17 December 2008 (Dz. Urz. KNF from the year 2008 No 8 item 37),
- Resolution No. 384/2008 of the Polish Financial Supervision Authority dated 17 December 2008 (Dz. Urz. KNF from the year 2008 No 8 item 38),
- Resolution No. 387/2008 of the Polish Financial Supervision Authority dated 17 December 2008 (Dz. Urz. KNF from the year 2008 No 8 item 41),
- Resolution No. 314/2009 of the Polish Financial Supervision Authority dated 14 October 2009 (Dz. Urz. KNF from the year 2010 No 1 item 8),

The capital adequacy ratio of the BRE Bank Group amounted to 11.50% as at 31 December 2009. Due to significant trading activity full calculation of the capital requirements is being made. The total capital requirement of the Group amounted to PLN 4 356 859 thousand as at 31 December 2009, including PLN 3 886 092 thousand of credit capital requirement (31 December 2008 respectively: 4 712 225 thousand and PLN 4 176 602 thousand).

Due to the fact that total capital requirement of the BRE Bank Group calculated according to Resolution No. 380/2008 is higher than the internal capital calculated according to Resolution No. 383/2008, the BRE Bank Group's own funds were kept as at 31 December 2009 at a level not lower than the total capital requirement calculated for the Group according to Resolution No. 380/2008.

Capital adequacy	31.12.2009	31.12.2008
Own funds:		
- Share capital	118 764	118 764
- Supplementary fund	1 402 919	1 402 919
- Reserve fund	2 583 466	1 729 678
- Revaluation reserve arising from valuation of non-current and	(156 991)	(253 039)
- Profit for the current year	10 608	640 325
- Investments in financial institutions	(32 312)	(49 324)
- Additional increase	150 967	153 584
- Intangible assets	(441 372)	(438 130)
- Subordinated liabilities	2 627 795	2 606 983
I. Total own funds	**6 263 844**	**5 911 760**
- applying a 20% risk weight	477 435	1 264 147
- applying a 35% risk weight	466 126	216 210
- applying a 50% risk weight	1 257 266	1 085 565
- applying a 75% risk weight	22 161 503	22 074 936
- applying a 100% risk weight	24 392 772	28 678 958
- applying a 150% risk weight	444 874	386 537
II. Total risk weighted assets and off-balance sheet liabilities	**49 199 976**	**53 706 353**
III. Credit risk	**3 886 092**	**4 176 602**
IV. Foreign exchange risk	**432**	**14 060**
V. Equity instruments price risk	**1 069**	**571**
VI. Specific risk for debt instruments	**24 675**	**35 555**
VII. General interest rate risk	**19 969**	**39 068**
VIII. Settlement, delivery and counterparty credit risk	**49 906**	**119 906**
IX. Commodities risk	**0**	**1**
X. Operational risk	**374 716**	**326 462**
XI. Total capital charge	**4 356 859**	**4 712 225**
XII. Capital adequacy ratio (%)	**11,50%**	**10,04%**

49. Events after the Balance Sheet Date

- On 27 January 2010 BRE Bank entered into three loan agreements with Commerzbank AG in a total amount of PLN 1 554 010 thousand. In accordance with the largest of them, the Bank received a loan in the amount of CHF 350 000 thousand (PLN 972 370 thousand at the NBP average exchange rate of 27 January 2010) for the purpose of fulfilling general financial needs of the Bank.

- On 1 March 2010, the Management Board of the Bank adopted the decision on proposing to the Bank's shareholders the share capital increase of the Bank of no less than PLN 4 and up to PLN 83,134,468, by way of a closed subscription (i.e. offering the new shares to the Bank's shareholders, on the basis of the preemptive right) of no less than 1 and up to 20,783,617 new ordinary bearer shares with the nominal value of PLN 4 each, and offering such shares in a public offering in the Republic of Poland, with the aim to raise PLN 2 billion as a result of the new shares' issue and adopted the resolution concerning the update of the Bank's strategy. The Management Board of the Bank recommended to the Supervisory Board of the Bank adoption of the update of the Bank's strategy as well as the relevant draft resolution for XXIII General Meeting of BRE Bank SA regarding the increase of the Bank's share capital, a public offering of new shares, specifying the record date for the new shares, dematerialization and application for admission of the preemptive rights, rights to shares and new shares to trading on a regulated market (main market) operated by the Warsaw Stock Exchange.

MANAGEMENT BOARD REPORT ON THE BUSINESS OF BRE BANK GROUP IN 2009

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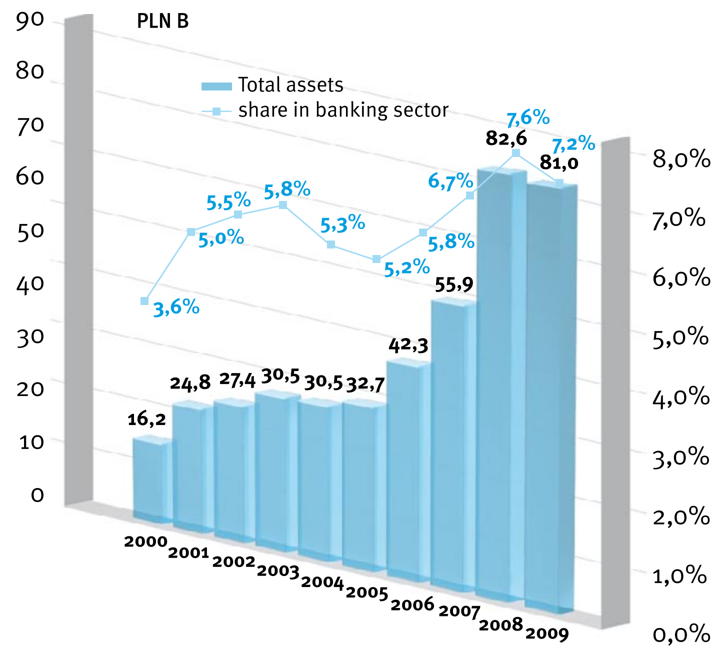
Brief Description of BRE Bank and its Group

BRE Bank SA has been in business for 23 years now. It was established in early 1987. Today, it is one of the biggest Polish universal banks.

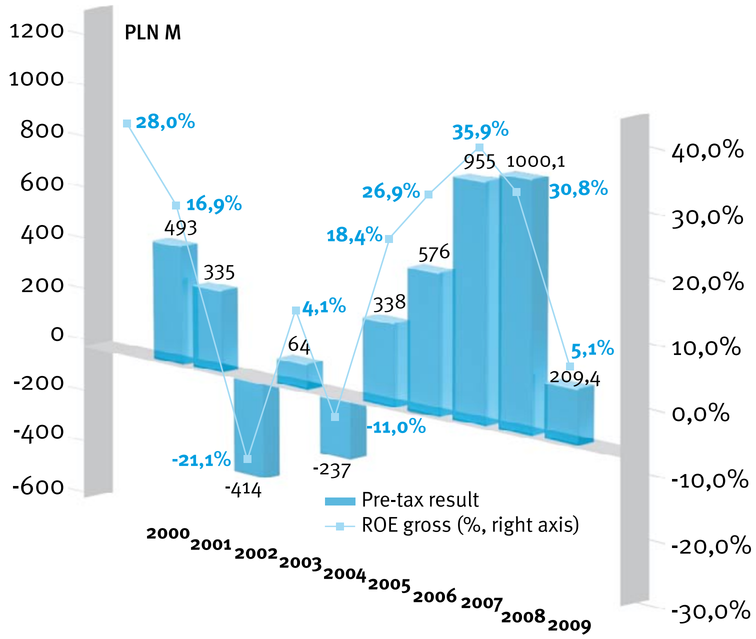
Assets of BRE Bank Group



At the end of 2009, the consolidated total assets stood at PLN 81.0 billion, ranking BRE Bank as the third largest bank in Poland; the assets of the Group represented more than 7% of the assets of the Polish banking sector. BRE Bank ranked third by the client loans portfolio and fifth by deposits and amounts due to clients. BRE Bank was the fifth largest bank listed on the WSE by equity.

Profit before tax in 2009 was PLN 209.4 million lower, than in previous years.
The profit reflected the economic downturn in 2009, affecting the standing of clients, which forced the Bank to set up substantial new loan loss provisions.
However, the recurrent income, was the highest in BRE Bank Group's history.

Pre-tax result of BRE Bank Group



BRE is a universal bank which serves corporate clients (around 13 thousand clients) through a network of 24 branches and 21 offices, as well as Private Banking clients (around 6 thousand clients).

Retail clients are served by two separate brands: mBank and MultiBank. At the end of 2009, in Poland mBank had around 2.3 million clients (including around 350 thousand microenterprises), served mainly on-line as well as by a network of 142 outlets across Poland. mBank also had around 400 thousand clients in the Czech Republic and Slovakia.

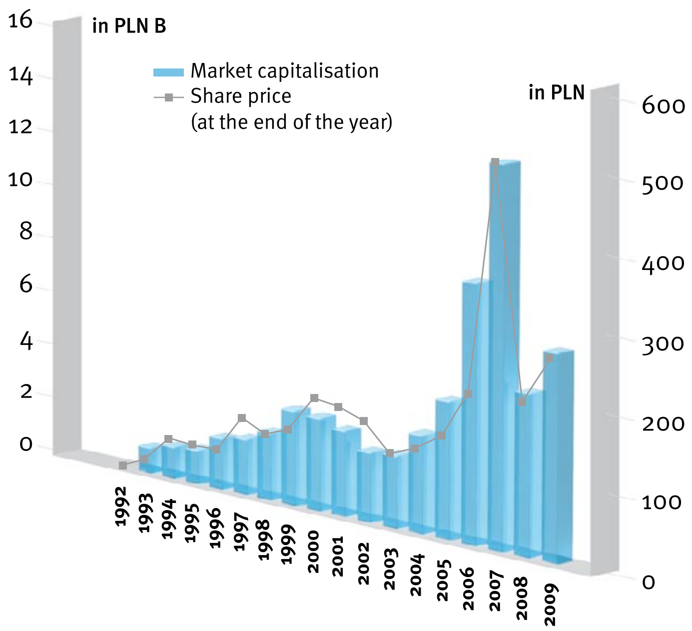
MultiBank targets more affluent individuals and served some 600 thousand clients through a network of 134 branches at the end of 2009.

BRE Bank for years has a strategic shareholder: the German bank Commerzbank AG. Following its 2009 merger with Dresdner Bank, it is now the second largest German bank with an extensive branch network in Germany and in Europe. It holds around 70% of BRE shares. Commerzbank is represented by 5 out of 10 Supervisory Board Members and 3 out of 7 Management Board Members. BRE Bank is a member of the Commerzbank Group.

The remaining 30% of shares are held by minority shareholders. These consist mainly of financial investors (around three-fourths of the free float shares) and private individuals.

BRE Bank is listed on the WSE since 1992. The share price was PLN 260 on the last day of trading in 2009. The chart below presents the share price and market capitalisation since the first listing.

BRE Bank shares quotations on WSE



As its business grew, the Bank founded and acquired companies offering products and services complementary to its banking offer in order to satisfy clients' needs. The main subsidiaries at the end of 2009 included: BRE Leasing, BRE Bank Hipoteczny, Dom Inwestycyjny BRE Banku, Intermarket Group factoring business including the Polish subsidiary Polfactor, BRE Ubezpieczenia. In total, 19 companies were consolidated at the end of 2009.

BRE Bank authorities (at the end of 2009)

Supervisory Board

1. Maciej Leśny — Chairman of the Supervisory Board (independent member)
2. Andre Carls — Deputy Chairman of the Supervisory Board
3. Achim Kassow — Member of the Supervisory Board
4. Teresa Mokrysz — Member of the Supervisory Board (independent member)
5. Michael Schmid — Member of the Supervisory Board
6. Stefan Schmittmann — Member of the Supervisory Board
7. Waldemar Stawski — Member of the Supervisory Board (independent member)
8. Jan Szomburg — Member of the Supervisory Board (independent member)
9. Marek Wierzbowski — Member of the Supervisory Board (independent member)
10. Martin Zielke — Member of the Supervisory Board

Management Board

1. Mariusz Grendowicz — President of the Management Board, General Director
2. Karin Katerbau — Deputy President of the Management Board, Bank Director for Finance
3. Wiesław Thor — Deputy President of the Management Board, Bank Director for Risk
4. Przemysław Gdański — Member of the Management Board, Bank Director for Corporate Banking
5. Hans-Dieter Kemler — Member of the Management Board, Bank Director for Investment Banking
6. Jarosław Mastalerz — Member of the Management Board, Bank Director for Retail Banking
7. Christian Rhino — Member of the Management Board, Bank Director for Operations and IT

Key Figures

BRE Bank Group's Key Figures, YE	2005	2006	2007	2008	2009
Balance sheet total (PLN M)	32 739.1	42 330.6	55 983.0	82 605.2	81 020.0
Credit and loans granted to customers (PLN M)	15 376.0	23 044.7	33 682.7	52 142.5	52 465.0
Liabilities to customers (PLN M)	20 349.4	24 669.9	32 401.9	37 750.8	42 785.0
Book value (PLN M)	2 035.2	2 530.8	3 324.5	3 894.5	4 120.2
Pre-tax profit from continued and discontinued activity	22 384.6	27 200.6	35 726.4	1 000.1	209.6
Net profi from continued and discontinued activity attributable to the Bank's equity holders	247.5	421.3	710.1	857.5	128.9
Capital adequacy ratio (%)	11.10	10.39	10.16	10.04	11.50
ROE before tax (%)	17.8	26.9	35.9	30.8	5.1
Cost/Income ratio (%)	69.3	63.7	55.5	55.1	54.2
Headcount of BRE Bank, YE (employees)	3 571	4 001	4 795	5 877	4 901
Number of BRE Bank corpoarte units, YE					
branches	23	23	23	24	24
offices			4	21	21
Number of retail branches, YE					
mBank	54	65	103	161	142
MultiBank	72	84	109	131	134

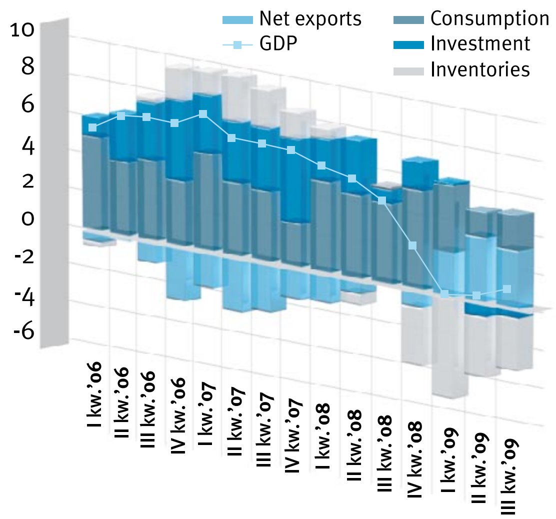
BRE Bank Group's Key Stock Exchange Figures	2005	2006	2007	2008	2009
Number of shares, YE	28 983 972	29 516 035	29 660 668	29 690 882	29 690 882
Profit from continued and discontinued operations per share (PLN)	8.60	14.36	24.01	28.90	4.34
BV/PS (PLN)	70.22	85.74	112.08	131.17	138.80
P/E	19.65	23.40	21.03	6.80	59.91
P/BV	2.41	3.92	4.49	1.50	1.87
Share price at the year's last trading session (PLN)	169	336	505	196.5	260.0

I. Macroeconomic Situation in 2009

I.1. Poland: Only EU Member State with GDP Growth

The Polish GDP rate slowed down considerably in 2009. The GDP rate fell sharply in early 2009 down from 3.0% YoY in Q4 2008 to 0.8% YoY in Q1 2009 (the lowest rate since 2002); the situation gradually improved in the following quarters (1.1% YoY in Q2, 1.7% YoY in Q3) hence, the second half of the year was much better. GDP growth in 2009 compared to 2008 reached 1.7% versus 5.0% a year ago.

Elements of the GDP growth (in percentage points)



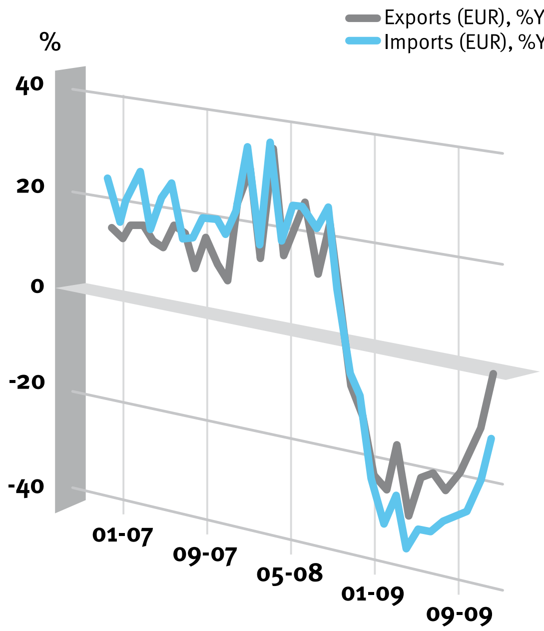
There were two main drivers of the slow-down in the Polish economy. One was a strong reduction in external demand following dramatic deterioration of foreign trade in the EU countries (in particular Germany, Poland's largest trade partner).

The positive contribution of net exports to GDP remained high in 2009 (2-3 percentage points). However it was not driven by the strength of Polish exports: the foreign trade balance improved because imports fell more dynamically than exports. It should be noted that the decrease in Polish exports caused by the global recession was largely curbed by the effect of depreciation of the zloty, which boosted the competitiveness of Polish exporters and enabled them to maintain or even increase their margins. It also had a positive impact on the results of the non-financial corporate sector, which grew again starting in Q2. The results of non-financial companies were up by 14-18% in Q2 and Q3 2009.

The other key driver of the slow-down was a strong reduction in investments due to a drop in foreign direct investments and the credit crunch in the banking sector. The contribution of investments to GDP was negative in Q2 and Q3 (minus 0.3-0.6 percentage points). However, it should be noted that the decrease in private investments was largely cushioned by their substitution with public investments (mainly development of road infrastructure), helping to prevent a sharp decline in total investments (the biggest decrease in Q2 by 3.0% YoY).

Importantly, as the economic climate worsened, companies drastically cut stocks, resulting in a deeply negative contribution of stocks to GDP (almost -5 percentage points in Q1, less than -3 percentage points in Q2 and Q3).

Exports and import dynamics



Despite these negative developments, Poland's economy continued to grow in 2009 mainly driven by stable domestic consumer demand, historically the key factor in the Polish economy. The contribution of exports to the Polish GDP is relatively low (ca. 40%), unlike in the other CEE countries, which are strongly dependent on exports (export contribution to their GDP is almost double that of Poland). By definition, domestic demand plays a much greater role in Poland; in addition, relative underdevelopment means that consumption cannot be deferred, in contrast to mature economies.

The relatively stable consumer demand was also helped by the fact that Polish consumption is financed with credit to a much lesser extent than in the well-developed economies (or other countries of the region like the Czech Republic and Slovakia); obviously, consumption was strongly reduced. Additionally, the crisis affected the local labour market much less than expected.

Despite the strong slow-down of economic growth, last year in the Polish economy was far better than expected. The GDP growth rate was 1.7%. Faced with the biggest global economic crisis since the Great Depression in the 1930s, Poland maintained a positive GDP development as the only country in the region and, indeed, in the EU. By comparison, according to recent European Commission forecasts, the Czech GDP fell by 4.8% last year, the Slovak by 5.8%, the Hungarian by 6.5%.

I.2. Gradual Deterioration on the Labour Market

The economic slow-down had a strong impact on the Polish labour market. Demand for labour decreased strongly in 2009; as a result, employment fell, the unemployment rate increased, and wage pressure decreased. However, the labour market in the current crisis turned out to be much more flexible than in the slow-down earlier this decade, and was capable of quick adjustments achieved already in H1. As a result, companies were in a position to improve their financial standing and thus prevented much bigger layoffs, inevitable if their reaction had come late.

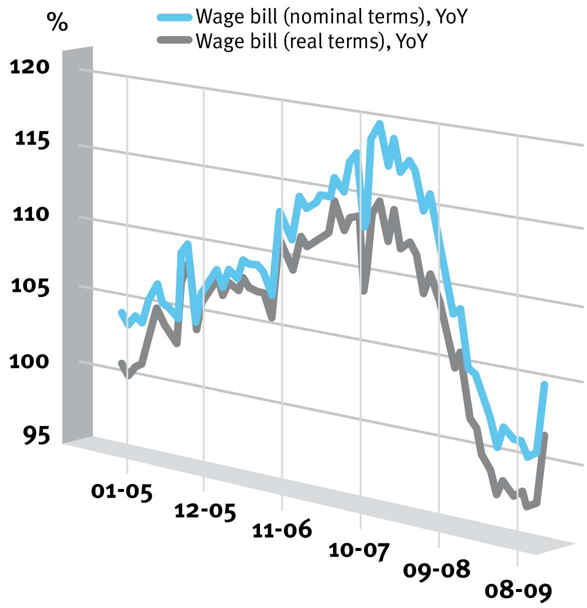
Due to falling demand, companies were forced to reduce workforce, mainly in H1 and particularly in industrial processing, especially export-oriented sectors affected by falling foreign demand. More than 110 thousand jobs were cut in the industry between January and June; the situation stabilised in H2, when fewer jobs were lost (under 10 thousand per month). The situation in other sectors (construction, services) was relatively stable thanks to strong domestic demand. With falling employment, the unemployment rate rose from 9.5% in December 2008 to 11.9 % in December 2009.

Due to falling demand for labour, the growth in wages slowed down sharply. While wages in the corporate sector were growing at a double-digit rate in 2008, they only grew by some 2% YoY in 2009. In real terms, wages fell in H2 (by around 1-2% YoY).

The weaker growth in wages combined with falling employment in the corporate sector resulted in a sharp decrease of total wages. In real terms, total wages in the corporate sector only grew in Q1 and then fell for the rest of the year by as much as 3-4% at the end of 2009.

This, however, did not really affect private consumption, the driver of Poland's economic growth throughout 2009. This was possible thanks to improvements in other categories such as old-age and disability pensions and other forms of remuneration.

Dynamics of wage bill (%, YoY)



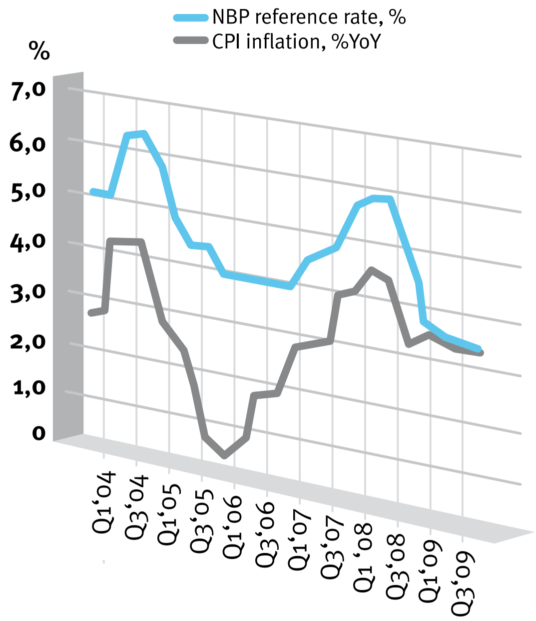
I.3. Inflation and Interest Rates

Despite the strong slow-down in the Polish economy and the resulting decrease of inflation pressure, consumer prices rose very sharply month on month in H1 2009. The CPI was 2.8% YoY in January but rose to around 4% YoY in the following months. The higher CPI was mainly driven by the strong depreciation of the zloty, affecting fuel and food prices as well as prices of package tours and electronic equipment.

In H2, when the effect of currency depreciation eased gradually in combination with weak demand pressure, inflation fell to some 3.0% YoY. However, the CPI rose again to 3.5% YoY at the end of the year as a result of the low statistical base of 2008.

In H1 2009, the Monetary Policy Council continued with a series of monetary policy easing measures started in November 2008 to support the slowing economy. The Council cut the rates four times. As a result, the NBP reference rate fell from 5.00% at the end of 2008 to 3.50% at the end of June 2009. In H2 2009, the Council kept the interest rates unchanged, mainly due to the inflation risks of the weak zloty.

CPI inflation and NBP reference rate



I.4. Money Supply and the Banking Sector

In 2009, the growth rate of household deposits slowed down considerably. Household deposits grew by ca. PLN 50 billion, compared to ca. PLN 70 billion of growth in 2008. The growth rate of household deposits fell to 15.2% YoY at the end of 2009, compared to 26.5% YoY a year earlier. The growth of household deposits was adversely affected by the deteriorating situation on the labour market resulting in a decrease in total wages, as well as a faster outflow of cash to investment funds in H2 (the balance of payments and withdrawals in investment funds was almost PLN 4 billion in H2 compared to PLN 1.6 billion in H1) and falling interest rates on term deposits.

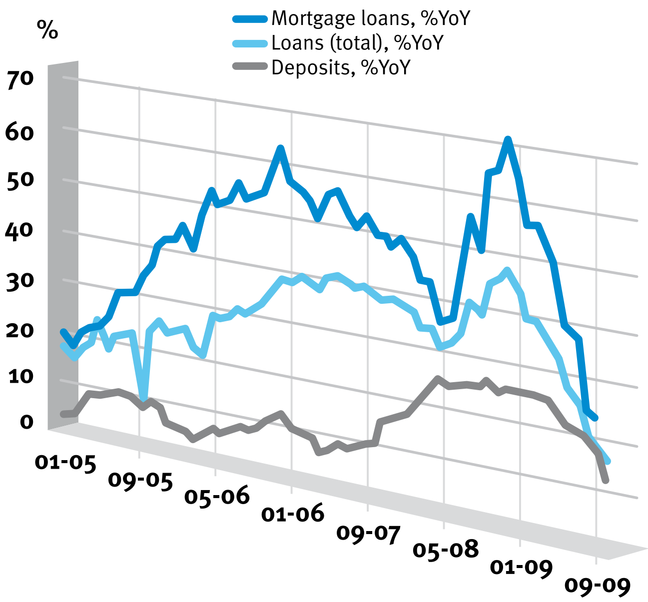
The growth rate of corporate deposits improved from 4.0% YoY at the end of 2008 to 10.4% YoY at the end of 2009 (the volume of deposits grew by ca. PLN 16 billion compared to ca. PLN 6 billion of growth in 2008). This was mainly driven by strong improvement of financial results of Polish companies observed already in Q2.

Due to tighter conditions of lending in a higher risk environment (growing proportion of NPLs driven by economic slow-down), the growth rate of loans fell sharply. In particular, corporate loans were badly affected as their dynamics turned negative at the end of the year (-3.4% YoY in December) compared to growth by 28.3% YoY in 2008. Net of the fx effect (fx loans account for ca. 24% of total corporate loans), the growth rate of corporate loans fell from 24.5% YoY in 2008 to -3.2% YoY in 2009.

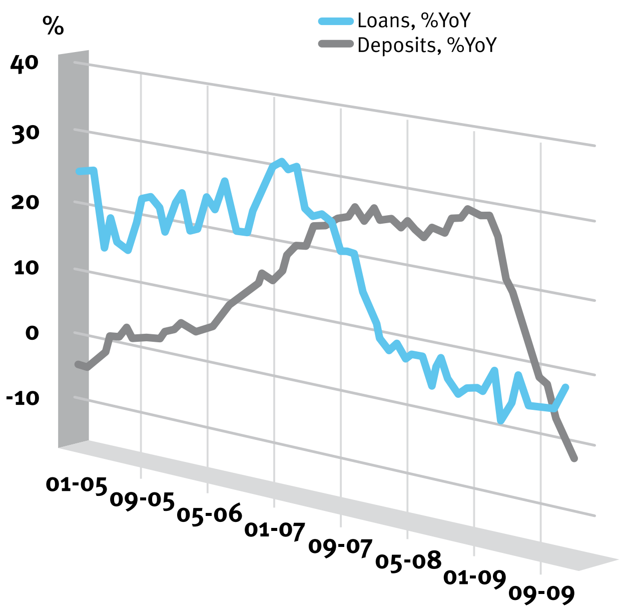
The growth rate of household loans also fell sharply from 44.6% YoY in 2008 to 11.8% YoY in 2009; meanwhile, their volumes grew by over PLN 44 billion compared to PLN 116 billion of growth in 2008. Net of the fx effect (fx loans, mainly in CHF, currently account for ca. 37% of total household loans), the growth rate of household loans fell from 32.5% YoY in 2008 to 12.3% YoY in 2009.

In 2009, the National Bank of Poland (NBP) continued its initiatives aimed at generating additional liquidity in the banking sector in order to stimulate new lending by banks. These included early redemption of NBP bonds, extension of repo transactions up to 6 months, addition of new asset categories allowed as collateral of NBP refinance transactions, reduction of the mandatory reserve rate by 50bp to 3.00%, and introduction of discount credit (as of the beginning of 2010).

Households



Enterprises



II. BRE Bank Shareholders and Share Price on the WSE

II.1. BRE Bank SA Shares

- 29,690,882 – total number of BRE Bank SA shares, including:
  - 29,669,382 shares in exchange trading
  - 21,500 registered shares
- Nominal value: PLN 4 per share
- BRE Bank share capital: PLN 118,763,528 (fully paid up, as at 31.12.2009)
- Listed on the WSE since 1992
- Shares participate in WSE indices: WIG, WIG20, and WIG Banks; shares also participate in indices WIG 20 short, WIG 20 lev, and WIG PL
- There are no preferred shares, each share represents one vote at the General Meeting.

II.2. Commerzbank AG – Majority Shareholder of BRE Bank

BRE Bank has a strategic shareholder: Commerzbank AG (CB), who has been BRE Bank's major shareholder for many years – initially directly, and currently through a 100% subsidiary, Commerzbank Auslandsbanken Holding AG.

The stake of Commerzbank has been gradually rising, from 21% in 1995 through 50% in 2000, to the level of 72.16% in 2003. As of 2005, the stake has been reduced slightly due to the execution of a management options program at BRE Bank. Commerzbank Auslandsbanken Holding AG held 69.78% of BRE Bank shares and votes at 31 December 2009.

Commerzbank is the second largest private German bank, with an extensive network of branches in Germany and Europe. In 2008, a decision was made that it would acquire Dresdner Bank AG. The acquisition, one of the largest in the history of the German banking sector, was finalised in January 2009. The merger was completed in May 2009.

At the end of 2008, in consequence of the global financial crisis, Commerzbank used the German government program of assistance for the financial sector and received EUR 8.2 billion which increased its equity by 10%.
It received a second capital injection of EUR 10 billion from the state-controlled SoFFin fund. In return, the German state became the largest shareholder of Commerzbank with a stake (25% of shares plus one share) sufficient to block key decisions made by the Commerzbank General Meeting and other authorities of the bank.

These ownership changes of Commerzbank did not impact its equity investment in BRE Bank SA. The BRE Bank Group remains the strongest affiliation of Commerzbank in Central and Eastern Europe. According to declarations by the Commerzbank Management Board, there are currently no plans to change this.

The remaining 30.22% of BRE Bank shares are in free float, mainly traded by financial investors (about three-fourths of free float shares) including two investors holding more than 5% of shares each during 2009: Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK with a stake of 5.05% and ING Otwarty Fundusz Emerytalny with a stake of 5.01% of shares. However, by the end 2009, both investors reduced their stake to less than 5%: ING OFE to 4.96% and Aviva OFE (former Commercial Union OFE) to 4.93%.

The remaining shares are traded by other investors, including private individuals. As their stakes in BRE Bank remain below 5%, they are not required to report their acquisitions.

II.3. Areas of Co-operation with Commerzbank

Under a strategic agreement signed in 1994, BRE Bank has received various capital injections, including both Tier-1 equity and subordinated loans. The value of subordinated loans stood at the equivalent of ca. PLN 1.7 billion at the end of 2007, ca. PLN 2.7 billion at the end of 2008, ca. PLN 2.6 billion at the end of 2009. In addition, the Bank used CB borrowings, which stood at PLN 16.6 billion at the end of 2009.

In addition to capital support, the strategic shareholder has granted BRE Bank a letter of comfort, committing itself to provide financial assistance in case of liquidity problems (an official assurance that the company will meet its contractual obligations in all cases save for political risks).

A technical co-operation agreement gives BRE Bank access to the network of CB and its correspondent banks around the world. In addition, CB offers its know-how to BRE Bank, enabling co-operation in many areas under separate agreements. The key areas include:

1) Risk controlling, including:
- market risk and liquidity risk measurement methods;
- operational risk monitoring methods;
- corporate client rating system;
- credit process optimisation, credit risk monitoring;
- harmonisation with Basel II requirements.

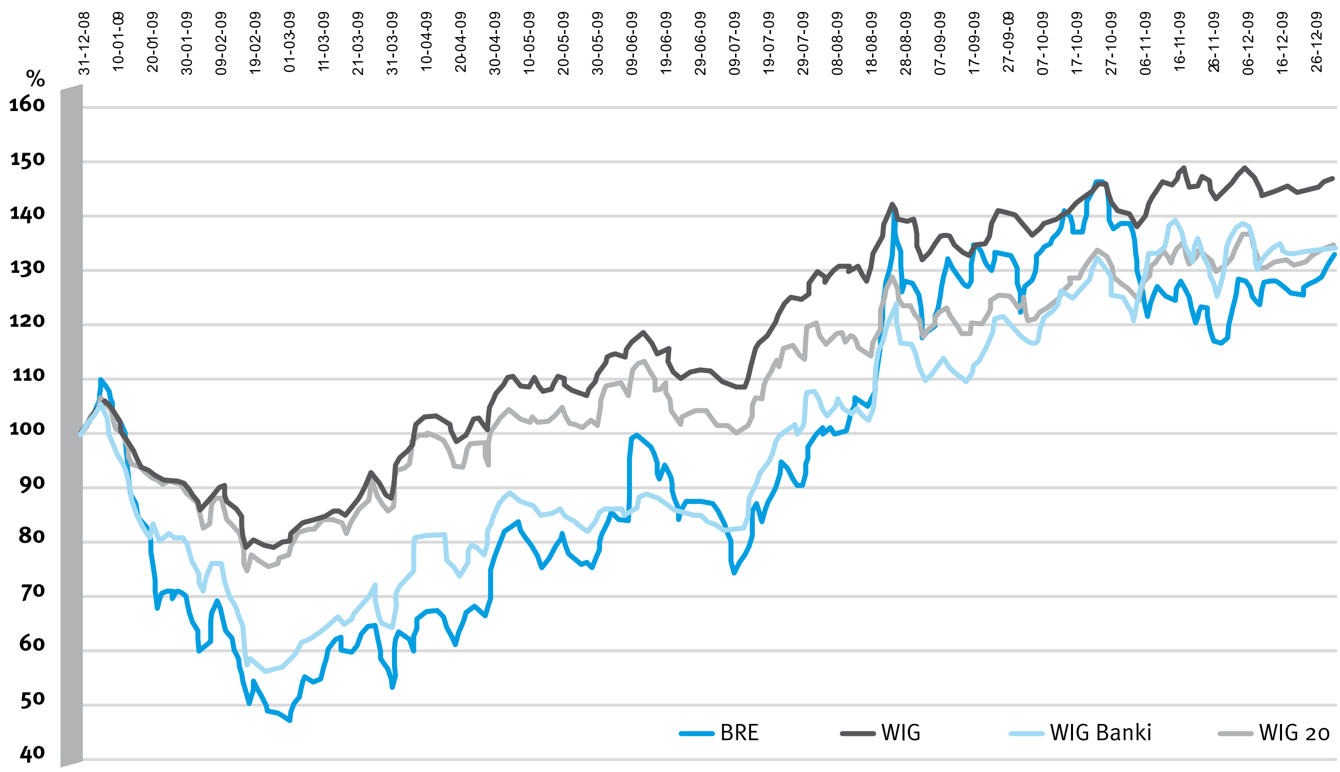
In particular, the Bank uses the know-how of Commerzbank experts in a current project implementing statistical methods of calculation of regulatory capital requirements for credit risk (A-IRB). While decisions on credit risk, market risk and liquidity risk are made by BRE Bank, risk management methodologies are systematically agreed with CB.

2) Co-operation in serving international clients, including Commerzbank clients;
3) Compliance and money laundering prevention;
4) Co-operation in logistics and IT;
5) BRE Bank's use of CB's bank rating;
6) Shared reporting system in accounting and controlling.
BRE Bank also participates in the CB Group three-year strategic planning system.

II.4. BRE Bank's Share Price on the WSE, Dividend

After a sharp fall in 2008, when WIG lost more than 50%, the situation on the WSE improved strongly in 2009. WIG gained 47% and WIG20 gained 33% (over 80% since the February 2009 low). The share prices of small and mid-caps improved considerably: mWIG40 gained 55% and sWIG80 62% in 2009. All sector indices rose. The sub-index WIG-Banks gained 34%.

BRE Bank Stock Performance in 2009 relative to WIG, WIG-20 and WIG-Banks Indices



BRE Bank's stock performance in general followed the performance of the banking sector index. After shares fell by 55% in January and February, the BRE Bank share price grew three-fold and closed the year at PLN 260.

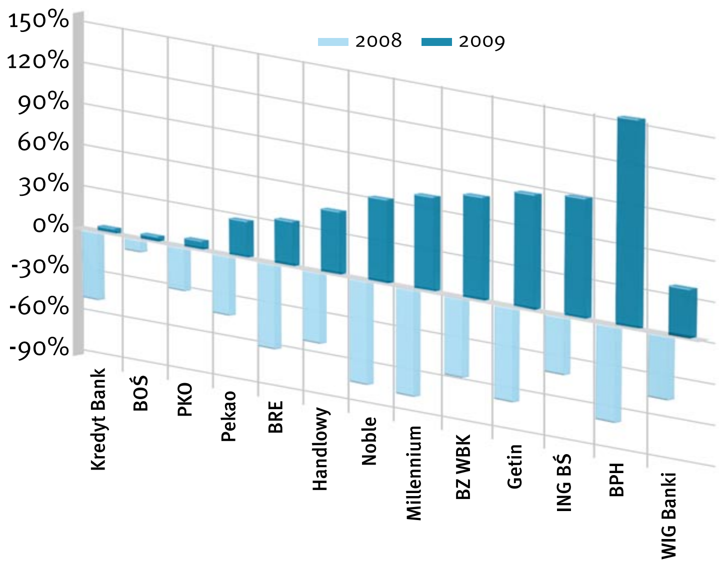
The annual return rate on BRE shares was 32%, close to the dynamics of the banking sector index and 15 percentage points below the broad market index. The BRE Bank share price hit a low (PLN 92.70) on 2 March and a high (PLN 291.00) on 23 October 2009.

The P/E (price/earnings) ratio of BRE Bank shares was 59.9 at the end of 2009 (8,0 at the end of 2008), the P/BV (price/book value) was 1.9 (1.5 at the end of 2008).

BRE Bank's capitalisation was PLN 7.7 billion (EUR 1.9 billion) at 31 December 2009 compared to PLN 5.8 billion (EUR 1.4 billion) at the end of 2008.

The chart presents the return on BRE Bank shares in 2008 and 2009.

Return on BRE Bank shares versus other banks



The table below presents the history of BRE Bank's dividend payments. The Management Board and the Supervisory Board will recommend no dividend payment for 2009 to the General Meeting of Shareholders.

Dividend year	Dividend per share (PLN)	Total dividend (PLN M)	Dividend as % of standalone profit
1996	3.00	43.5	38
1997	3.00	46.6	32
1998	3.00	68.4	33
1999	8.00	182.4	27
2000	5.00	114.9	32
2001	10.00	230.0	68
2002 - 2008	no dividend	-	-

Activity of BRE Bank Group in 2009

I. Major Developments and Events in 2009

The economic crisis impacted the Polish economy including the banking sector, BRE Bank and its Group, however the impact was experienced in Poland to a lesser extent than in other countries. Still, the economic downturn implied a lower profit than in previous years. The consolidated profit before tax was PLN 209.4 million, compared to over PLN 1 billion (combined continued and discontinued operations) in 2008. The net profit of the Group attributable to the shareholders of BRE Bank was PLN 128.9 million in 2009, compared to PLN 857.5 million in 2008.

It should be stressed that the income of the Group at PLN 2,851.3 million in 2009 was up year on year (PLN 2,824.5 million in 2008). Considering that the income of 2008 included PLN 259 million from one-off transactions (sale of Vectra and PTE Aegon), the regular income was up by 11% in 2009.

The positive business developments driving the income of the Group included:
- growing number of clients, in particular retail clients, up by over 480 thousand (including 146 thousand in the Czech Republic and Slovakia);
- growing client deposits, in particular in H2, while the Bank stayed away from "the deposit war at the turn of 2008 and 2009;
- implementation of the strategic programme BREnova resulting in improved margins on new loans, a higher share of income earned on non-mortgage loans in retail banking, growing fees and commissions on non-capital binding products, including transaction banking;
- dividend of PLN over 96,2 million on the stake held in PZU and which was received in November 2009;
- good and stable liquidity despite problems of the banking sector, among others due to access to long-term borrowings in CHF and other currencies, mainly from Commerzbank.

These factors helped to grow the interest income by 19,1% and the commission income by 7,8% year on year.

As a result of the BREnova initiatives, important improvements in administrative costs were recorded (-4.5% year on year) as a result of workforce reductions (reduction by 566 full time employees yoy), reduced growth of wages etc. on the one hand, and of suspended development of the branch network, reduction of the company car fleet as well as further structural efficiency improvements in the logistics and IT- area on the other hand.

As a result, the C/I ratio was down to 54.2%, the lowest for 5 years and one of the lowest among Polish banks.

The factors adversely impacting the condition of the Bank and the Group in 2009 included the effect of the downturn affecting the Polish economy and banking sector as of late 2008. This included a sharp depreciation of the Polish currency, deteriorating standing of companies, reduced corporate investments, growing unemployment and a slower growth in wages.

The depreciation of the zloty caused a problem of fx derivative instruments bought by companies in 2008 in anticipation of currency appreciation. When the fx trend reversed, many clients faced financial problems and the Bank was forced to set up provisions against asymmetric derivatives. The Group's loan loss provisions set up for derivative instruments totalled PLN 275.1 million in 2009, a fourth of all provisions.

In order to mitigate future risks which led to the creation of provisions, the Bank reformed its system of trading in derivative instruments.

Loan loss provisiones for this type of instruments were mainly set up in H1 2009 while the problem eased in H2. By arrangement with several large clients, their corporate debt was restructured and converted into the Bank's equity investment. The Bank provided those clients with working capital finance.

The difficult situation on the labour market resulted in deterioration of the quality of the retail portfolio of cash loans granted to non-mBank clients. Loan loss provisions for this specific portfolio were set up at the level of PLN 201.5 million in 2009. The cash loan product for non mBank clients was discontinued as of May 2009.
In order to prevent further deterioration of the portfolio quality, the Bank readjusted its credit policy for retail loans in order to mitigate the risks.

Due to the sharply rising exchange rate of the Swiss franc in late 2008 and early 2009, lending in CHF, previously the most popular currency of retail mortgage loans, slowed down.

The Bank's rating was updated during the year. Fitch upgraded BRE's rating while Moody's downgraded the rating. For details see Section XIII.

The major events witnessed in 2009 also include a considerable progress in the Basel II AIRB project (Advanced Internal Ratings Based approach) consisting in implementation of the internal ratings based approach for the purpose of determining the capital requirement for credit risk. In order to use the approach, the Bank must obtain the consent of the Polish Financial Supervision Authority (KNF) and the German Federal Financial Supervisory Authority (BaFin), which is conditional upon meeting a range of requirements. Within the framework of the AIRB project, in December 2009, the Bank applied to both regulators for their consent to using the AIRB approach.

Major events in BRE Bank Group
- Success of DI BRE Bank: leader's position in IPOs in 2009 (Bogdanka, Pol Aqua), high share in equities trading, strong profit increase yoy.
- Good performance of BRE.locum helped by a sale of land for PLN 20 million.
- Aspiro as legal successor emFinanse received a capital injection of PLN 10 million. The core business of the company remains unchanged: to sell retail products (including third-party products) through a network including former small mBank branches. The company covered 200 outlets and had 1.2 thousand client advisors at the end of 2009.
- BRE Leasing was forced to set up large loan loss provisions (PLN 104.5 million) due to the difficult condition of clients.
- The Romanian subsidiary of Intermarket Bank AG (Austria), Compania de Factoring, was sold.
- The Romanian subsidiary posted large losses in 2009. As the Bank holds a stake in Intermarket Bank, this reduced the consolidated profit of BRE Bank Group by PLN 37.4 million.

Changes in the authorities of BRE Bank
- Hans-Dieter Kemler replaced Bernd Loewen as Management Board Member, Head of Investment Banking.
- Karin Katerbau, Management Board Member and CFO, was appointed Deputy President of the Management Board as of 1 October 2009.
- Stefan Schmittmann, representing Commerzbank, was elected the tenth Member of the Supervisory Board.

For more information on the composition of the Management Board, the Supervisory Board and its Committees, see "Statement on application of corporate governance principles at BRE Bank SA for 2009".

II. Composition of BRE Bank Group

As at 31 December 2009, the composition of BRE Bank Group by business lines and areas was as follows:

BRE Bank Group			
Linie	Corporations & Markets		Retail Banking
	Corporates & Institutions	Trading & Investments	
Bank	▪ Corporations (capital groups) ▪ Large Companies ▪ SMEs ▪ Financial Institutions ▪ Structured & Mezzanine Finance*	▪ Risk and Liquidity Management ▪ Financial Markets	▪ mBank (mass retail customers and microenterprises) ▪ MultiBank (affluent retail customers) ▪ Private Banking (high net worth individuals)
Consolidated subsidiaries	▪ BRE Bank Hipoteczny SA ▪ BRE Leasing Sp. z o.o. ▪ Grupa Intermarket - Intermarket Bank AG - Polfactor SA - Transfinance a.s. - Magyar Factor zRt ▪ Dom Inwestycyjny BRE Banku SA ▪ BRE Corporate Finance SA ▪ BRE Holding Sp. z o.o. ▪ BRE Gold FIZ AN** ▪ Tele-Tech Investment *** Sp. z o.o. ▪ Garbary Sp. z o.o.***	▪ BRE Finance France SA	▪ BRE Wealth Management SA ▪ Aspiro Sp. z o.o. (formerly emFinanse Sp. z o.o.) ▪ BRE Ubezpieczenia TU SA ▪ BRE Ubezpieczenia Sp. z o.o.
Other subsidiaries	▪ BRE.locum SA ▪ Centrum Rozliczeń i Informacji CERI Sp. z o.o.		

*/ this business formerly included Project Finance under Corporates and Institutions and Proprietary Investments under Trading and Investments
**/ BRE Gold Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych is a company set up in 2009 and which holds the stake of PZU shares in order to manage the dividend received from PZU
***/ formerly under Trading and Investments

The subsidiaries CERI Sp. z o.o. and BRE.locum are not assigned to any business line and are shown as "Other" due to their business profile.

Under the IFRS, all subsidiaries are consolidated using acquisition accounting. The business profile of the consolidated subsidiaries and the stake held by the Bank are presented in Note 1 to the Consolidated Financial Statements under the International Financial Reporting Standards for 2009. In addition, their business is briefly described here in sections on relevant business lines.

III. BRE Bank Group in the Financial Services Market in 2009

BRE Bank is a leading Polish bank in terms of assets and equity. At the end of 2009, BRE Bank was the third largest bank listed on the Warsaw Stock Exchange by assets and by the portfolio of credits and loans to non-financial clients and the public sector as well as the fifth largest by deposits and liabilities to customers (consolidated figures).

Most of the Group subsidiaries also rank high in their sectors of the financial services market. The table below presents the market share and the position of the Bank and selected subsidiaries at the end of 2009 compared to 2007 and 2008.

Business category	Market position in 2009*/	Share		
Corporate Banking		2009	2008	2007
Corporate loans		6.4%	6.4%	6.5%
Corporate deposits		8.9%	9.1%	9.3%
Leasing	2	10.4%	12.2%	9.3%
Faktoring				
Poland	4	13.8%	10.5%	18.0%
Austria	1	49.3%	57.0%	60.0%
Hungary	3	10.6%	14.3%	13.7%
Czech Republic	3	12.9%	16.0%	19.3%
Retail Banking (mBank+MultiBank)				
Total loans		6.7%	6.8%	5.2%
of which mortgage loans	3	10.0%	11.1%	10.5%
Deposits		5.3%	5.4%	4.8%
Investment Banking				
Financial markets				
Treasury bills and bonds		4.7%	13.6%	18.4%
IRS/FRA		19.5%	22.9%	19.9%
FX spot and forward		5.9%	6.2%	7.72%
WIG-20 options		18.5%	15.3%	16.0%
Non-Treasury securities (outstanding debt)				
Short-term debt securities	1	24.7%	12.0%	17.9%
Corporate bonds	2	22.2%	19.0%	18.2%
Bank debt securities	1	24.4%	27.0%	27.6%
Brokerage				
Equities trading	6	6.9%	5.4%	6.6%
Bonds trading	3	6.5%	5.3%	3.8%
Derivative transactions	2	15.0%	11.8%	11.7%
Options	1	32.6%	28.5%	24.9%

Source: Own calculations based on data from BRE Bank, NBP, WSE, Fitch Polska, Polish Association of Leasing Companies, press reports

*/ where determinable

IV. Growth of BRE Bank Group's Corporations and Markets Business

IV.1. Corporates and Institutions (BRE Bank)

The past year was a particular challenge for this business. It faced the issue of solving the problem of clients whose derivative position was affected by the turbulences on the fx market in 2008. Efforts undertaken together with the Risk Line and the Investment Banking Line helped to mitigate the problem. An innovative structure of finance supported many clients and saved them from bankruptcy. While lending slowed down, income grew thanks to increased credit margins in 2009 compared to 2008 and optimised use of risk-weighted assets (-3%).

Product innovations were developed and implemented for non-capital binding products. This produced the expected results as income from cards and cash management services grew by 16% year on year. Close co-operation with Retail Banking led to the implementation of cash services for corporate clients in MultiBank branches.

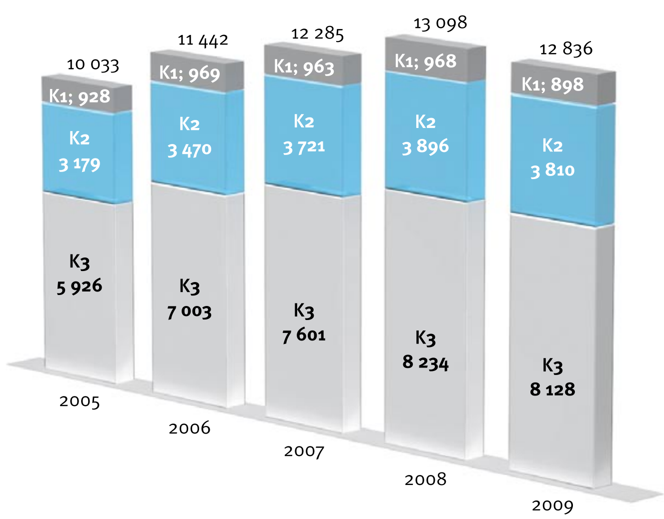
Other important implementations, that help to improve the management of the business activities, included an advanced sale support management tool in the context of Customer Relation Management (CRM) and a product/sale matrix.

IV.1.1. Corporate Customers and Dedicated Offer

Corporate Banking customers are assigned to three segments:

- K1 segment covers capital groups and large enterprises with sales over PLN 1 billion per year; K1 customers require professional advisory focused on structured finance, capital markets, and innovative products. BRE Bank offers advanced financial instruments, technological solutions for cash management instruments tailored to the customers' expectations, and advisory on capital transactions.
- K2 segment covers medium-sized enterprises with sales between PLN 30 million and PLN 1 billion per year. The strategic K2 products include structured foreign trade finance, including both current and long-term financing, mainly using discounting (discounting of trade debt with and without recourse), as well as fx products, derivative instruments, basic and advanced cash management using electronic distribution channels, and structured finance.
- K3 segment covers small and medium-sized enterprises with sales up to PLN 30 million per year which carry full accounting records, in particular foreign trade companies. The strategic product offering targeting K3 customers is based on the EFFECT Package line (New EFFECT and New EFFECT Plus). Every SME can pick products from a Package, including leasing and factoring products. The core product is a bank account available on-line via the iBRE platform. Assigned account managers serve all Package clients.

Number of customers

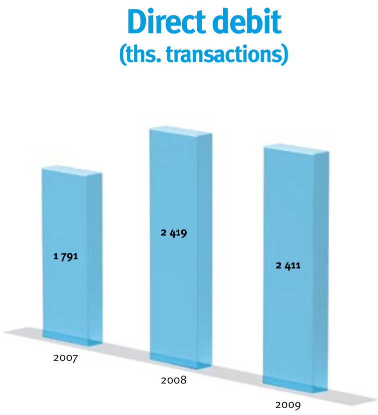


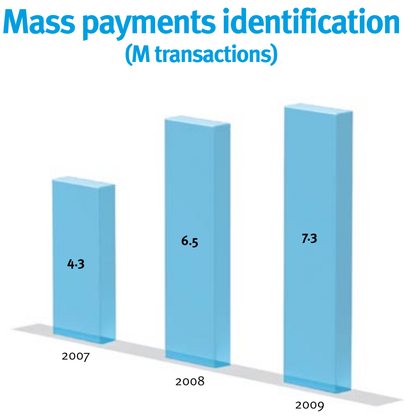
The number of corporate customers totalled 12,836 companies at the end of 2009, down modestly (2.0%) year on year. This was mainly due to a focus on customers for which BRE Bank is an important business partner.

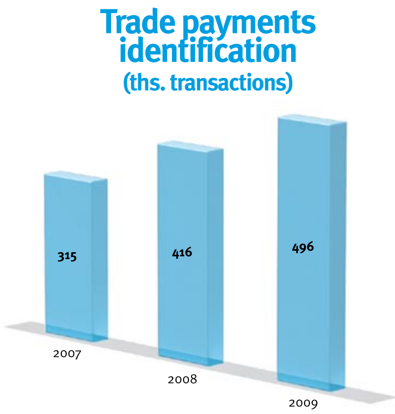
The volumes of corporate clients' loans and deposits are presented in section VII.3 on changes in the Statement of Financial Position.

Total loans to enterprises in the sector were down by 4.0% year on year. The market share of BRE Bank's loans to enterprises was stable at 6.4% at the end of December 2009, the same as in December 2008.
Total deposits of enterprises in the sector were up by 9.5% in 2009. The market share of BRE Bank's deposits of enterprises was 8.9% at the end of December, compared to 9.1% at the end of 2008.

The constantly developed cash management offer supports long-term customer relationships and helps to grow the volume of transactions involving the identification of payments and the number of customers using advanced cash management products. The number of direct debits processed in 2009 was 2,411 thousand, down by 0.3% year on year. The number of identifications of trade payments and income from such services grew dynamically. Close to 7.3 million transactions were processed in January-December 2009, up by 11.8% year on year. Income from these services grew by 12.2% year on year in 2009. The number of customers using the most advanced bank account consolidation facilities grew by 19.2% year on year in 2009; 496 customers were using Cash Pooling and Shared Balances services at the end of 2009.







IV.1.2. Offer Development

The product offering was largely expanded in 2009 including major implementations:

Payment Cards

- **Visa BRE Business** – on-line card, embossed, Internet-enabled, open for all types of transactions. Mainly used by K3 customers. The card can be used to withdraw cash from mBank ATMs (117) and MultiBank ATMs (115). Its sales in eight months of 2009 represented almost 8% of total sales of all cards to corporate customers. The card will help to improve operating costs related to small cash withdrawals at cash desks.
- **Prepaid cards** – three types of cards (Visa Business Prepaid, Visa Bonus Prepaid, Visa Profit Prepaid), available since 10 December 2009. Their functionalities include access to account balance information, both on-line (20 last transactions, a unique solution) and by telephone (mLine). Cards can be used by company employees and partners (e.g., customers, contractors, beneficiaries) issued cards by the Bank on request of the company.
- In addition, as a unique option, cards are supported by iBRE from ordering to arranging delivery, personalising and recharge operations.

Cash Management

- In 2009, cash services were made available to corporate clients in the MultiBank branch network. In addition, since December 2009, cash service functionalities are available in mBank and MultiBank ATMs to corporate customers using Visa BRE Business cards.
- Implementation of cash monitoring functionalities – tracking and monitoring of cash at each stage of the cash management process (the functionalities are currently available to corporate branches; as a target, they will be available to retail branches).

- Implementation of a new functionality of the electronic banking system – development of the iBRE Cash module, enabling customers to place cash orders via the iBRE platform, including management of payments and withdrawals; the functionality gives the option of advising payments also at MultiBank branches.
- Implementation of cash deliveries to/from customers.
- Implementation of the target functionality of the cash management system CashBREaker, a WorkFlow system aimed at optimising cash management costs thanks to improved cash projections and improved process effectiveness across the Bank.

BRE Mass Payment:

BRE Mass Payment was launched in November 2009 in electronic banking (iBRE and BRESOK). The product is used to charge customers' accounts with global amounts of standard domestic transfers. BRE Mass Payment is mainly addressed to customers processing big number transfers in each billing cycle as well as companies which require additional confidentiality of processed orders. The new functionality ensures data confidentiality, reduces the size of corporate's bank account statements, and improves the speed of processing.

IV.1.3. Transaction Banking

BRE Bank has always developed innovative products, offered state-of-the-art business solutions and built partnership with clients. BRE has been a pioneer, setting the direction of customer service and product offering. In 1993, BRE was the first Polish bank to offer an electronic banking system and transaction banking services.

Transaction banking mainly involves products which support current accounts, cash management (in particular, depositing of the daily cash turnover), and a broad range of debt, payments, liquidity, and cash surplus management services. It also includes an array of transactions and operations using corporate payment cards and prepaid cards. Transaction banking offers modern access channels to cash, transactions and information.

Transaction banking is one of the most dynamically developing areas in Polish banking, which still offers a lot of potential to many companies, especially SMEs. One of the main challenges is to build awareness of Polish companies about available opportunities of improving liquidity and about the main benefits of services encompassed by transaction banking, a term still unfamiliar to many companies. This purpose is served by a new transaction banking area / department of the Bank responsible for development and promotion. A wide-range advertising campaign has supported these efforts.

When a company grows, it needs more advanced banking products. Companies usually do not have tools necessary to manage cash optimally, and managers often lack a good understanding of financial services available on the market. The bank should inform and educate corporate clients about the functions and benefits of transaction banking services.

Transaction banking in BRE Bank is grouped around the innovative corporate internet platform iBRE. It is a universal modern tool which gives access to many banking products and services. The platform is modular, which enables flexible growth, so the Bank can support both current and future requirements of different clients, from SMEs to the largest corporations. The internet technology enables active cash management with on-line access.

iBRE supports a wide range of settlement and reporting functions as well as debt discount operations and trade transactions. Integration with the leading financial and accounting systems (SAP, Symfonia Forte) ensures direct exchange of financial and other information with the Bank.

iBRE is an internet electronic banking platform providing many banking products and services over a single access channel. It is designed to meet the needs of all clients, from corporations to SMEs and private individuals using Private Banking services.

The modular structure of the platform based on internet technology allows clients to actively manage cash with on-line access to current market data and a wide range of transaction functions. The platform modules include:

- **iBRE Banking** – the core iBRE module which combines transaction and communication functions. It supports any structure of accounts and the execution of orders.
- **iBRE Invoice.net** – internet module of invoice presentment combining EBPP functions (Electronic Bill Presentment and Payment) with debt finance.
- **iBRE Depo Plus** – innovative module which accrues interest on individual deposits, developed for courts and prosecutors.
- **iBRE Cards** – effective and easy management of employee business cards.
- **iBRE Connect** – solution adding direct exchange of financial and other data with BRE Bank systems to ERP functionalities.
- **iBRE Trade Finance** – specialty module supporting submission of and access to electronic orders and instructions for trade finance transactions.
- **iBRE Cash** – easy and safe cash order processing module.
- **IBRE Fx** – quick and easy way to exchange currencies (from February 2010).

Growth of transaction banking in 2009 in figures:

- Average monthly number of domestic payments up by 6%; more than 1.8 million payments executed every month, including 98.8% electronic payments; over 71% of electronic payments processed automatically between the client's own system and the Bank's system over interfaces between ERP / financial and accounting / HR and payroll systems and BRE's electronic banking systems.
- Average monthly amount of foreign payments up by 15%.
- Average monthly volume of cash transactions of corporate clients up by over 20% year on year.
- Number of clients using BRE Collection debt identification products up by 20% in 2009. Volume of identified payments up by 12%. BRE Bank identifies almost 8.9 million payments every month.
- Number of iBRE platform users up by 16% to almost 45 thousand in 2009.

IV.1.4. Structured Finance, Project Finance, Syndicated Loans

In 2009, BRE Bank participated in eight syndicated transactions. BRE's new and refinanced exposure under syndicated transactions was ca. PLN 1.6 billion (some exposures were in EUR and USD). The Bank granted five bilateral loans totalling ca. PLN 170 million.

At 31 December 2009 the portfolio stood at PLN 2.9 billion versus PLN 2.4 billion a year ago. The portfolio of loans granted in 2009 totalled PLN 1.1 billion.

IV.1.5. Financial Institutions

Corporate Banking includes relations with financial institutions, mainly borrowings from other banks and placements with other banks.

The Bank's borrowings at 31 December 2009 included 20 active loans totalling the equivalent of PLN 18,592 million, of which PLN 18,376 million were drawn. In 2009, the Bank repaid four loans in CHF totalling the equivalent of PLN 1,134 million, and took five new loans: one in EUR, one in USD, and three in CHF, as well as one credit line with the EIB, totalling PLN 1,912 million. The net borrowings were up by PLN 258 million year on year at the end of 2009.

BRE Bank's exposure under loans granted to other banks at 31 December 2009 totalled the equivalent of PLN 464.51 million. The Bank's portfolio included 51 short-term and long-term active loans granted to other banks. In 2009, the Bank signed 18 new credit agreements totalling the equivalent of PLN 60.69 million.

The number of correspondent banks with which BRE Bank has exchanged swift keys was 1,599 at the end of 2009.

At the end of 2009, the Bank had 35 nostro accounts, down by 1 year on year. There were 106 loro accounts in PLN (9 new accounts were opened, 9 accounts were closed). In addition to PLN accounts, the Bank operates 6 other accounts of other banks in other currencies.

IV.1.6. Proprietary Investments

As at 31 December 2009, the total value of the Group's proprietary investments portfolio (excluding the consolidated companies: Garbary, Tele-Tech Investment Sp. z o.o.) amounted to PLN 179.3 million versus PLN 177.9 million at the end of 2008.

The change of the proprietary investments portfolio value at cost was due primarily to purchase/sale of securities and redemption of some bonds of a client.

At the end of 2009, the largest equity investment in the Group's proprietary investments portfolio were PZU shares at fair value at PLN 112,5 million and bonds issued by customers under mezzanine finance programs worth PLN 55.2 million.

IV.2. Trading and Investments

IV.2.1. Financial Markets

The activity in the financial markets yielded good results in 2009: while the scale of business shrank, credit spreads and product margins increased. Significant changes in business in 2009 included:

- Origination
  - Outstanding short-term debt securities grew to ca. PLN 2.5 billion from ca. PLN 1.6 billion at the end of 2008 (the Bank's market share was 24.7%, the leader's position in the market).
  - 23% market share (first position) in the nominal value of medium term corporate and banks' bonds placed in 2009 (excluding BGK infrastructure bonds), second position in terms of total outstanding value.
- Co-operation with Retail Banking
  - Successful growth in sales of structured deposits to MultiBank clients, launch of sales to mBank clients; sales of structured deposits totalled PLN 380 million in 2009.
- Trading
  - Implementation of new project changing the derivatives sales concept and exposure monitoring.
  - Decrease in the value of new derivative transactions with clients.
  - Maintained leading position in key market segments; market share: 19.5% in IFR and FRA, 4.7 %
  - in Treasury bills and bonds, 5.9% in FX spot and forward transactions.
  - Implementation of an FX trading platform for customers.

The Bank introduced important changes in sales of derivative instruments. The Bank has traded in derivatives with clients for more than 10 years. However, the events at the turn of 2008 and 2009 demonstrated that in the context of sharp changes in market parameters and developments posing a threat to relations with clients, the existing system did not protect the Bank against significant exposures to counterparty credit risk. An analysis of the situation enabled the Bank to develop a concept of changes in the system of trading in derivative instruments. Changes were initiated in all areas related to trading in derivative instruments with clients of the Bank. Major modifications include:

- customer relations;
- credit decision-making procedures;
- calculation of credit exposures under derivative transactions;
- controls of the use of limits;
- monitoring of exposures;
- actions following limit overruns;
- collateral management;
- client documentation.

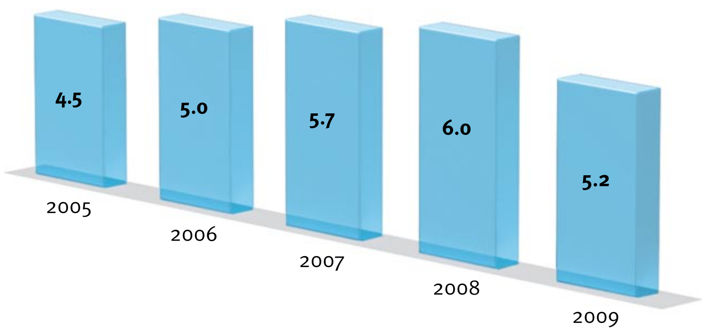
The implementation of this concept required the co-operation of many organisational units in different business lines; therefore, implementation was organised under the umbrella of the bank project "Trading in Derivative Instruments."

IV.3. Corporates and Institutions Subsidiaries

IV.3.1. Intermarket Group

The Intermarket Group comprises Intermarket Bank AG (Austria), Polfactor SA (Poland), Transfinance a.s. (Czech Republic), Magyar Factor zRt. (Hungary), Transfactor Slovakia a.s. (Slovakia) and S-Factoring d.d. (Slovenia). The Group provides factoring services to SMEs in six countries of Central and Eastern Europe.

Total Sales of the Intermarket Group Companies
(EUR B)



Total sales of the Intermarket Group amounted to EUR 5.2 billion in 2009, down by 14% year on year as a result of the general economic situation in Austria, the Czech Republic and Hungary with less active business by existing clients and a rising number of bankruptcies.

Despite the difficult market conditions, the Intermarket Group maintained high quality of its services. The biggest company of the group, Intermarket Bank, once again ranked high in a customer satisfaction survey (score of 1.6 on a scale from 1 to 5 where 1 is the best score).

The pre-tax loss of Intermarket Group companies consolidated by BRE Bank (Intermarket Bank, Polfactor, Transfinance and Magyar Factor) was PLN 4.9 million in 2009, compared to a pre-tax profit of PLN 49.2 million in 2008. The results of the Intermarket Group were mainly affected by a loss of Intermarket Bank AG on its investment in a Romanian factor Compania de Factoring IFN SA at PLN 37.4 million including loan loss write-offs and a loss on the sale of the company. In addition, the profitability of the Group decreased due to lower sale volumes and higher refinancing costs.

IV.3.2. Polfactor SA

Despite difficult market conditions as demonstrated by a falling volume of factoring transactions by 8.5% year on year in Poland in 2009, the sales of Polfactor grew by 19.6% to the historically highest volume of PLN 4.1 billion. Polfactor's share in the Polish factoring market grew from 10.5% in 2008 to 13.75% in 2009. Polfactor acquired 32 new customers in 2009. BRE Bank remains its main sales channel (72% of new customers).

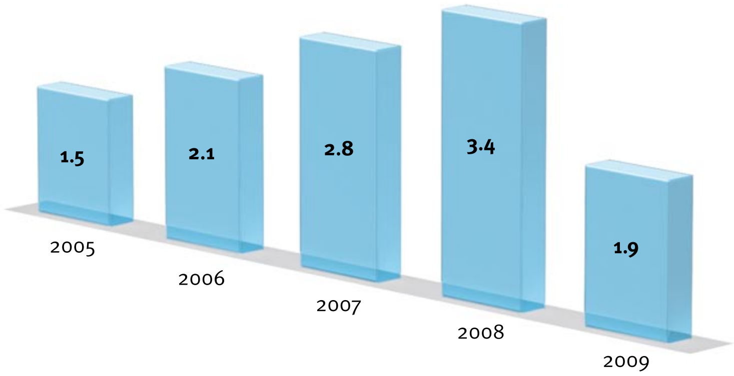
However, the market conditions affected Polfactor's profit before tax, which was PLN 6.5 million in 2009 compared to PLN 12.5 million in 2008. The biggest impact came with provisions set up in Q4 as well as with higher costs of refinancing.

In 2010, Polfactor plans to grow sales steadily, among others by adding new products (including factoring with acceptance of the buyer's solvency risk), implementing a new operational and accounting system, and continuing co-operation with BRE Bank. A review of internal processes will improve the sales and credit process as well as post-sale customer service.

IV.3.3. BRE Leasing Sp. z o.o.

Leasing contracts executed by BRE Leasing in 2009 totalled PLN 1,872 million, down by 44.9% year on year.

BRE Leasing Contracts by Value
(PLN B)



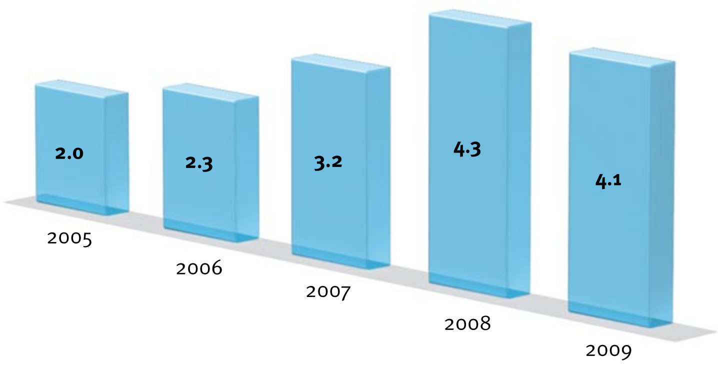
In 2009, BRE Leasing continued to co-operate with BRE Bank's Retail Banking in sales of leasing products to microenterprise customers of mBank and MultiBank. Leading financial and general web portals joined its network of intermediaries.

The profit before tax of BRE Leasing was PLN 5.3 million in 2009, down by 84.3% year on year. The decrease was a result of provisions of PLN 104.5 million in 2009 (PLN 37.0 million in 2008) as well as diminished demand for leasing services in 2009. Also, it should be noted that works on the deployment of Basel II AIRB method were carried out by BRE Leasing.

IV.3.4. BRE Bank Hipoteczny SA (BBH)

BBH's gross credit portfolio stood at PLN 4,1 billion at the end of 2009, down by 4.6% year on year. BBH's outstanding mortgage loans stood at PLN 2,028 million at the end of 2009, including PLN 360 million of mortgage bonds issued in 2009.

BBH loans portfolio (balance sheet)
(PLN B)



In 2009, BBH's business was affected by the crisis in the international financial market: demand for mortgage bonds decreased, refinancing costs increased, BBH became more dependent on funding from BRE Bank and Commerzbank. In view of the difficult market situation and limited access to funding, BBH did not grant new loans in 2009.

Despite the difficult conditions in the market environment, BBH achieved its business targets at the end of 2009. Its profit before tax was PLN 32.5 million at the end of 2009 (down by 39% year on year).

Finally, it is to be mentioned, that works on the implementation of Basel II AIRB method were carried out by BBH.

IV.3.5. Dom Inwestycyjny BRE Banku SA (DI BRE)

In 2009, DI BRE participated in 15 primary and secondary market transactions. The biggest transactions were the IPO of LW Bogdanka worth PLN 528 million, a call for shares of Pol-Aqua at PLN 487 million, and a secondary offering of shares of Fortis Bank Polska SA worth PLN 441 million. DI BRE also participated in a syndication for retail sale of PGE shares.

Thanks to DI BRE's active participation in the financial market, its profit before tax reached over PLN 42 million, up by over 60% year on year.

IV.3.6. BRE Corporate Finance SA

The continuing uncertainty on the financial and capital markets did not favour acquisitions or investments by customers. In this context, BCF was forced to acquire more corporate finance projects.

In 2009, the company offered valuation (including LW Bogdanka shares) and advisory services to many customers. However, the downturn on the financial market affected BCF's financial results. The company posted a loss for a second consecutive year. The loss before tax was PLN 1.3 million in 2009 (almost PLN 2 million in 2008). In 2010, BCF will take far-reaching measures to adjust its business profile to current market needs.

IV.3.7. BRE Holding Sp. z o.o.

BRE Holding Sp. z o.o. was established in November 2007 by BRE Bank as the sole partner.

The company's assets include shares in the companies: BRE Bank Hipoteczny SA, Polfactor SA and BRE Leasing Sp. z o.o., whose total value was PLN 185 million. These shares were contributed in kind to the company by BRE Bank in February 2008. The transfer of ownership of these shares was a result of internal restructuring in the BRE Bank Group aimed at effective cooperation with selected companies in the corporate banking area.

In 2009, the company acquired new shares in BRE Leasing Sp. z o.o. worth PLN 14.3 million.

In 2009, the main source of the company's income were dividends received from Polfactor SA and BRE Leasing Sp. z o.o., totalling PLN 16.8 million.

IV.3.8. Tele-Tech Investment Sp. z o.o. (TTI)

This is a special purpose vehicle (SPV), whose core business includes:
- other financial services excluding insurance and pension funds;
- other business and management advisory;
- financial holding operations.

At the end of 2009, TTI had in its portfolio bonds of a client and a fractional stake in the company BRE Finance France SA (0.004%).

IV.3.9. Garbary Sp. z o.o.

The company is part of the Bank's portfolio since May 2004 following the restructuring of the Bank's investment in the debt securities of Tele-Tech Investment Sp. z o.o. Garbary's only asset is a piece of land with buildings at 101/111 Garbary St., Poznań, including a meat plant facility (not in use) subject to protection as historical monument. Due to on-going litigation and existing collateral, BRE Bank cannot dispose of the shares of Garbary Sp. z o.o. or use them as security.

IV.3.10. BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (BRE Gold FIZ)

BRE Gold FIZ issued (series A and B) investment certificates with a total value of PLN 191,816 thousand. The certificates were acquired by BRE Bank SA. In December 2009 part of certificates of the serie B (86.904) was redempted. Value of remaining investments certificates at 31.12.2009 stood at PLN 104,912 thousand. The fund's only asset is a stake of PZU SA shares, previously held directly by BRE Bank.

IV.4. Trading and Investments Subsidiaries

IV.4.1. BRE Finance France SA

It is an SPV, whose core business included raising funds for BRE Bank in international markets through issues of euronotes under the Euro Note Issue Programme (EMTN) up to EUR 1.5 billion. In December 2009, the company redeemed the last outstanding tranche of notes at USD 10 million.

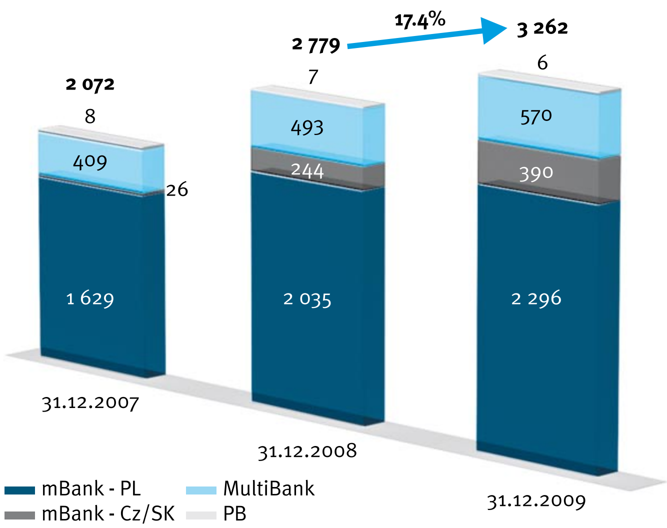
V. Retail Banking

The area includes the business of mBank, MultiBank and Private Banking (PB).

The main developments of 2009 include further growth in the number of customers and in the deposit base. In the light of a sharp decrease in customers' interest in mortgage loans, the Bank became independent of income from mortgage loans in 2009, one of the main goals of the BREnova revenue enhancement initiatives in Retail Banking.

This business area includes retail customers' current accounts, savings accounts, term deposits, structured deposits, investment products, credit and debit cards, financial settlements, bill-of-exchange and cheque transactions, guarantees, mortgage and consumer loans. The offering also includes on-line brokerage and insurance services. The offer is complemented by an e-commerce platform and a virtual cell phone operator service mBank mobile.

Customers
ths.



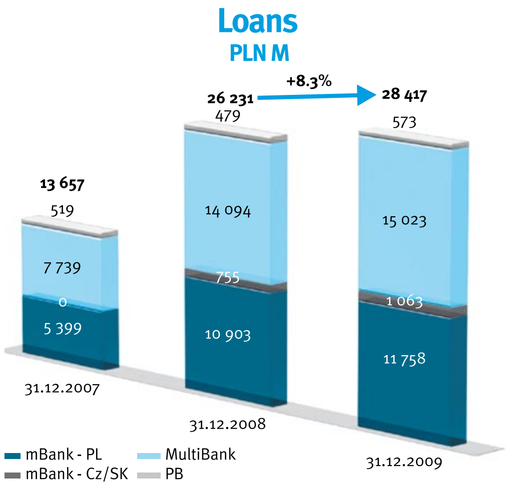
Customers mainly include private individuals as well as microenterprises (mBank). The Line also covers Private Banking (PB) services. Since November 2007, mBank serves clients outside Poland: in the Czech Republic and Slovakia.

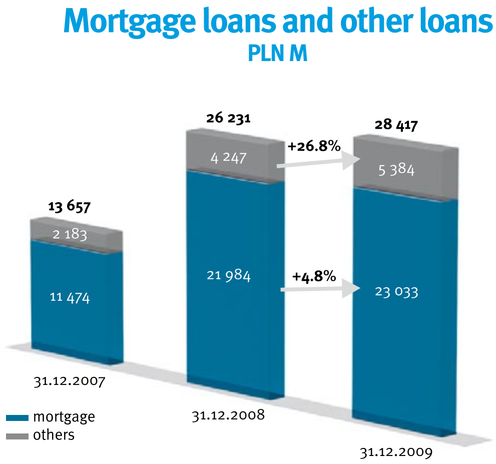
The number of retail banking customers grew by 483 thousand (+17.4%) in 2009, mainly in mBank Poland (+261 thousand). The number of Czech and Slovak customers also grew significantly (+146 thousand). MultiBank acquired 77 thousand new customers in 2009. The number of Private Banking customers fell by more than 1 thousand due to refocusing of the customer base.

V.1.Retail Banking Loans

Loans grew by 8.3% in 2009 compared with 92.1% in 2008. In particular, mortgage lending growth slowed down (up by 4.8% in 2009 and 91.6% in 2008). This was driven by decreasing demand as a result of economic slowdown as well as by increased creditworthiness and margin requirements. Sales of cash loans fell due to a tighter credit policy aiming at improving the portfolio quality. Consumer loans (in particular, loans for acquisition of shares in the IPO of PGE) and car loans grew year on year.

The market share of retail loans granted by mBank in Poland and MultiBank was 6.7% at the end of 2009 compared to 6.8% a year earlier.





The share of mortgage loans in the portfolio (including the Czech Republic and Slovakia) dropped from 83.8% in 2008 to 81.1% at the end of 2009. The value of mortgage loans grew by PLN 1,049 million in 2009.

Structure of the loans portfolio:
- mBank Poland: 81.7% mortgage loans, 5.7% credit lines, 5.0% credit cards, 7.6% other;
- MultiBank: 83.4% mortgage loans, 5.9% credit lines, 1.6% credit cards, 9.1% other.

Market share of mBank in Poland and MultiBank in total housing loans stood at 10.0% at the end of 2009.
The table below presents the profile of the retail mortgage loans portfolio (Poland only).

Retail Mortgage Loans	Total	PLN	FX
Balance-sheet value (PLN billion)	21.40	2.30	19.10
Average maturity (years)	23.12	20.20	23.55
Average value (PLN thou.)	251.67	208.34	258.14
Average LTV (loan to value)	79.97%	56.65%	83.46%
Non Performing Loans (NPL)	0.52%	1.80%	0.37%

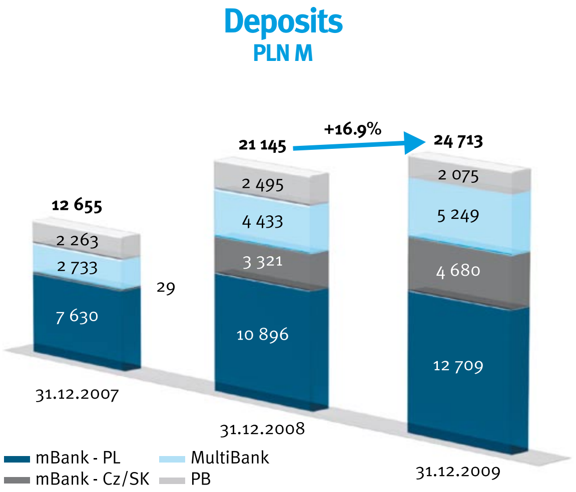
V.1.1. Adjustment of the Lending Policy

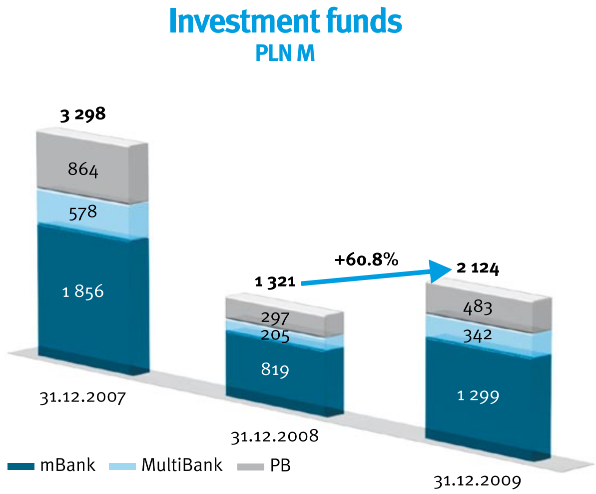
In view of the decreasing quality of the consumer loans portfolio, BRE Bank has adjusted its lending policy ina way that should significantly improve the risk level. The adjustment resulting from a weaker financial standing of potential borrowers mainly includes stricter parameters of client creditworthiness assessment and scoring. Due to higher default rates of clients acquired via third-party intermediaries, the Bank has also rearranged its client acquisition model in order to focus on support for the sales personnel in the Bank's own network and to improve cross-selling. The credit granting and monitoring process has also been subject to a range of modifications. Credit decision-making has been centralised more than before. Enforcement scenarios have been adjusted.

V.2. Deposits and Investment Funds

Deposits grew by 16.9% to PLN 24.7 billion in 2009, both in mBank in Poland (+PLN 1.8 billion), the Czech Republic and Slovakia (+PLN 1.4 billion) and MultiBank (+PLN 0.8 billion). It should be noted that this was accompanied by parallel fast growth in investment fund assets (+60.8%) competitive to deposits.

The Bank stayed away from the deposit war at the turn on 2008 and 2009 and did not offer aggressive interest on deposits; as a result, deposits decreased in H1 2009. In H2, well targeted deposit gathering campaigns helped to grow deposits considerably.





V.3. Credit and Debit Cards

The number of credit cards issued in Poland was 499 thousand at the end of December 2009, including 342 thousand issued by mBank and 157 thousand issued by MultiBank. The number of debit cards issued was 2,506 thousand, including 1,965 thousand issued by mBank and 541 thousand issued by MultiBank. According to data available at the end of 2009, the market share of mBank and MultiBank in credit cards was 5.4% by the amount of debt under cards.

V.4. Offer Development in 2009

In 2009 Retail Banking has developed its offer as follows (main items only):

MultiBank

- MultiKredyt Oszczędnościowy – loans secured with liquid assets.
- investment policy – MultiZysk Strategy.
- Insurance of Chattels for customers buying or holding active BRE Ubezpieczenia TU Property Insurance
- AXA – Aktywny Portfel Funduszy, asset management product previously exclusive to Private Banking customers, as of April available to MultiBank customers.
- Visa Business Credit cards.
- NNW Moja Ochrona accident insurance for MultiKonto customers.
- Overnight and Multilokata deposits.
- Contactless payment enabled cards Master Card Pay Pass (Standard and Aquarius credit cards, one debit card).
- Products of the 15th and one of the biggest investment funds ING TFI added to the Savings Centre offer.

mBank
- mBIZNES plus microenterprise savings account.
- Insurance attached to personal accounts.
- Microenterprise credit card.
- Structured deposits.
- MasterCard PayPass contactless payment cards.
- Modern mBank mobile starter granting 90 minutes per month without recharge for calls in all networks.
- Overnight deposit mLOKATA Czysty Zysk for customers holding free-of-charge saving accounts eMAX plus.
- Products of several funds and sub-funds added to the offer of the Investment Fund Supermarket (including funds managed by PKO TFI S.A., BPH TFI S.A, ING TFI S.A.).

Current account functionalities available to customers in the Czech Republic and Slovakia are the same as in Poland.

V.4.1. Arrangements with “Old Portfolio” Clients

Negotiations with customers holding mortgage loans of the “old portfolio” (granted before the autumn of 2006) started in February 2009. The interest rate on such loans was set by decision of the Bank’s Management Board, taking into account among others the reference rate (LIBOR) and the market cost of funding in the currency. As interest rates in CHF fell, customers demanded a reduction of the interest rate on loans and launched concerted media campaigns, mainly on specially created websites. The Bank was unable to reduce the rates as demanded by customers because the cost of funding in the currency on the interbank market had increased following the global financial crisis. A series of meetings between Bank representatives and customers helped to develop a package of solutions satisfactory to both parties. On 18 January 2010, mBank and MultiBank introduced a new offer for holders of CHF mortgage loans granted before the autumn of 2006 with the following options:
- Loan converts from CHF to EUR with an interest rate based on 3M EURIBOR and a fixed margin. Conversion uses a special low spread of 0.5%.
- Loan remains in CHF and converts to an interest rate based on 3M LIBOR for CHF and a fixed margin.
- In addition, customers are offered a special additional package of deposit and credit products at attractive prices.
- Loan converts to PLN with an interest rate based on 3M WIBOR and a fixed margin. Customers are offered a special package of additional products.

V.5. Development of the Distribution Network

Following the launch of business of Aspiro (see Section V.7.1), Aspiro took over a number of small mBank branches. At the end of 2009, the distribution network of mBank had 142 locations in Poland (161 at the end of 2008), 27 locations in the Czech Republic and 16 locations in Slovakia. The foreign branch network will be rationalised in 2010.

MultiBank’s distribution network comprised 76 Financial Services Centres and 58 Partner Outlets, totalling 134 locations (131 locations in 2008).

The pace of development of the branch network was reduced in connection with cost management initiatives under the BREnova programme.

V.6. Private Banking (PB)

Major events in Private Banking in 2009 included:
- The investment programme “Akumulacja” was added to the offer; it combines security and return on high-interest bank deposits with the advantages of a selected, top-class investment products
- The biggest and most profitable issuance in the history of BRE PB. Nearly 900 loans for a total amount of PLN 5.5 billion for the acquisition of PGE shares were granted.
- BRE PB and BRE Wealth Management (BRE PB&WM) offered art banking to clients as an alternative to capital market instruments.
- BRE Wealth Management offered a foreign markets strategy with emerging market stocks as the underlying.
- Products of investment funds Allianz, Ipopema and Agio were added to the offering.
- Seven subscriptions for investment deposits with different underlying assets were completed.
- In February 2009, for the second time, Euromoney Magazine named BRE Private Banking & Wealth Management the best private banking in Poland. BRE Bank had the best total score of all Polish banks in several categories of the ranking.

V.7. Retail Banking Subsidiaries

V.7.1. Aspiro Sp. z o.o. (formerly emFinanse Sp. z o.o.)

Aspiro, the legal successor of emFinanse Sp. z o.o. combines the sales potential of the two networks: mBank and MultiBank. Aspiro offers products of other banks too as an intermediary. Aspiro's strategy embraces the main concept of mBank's strategy: to offer different competitive products over a single open platform, including investment fund shares (Investment Funds Supermarket), insurance (Car Insurance Supermarket) and products of other banks.

The expected results include additional income from sales of products of other banks, synergies of the combined IFA network of mBank and MultiBank, and use of external products in order to complement the open platform offering attractive products for Retail customers.

Aspiro distributes products of mBank and MultiBank in branches under the logo of mBank (Financial Centres, mKiosks, mBank Partner mKiosks) and MultiBank (Agent POS) and also offers products of other banks. At the end of 2009, Aspiro had contracts with the following partners:

- BZ WBK – mortgage products and corporate loans (sale launched on 1.07.2009).
- PKO BP – mortgage products and cash loans (sale of mortgage loans launched in Q4 2009, sale of cash loans launched in Q1 2010).
- Getin Noble Bank (Metrobank brand) – mortgage products and corporate loans (sale launched in September 2009).
- BRE Leasing – leasing (sale launched in September 2009).
- Bank Pocztowy – mortgage products and cash loans (sale launched in Q4 2009 – Q1 2010).

On 25 June, BRE Bank (the only shareholder of Aspiro) decided to increase Aspiro's capital by PLN 10 million.
The funds are used to finance the company's operations until the target model has been put in place. Aspiro closed 2009 at a loss of PLN 1.2 million in line with the financial plan of the company.

V.7.2. BRE Wealth Management SA (BWM)

BWM manages assets of wealthy customers. Its assets grew by ca. 7% year on year in 2009. The products key to the growth of assets under management included Aktywny Portfel Funduszy and Skarbowa Plus. In 2009, BWM introduced two new strategies: Indywidualna Akcje (equities) and Rynków Zagranicznych (foreign markets).

After the scope of BWM's brokerage business was extended to include acceptance and transmission of buy and sell orders for broker financial instruments, several agreements were signed between investment fund companies, BRE Bank and BRE Wealth Management whereby BWM took over BRE Bank's rights and obligations under distribution agreements.

BRE Wealth Management's growing assets under management, the resulting increase in net commission income and a moderate increase of administrative costs drove BWM's financial results in 2009: the company reported a profit before tax of PLN 6 million.

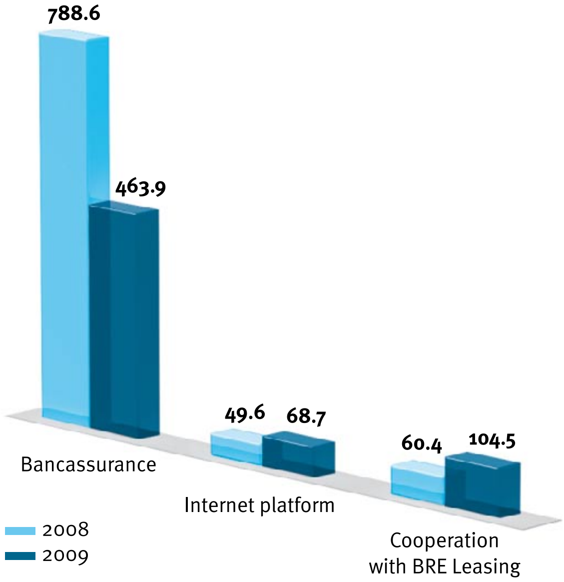
V.7.3. BRE Ubezpieczenia TUiR S.A.

BRE Ubezpieczenia companies in 2009 focused on further growth of the three main business lines: an internet platform (direct), classical bancassurance, and services for a leasing provider.

Sale of insurance over the internet platform was supported by measures improving the effectiveness of sales with telemarketing techniques and better cross-selling. These included car insurance attached to property insurance, travel insurance attached to car insurance, the "Best Price Guarantee" campaign, and mailing to Bank customers.

The classic bancassurance line focused on providing customers of BRE Bank Group companies with insurance products complementary to banking products including payment cards, current and savings accounts, and mortgage loans, as well as a broader range of insurance products for microenterprises. New savings products (investment policies) were added to the offering.

Gross premium written
PLN M



In addition, BRE Ubezpieczenia continued to develop a comprehensive offering of insurance services for BRE Leasing. The company focused on systemic support of processes including the selling offer, signing of contracts, post-sale services, monitoring of claims handling, and education of the sales network.

In November, the Polish Financial Supervision Authority (KNF) approved the addition of reinsurance under Division II “Other life and non-life insurance” to the scope of business of BRE Ubezpieczenia TUiR S.A.

The consolidated profit before tax of the company (including BRE Ubezpieczenia Sp. z o.o.) reached PLN 23.5 million in 2009 and more than tripled year on year.

VI. Other Consolidated Subsidiaries

Centrum Rozliczeń i Informacji CERI Sp. z o.o.
In 2009, CERI developed co-operation with BRE Bank Corporate Banking (including new customers using IPM products) and Retail Banking (including new products for mBank Czech Republic and Slovakia: implementationof electronic archives of new products, addition of new services auxiliary to banking operations), as well as subsidiaries of BRE Bank Group (maintenance of chancellery, electronic and paper archives), and broadened the scope of services for Commerzbank in the area of Paper Archives.

CERI also developed co-operation with external clients, including existing Financial Agent clients and eCashier services, as well as customer acquisition (ca. 270 new companies, transaction number up by ca. 10%).

The share of income from external clients in total income was 14.5% in 2009 (16.3% in 2008).

CERI's share capital was increased by PLN 20,506 thousand (to PLN 26,539 thousand) through acquisition of new shares paid up for in kind by contribution of real property in Aleksandrów Łódzki.

The pre-tax profit of CERI was PLN 889 thousand in 2009, compared to PLN 383 thousand in 2008.

BRE.locum S.A.
Despite a downturn in the housing market, BRE.locum's sale of apartments under preliminary contracts was on an increase throughout 2009, which may be a prognostic of growing demand for apartments in the coming years. The company sold 187 apartments in 2009, compared to 148 apartments in 2008.

At 31 December 2009, the company had on stock 227 apartments in completed projects, 187 apartments in a project under construction in Warsaw, and 138 apartments in a project under construction in Poznań.

BRE Bank's property developer generated a profit before tax of PLN 37.9 million in 2009, up by ca. PLN 1.2 million year on year. The profit was largely driven by a sale of land in Warsaw, which contributed PLN 19.8 million to the profit of BRE.locum.

VII. Financial Results of BRE Bank Group in 2009

VII.1. Strategic Programme BREnova

The plans of the Bank and the Group for 2009 focused on the implementation of the BREnova strategic programme. Its priority objective was to ensure effective operation at the time of economic slow-down. The BREnova programme includes a range of initiatives aiming at revenue enhancement and cost management. It aimed at revising the existing business model in Corporate Banking, Retail Banking and in support functions.

The main pillars of the project were:
- to enhance revenues by means of improving income structure, increasing cross-selling, expanding the offering and product range, etc.
- to optimise costs and, most importantly, continuously monitor costs and improve cost management (both in the short term and the long term).

With long-term initiatives, BREnova was designed to ensure stability at the time of economic slow-down and to lay solid foundations for future profitable growth. Changes were introduced in order to have a lasting structural effect rather than only consisting in short-term response to the market downturn.
The implementation of BREnova produced the desired results, both in income and in costs development. The income of BRE Bank Group in 2009 reached PLN 2,851.3 million, up by 11.1% year on year (net of the one-off income from the sale of Vectra and PTE in 2008).

The income generated by Corporate Banking under the umbrella of BREnova was driven by:
- increased revenue efficiency (revenues up by 3.1% while RWAs reduced by 3.0%);
- increased profitability of lending with lending margins on the portfolio up 1 percentage point yoy;
- intensive development of non-capital binding products: cash management, trade finance, transaction banking (income from cash management and foreign trade finance up by 10%);
- development of electronic banking products (iBRE);
- intensive development of cross-selling to the existing customer base and cross-selling of products in the BRE Bank Group;
- implementation of advanced management tools supporting the above initiatives: Customer Relation Management (CRM), Management Information System (MIS).

Total Gross Revenue (excl. LLP) of Retail Banking grew by 29% yoy and was driven among others by further growth of the customer base. In addition, revenue initiatives resulted in a growing share of income from non-mortgage products and increased cross-selling to existing customers. Product penetration, i.e. the average number of products per customer grew by 7% from 2.44 at the end of 2008 to 2.62 at the end of 2009 (Poland only, excluding Czech and Slovak operations). The ratio improved in particular for non-mortgage loans, especially car loans (+15.4%), fx accounts (+12.6%) and securities accounts (+10.2%). As a result, income from non-mortgage products, deposits and saving accounts improved; income from mortgage products decreased from PLN 218 million to PLN 86 million; other income grew from PLN 823 million to PLN 1,258 million. The average credit margin of new loans was 4.6 times higher than in 2008.

Cost initiatives generated significant savings in the HR area:
- headcount was reduced by 383 FTEs in the Bank and by 183 FTEs in Group subsidiaries, providing savings of ca. PLN 50 million during the year;
- the bonus fund created as a reflection of the achieved results in 2009 was down by ca. PLN 100 million versus 2008;
- the manager incentive scheme approved in October 2008 (convertible bonds) was suspended, generating PLN 25.5 million of savings;
- the cost of training and business travel was reduced by ca. PLN 10 million.

Moreover, significant savings were achieved in Logistics and IT area, including:
- frozen development of the branch network including both corporate and retail outlets (PLN 14.7 million);
- renegotiated terms of rent for property leased by the Bank and subsidiaries;
- reduced number of company cars, new car fleet policy;
- rationalised other fees including postal and telephone fees.

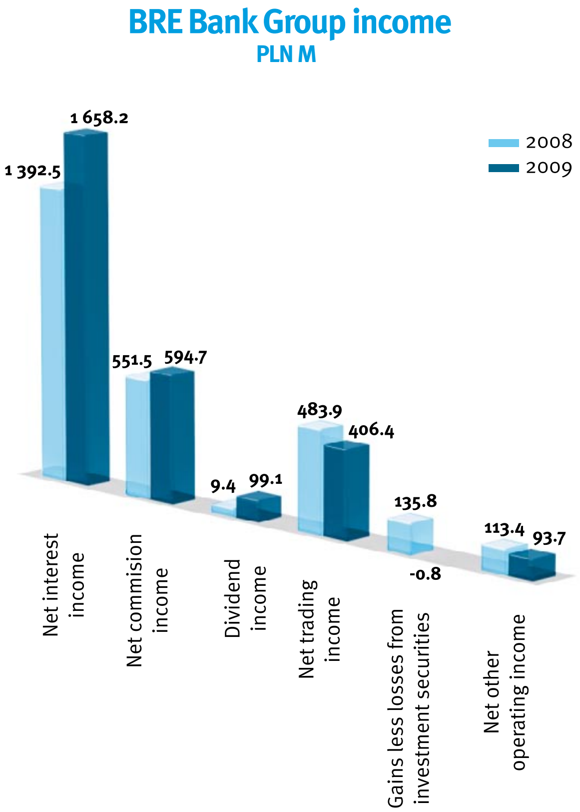
Total BREnova savings reached PLN 296 million and were 6% (PLN 16 million) higher than planned. A number of these initiatives will continue in 2010.
Overall, BREnova effectively protected BRE Group's C/I ratio at 54.2% vs. 57.7% (continued operations only) in FY 2008.

VII.2. Profit and Loss Account of BRE Bank Group

BRE Bank Group generated a profit before tax of PLN 209.4 million in 2009, fully achieved by continued operations.

The data below relate to continued operations.

VII.2.1. Income



BRE Bank Group's income of the period was PLN 2,851.3 million, up by 6.1% or PLN 164.9 million year on year.

The growth was mainly driven by the growing net interest income of the Bank and the subsidiaries and by modest growth in the net commission income combined with a decrease in the trading profit.

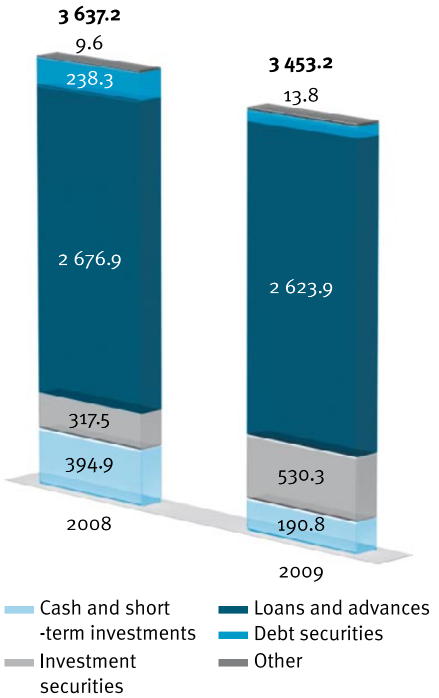
The net interest income grew by 19.1% year on year and reached PLN 1,658.2 million, compared to PLN 1,392.5 million in 2008. The growth was driven by a focus on higher margin products and proper cost of funding management.

The main source of interest income – interest from loans and advances was 2.5% lower than a year ago. Interest from investment securities increased by 67,0% as a result of their higher share in total assets , with decreasing portfolio of debt securities (and interest income from this source).

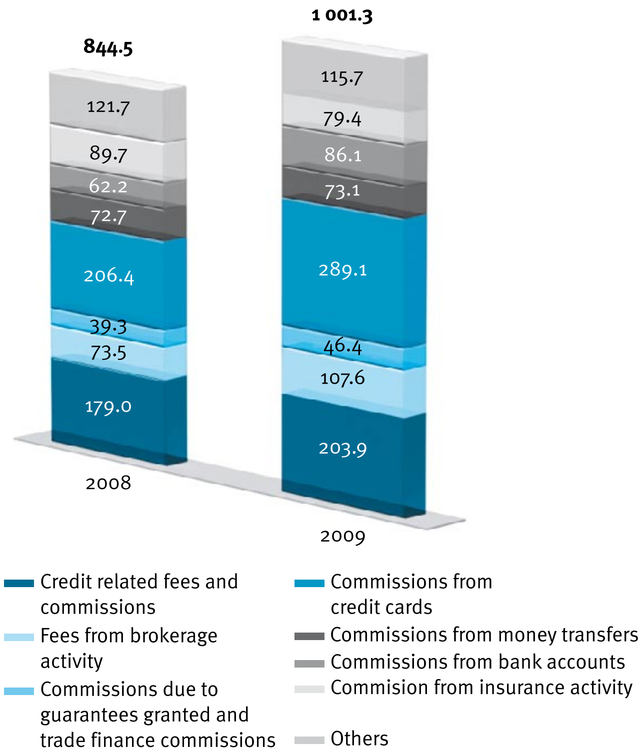
BRE Bank Group's interest margin (net interest income to average interest-earning assets) was 2.3% p.a. in 2009, stable year on year. In 2009, the margin development was driven by opposite trends in the assets and the liabilities. On the one hand, there were positive drivers in the structure of assets and rising margins on some credit products.

On the other hand, changes in the structure of liabilities had the opposite effect, including the growing share of interbank funding and the deposit interest margin reduction caused by growing competition and falling market rates.
The net interest income of the Retail Banking Line, up by 40.5% or ca. PLN 275 million year on year, was the main driver of growth of the net interest income of BRE Bank Group.

Interest income structure
PLN M



Fees and commission income structure
PLN M



BRE Bank Group's net commission income was up by 7.8% year on year in 2009.
Commission income from brokerage (+46.6%) payment cards (+40.1%), bank accounts (+38.4%) and lending activity (+13,9%) grew the fastest.

Trading income stood at PLN 406.4 million at the end of 2009, including ca. PLN 31.6 million of impairment charges for the valuation of fx options (PLN 56.6 million in 2008), and was down by 16% or PLN 77.5 million year on year. The income was mainly affected by a decline of fx income as a result of less active fx trading by clients and lower currency conversion income.

All business lines reported a year-on-year decrease in trading income, the income of Corporates and Retail Banking Lines fell the most.

No equity transactions were closed in 2009, while Q1 2008 results included capital gains of PLN 137.7 million on the sale of Vectra as a part of continued operations.

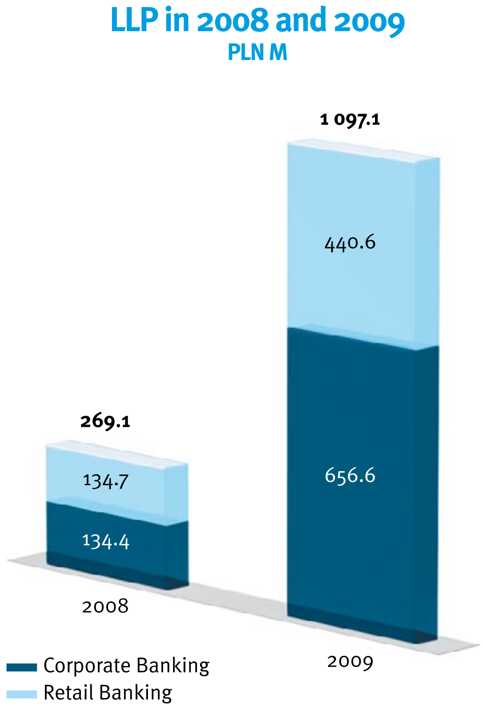
A PZU dividend of PLN 96.2 million was received in Q4 2009.

In 2009, the loss on investment securities related to the loss on the closed sale of a subsidiary of the Intermarket Group (ca. PLN 19 million), for which a provision of ca. PLN 16 million was set up in Q1. In addition, the loss on investment securities includes the result of a reversal of provisions at BRE.locum Sp. z o.o. relating to the sale of property by a subsidiary (PLN 19.8 million).

Other operating income (net other operating income and cost) was PLN 93.7 million in 2009, down year on year mainly due to write-offs and provisions against future liabilities (ca. PLN 35 million) and a write-off of PLN 18 million due to the impairment of assets related to the financing of the subsidiary Compania de Factoring in Intermarket Bank AG Group.

VII.2.2. Loan Loss Provisions

The biggest charge against the 2009 results of the Group were net loan loss provisions of PLN 1,097.1 million, four times more than in 2008



Corporate Banking provisions totalled PLN 656.5 million, including PLN 275.1 million (42.5%) of provisions set up against loans related to derivative transactions (fx options). Another PLN 104.5 million were provisi the deteriorating financial standing of clients. Yet, the remaining provisions of the Line doubled year on year due to the declining financial standing of clients.

Growth in Retail Banking loan loss provisions (+227% versus 2008) was mainly driven by provisions against cash loans granted by mBank to external clients (clients without a previous relationship with mBank). Provisions against such loans totalled PLN 201.5 million (45.7% of total Retail provisions). Sale of these cash loan products was stopped in May 2009, hence the problem with portfolio quality should ease gradually.

It should be stressed that the problem affected a relatively small part of the retail loans portfolio. Mortgage loans, which represent over 80% of the retail loans portfolio, were of good quality: provisions set up against mortgage loans in 2009 stood at PLN 10.6 million.

VII.2.3. Costs of BRE Bank Group

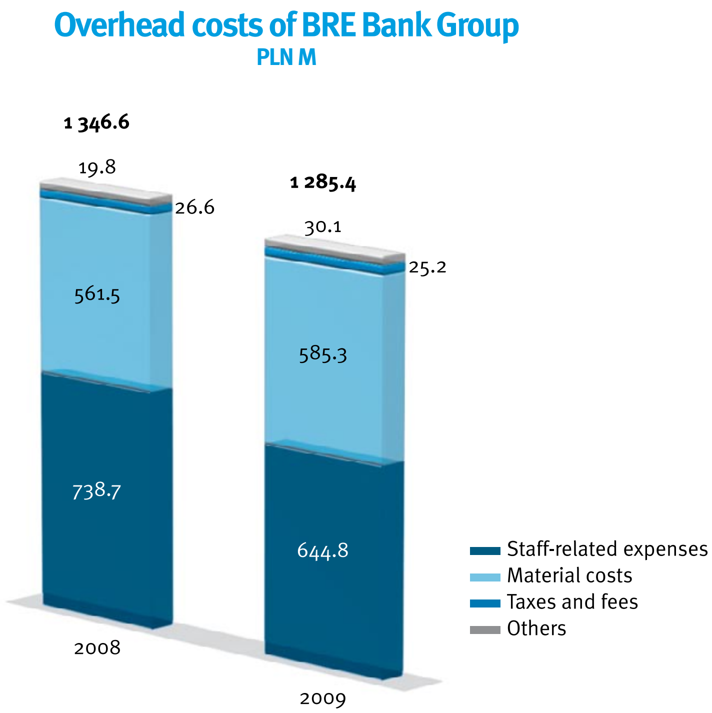
Administrative costs were down by 4.5% or PLN 61.2 million year on year, mainly due to cost reductions in the Bank while the overhead costs of the subsidiaries increased modestly. It should be stressed that the higher costs of the subsidiaries were mainly driven by fx effects (foreign subsidiaries) and by business expansion (mainly DI BRE, BRE Ubezpieczenia and ASPIRO).

Group's costs were down 4.5% y/y due to 12.7% decrease of staff related expenses (down by PLN 94 million y/y). The reduction was reported mainly in the Bank and included as main factors, lower bonus and management options provisions related to generated results development, as well as achieved workforce reductions.

Maintenance costs grew year on year by 4.2%, mainly driven by:

- growing fixed costs, i.e., rents, property maintenance, postal and telephone fees;
- growing energy and fuel prices;
- effect of the branch network expansion in 2008 (both retail and corporate branches);
- BFG and KNF fees, which more than tripled.

The share of depreciation in the costs of Group was growing steadily, up by PLN 55.9 million or 27.5% year on year in 2009. The growth in depreciation was mainly driven by the expansion (in 2008) of the branch network, development of banking systems, and growth in leased assets due to growth in sales in 2008.



It should be noted, that other operating costs and depreciation of Q4 2009 included ca. PLN 57 million of extraordinary one-off costs: accelerated amortisation of intangible fixed assets (specific applications of the core IT systems Globus and Altamira), provisions against future liabilities arising from signed contracts, and liabilities arising from court decisions concerning fees charged for bridge insurance of mortgage loans.

VII.3. Consolidated Statement of Financial Position

VII.3.1. Assets of BRE Bank Group

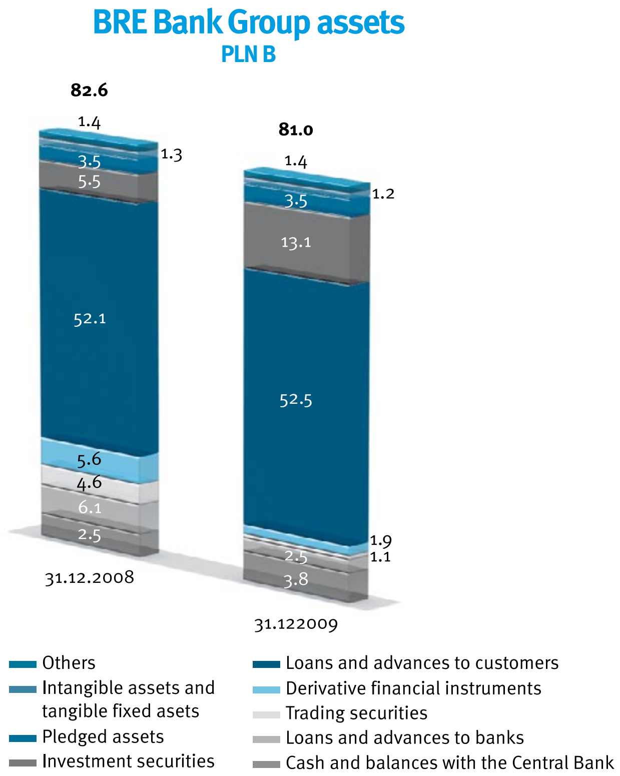
Credits and loans remained the largest balance-sheet item at the end of 2009 with a share of 65% of total assets as compared to 63% at the end of 2008, their net volume increased by 0.6%).

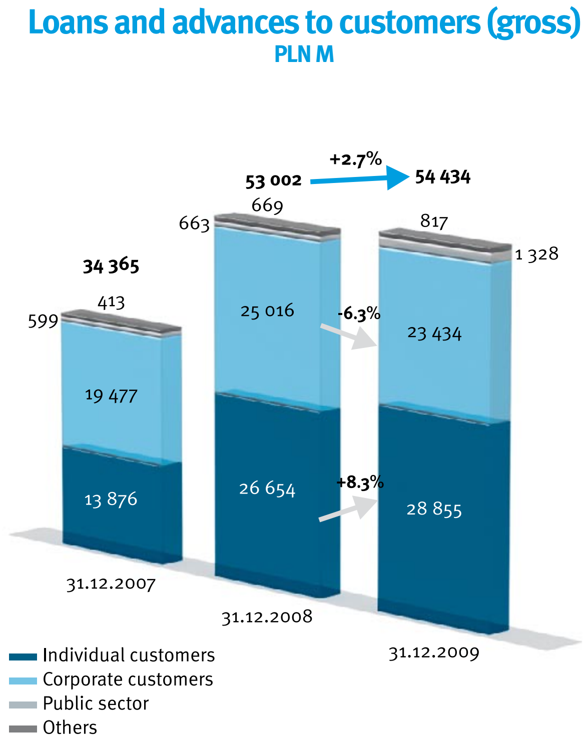
Changes in lending in 2009 were mainly driven by the volatility of the exchange rate of the zloty, i.e., depreciation in H1 and appreciation in H2. New lending was limited compared to previous periods as a result of the situation in the economic environment and related risks.

The nominal growth of the gross loans portfolio in 2009 reached PLN 1.4 billion (2.7%). The uptrend was particularly notable in retail loans, which grew by 8.3% year on year and was up by PLN 2.2 billion.

In BRE Bank Group the corporate loans portfolio decreased by 6.3% i.e. PLN 1.6 billion. In BRE Bank SA corporate loans portfolio fell by PLN 90 million (0.6%) while subsidiaries portfolio (mainly BRE Leasing and BBH) was lower by 7.1%.

Total loans in the banking sector grew by 8.6% in 2009, mainly due to growing household loans (+11.8%) while corporate loans fell at a similar rate as in total BRE Group, by 3.5%.





Advances and loans to banks fell by PLN 3.6 billion or 58.5% year on year. The portfolio of securities held for trading followed a similar trend in 2009: it was down by PLN 3.6 billion year on year. Meanwhile, investment securities grew by PLN 7.6 billion (138.5%) year on year. These changes occurred mainly within the structure of short-term assets, which remained at around 25% of total assets, a safe level from the perspective of liquidity.

Finally, the value of derivative financial instruments at year end amounted to PLN 1.9 billion. The year on year decrease by 65.7% was mainly driven by expiration of contracts whose valuation had grown strongly at year end 2008 as a result of the market turbulences at the turn of 2008 and 2009. Also, fewer new derivative transactions were concluded.

VII.3.2. Quality of the Loans Portfolio

The share of default exposures in advances and loans to BRE Bank Group clients was 4.7% of at the end of 2009, as compared to 2.2% in 2008.

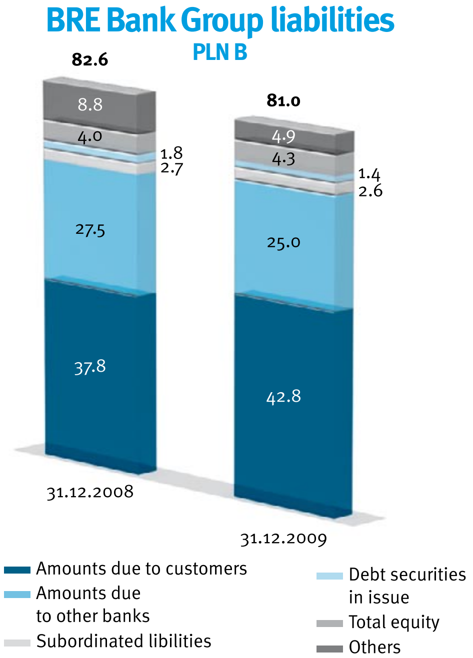
Loan loss provisions increased from PLN 859.7 million to PLN 1,964.8 million, including PLN 232.5 million of IBNI (Incurred But Not Identified) loss provisions (PLN 166.9 million in 2008).

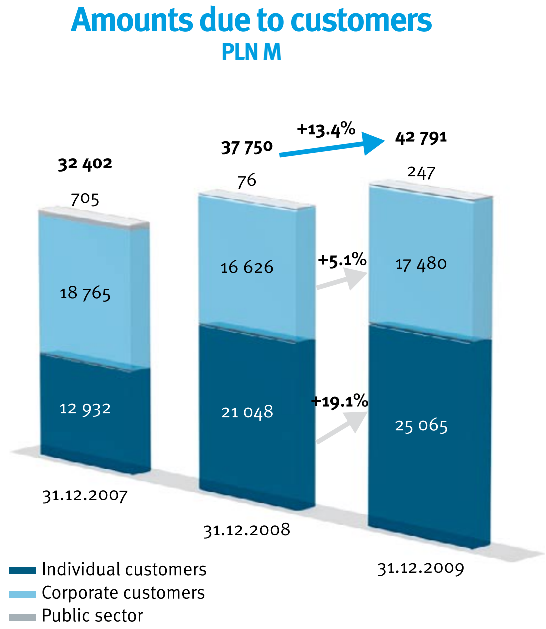
The ratio of provisions to default loans was 67.6%, compared to 59.2% a year earlier. The main driver of the increase in the coverage ratio is a strong growth in default provisions (specific provisions).

As clients' financial standing weakened, more enforcement orders were issued. The Bank issued 113 enforcement orders for corporate clients in 2009 (87 in 2008) and 15,843 enforcement orders for retail clients (2,483 in 2008).

VII.3.3. Liabilities

The chart below presents changes in the liabilities of BRE Group in 2009.





Amounts due to clients, the Group's major source of funding, were up by 13.4% or over PLN 5 billion year on year, reaching PLN 42.8 billion or 56% of the total liabilities at the end of 2009, compared to 48.1% at the end of 2008. This was a result of well targeted deposit gathering campaigns of BRE Bank in the second half of 2009, while deposits had decreased temporarily in H1 2009.

As a result, the average level of customer deposits in the Bank grew less dynamically than the loans portfolio in 2009, which drove an increase in the level of funding from the interbank market as a supplementary source of money, causing an increase in the cost of funding.

However, funding from the interbank market had increased already in December 2008, affecting the average balances in all of 2009. The increase included mainly the Bank's credit lines in CHF obtained as a source of funding for the portfolio of housing loans granted in CHF.
Funding from the interbank market fell by PLN 2.5 billion (9%) in 2009.

The share of the Group's equity in the sources of funding was 5.3% at the end of 2009, up by 0.4 pp since the end of 2008; this demonstrates a stable share of equity in all of 2009.

VII.4. Performance Indicators of BRE Bank Group

The key performance indicators (jointly for continued and discontinued operations) of BRE Bank Group at the end of 2009 were as follows:

	2008 r.	2009 r.
ROA net	1.3 %	0.2%
ROE before tax	30.8%	5.14%
ROE net	27.4%	3.2%
CIR	55.1%	54.2%
CAR	10.04%	11.50%
Tier I Ratio	5.62%	6.62%

ROA= Net profit (including minority shareholders)/Total assets
ROE before tax = Profit before tax / Equity (including minority shareholders, excluding this year's profit)
ROE net = Net profit (including minority shareholders) / Equity (including minority shareholders, excluding this year's profit)
C/I = Overhead costs + amortisation and depreciation / Income (including net other income and cost)

The effectively implemented programme BREnova that resulted in strict cost discipline and effective management of resources helped the Group to report improvement in productivity as measured by the cost/income ratio which was 54.2% at the end of 2009 compared to 55.1% at the end of 2008.

The capital adequacy ratio of BRE Bank Group increased to 11.50% at the end of 2009, compared to 10.04% at the end of 2008. The ratio rose as the equity was rising while the capital requirement fell, mainly driven by lower credit risk capital requirement. The equity increased year on year due to an increase in Tier 1 capital following the retention of the profit and lower deductions (lower unrealised losses on debt instruments).

As a result, the own funds of BRE Group reached PLN 6.3 billion at the end of 2009, up by PLN 0.4 billion year on year.

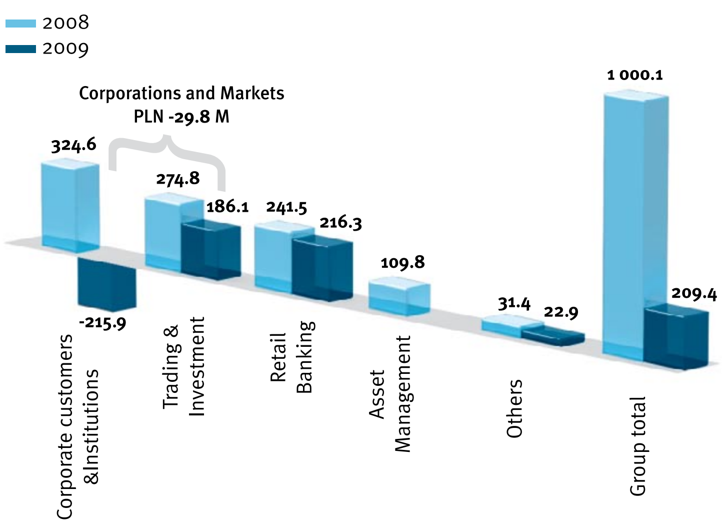
Capital charge (Basel II) PLN M	2008 r.	2009 r.
Credit risk	4 177	3 886
Market risk	89	46
Operational risk	326	375
Other risks	120	50
Total capital charge	4 712	4 357
CAR (%)	10.04	11.50

Meanwhile, the capital requirement fell from PLN 4.7 billion at the end of 2008 to PLN 4.4 billion at the end of December 2009. The capital requirement decreased largely due to the falling credit risk capital requirement following a change of the structure of assets and appreciation of the zloty.
At 6.62% the Tier 1 ratio was relatively low compared to the Polish banking sector.

VII.5. Contribution of the Business Lines to the Profit of BRE Bank Group

The chart below shows the profit of BRE Bank Group's main business areas in 2009 compared to 2008.

Profit (loss) before tax by business lines of BRE Bank Group
PLN M



The profit of Corporates and Institutions decreased the most, mainly as a result of provisions at PLN 651.2 million in 2009, compared to PLN 120,1 million in 2008. The biggest charge were provisions against fx derivatives at PLN 275.1 million, fully allocated to the Line.

Trading and Investments recorded good performance due to declining interest rates in H1 2009, high volatility in fx markets and higher spreads on corporate bonds. Recurrent profit before tax was 35,7% higher, compared to 2008 result net of the sale of Vectra with a profit of PLN 137.7 million (one –off transaction).

The profit of Retail Banking was down by 10.4% year on year. On the one hand, the net interest income grew by 40.5% and the net commission income grew by 6.5%. On the other hand loan loss provisions more than tripled (PLN 440.6 million in 2009 compared to PLN 134.7 million in 2008).

The Asset Management business presented in the chart was treated as a discontinued operation in 2008.
The merged pension funds PTE Skarbiec Emerytura SA and PTE Aegon SA (BRE was a shareholder of both funds) were sold before the end of 2008. BRE Bank Group no longer had any Asset Management operation in 2009.

VII. 5.1. Corporations and Markets

The Segment generated a loss before tax of PLN 29.8 million in 2009, down by PLN 647.2 million year on year. The decline was mainly driven by loan loss provisions (up by PLN 531.2 million yoy); the one-off sale of Vectra at a capital gain of PLN 137.7 million (included in the results of 2008) and costs of Compania de Factoring, a Romanian subsidiary of Intermarket Bank Group, charged to the results of the Line (ca. PLN 38 million).

Net interest and commission income was stable year on year in 2009 while the trading income was down, affecting to total income of the Business Line.

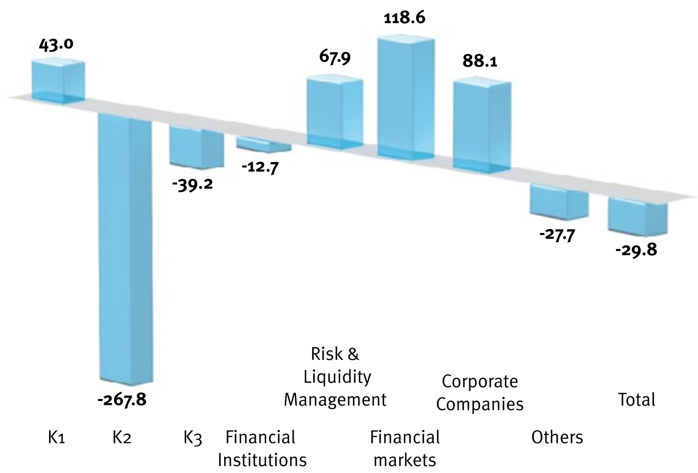
Net commission income was up by 9.3% (PLN 32.8 million) year on year and net interest income was down by 4.6% (PLN 34.4 million), mainly due to the growing cost of funding at the Bank. The trading income was down by 18.4% (PLN 58.7 million) year on year, mainly due to the valuation of fx options and a lower fx income related with the challenging economic environment.

Contribution of the subsidiaries to the profit of the Line was PLN 88.1 million in 2009 compared to PLN 169.7 million in 2008, mainly due to the lower profit of Intermarket Bank, down by ca. PLN 40 million and that of BRE Leasing, down by almost PLN 30 million due to increased loan loss.

The Corporations and Markets Segment includes two areas: Corporates and Institutions (corporate customer segments K1, K2 and K3, and financial institutions) and Trading and Investments (liquidity and risk management and financial market trading).

Composition of Corporations and Markets pre-tax profit

PLN M



The **Corporates and Institutions business line** reported a loss of PLN 215.9 million in 2009, mainly due to high loan loss provisions at PLN 651.2 million, up by PLN 531.2 million year on year. The sharp increase in provisions was mainly caused by provisions set up against loans related to derivative instruments (PLN 275.1 million).

The net interest income grew by 9.5% while the net commission income grew by 5.0% in the period. The trading income was down by over PLN 51.3 million or 28.9% year on year due to the negative valuation of fx options and the less active business by clients.

Trading and Investments business line generated a profit before tax of PLN 186.1 million in 2009, compared to PLN 274.8 million in 2008. It should be noted that 2008 result included PLN 137.7 million positive result on the one-off transaction of the sale of Vectra SA. Consequently, the recurrent profit grew by over 35% year on year.
The structure of the segment's results in 2009 was dominated by foreign exchange income at PLN 153.7 million, down by 14.4% or PLN 25.8 million year on year. Other trading income was affected by negative market trends and was negative at PLN 18.9 million in 2009 (minus PLN 37.4 million in 2008), mainly due to the negative valuation of securities.
The Line's profit before tax was mainly generated by the Bank while the subsidiaries made a marginal contribution to the profit.

VII.5. 2. Retail Banking

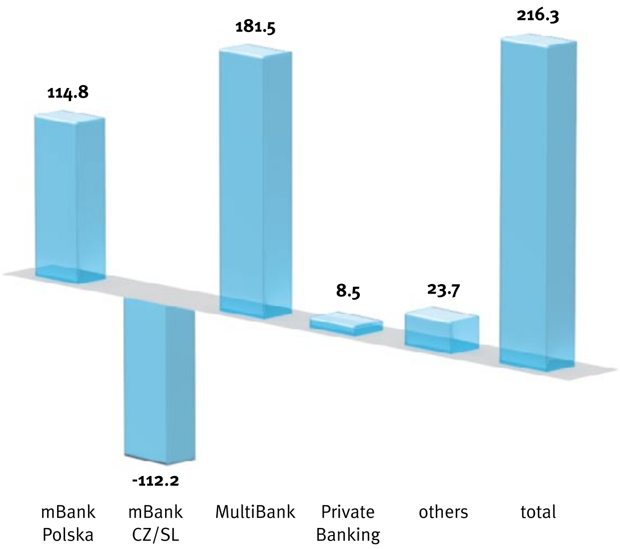
The Retail Banking Line, which had grown the fastest in the previous periods, reported an income of PLN 1,344 million in 2009, up by almost 30% or PLN 303 million year on year.

In particular, net interest income grew fast, up by 40.5%. The strong growth of the net interest income was largely driven by the growth of the loans portfolio, mainly mortgage loans (up by 54% as measured by average annual balances) due to both business expansion and fx rate effects.

Net commission income was up by PLN 10.5 million year on year in 2009, mainly thanks to growth in subsidiaries combined with a decrease in the Bank's income due to the slow-down of the new mortgage lending business.

The strong growth of income was coupled with a much lower growth in administrative costs, up by only 3.3%.
Despite the positive trends in income and productivity, the profit before tax in 2009 was down by PLN 25.3 million year on year. This was driven by loan loss provisions which more than tripled (up by PLN 305.9 million) year on year. As was mentioned in Section VII.2.2., these were largely provisions against cash loans granted by mBank to external clients. Sale of those loans was discontinued in May 2009.

Retail Banking pre-tax profit composition
PLN M

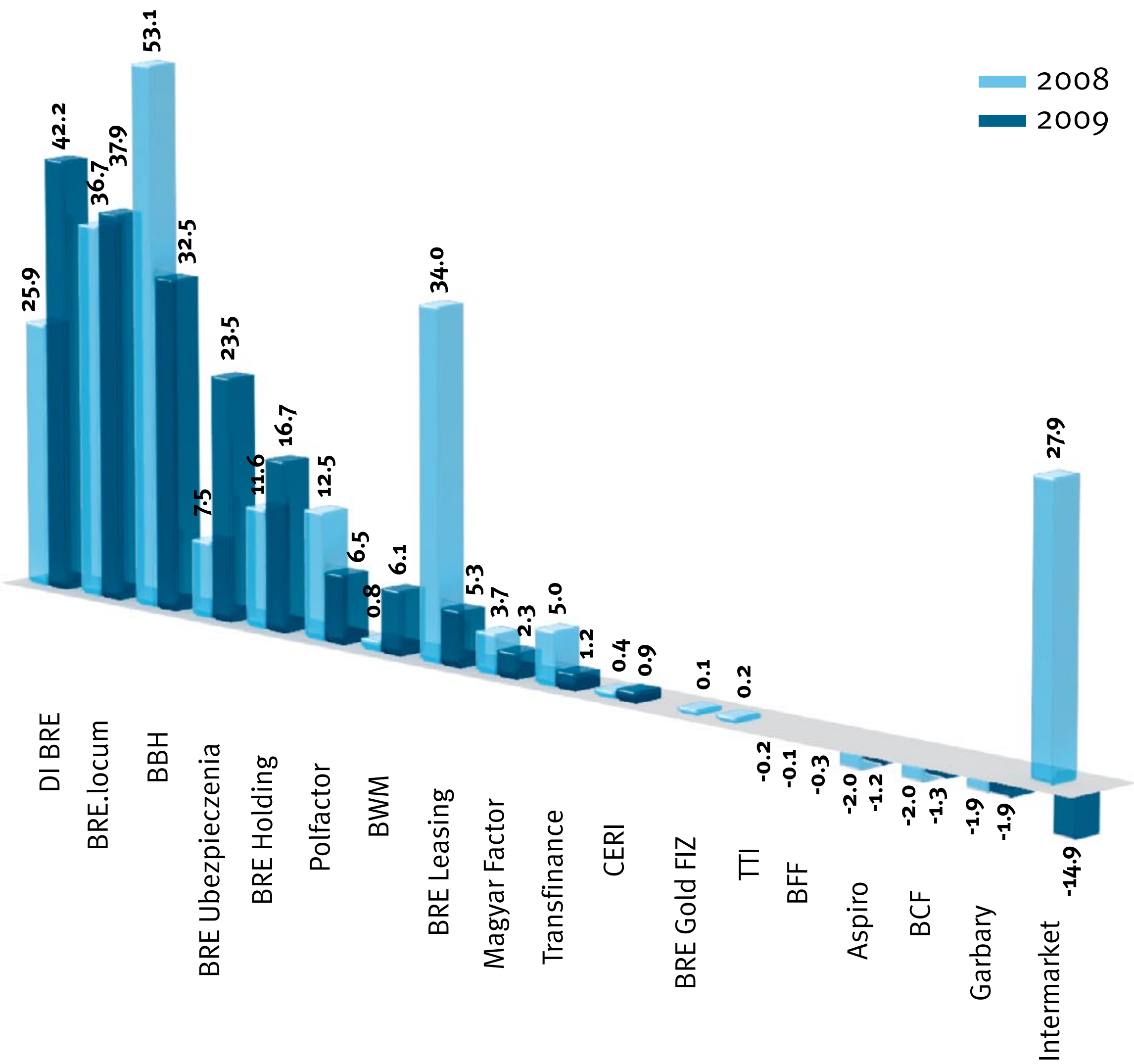


VII.6. Financial Results of Consolidated Companies

Despite generally lower results of consolidated companies in 2009, they jointly generated a profit of PLN 155.3 million, as compared to PLN 224.4 million in 2008, and made the dominant contribution to the profit of BRE Bank Group.

As presented on the chart above, the profits of BRE Ubezpieczenia, DI BRE, BRE Holding and BRE locum improved. The main drivers of the weaker results of the other subsidiaries are presented in the Sections on the relevant business lines.

Profit (loss) before tax of consolidated companies
(from induvidual P&L accounts, in PLN M)



VIII. Main Risks of BRE Bank Group's Business

BRE Bank attaches special importance to the risk management process performed in two parallel functional areas: risk controlling and monitoring, and operational management of risk positions. This is dealt with on a day to day basis by specialised organisational units of the Bank which manage risk positions in operations and, independently, units of the Risk Line responsible for risk controlling and monitoring. To ensure that risk management duties are properly fulfilled, the Management Board of the Bank has established appropriate committees, consisting of representatives of the Management Board and senior management. In 2009, the particular risk areas were dealt with by the Credit Committee of the Management Board, the Investment Committee, the Assets and Liabilities Management Committee of the BRE Bank Group, the BRE Bank Risk Committee, the BRE Bank Capital Management Committee and The Committee on Data Quality Management for the purposes of Bank's regulatory capital requirements calculation (AIRB).

There are also a Risk Committee at the level of the Supervisory Board, which approves risk management strategies and policies and an Audit Committee which monitors the internal risks and control systems.

BRE Bank monitors credit risk, operational risk, market risk, liquidity risk, and interest rate risk of the banking book in the BRE Bank Group using risk measures applied by BRE Bank and taking account of differences in the profile and scale of business between particular Group companies.

VIII.1. Harmonisation with Basel II Requirements

The work of the Risk Line is focused on the Basel II AIRB Project (Advanced Internal Rating Based Approach) implementing internal rating methods of the calculation of the credit risk capital requirement, one of the largest and most important projects implemented by the Bank. The importance of the project is highlighted by the fact that its Steering Committee comprises all BRE Bank Management Board Members as well as Commerzbank Managers. The scope of the project covers all relevant aspects of credit risk measurement and corporate governance in the area. The timeline of the project is 2009 – 2013 due to gradual application
of the AIRB method to exposure portfolios and BRE Bank Group subsidiaries (BRE Bank Hipoteczny and BRE Leasing).

One of the main goals of the project is to capture the Bank's actual risk level in the capital requirements and to improve methods and tools used by BRE in the credit risk management process. This will create a stable basis for the improvement of methods of effective management of return on risk-sensitive equity. The AIRB implementation will confirm the application of the top standards of credit risk management and controlling and enhance the reputation of the Bank and the confidence of financial market participants in BRE.

The application of the internal rating based approach requires the approval of the Polish Financial Supervision Authority (KNF) and the German Federal Financial Supervisory Authority (BaFin), conditional on a range of criteria. In the process of AIRB implementation, in December 2009, BRE Bank approached both Authorities with an application for approval of AIRB application.

VIII.2. Credit Risk

One of the methods of credit risk mitigation consists in a system under which credit decisions are made by competent decision-making bodies. The criterion qualifying any given case to be considered by the appropriate decision-making body is the amount of exposure and the level of risk assigned to the customer and to the transaction (internal rating). In addition, BRE Bank reduces credit risk through the diversification of the loans portfolio. This is supported, among others, by the analysis of the structure of the Bank's portfolio and the resulting conclusions, guidelines and recommendations concerning the Bank's exposure to selected sectors and markets.

The Bank applies credit portfolio risk measurement methods based on the estimation of Expected Loss and Credit Value at Risk, using the extended CreditRisk+ model, which incorporates, among others, correlations between various sectors of the economy and residual risk. The daily monitoring of credit risk involves the verification of internal ratings and events of default as defined under Basel II and the IFRS.

BRE Bank also monitors the credit risk of the Group subsidiaries that generate such risk. The monitoring process covers two areas: direct personal supervision, and procedures and reports. In the former area, risk supervision consists in ensuring the proper representation of the risk management services on the supervisory boards of relevant subsidiaries. In the latter area, the goal is to ensure that business activities are based on safe credit risk procedures and on the controlling of existing credit risk through a system of reports and analyses. Credit risk assessment procedures applied by the subsidiaries of the Group are based on the Bank's solutions and always consulted with the Head Office of the Bank.

As a result of its experience with the "fx options problem," the Bank developed modifications of the process for concluding transactions in derivative instruments with corporate clients in order to increase the safety of such transactions, and improved analytical tools used in credit risk assessment to include quantifications of the impact of off-balance sheet exposures on the client's insolvency risk.

The development of the AIRB method of the calculation of credit risk capital requirements, credit risk assessment methods and processes were largely modified and upgraded, including:

- updated and added new tools of corporate and retail customer scoring;
- formal process of risk model development and validation;
- process of collecting historical data necessary for models, covering all sources available at the Bank;
- formal process of comprehensive controlling of the quality of data for capital requirement models and calculations.

VIII.3. Liquidity Risk

The purpose of liquidity risk management is to assure and maintain the capacity of the Bank to honour both its current and future liabilities, taking into account the costs of liquidity. BRE Bank monitors financial liquidity on a daily basis, using cash flow analysis methods. Liquidity risk measurement is based on an in-house model developed on the basis of analysis of the Bank's unique features, deposit base volatility, concentration of financing, and planned developments of particular portfolios. Daily monitoring covers the following items: the value of cash flow gaps in specific time intervals (mismatch), the values of supervisory liquidity measures, the level of liquidity reserves of the Bank, and the degree of utilisation of external supervisory limits and internal liquidity limits, which are determined by the Risk Committee. The Bank assesses its liquidity position and the probability of its deterioration based on scenario methodologies on an ongoing basis. Stress test scenario results are regularly prepared and presented to respective Committees and to the Management Board. They present the potential impact of unfavourable factors on the Bank's liquidity and funding position. They are an important element in the decision-making process in modelling the structure of the Bank's balance sheet.

The Bank also monitors regularly the concentration of funding, especially the deposit base, and the level of liquidity reserves. The Bank has put in place liquidity contingency procedures. At the end of 2009, the Bank's liquidity and funding remained on the level adequate to needs. During 2009, events of supervisory liquidity measure overruns were recorded, which the Bank immediately diagnosed and mitigated in order to restore compliance with statutory limits.

VIII.4. Market Risk

In its business, the Bank is exposed to market risk, i.e., the risk of unfavourable change in the present value of the Bank's trading book and the banking book due to changes in market risk factors: interest rates, fx rates, prices of securities, and the volatility of options. Market risk exposure is quantified by measurement of Value at Risk (VaR) and by use of stress tests and scenario analyses based on market performance during previous financial crises. Market risk, in particular interest rate risk, is also quantified by measurement of Earning at Risk (EaR) of the banking book. A detailed description of the Bank's market risk measures is presented in the 2009 Financial Statements.

In order to limit the level of exposure to market risk, the BRE Bank SA Risk Committee sets binding VaR limits as well as control numbers: stress test limits and EaR limits of the banking book. All these limits are monitored and controlled on a daily basis.

Value at Risk
In 2009, market risk as measured by Value at Risk (one-day horizon, confidence level 97.5%) remained moderate in relation to VaR limits. The key risk factors were very volatile in Q1 2009 (as a consequence of the financial crisis in the autumn of 2008) but market risk decreased as the financial markets gradually stabilisedin the subsequent quarters of 2009.

The average VaR of the Bank's total portfolio (trading book and banking book) was PLN 9.4 million in 2009 and the maximum VaR was PLN 14.7 million. The utilisation of VaR limits was at a safe level in 2009 and on average amounted to 25% for the portfolio of the Financial Markets Department (DFM) and 63% for the portfolio of the Treasury Department (DS). The relatively higher utilisation of the VaR limit in the Treasury Department was caused, among others, by a reduction of the DS VaR limit in mid-2009.

VaR was mainly affected by portfolios of interest-rates-sensitive instruments (which are mainly part of the banking book), such as Treasury bonds and interest rate swaps, and to a lower degree by portfolios of fx-rates-sensitive instruments (part of the trading book), such as fx options and fx transactions. In Q1 2009, in addition to fx rates, the implied volatility of fx options was a key risk factor in the DFM trading portfolio. The volatility of fx rates and the implied volatility of fx options decreased significantly in the following quarters of 2009. The other groups of risk factors had a relatively lower impact on VaR.

Stress Testing
Stress testing is an additional measure of market risk supplementary to Value at Risk. Stress testing measures the hypothetical change in the present value of the Bank's portfolios that would occur as a result of the risk factors moving to specific extreme values within a one-day horizon.

In regular stress tests based on scenarios of large extremely correlated changes in risk factors, the same for each group, market risk remained within a safe band in 2009, below set control numbers: the average utilisation of the limits was 50% at DS and 21% at DFM. Under these scenarios, the biggest potential loss was observed on a sharp increase of interest rates (mainly Polish rates): at a 15% increase in interest rates, the average loss on the DS portfolio was PLN 38 million and the average loss of DFM was PLN 6 million. If the scenario materialised, it would in large part (corresponding to the portfolios of instruments available for sale) reduce the Bank's equity and have a lesser impact on the Bank's P&L.

In addition, the Bank conducts stress tests based on observed past crises. The average value from the tests in 2009 was PLN 12 million for the DFM portfolio and PLN 44 million for the DS portfolio.

Interest Rate Risk of the Banking Book
In 2009, the interest rate risk of the banking book as measured by EaR (potential decrease of interest income within 12 months assuming an unfavourable 100bp change of market interest rates based on a stable value of the portfolio over the period) was moderate for positions in PLN, CHF and CZK, and low for positions in USD and EUR due to the small interest rate position gap in these currencies. At the end of 2009, EaR (in PLN) was 14.18 million for CHF, 7.47 million for PLN, 5.09 million for CZK, 1.46 million for USD, and 0.13 million for EUR. In addition, the Bank monitors underlying risk, yield curve risk, and customer option risk.

VIII.5. Operational Risk

In 2009, BRE Bank monitored and controlled operational risk using the methods and tools implemented in previous years. In particular, BRE Bank compiles operational event and loss data in its central database (in use since 2003), monitors business and operational process parameters using key risk factors, performs operational risk self-assessment surveys of the Banks' organisational units, defines scenarios for identification and mitigation of the risk of very high operational losses.

In 2009, BRE Bank continued to improve these operational risk controlling tools. The Bank joined an operational event database developed by the Polish Bank Association to support data exchange in the Polish banking sector. All companies of the BRE Bank Group continued integrating their operational risk controlling and management systems. The operational risk controlling rules and standards implemented by BRE Bank currently apply to the entire Group and all subsidiaries.

Detailed information on risks and risk measures in the business of Group (including insurance risk of the subsidiary BRE Ubezpieczenia) is presented in Note 3 of the Consolidated Financial Statements under the International Financial Reporting Standards for 2009.

IX. Investments

Investments in the Bank and the subsidiaries were reduced in the implementation of the BREnova programme. The Group's investments totalled PLN 378.2 million in 2008, including PLN 240.8 million in the Bank. In 2009, investments amounted to PLN 270.0 million in Group (-28.4%) and PLN 182.2 million (-24.3%) in the Bank.

The majority of the Bank's investments at PLN 148.5 million were in IT. The Bank continued to modernise and develop the core IT components. The IT systems of the Bank's main business areas were enhanced with new functionalities, improved availability and business continuity of existing IT solutions.

The main projects in the Bank included:

- Continued development of the GLOBUS system and accompanying applications.
- Implementation of the AIRB project (internal rating based approach) – calculation of credit risk capital requirements.
- Unification of the source code of Altamira – implementation of the Altamira Get Together project.
- New Retail Banking call centre.
- Continued development of Uniflow 2.0 and RSO in Retail Banking.
- Valuta Direct project – self-service fx functionalities for customers.
- Implementation of a new custody support application.

Investments in Logistics and Security at PLN 33.7 million involved the development and modernisation of the corporate branch network and additional equipment for retail branches including:

- adaptation of new premises of the Częstochowa and Zielona Góra Corporate Branches and the new Corporate Office in Siedlce;
- modernisation of the premises of the Corporate Branch in Katowice based on new visualisation and functionality standards;
- procurement and installation of ATMs with deposit functions in the MultiBank and mBank network;
- adaptation of premises and equipment of MultiBank branches following the procurement and installation of recyclers.

In addition, significant investments were made in the modernisation of the air-conditioning system in BRE Bank's Head Office in Warsaw.

X. Human Resources area

X.1. Changes in Headcount

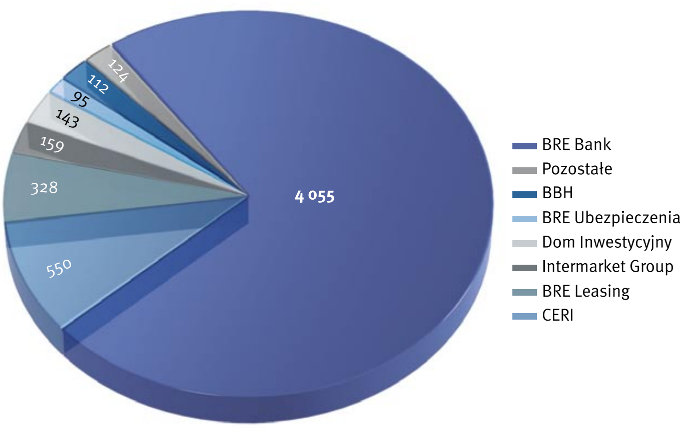
As was mentioned above, the HR area was crucial to the implementation of the BREnova programme in 2009, as demonstrated by the significant reduction of personnel costs by 12.4% year on year, partly due to the workforce reduction early in the year.

BRE Bank had 4,901 employees at the end of 2009, down by 976 year on year. BRE Bank had 4,055 FTEs at the end of 2009, down by 383 as compared to 4,438 FTEs at the end of 2008. The large difference between the number of employees and the number of FTEs is mainly due to the fact that many retail branch employees work part-time.

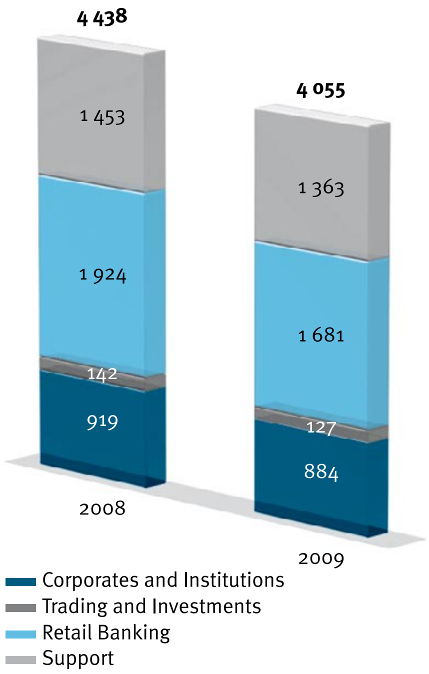
Most of the workforce reductions took place in Retail Banking (243 FTEs) as a group of employees, including employees working part-time, were transferred from mBank and MultiBank to the subsidiary Aspiro.

The headcount of Group was 5,566 FTEs at the end of 2009, as compared to 6,133 FTEs at the end of 2008.
The charts below present the workforce structure of the Group (by company) and of the Bank (by business area).

Headcount in the BRE Bank Group
FTE, end of 2009



Headcount in BRE Bank by business lines FTE



Bank employees are relatively young: 65.8% are under 35 years of age. They are also well educated: 74.0% have university education.

X.2. Training in BRE Bank

Despite the reduction of training costs under the umbrella of the BREnova programme from PLN 16.7 million in 2008 to PLN 6.8 million in 2009, the qualifications improvement programme continued.

Training and development programmes were based on the Bank's long-term HR policy and focused in particular on building a body of successors for management and expert positions, improving effective co-operation among different areas of the Bank, practical project management, change management, financial and risk analysis, upgrade of product expertise, customer service and communication skills.

A large investment in employee development was possible thanks to European Union co-financing of a Retail Banking employee competence development project covering property finance, credit collateral rating, team work and communication, and cross-selling techniques.

Training was offered both in the traditional system and via an e-learning platform, which was improved and implemented across the Bank in 2009. The e-learning offer includes know-how related to given positions (products and procedures training) as well as IT expertise and soft skills.

X.3. Student Internship

BRE Bank offers a student internship programme. The programme helps to select individuals with a high potential who could be hired by BRE Bank in the future. Students get an opportunity to acquire their first professional experience.

Students who have completed at least three years of university classes can be accepted as interns throughout the year. In view of strong demand for internships in summer, the Bank offers an annual summer programme (recruitment starts in April).

The Bank had 323 interns in 2009, including 32 who were later hired by BRE Bank.

X.4. BRE Bank's Incentive System

BRE Bank's incentive system, an important part of the HR strategy, comprises both non-monetary benefits (e.g., professional development opportunities) and monetary rewards (remuneration).

The incentive system plays a key role in the development of corporate culture and builds the competitive advantage by recruiting and retaining skilled employees.

BRE Bank's remuneration policy includes fixed remuneration (base salary) and variable remuneration linked to the performance of the organisation and the employee. This way, the system combines the incentive function with effective cost management and controlling.

The results of the Bank in 2009 were lower than in the previous years. Consequently, the share of bonuses in total employee remuneration decreased.

BRE Bank's bonus and option programme provisions accounted for 30% of personnel costs in 2008 and only 10% in 2009.

The stock option scheme for the Bank's key employees, approved by BRE Bank's Extraordinary General Meeting on 27 October 2008, was not activated in 2009. The Management Board stock option scheme continues on existing terms.

XI. BRE Bank and Corporate Social Responsibility

For many years, BRE Bank has worked with non-profit initiatives guided by its understanding of the growing importance and impact of sponsorship and charity work. More information is presented in the annual publication "BRE Bank's Corporate Social Responsibility Report."

Let's Do Good Together

In 2009, BRE Bank launched several new initiatives addressed to employees. One of them was "Let's Do Good Together", a regular employee volunteer programme developed in co-operation with the BRE Bank Foundation.

It supports social welfare projects proposed and developed by Bank employees. Participants can initiate and implement interesting initiatives with the involvement of colleagues, friends and family. There are four quarterly editions of the programme in spring, summer, autumn and winter. Every three months, the jury selects the five most interesting projects which match the statutory goals of the BRE Bank Foundation (education, health care and social welfare, culture and the arts). The five selected teams receive financial support for their projects. There were three editions of the programme in 2009 (spring, summer, autumn), implementing a total of 15 different projects. In the programme, 51 employees devoted 491 hours of their free time to voluntary work. The programme is a lasting commitment to social responsibility and will continue in future.

Go Green

The large environmental campaign launched in September 2009 was designed to educate employees about resources used by the Bank and raise awareness of environmental issues both at work and elsewhere. Information materials and campaigns supported the environmental awareness raising action. The Aeris Futuro Foundation is the main partner of the project. In addition, environmental prevention measures were put in place, for instance two-sided printing. The outcome of the project as measured by saved resources will be published in H1 2010.

Global Reporting Initiative Methodology in BRE Bank's CRS Reporting

BRE Bank is one of the first companies in Poland to communicate its corporate social responsibility initiatives in a special report (the first edition was published in 2006). In 2009, BRE Bank was the first financial institution in Poland to publish a CSR report under the Global Reporting Initiative guidelines at application level B+ (the content of the report was verified by an independent body). The report Passing the Test of Crisis. Sustainable Development in Difficult Times won the recognition of the 2009 CSR Reports competition jury and received the first prize as the best corporate social responsibility report for 2009. The competition is organised by PricewaterhouseCoopers, CSR Consulting and the Responsible Business Forum.

BRE Bank Foundation

Social responsibility initiatives are mainly co-ordinated by the BRE Bank Foundation, a public charity organisation active mainly in the field of education and science. The Foundation also supports health care and welfare, as well as culture and arts. The mission of the Foundation is to support initiatives of personal development, education and improved quality of social life.

The BRE Bank Foundation celebrated its 15th anniversary in 2009. A gala ceremony at the Warsaw Royal Castle Arcades summarised the charity work of the BRE Bank Foundation. In the 15 years, the BRE Bank Foundation received 9 thousand applications, approved over 4 thousand grants and spent over PLN 15 million on statutory work.

In 2009, the BRE Bank Foundation continued to work with its regular partners and pursued its mission to support initiatives of personal development, education and improved quality of social life.

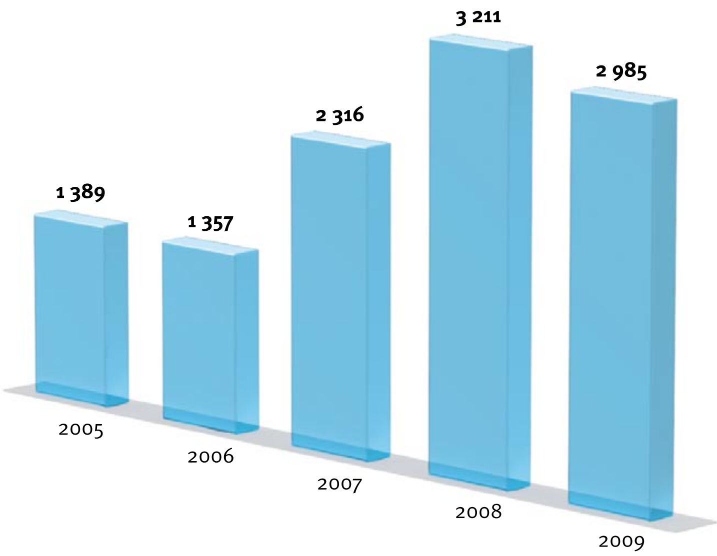
The Foundation granted PLN 2,985 thousand on statutory goals in 2009, a decrease by 7.0% year on year.

The structure of spendings was in line with the adopted strategy, as follows:

- Education, science, entrepreneurship support 52%
- Health care and social welfare 37%
- Culture, national heritage 11 %.

BRE Bank Foundation expenses 2005 -2009

PLN ths



Major projects financed by the Foundation in 2009:

1. The BRE Bank Foundation and the CASE Foundation continued their co-operation under the agreement of 16 December 2005; they jointly initiated and organised seminars and conferences for researchers, experts and practitioners of management concerning the transition of the Polish economy, in particular the banking sector, and publications on economics and finance.
   The anniversary 100th BRE&CASE seminar was held in 2009.
2. Foundation for Education in Entrepreneurship (FEP) – support for a Bridge Scholarship Programme (assistance to freshmen college and university students from unprivileged backgrounds) was continued. The BRE Bank Foundation funded 40 scholarships in 2009. As part of continued cooperation with the FEP, another joint project was also carried on: Contest for FEP Scholarship Holders. Under this project, the Foundation financed another 40 scholarships for the winners.
3. University Entrepreneurship Incubators Foundation – BRE Bank Foundation co-funded the next edition of a business plan competition for students organised by University Entrepreneurship Incubators.
4. The Polish Fund for Children – in 2009, the Foundation supported the Assistance for the Very Gifted Programme and funded awards in the national stage of the EU Young Scientists Competition.
5. The “Help On Time” Foundation for Children received a donation to cover the medical costs of over 200 children.
6. The Synapsis Foundation received a donation for the renovation of the Centre for Autistic Children.
7. The ABCXXI Foundation “All of Poland Reads to Kids”– received a donation for a campaign.

XII. Awards and Distinctions in 2009

In 2009, BRE Bank won recognition for its business operations, technological solutions, investor relations, social responsibility initiatives, and reporting. The main awards and distinctions include:

- BRE Bank won the 10th edition of the Entrepreneur-friendly Bank organised by the Polish Chamber of Commerce. BRE Bank Corporate Branches in Wrocław and Kalisz were awarded the promotion logo. SME Department Director Krzysztof Gerlach was named the Polish Business Banker.
- BRE Bank ranked third in the "Banks" category of the 16th ranking of financial institutions published by the daily Rzeczpospolita.
- BRE Private Banking was named Poland's best private banking by Euromoney Magazine.
- mBank was recognised by customers and experts in the "Customer's Bank" ranking published by the daily Dziennik Gazeta Prawna in partnership with the financial consultancy Expander and the Indicator Centre of Marketing Research. According to customers, mBank is the most recommended bank; experts considered mBank's transaction system to be the best. mBank ranked third in the overall classification.
- mBank is the bank most trusted by Poles, next to the market giants PKO BP and Pekao S.A., according to a survey of the opinion poll institute Homo Homini.
- mBank won the prestigious Forbes "Best SME Bank" ranking.
- MultiBank ranked second in the category "Best Bricks-and-Mortar Bank" and third among banks friendly for customers with disabilities in another edition of the Newsweek Friendly Bank ranking.

  MultiBank won the Golden Customer Laurels in the category "Youth Bank Account" and the Customer Laurels "Discovery of 2009" for microenterprise accounts. The Customer Laurels is the biggest national consumer programme which annually selects the most popular products and brands in over 300 categories. National opinion polls are based on consumer opinions and perceptions of best products.

- BRE Bank won the second position in the 2009 Quality International Forum Competition. The SME customer service quality management model was recognised in the IQ Order – Top Quality Management category. BRE Bank was the top-ranking financial institution in the competition.
- iBRE, BRE Bank's electronic banking platform, was awarded the European Medal in the 18th edition of a competition organized by the European Social and Economic Committee, the Office of the Committee for European Integration and the Business Centre Club, and was recognised in the Europroduct competition organised by Polskie Towarzystwo Handlowe.
- BRE Bank was recognised in the World Best Internet Banks competition of Global Finance in the category "Best Integrated Corporate Bank Site in Central and Eastern Europe."
- The second edition of the Business Superbrand ranking chose BRE Bank's brand as a symbol of top quality, unique reputation, customer trust and market recognition. The Business Superbrand ranking selects the strongest and most recognised B2B brands in Poland.

Euromoney Magazine named BRE Private Banking & Wealth Management the best private banking in Poland for a second time.

Euromoney Magazine once again awarded BRE Bank in the Best Managed Company in CEE ranking. The BRE Bank Management Board was named the Most Accessible Senior Management.

- BRE Bank's Investor Relations was named the best among Polish listed companies in the Institutional Investors 2009 Europe's Best Investor Relations ranking, and took the second position in the IR Magazine ranking of Best Investor Relations by a Polish Company.
- BRE Bank analysts took the second position in a Gazeta Giełdy Parkiet ranking of most accurate macroeconomic forecasts in 2009.
- BRE Bank's 2008 Annual Report won the second award in The Best Annual Report Competition of the Institute for Accountancy and Taxation.
- The Corporate Social Responsibility Report won the Forum of Responsible Business ranking.

BRE Bank Group subsidiaries received many awards:

- 2nd position in a ranking of the best brokerage houses on the IPO market, Puls Biznesu (January 2009)
- 1st position in a ranking of IPO Market Leaders, Forbes (February 2009)
- 1st position of the DI BRE research team in a report of AQ Research (February 2009)
- IPO.PL portal ranking – first position in a ranking of the most effective brokerage houses in two categories: the biggest number of IPOs and the highest reduction rate
- 1st position of the DI BRE research team in the 8th edition of the Gazeta Giełdy Parkiet stock market analyst ranking (December 2009)
- DI BRE named the best brokerage house in 2009 in the Puls Biznesu ranking of brokerage houses on the IPO market
- BRE Leasing won in the “Leasing” category of a Rzeczpospolita ranking of the best financial institutions
- BRE Leasing and Polfactor were awarded for comprehensive leasing and factoring offers in a ranking of Polish Economic Drivers
- CERI was awarded in the 10th edition of the Puls Biznesu SME Ranking “Business Gazelles”, attesting to its position of a dynamically growing provider of outsourcing services with increasing volumes of sales across Poland.

XIII. Changes in Rating

XIII.1 Fitch Ratings

As at the end of December 2009, BRE Bank's Fitch ratings were as follows:

- long-term rating A (second best rating on a 12-grade) scale;
- short-term rating F1 (top rating on a 6-grade scale);
- individual rating C/D (sixth best rating on a 9-grade scale);
- support rating 1 (top rating on a 5-grade scale);
- long-term rating outlook for BRE Bank - stable.

Fitch upgraded the ratings in 2009.
On 8 May 2009, Fitch upgraded BRE Bank's long-term rating from A- to A. The rating has a stable outlook.
After 2 September 2008, the long-term rating was on a watch list with negative indication, which suggested a high probability of a downgrade. However, Fitch upgraded the rating. The change of BRE Bank's ratings followed the European Commission decision of 7 May 2009 approving capital support of the German Financial Market Stabilisation Fund (SoFFin) for Commerzbank. The European Commission decision approving the funding allowed Commerzbank to continue corporate and retail banking operations in Central and Eastern Europe.
Fitch also upgraded the short-term rating from F2 to F1. The individual rating C/D and the support rating 1 were maintained.
Fitch maintained the upgraded ratings on 11 September 2009.

BRE Leasing also holds Fitch ratings, which were also upgraded in 2009: the long-term rating was upgraded from A- to A, the short-term rating was upgraded from F2 to F1, the support rating 1 was maintained. The upgraded ratings reflect the strategic importance of both Polish companies to Commerzbank Group operations in Central and Eastern Europe.

XIII.2. Moody's Investors Service Ratings

As at the end of December 2009, BRE Bank's ratings were as follows:

- long-term deposits rating Baa1 (eight best on a 21-grade scale), outlook stable;
- short-term deposits rating P-2 (second best rating on a 4-grade scale);
- financial strength rating D (A to E scale), outlook stable.

In early 2009, the outlook of the long-term deposits rating A2 was changed from stable to negative.
During the year, Moody's downgraded BRE Bank's ratings twice.

On 2 March 2009, following a downgrade of Commerzbank ratings, BRE Bank's long-term deposits rating was downgraded from A2 to A3 with outlook negative. The short-term deposits rating was downgraded from P-1 to P-2. The financial strength rating D was maintained with outlook stable.

On 10 November 2009, the long-term deposits rating was downgraded from A3 to Baa1. Moody's decision was based on revision of systemic support (potential government support). Moody"s had recalibrated all other Polish banks based on this new systemic support assumption earlier and it had resulted in a number of downgrades in June 2009. Moody's maintained the financial strength rating D. Moody's stressed that BRE Bank's diversified business profile and maintained high profitability of the core business create a cushion for tensions in the external environment despite the Bank's low Tier-1 ratio.

In addition to the ratings granted by these two agencies, BRE Bank also holds a BBBpi rating from Standard & Poor's (prepared on the basis of publicly available information), the fourth grade on a scale of 8, unchanged in 2009.

XIV. Statement on application of Corporate Governance Principles (CGP) at BRE Bank SA for 2009

XIV.1. The basis for preparation of the statement on application of CGP

Pursuant to Article 91. 5 (4) of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodical information provided by issuers of securities and the conditions for considering to be equivalent information required by law of the country not being a member state (Journal of Laws no. 33/2009 item 259) the Management Board of BRE Bank SA hereby provides the Statement on application of corporate governance principles at BRE Bank in 2009.

Information contained in the Statement meets the requirements of the report on application of "Code of Best Practice for WSE Listed Companies" set forth in Article 1 of the Resolution No. 1013/2007 of the Management Board of Giełda Papierów Wartościowych S.A. of 11 December 2007. In connection with this, under Article 2 of the Resolution No. 718/2009 of the Management Board of Giełda Papierów Wartościowych S.A. of 16 December 2009 providing WSE with this statement is tantamount to providing WSE with the report, referred to in Article 29 (5) of the Stock Exchange Rules.

XIV.2. Corporate governance at BRE Bank SA

Since the initial public offering BRE Bank SA has made every effort so as to ensure that all the shareholders have access to information on the company and their rights are respected regardless of the held share package. Ensuring full transparency of action and proceeding in accordance with business etiquette was reflected in application of best practices of the companies listed on the stock exchange, to begin with "Best Practices of Public Companies 2002".

The document "Code of Best Practice for WSE Listed Companies" adopted by the resolution of the Stock Exchange Board on 4 July 2007 is effective since 1 January 2008. The text of "Code of Best Practice for WSE Listed Companies" is available at the Website of the Warsaw Stock Exchange (http://corp-gov.gpw.pl/), and a link to this site is also available on BRE Bank's website (http://www.brebank.pl).

In January 2008, both the Management Board and the Supervisory Board of BRE Bank adopted resolutions in which they expressed their wish to apply the recommendations and principles contained in "Best Practices" and undertook to inform of their breaches.

Irrespective of "Code of Best Practice for WSE Listed Companies" BRE Bank already in 1995 undertook to voluntarily abide by best industry practices, that is the Good Banking Practice Principles, developed by the Polish Bank Association (the original name – Code of Best Banking Practice).

At present, on the basis of the Order of the President of the Management Board, BRE Bank applies the Good Banking Practice Principles, set forth in Appendix 1 to the Resolution No. 6 of 18th General Meeting of the Polish Bank Association of 26 April 2007 including amendments introduced by the Resolution No. 13 of the 20th General Meeting of the Polish Bank Association of 21 April 2009. The document is available on the website of the Polish Bank Association (http://www.zbp.pl).

The Good Banking Practice Principles constitute a set of principles related to banks' activities and refer to banks, persons employed in them, and the persons through which banks perform banking operations. They take into consideration the text of norms contained in the Canon of Good Practices of the Financial Markets. They cover, among others, bank's procedures relating to relations with clients, rules of mutual relations between banks, advertising rules, bank's employee procedures and procedures of handling clients' claims and complaints.

XIV.3. Application of “Code of Best Practice for WSE Listed Companies”

Last year confirmed BRE Bank’s adherence to highest standards of corporate governance. In 2009, no new breaches of the principles set forth in “Code of Best Practice for WSE Listed Companies” were identified.

It is worth remembering that since the moment of applicability of “Code of Best Practice for WSE Listed Companies” BRE Bank has delivered one report concerning nonapplication of the principle of “Code of Best Practice for WSE Listed Companies” (report no. 36/2008 of 17 March 2008). It concerned point IV. 8, which has the following wording: “The General Meeting or the Supervisory Board should ensure that the company authorised to audit financial statements changes at least once every seven financial years”. Meanwhile, PricewaterhouseCoopers has been auditing BRE Bank’s financial statements for over seven years, but the Bank observes the rule that key partners of the audit company responsible for conducting the statutory audit change at least once every seven years in accordance with Article 42 of EU directive (Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts of 17 May 2006).

PricewaterhouseCoopers is an entity that conducts audits of financial statements of the Bank’s strategic shareholder - Commerzbank. The audit company so far responsible for auditing the financial statements of the Bank may change depending on possible change of the audit company responsible for auditing the financial statements of the strategic shareholder of the Bank. Cooperation with one auditor within an international financial group streamlines consolidation of financial statements and is an element of single information policy.

BRE Bank acting with due diligence while applying best practices adopted an interpretation stating that the period of seven financial years should be counted from the first financial year for which financial statements were audited by PricewaterhouseCoopers Sp. z o. o. However, in accordance with the WSE stance, it is acceptable that the listed companies count the period of cooperation with the company auditing financial statements from the effective date of the best practices, which is 2008. Adopting such interpretation BRE Bank meets the requirements of point IV.8 of Best Practices, and thus applies on a permanent basis all the principles of the “Code of Best Practice for WSE Listed Companies”.

Capital market as well as the rules and norms governing it are subject to constant evolution. Challenges with respect to corporate governance in 2010 will involve further improvement of BRE Bank’s standards compliance with the best practices of companies with relation to corporate governance. Amendments of the Code of Commercial Partnerships and Companies, effective since 3 August 2009, in accordance with the requirements of directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, aims to strengthen the rights of shareholders and their activity during general meetings. It is important that the changes in legal regulations were properly reflected in internal regulations of BRE Bank and that such solutions be implemented in practice, which will enable the shareholders to exercise their corporate rights. In this way BRE Bank will become a company that is even more investor friendly.

XIV.4. Shareholders of BRE Bank SA

Commerzbank AG is a strategic investor of BRE Bank. As at the end of 2009, Commerzbank through its 100% in the subsidiary Commerzbank Auslandsbanken Holding AG held 69.78% of shares and votes at the AGM. Controlling rights of Commerzbank AG, being a dominant entity with relation to Commerzbank Auslandsbanken Holding AG, result from the number of held shares and their percentage share in the share capital and the number of votes at BRE Bank’s AGM, which is reflected in exercising the so-called consolidated supervision over BRE Bank being a subsidiary of Commerzbank. Neither Commerzbank, nor any other entity holds shares that give special controlling rights.

30.22% of BRE Bank shares is free float. They are traded mainly by financial investors (about ´ of free float). The remaining shares belong to other investors, including individual investors.
In 2009, the 5% share threshold, obligating companies to inform about the purchase of shares, apart from Commerzbank Auslandsbanken Holding AG, was periodically exceeded by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK and ING Otwarty Fundusz Emerytalny.

In August 2009, ING Otwarty Fundusz Emerytalny reduced the number of held shares of BRE Bank to below 5% of shares and votes at the general meeting (11 August 2009, 4.96% of share capital and votes at the general meeting). Whereas, in November 2009, Aviva OFE Aviva BZ WBK reduced its share in the general number of votes in the company to below 5% (23 November 2009, 4.93% of share capital and votes at general meeting).
The BRE Bank By-laws do not provide for any restrictions concerning transfer of BRE Bank’s shares. There are no restrictions on exercising the right to vote.

XIV.5. General Meeting and Rights of Shareholders

The General Meeting shall be convened and prepared pursuant to the provisions of the Code of Commercial Partnerships and Companies, the Bank's By-laws, and Standing Rules of the General Meeting. Both the By-Laws and the Standing Rules of the General Meeting are available on BRE Bank's website.

The General Meeting (AGM) convened by the Management Board by way of an ordinary procedure is held once a year, not later than in June.

Each share of the Bank represents one vote. Subject to the cases specified in the Code of Commercial Partnerships and Companies, the General Meeting is to be valid regardless of the number of shares represented at the General Meeting.

Under the BRE Bank By-laws, the following matters require a resolution of the General Meeting in addition to other matters set out in the Code of Commercial Partnerships and Companies:

a) ra) examination and approval of the report of the Management Board on the Bank's operations and financial statements for the past financial year;
b) adoption of resolutions on the distribution of profit or coverage of losses;
c) vote of discharge of duties to the members of the Bank's authorities;
d) election and dismissal of members of the Supervisory Board;
e) amendment of the By-laws;
f) increase or reduction of the Bank's share capital;
g) adoption of resolutions concerning the cancellation of shares and resolution to cancel shares, in particular setting the policy of share cancellation not regulated in the By-laws;
h) creation and winding up of special purpose funds;
i) issue of convertible bonds or preferred bonds;
j) determination of remuneration for members of the Supervisory Board;
k) liquidation of the Bank or its merger with another bank;
l) appointment of liquidators;
m) matters submitted by the Supervisory Board;
n) matters submitted by shareholders in accordance with the provisions of the By-laws;
o) election of an entity qualified to audit financial statements as statutory auditor of the Bank.

All matters submitted to the General Meeting should be previously submitted to the Supervisory Board for consideration. The principles of participation in the General Meeting and of casting votes are governed by the Standing Rules of the BRE Bank General Meeting. The Standing Rules of the General Meeting include among others provisions concerning elections including elections to the Supervisory Board as well as provisions on voting procedures. Under the Standing Rules, votes are taken in an open ballot. A secret ballot is required in the case of elections and motions for dismissal of members of the authorities of the Bank or liquidators, motions to put members of the authorities of the Bank or liquidators before justice, and in personnel issues. In addition, a secret ballot is required if requested by at least one shareholder present or represented at the General Meeting.

The General Meeting appoints the Bank's Supervisory Board in a secret ballot. Shareholders propose candidates for Members of the Supervisory Board to the Chairman of the General Meeting, orally or in writing. The right to propose candidates concerns also members of the existing Supervisory Board. The party proposing a candidate for a member of the Supervisory Board should give details of the reasons for their choice. Prior to the election to the Supervisory Board, the General Meeting determines the number of members of the Board of a given tenure within the limits specified in the By-Laws. Candidates for Members of the Supervisory Board should make a statement for the minutes of the General Meeting concerning independence of the candidate.

Resolutions of the General Meeting are passed by a simple majority of votes unless provisions of the Code of Commercial Partnerships and Companies or the BRE Bank By-laws impose a stricter requirement for the passing of a resolution on a specific issue.

Amendments to BRE Bank's By-Laws require adoption of a resolution by the General Meeting of BRE Bank and registration of the adopted amendment in the National Court Register. Before the General Meeting of BRE Bank is presented with a draft of a resolution concerning the By-Laws, the Management Board of BRE Bank adopts a resolution on the proposed changes by adopting a draft of the resolution of the General Meeting, and next the draft is presented to the Supervisory Board of BRE Bank for approval. Under the Code of Commercial Partnerships and Companies, the resolution on amendments to the By-Laws is passed with a majority of 75% of votes.

The 22nd Ordinary General Meeting was held on 16 March 2009. The Bank's shareholders who exercised at least 5% of their votes at OGM were:

- Commerzbank Auslandsbanken Holding AG which exercised 20,719,692 votes constituting 86.75% of all votes cast by the shareholders at the 22nd Ordinary General Meeting of the Bank and 69.78% of total votes represented at the General Meeting of the Bank.
- Commercial Union OFE BPH CU WBK (at present Aviva OFE Aviva BZ WBK) which exercised 1,500,000 votes, constituting 6.28% of all votes cast by the shareholders at the 22nd OGM of the Bank and 5.05% of the total votes represented at the General Meeting of the Bank.

During the 22nd OGM resolutions were adopted on approval of the report of the Management Board of BRE Bank SA and the financial statements of BRE Bank for 2008, distribution of profit for 2008, granting discharge to Members of the Management Board and Members of the Supervisory Board of BRE Bank SA, approval of consolidated financial statements of the BRE Bank Group for 2008, amendments to the BRE Bank By-laws, specifying the number of members of the Supervisory Board of BRE Bank SA, appointing a member of the Supervisory Board of BRE Bank SA, selection of the auditor to audit financial statements of BRE Bank SA and BRE Bank Group for 2009.

The said amendments to the By-Laws resulted mainly from the necessity of adjusting the BRE Bank By-laws to the recommendation of the Polish Financial Supervision Authority which was to make sure that the internal audit unit is fully independent in its operations through accepting by the Supervisory Board the fact of appointing and recalling Director of the Internal Audit Department. Moreover, the By-Laws of BRE Bank provide for the Bank's activity consisting in providing services for the benefit of BRE Leasing and cooperation with BRE Leasing, and consisting in performing activities relating to agency services with respect to factoring and leasing, as well as services involving the function of a payment agent.

All members of the Management Board and the Supervisory Board were granted discharge. Stefan Schmittmann joined the Supervisory Board as its tenth member. PricewaterhouseCoopers was chosen the auditor auditing financial statements of BRE Bank SA and the BRE Bank Group for 2009.

In accordance with the recommendations contained in the "Code of Best Practice for WSE Listed Companies", the General Meeting was broadcast "on line" via the Internet (open transmission, available to all the interested), registered and made available in the form of a file on BRE Bank's website. The resolutions adopted by the General Meeting and shareholders' questions asked during the General Meeting as well as the answers given with respect to matters covered by the agenda were also placed on the website.

XIV.6. Supervisory and managing authorities of the Company and their committees

XIV.6.1. Management Board

Pursuant to the BRE Bank By-laws, the Management Board is composed of at least three members appointed for a joint term of office of 5 years. At least half of the members of the Management Board, including the President of the Management Board, should hold the Polish citizenship. The Members of the Management Board manage selected areas of the Bank's operation within the scope determined by the President of the Management Board. Resolutions of the Management Board specify in detail the division of powers and the procedures of replacement in the case of absence or holiday of Management Board members.

The current composition of the Management Board of BRE Bank is as follows:

Member/function	Professional experience
Mariusz Grendowicz *President of the Management Board, Chief Executive Officer*	Born in 1961, graduate of the Faculty of Economics of Transport at the University of Gdansk and studies in banking in Great Britain. He started his professional career in foreign banks: Grindlays Bank, then in Australia and New Zealand Banking Group in London. In 1991-1992 he worked in Citibank in London, and afterwards in ING Bank, where in 1992-1995 he held managerial positions in Poland, and in 1995-1997 in Hungary. From 1997 to 2000, the President of the Management Board of ABN AMRO Bank Polska and the Head of the ABN AMRO Group in Poland. In 2001-2006 – Vice President of the Management Board of BPH, in charge of Corporate Banking and Property Finance. In the Management Board of BRE Bank since 15 March 2008.

Karin Katerbau *Vice President of the Management Board, Chief Financial Officer*	Born in 1963, graduate of Reutlingen University of Applied Science and Groupe ESC in Reims in France, where in 1989 she received a French and German diploma in management. She started her professional career in 1990 in Societe Generale – Elsaessische Bank & Co in Frankfurt. She joined the Commerzbank Group in 1994. In 2001-2008 she worked for comdirect bank AG, where from 2004 she held the position of Management Board Member, Chief Financial Officer responsible, among others, for finance and controlling. Since March 2008 she held the position of Chief Operational Officer of Private & Business Customers at Commezbank AG, Frankfurt. In the Management Board of BRE Bank since 5 September 2008.
Wiesław Thor *Vice President of the Management Board, Chief Risk Officer*	Born in 1958, graduate of Warsaw School of Economics (the former Central School of Planning and Statistics) in Warsaw and summer school of banking at McIntire University Business School. Since 1990 employed with BRE Bank, since May 2000 as the Managing Director responsible for risk. As of 1 August 2002 he was the Managing Director at Bank Handlowy in Warsaw. On 2 November 2002, he was appointed the Member of the Management Board of BRE Bank, Chief Risk Officer. In the Management Board of BRE Bank since 2 November 2002.
Przemysław Gdański *Member of the Management Board, Head of Corporate Banking*	Born in 1967, graduated from the Faculty of Foreign Trade at the University of Gdańsk and completed a one-year programme in banking and international finance at Loughborough University in Great Britain. In 1993-1995, he worked for IBP Bank S.A., then for ABN AMRO in Romania and in the Head Office of ABN AMRO in Amsterdam. In 2002-2006, he was the Managing Director of Corporate Division in BPH Bank. From May to November 2006 he held the position of Chief Executive Officer and General Director of Calyon Bank Polska and Calyon SA Branch in Poland. In November 2006 he took the position of Vice President of the Management Board in BPH Bank responsible for corporate banking and real estate financing. After the merger of BPH Bank and Pekao SA - Vice President of the Management Board responsible for Corporate Banking, Markets and Investment Banking of Pekao SA. In the Management Board of BRE Bank since 19 November 2008.
Hans Dieter Kemler *Member of the Management Board, Head of Investment Banking*	Born in 1968, graduated from the Westphalian Wilhelm University of Münster in 1996. Within 1991–1992, he worked in the Bond Trading Department of Dresdner Bank. In the period of 1996-1998, employed with Oppenheim jr .& Cie KGaA, the Financial Market Department, Frankfurt and from 1998-2005 - in the Head Office of Commerzbank as Head of the Corporate Risk Advisory. Since 2005, he was a Managing Director of Luxembourg based Public Finance Bank EEPK and a member of the senior management team of Commerzbank responsible for international public finance. In the Management Board of BRE Bank since 10 July 2009.
Jarosław Mastalerz *Member of the Management Board, Head of Retail Banking*	Born in 1972, in 1996 he graduated from the Faculty of Economics and Foreign Trade at University of Łódz. In 1996-1998, he worked in the Audit Department of PricewaterhouseCoopers. In 1998-2003 - Marketing Director and later Financial Director in Zurich Group. After the take-over of the Polish Zurich operations by Generali in 2003, he worked as the Financial Director (also responsible for bank assurance) at Generali TU and Generali TUnŻ. Since 2006 he has been working for the BRE Bank Group, he was a co-author of the insurance project BRE Ubezpieczenia, and he held the position of the President of the BRE Ubezpieczenia Management Board. In the Management Board of BRE Bank since 1 August 2007.
Christian Rhino *Member of the Management Board, Head of Operations and IT*	Born in 1969, graduate of Berlin Technical University. In banking since 1998 when he started working in Deutsche Bank AG, first as e-commerce coordinator, later as director of the eBusiness department, finally as Vice President of Corporate Banking. Since 2001 employed with Commerzbank, where he held the position of Global Head Trade Finance & Transaction Services and Managing Director in Corporate Banking. In the Management Board of BRE Bank since 15 March 2008.

In 2009, one personnel change took place in the Management Board of BRE Bank. On 27 March 2009, Bernd Loewen handed in his resignation to the Chairman of the Supervisory Board and the President of the Management Board owing to signing a managerial contract with the German Bank - KfW. He was released from his duties as of 1 July 2009. On 10 July 2009 Hans - Dieter Kemler was appointed the new member of the Management Board, Head of Investment Banking.

Apart from that, as of 1 October 2009, Karin Katerbau, Member of the Management Board and Chief Financial Officer since 5 September 2008, was appointed Vice President of the Management Board until the end of the present term of office.
The term of office of the current Management Board expires on the day of the General Meeting in 2013.

The members of the Management Board are jointly liable for the overall operation of the Bank. They work collegially and inform each other about the most important matters concerning the Bank for which particular members of the Management Board are responsible. The Management Board may appoint standing committees or teams to perform specific functions or to co-ordinate the work of organisational units of the Bank.

The following committees operate at BRE Bank:

- BRE Bank Group's Operational Management Committee (the chairperson: Mariusz Grendowicz)
- Assets and Liabilities Management Committee (ALCO) of the BRE Bank Group (the chairperson: Hans Dieter Kemler)
- Bank's Investment Committee (the chairperson: Hans Dieter Kemler)
- Capital Management Committee (the chairperson: Karin Katerbau)
- Management Board Credit Committee (the chairperson: Wiesław Thor)
- Risk Committee of BRE Bank (the chairperson: Wiesław Thor)
- Committee on Data Quality Management for the purposes of Bank's regulatory requirements calculation (the chairperson: Wiesław Thor).

The Management Board manages the Bank's business, represents the Bank and defines the guidelines
for the Bank's operation, especially for the areas subject to risks, including the credit policy, the investment policy, the Bank's assets and liabilities management policy and the guarantee policy. The Management Board presents to the Supervisory Board comprehensive information on all significant aspects of the Bank's operation and risks related to its operations as well as risk management methods on a regular basis.

The Management Board operates pursuant to its Rules approved by the Supervisory Board (available on the website of the Bank). The Rules determine among others the issues which require consideration of the Management Board as a collegial body and adoption of a resolution of the Management Board. The issues which require a resolution of the Management Board include among others decisions to assume obligations or to dispose of assets whose total value in relation to one entity exceeds 5% of the Bank's own funds, yet the Management Board by way of its resolution may authorise standing committees or relevant persons to make such decisions.

All resolutions are adopted by a majority of votes of the Management Board members present at the meeting, and in the case of an equal number of opposing votes, the President of the Management Board has the casting vote. The members of the Management Board strive to adopt resolutions by consensus. Pursuant to principles of best practices, the Rules of the Management Board provide that a member of the Management Board should abstain from participating in decision-making on such matters where a conflict of interest arises or may potentially arise between the Bank and the member of the Management Board, his or her spouse, relatives or relations by affinity up to the second degree, as well as persons with whom he or she has a personal relationship.

The Supervisory Board determines the contract terms and remuneration of Members of the Management Board. The Executive Committee addresses issues concerning the rules and amounts of remuneration of members of the Management Board, including determination of the rates thereof.

Rules of the incentive programme for the Management Board and rules concerning procedure of awarding bonuses for Members of the Management Board have been adopted in the resolutions od the Supervisory Board (Resolution no. 65/08 and Resolution no.66/08 dd. 24 January 2008).

Total remuneration of Management Board Members includes a fixed and a variable part. A fixed part includes basic remuneration and management fee, the amount of which is set for each member of the Management Board.
A variable part is an annual cash bonus for the previous financial year, as well as bonus in shares of BRE Bank and Commerzbank. A bonus in shares serves as the long term incentive.

Both annual cash bonus and the value of shares granted to each Member of the Management Board are determined by three following factors:

- net ROE within BRE Bank Group,
- performance of budget within the supervised area,
- assessment of the Management Board Member by the Supervisory Board.

In 2009, the Supervisory Board decided to decrease the annual bonus of the Management Board for 2008 by adjusting of ROE ratio with one-off transaction - the sale of the Vectra shares for PLN 137.7 million.

Total remuneration (in PLN thousand) of the Management Board for 2008 and 2009 is presented below:

Year	Base salary	Other profits	Cash bonus	Total
2008 (members of the Management Board as of 31 December 2008)	6 478.3	581.9	5 982.4	13 042.6
2008 (persons who ceased holding the position in 2008)	2 225.8	4 085.8	11 866.0	18 177.6
Total 2008	**8 704.1**	**4 667.7**	**17 848.4**	**31 220.2**
2009 (members of the Management Board as of 31 December 2009)	8 752.8	1 766.9	5 909.5	16 429.2
2009 (persons who ceased holding the position in 2009)	600.0	71.0	1 270.0	1 941.0
Total 2009	**9 352.8**	**1 837.9**	**7 179.5**	**18 370.2**

Information on remuneration received by particular Management Board Members divided into the fixed part and bonus part has been presented in point 45 of the explanatory notes to the Financial Statements of BRE Bank SA Group for 2009 pursuant to the International Financial Reporting Standards, and the description of share-based incentive programme for the Management Board is presented in 42 note of this report.

XIV.6.2. Supervisory Board

The Supervisory Board acts on the basis of adopted Rules and as stipulated in the BRE Bank By-laws, Code of Commercial Partnerships and Companies and the Banking Law Act. The BRE Bank By-laws provide that the Supervisory Board consists of not less than five members elected by the General Meeting for a joint term of office of three years. The number of the Supervisory Board members is defined by the General Meeting. A member of the Supervisory Board whose term expired in the course of the joint term of office of the Supervisory Board may be replaced with another person, elected by the Supervisory Board.

At least half of all Supervisory Board members, including the Chairperson, should hold the Polish citizenship. Pursuant to the statutory requirement, introduced in 2008 on the basis of III.6 principle of best practices, at least two Supervisory Board Members are independent, unless the General Meeting decides otherwise. Independence criteria of the Supervisory Board Members are stipulated in the Rules of the Supervisory Board.

The composition of the Supervisory Board reflects the aim to diversify its Members both in the context of their professional experience as well as their knowledge and skills. The Supervisory Board is composed of bankers as well as representatives of science and corporate business.

The Supervisory Board of BRE Bank SA acts in the following composition:

Member/function	Professional experience
Maciej Leśny *Chairperson of the Bank's Supervisory Board (independent member)*	Born in 1946, graduate of the Economics Division at University of Gdańsk and foreign post-graduate studies. He worked 22 years in the central state administration, including 8 years on the position of the Subsecretary of State: at the Ministry of Foreign Economy Co-operation, the Ministry of Economy, Labour and Social Policy and the Ministry of Infrastructure. Chairperson of the Supervisory Board of BRE Bank SA within 1994-1998, in December 2001 appointed again as the member of the Supervisory Board. He was re-elected the Chairperson in 2004.
Andre Carls *Deputy Chairman of the Supervisory Board*	Born in 1963, graduate of economics, PhD at the University of Cologne. He joined Commerzbank in 1990; in 2000 to 2008, he was a member of the Management Board of comdirect bank AG, from 2004 to March 2008 CEO of comdirect bank AG, currently holds position of the President of the Management Board of Commerzbank Auslandsbanken Holding AG.
Achim Kassow *Member of the Supervisory Board*	Born in 1966, graduate of business administration and economics at the University of Cologne, PhD in economics. Within 1993-2002, worked in Deutsche Bank Group, from 2001 - Member of the Board of Managing Directors of Deutsche Bank 24 AG. In the period of 2002-2004 – Chief Executive Officer of the Management Board of comdirect bank AG, Quickborn. Since 10 November 2004 – Member of the Board of Managing Directors of Commerzbank AG, responsible for the Business Segment Private Customers and the Business Segment Central and Eastern Europe.

Teresa Mokrysz *Member of the Supervisory Board (independent member)*	Graduate of the Karol Adamiecki University of Economics in Katowice. Co-owner of MOKATE. In 1992-1994 she launched cappuccino coffee as a new product on the Polish market and acquired a 70% market share and a leading position in this product category. In 1994-1995 she built a greenfield MOKATE plant in Ustroń and in 2001 her company put into operation plant in Żory. She is the winner of the "Leader of the Decade" title given by Gazeta Wyborcza daily, and the "Success of the Decade" given by the Businessman Magazine.
Michael Schmid *Member of the Supervisory Board*	Born in 1952, graduate of economics at the University of Würzburg, since 1979 employed with Commerzbank on many positions, he was responsible for corporate banking. At present, he holds the position of Chief Credit Officer – CCO - at Commerzbank's Head office in Frankfurt.
Stefan Schmittmann *Member of the Supervisory Board*	Born in 1956, graduate of economics, PhD in economics at the University of St.Gallen in Switzerland. In 1986-2003, he was employed with Bayerische Vereinsbank AG and as of 1998 with Bayerische Hypo- und Vereinsbank AG. In 2004-2005, Chairman of the Board of Directors of Vereins- und Westbank AG, Hamburg. In 2005, Member of the Divisional Board of Directors in Munich and 2006-2008, Member of the Management Board of Bayerische Hypo - und Vereinsbank AG in Munich, where he was responsible for the Corporate Customer and Commercial Real Estate Customer Division and Member of the Executive Committee UniCredit Corporate Division. Since 1 November 2008, Member of the Board of Managing Directors of Commerzbank AG, currently holding the position of Chief Risk Officer
Waldemar Stawski *Member of the Supervisory Board (independent member)*	Born in 1958, graduate of Gdańsk Technical University and post-graduate studies in the financial analysis. In 1993-1995 he was employed with Pomorski Bank Kredytowy, then with PKO BP as Vice President responsible for Treasury, corporate clients and capital market management. From June 2002 to February 2003, Chairman of the Team of Receivers for Wschodni Bank Cukrownictwa SA. At a later date, he was the Management Board Member of CTL Logistics SA and CEO of the Polish Association of Transport and Logistics Employers.
Jan Szomburg *Member of the Supervisory Board (independent member)*	Born in 1951. Graduate of the University of Gdańsk, a PhD in economics. Previously he worked as an assistant and then as a lecturer at the University of Gdańsk. He is the founder and the President of the Management Board of the Gdańsk Institute for Market Economics. In 90's, he was the chairman of the Polski Bank Rozwoju Supervisory Board, Bank Gdański Supervisory Board, advisor to Minister of Ownership Transformation, member of the Ownership Transformation Council, an advisory body to the Prime Minister. He advised to Jerzy Buzek - prime minister, on economic issues, he was the chairman of the Ownership Transformation Council to the Prime Minister.
Marek Wierzbowski *Member of the Supervisory Board (independent member)*	Born in 1946. Full professor at the University of Warsaw, legal counsel, partner at the law firm of Prof. Marek Wierzbowski Radcowie Prawni Spółka Partnerska, a member of the Public Procurement Board, of the Central Commission for Scientific Degrees and Titles, President of the Court of the Chamber of Brokerage Houses. Professor Wierzbowski was a vice dean of the Faculty of Law and Administration and a vice rector of the University of Warsaw. He was a chairperson of the Stock Exchange Board and a vice chairperson of the Court of Arbitration at the Polish Chamber of Commerce.
Martin Zielke *Member of the Supervisory Board*	Born in 1963, economist, graduate of the University in Göttingen. In 1990 – 2000, he cooperated with Dresdner Bank AG, then he was appointed the Regional Head of Portfolio Investments in Deutsche Bank 24, afterwards the Regional Head of Retail Banking Finance at Deutsche Hyp. In 2002 - 2004, acted as Group Manager of Retail Banking Area, Commerzbank AG, and from January 2005 to March 2006 he was a Group Manager in Corporate Banking area of Commerzbank AG. Since 1 April 2006, Member of the Management Board of Eurohypo Aktiengesellschaft, Eschborn and since 1 February 2008 Group Manager in Group Finance Department at Commerzbank AG.

As it was mentioned earlier, a change which occurred in 2009 was the appointment of the tenth Member of the Supervisory Board - Stefan Schmittmann, Member of the Management Board of Commerzbank AG, by the 22nd General Meeting of BRE Bank held on 16 March 2009.

The following are independent Members of the Supervisory Board: Maciej Leśny, Jan Szomburg, Teresa Mokrysz, Waldemar Stawski and Marek Wierzbowski. Commerzbank - the strategic shareholder is represented by: Andre Carls, Achim Kassow, Michael Schmid, Stefan Schmittmann and Martin Zielke.

The term of office of the SB expires on the day of the General Meeting in 2011.

Powers of the Supervisory Board (defined in the Rules of the Supervisory Board) and its committees involve in particular:

a) providing the Management Board with advice and exercising supervision over the Management Board in developing guidelines for the Bank's operation which is risk bearing, including its credit, investment, guarantee policies, as well as compliance policy and approving proposals of the Management Board concerning the Bank's basic organisational structure,
b) exercising supervision over compliance of the Bank's regulations with regard to risk taking with the strategy and the Bank's financial plan,
c) approving the rules of information policy, adopted by the Management Board, regarding risk management and capital adequacy,
d) approving strategies developed by the Management Board and the procedures of the internal control system, risk management system, internal capital assessment process, capital management and capital planning,
e) assessing adequacy and effectiveness of risk management system,
f) examining all the regular reports and exhaustive information, received from the Management Board, on all important aspects relating to the Bank's operation, risk related to its operation, and on the manner and effectiveness of the risk management,
g) drawing up a concise assessment of evaluation of the Bank's position in order to submit it to the Ordinary General Meeting and append it to the annual report of the Bank for the previous financial year, drafted pursuant to separate regulations,
h) approving the Bank's annual financial plans, multi-annual development plans, as well as strategy of the Bank's operation and rules of cautious and stable management of the Bank,
i) reviewing any motions and matters subject to resolutions of the General Meeting, including draft resolutions of the General Meeting; the Supervisory Board draws up justifications (opinions) for draft resolutions to be submitted for approval of the General Meeting; such justifications (opinions) along with the draft resolutions will be made available to the shareholders at the registration desk before the General Meeting,
j) issuing or approving the rules provided for in the Bank's By-laws,
k) appointing and dismissing the President, First Vice President, Vice Presidents and other Members of the Management Board in accordance with the provisions of the Banking Law Act and taking into consideration relevant qualifications for performing the functions assigned to them,
l) defining terms and conditions of contracts and setting remuneration for President, First Vice President and Vice President as well as other Members of the Management Board,
m) authorising the Chairman of the Supervisory Board to represent the Bank in agreements with the Members of the Management Board including signing the management contracts with the Members of the Management Board,
n) approving conclusion of or amendments to any significant agreement or arrangement with Members of the Management Board or the Supervisory Board,
o) approving conclusion of, amendments to or termination of any significant affiliation agreements or cooperation agreements,
p) analysing the report from the director of the Internal Audit Department, received at least once a year, which, based on the conducted audits and the drawn up reports on monitoring of internal control mechanism effectiveness, contains information on identified irregularities, applications and action undertaken in order to eliminate the irregularities.

Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board on his or her own initiative, or on request of the Management Board, or on request of the Supervisory Board Member not less frequently than three times a year. All Management Board Members participate in meetings of the Supervisory Board except for those agenda items which directly concern the Management Board or its members.

Resolutions of the Supervisory Board are adopted with a simple majority of votes cast. In the case of an equal number of votes, Chairman of the Supervisory Board has the casting vote. Member of Supervisory Board is obliged to notify all the other Supervisory Board Members of any conflict of interest as it arises or a possibility of such conflict and should refrain from taking the floor in discussion and from voting on the resolution pertaining to the situation in which the conflict of interest has arisen or may arise. No resolution should be passed without the consent of the majority of the independent members of the Supervisory Board on the following matters:

- any benefits provided by the Bank or any entities associated with the Bank to the benefit of Members of the Management Board,
- consent for the Bank to enter into a significant agreement with an entity associated with the Bank, a member of the Supervisory Board or the Management Board, and entities associated with them.

The Supervisory Board has 3 Committees: the Executive Committee, the Risk Committee, and the Audit Committee. Each of the committees is composed of four members of the Supervisory Board, including two independent members.
The tasks of the Executive Committee involve, in particular, exercising regular supervision of the Bank's operation in the periods between meetings of the Supervisory Board; authorising the Management Board to acquire, encumber or dispose of real estate, perpetual leasehold, or interests in real estate, shares or equity interests in companies, and other fixed assets if the value of the transaction exceeds 1% of the Bank's own funds; reviewing rules and amounts of remuneration of Members of the Management Board; issuing opinions on granting members of the Management Board approval for engaging in competitive activity.
The Executive Committee is composed of: Maciej Leśny - Chairman and members: Andre Carls, Jan Szomburg and Michael Schmid, who replaced Achim Kassow on 1 October 2009.

The Audit Committee issues opinions about the election of the Bank's statutory auditor by the General Meeting, recommends that the Supervisory Board should approve or reject financial statements, exercises regular supervision over the internal control system at the Bank, and approves the changes proposed by the Management Board of the Bank at the position of the manager of the Internal Audit Department.

The Audit Committee is composed of at least one independent Supervisory Board Member with qualifications and experience in accounting and finance. The Audit Committee is composed of: Martin Zielke – Chairman, and Andre Carls, Maciej Leśny and Jan Szomburg.

The tasks of the Risk Committee include among others exercising permanent supervision over credit risk, market risk and operational risk. Moreover, the Risk Committee recommends that the transactions, provided for in the Banking Law, between the Bank and members of the Bank's authorities should be approved or refused and submits recommendations relating to approval or refusal to approve the Bank's information policy regarding risk management and capital adequacy. The Risk Committee is composed of: Chairman – Michael Schmid, and members: Maciej Leśny, Andre Carls and Waldemar Stawski.

Pursuant to Article 22(5) of the BRE Bank By-laws, all standing committees acting within the Supervisory Board make reports pertaining their performance in the past reporting period available to shareholders. The aforesaid reports are appended to the set of materials for the Ordinary General Meeting.
The amount of monthly remuneration of the members of the Supervisory Board in 2008 and 2009 was set on the basis of the Resolution No. 27 adopted by the 17th General Meeting of BRE Bank of 21 April 2004.
Additional monthly remuneration is granted for participation in standing committees: 50% of monthly basic remuneration for the first committee and 25% for participating in every other committee. Total remuneration for participation in committees cannot exceed 75% of the basic remuneration.

Total remuneration (in PLN thousand) of the Supervisory Board for 2008 and 2009 is presented below:

Year	2008	2009*
Remuneration paid in PLN thousand	1 848.1	1 866.8

*/ from March 2009 The Supervisory Board consists of 10 Members compared to 9 Members in 2008.

Detailed information about the remuneration amounts paid in 2008 and 2009 to particular Members of the Supervisory Board is included in the explanatory note no. 45 to the Financial Statements of the BRE Bank SA Group for 2009 in accordance with the International Financial Reporting Standards.

The challenging situation on international financial markets, economic slowdown and growing financial difficulties of enterprises required very close cooperation with the Management Board on key issues related to the Bank's operation.

The Supervisory Board, including especially the Executive Committee, cooperated closely and on a regular basis with the Management Board in order to develop the Mid-term Business Plan for BRE Bank Group for 2010-2012 and strategic directions for the future business development of the Group.

In 2009, the Supervisory Board held 4 meetings and adopted 21 resolutions.
The resolutions concerned, in particular:
- acceptance of financial statements of BRE Bank, BRE Bank Group and of other materials for the OGM,
- incentive programme for the Bank's management - issue and acquisition of shares / bonds,
- adopting the Mid-term Plan,
- adopting the Financial Plan for 2010,
- personnel issues,
- granting a loan to an entity associated with a Member of the Management Board,
- granting a loan to a Member of the Management Board,
- adopting the amendments in the Rules of the Supervisory Board,
- adopting new text of the BRE Bank By-laws,
- allocation of funds to BRE Bank's Foundation,
- adoption of the report on compliance risk management,
- consent for BRE Bank SA to take a bilateral loan from Commerzbank,
- approval of the content of the motion to supervisory authorities on the approval for implementing at BRE Bank the A-IRB approach (Basel II),
- adoption of the model management policy in the credit risk area.

Furthermore, current results of BRE Bank Group and particular business areas were discussed and evaluated with reference to the financial plan in a systematic, regular manner at the meetings of the Supervisory Board.

The Supervisory Board of the Bank operated in an effective manner. Meetings of the Supervisory Board were held in the presence of all Members. There was only one justified case when a Member of the Supervisory Board did not participate in a meeting. The Supervisory Board passed all resolutions and decisions unanimously.

Participation of the Supervisory Board Members in the meetings and in the Committees in 2009:

	Turnout*	Executive Committee	Risk Committee	Audit Committee
Andre Carls	4/4	X	X	X
Achim Kassow	3/4			
Maciej Leśny	4/4	X	X	X
Teresa Mokrysz	4/4			
Michael Schmid	4/4	X	X	
Stefan Schmittmann (appointed on 16 March 2009)	3/3			
Waldemar Stawski	4/4		X	
Jan Szomburg	4/4	X		X
Marek Wierzbowski	4/4			
Martin Zielke	4/4			X

* Attendance at meetings/ number of meetings during a term of office.

In 2009, the Risk Committee focused mainly on the implemented project which introduces at BRE statistical methods for calculating credit risk regulatory capital requirements (A-IRB approach, Basel II), discussed quarterly risk reports and the current credit portfolio.

The Audit Committee cooperated closely with the external auditor PricewaterhouseCoopers and internal auditor in the scope of correctness of the financial statements submitted and results of the audits conducted. It also discussed changes in the IFRS, as well as the assessment of internal control and risk management systems, implementation of KNF post-inspection recommendations, client's exposure to derivative instruments and the most important risk issues potentially affecting the Company's financial standing. Finally it examined and approved the annual internal audit plan.

The Executive Committee was also involved in the topic of remuneration and of awarding bonuses to the Members of the Management Board, issued approvals for the participation of the Members of the Management Board in supervisory boards of other companies and approved transactions exceeding 1% of Bank's equities.

XIV.7. Internal control and risk management systems with regard to the process of preparing financial statements and consolidated financial statements

The Bank has an internal control system which aims at ensuring security and stability of the Bank's operations, supporting management of the Bank, and improving performance of its tasks.
The internal control system includes the following:
1) functional internal control,
2) institutional internal control.

The functional internal control is a system applicable to each organisational unit of BRE Bank. Each organisation unit of the Bank performs internal control tasks under supervision of the head of an organisational unit.
The functional internal control system is subject to regular assessment and monitoring through institutional internal control.
Institutional internal control is exercised by the Internal Audit Department (DAW). DAW operates on the basis of the provisions of the Banking Law, BRE Bank internal regulations, International Standards for Professional Practice of Internal Auditing and best business practices in this respect.
The Internal Audit Department is under the administration of the President of the Management Board of the Bank and reports to the President of the Management Board and to the Audit Committee of the Supervisory Board of the Bank. The principle of audit operational independence is applied since auditors are not involved in operational activity.

The main functions of DAW include:

- developing the rules for internal control system, assessment of risk management systems and consultancy in this respect,
- monitoring and assessment of efficiency of the risk management systems,
- examining and assessing the adequacy and effectiveness of control mechanisms in the Bank management systems, operating and IT systems,
- performing planned and ad hoc control activities in terms of particular banking and IT products, organizational units and Bank's areas of activity,
- exercising functional supervision over internal control units in the Bank's organisational units (including the Bank's foreign branches),
- initiating and supervising prevention activities aiming at counteracting irregularities in the Bank's operation,
- maintaining contact with the Polish Financial Supervision Authority (KNF) and the Supreme Chamber of Control (NIK), on behalf of the Bank, in the scope of the Department's competence,
- coordination of works related to controls exercised by external control authorities and cooperation with an external auditor.

In terms of assurance and consulting services, DAW performs:

- audit tasks: scheduled on the basis of "The plan of DAW's operation" and ad hoc,
- non-audit tasks of consultative and advisory nature.

The scope of those tasks covers all the Bank's organisational units.

PThe process of internal audit is a planned process. The audit plan is prepared on an annual basis following risk analysis of all relevant business areas of the Bank, approved by the Management Board of the Bank and accepted by the Audit Committee of the Supervisory Board. Audit results are reported to the President of the Management Board and to the Audit Committee of the Supervisory Board. The DAW monitors the implementation of post-audit recommendations.

In its advisory role, DAW issues opinions on internal legislation, regulations, policies and procedures for the operational activity of the Bank from the perspective of internal control and risk. The Department also provides internal services in the organisation including auditor supervision over ongoing or developed projects executed at the Bank.

In particular, the Bank uses risk management and internal control in the process of preparing financial statements.
The process of preparing financial data for reporting needs is automated and based on the General Ledger of the Bank. Preparation of data in source systems is subject to formalised operational and acceptance procedures. Creating the General Ledger of the Bank takes place within the process which covers respective internal controls. Manual adjustments are subject to special control.

Operational risks which occur in the process of creating financial statements were included in the Self-assessment of Operational Risk. In the process of monitoring operational risk at the Bank mechanisms have been implemented which effectively ensure the security of IT systems at the Bank. The Business Continuity Contingency Plan applies at the Bank, covering IT systems used in the process of creating financial statements.

The process of organising the examination of the Bank's financial statements is laid down in the Bank's internal legislation and is approved in the form of an Order of the President of the Management Board. The Order in force provides for a clear and transparent division of responsibilities of the persons participating in the preparation and verification of the quality of prepared financial statements of the Bank.

The Bank's financial statements are prepared by the Accounting Department (DR) which constitutes an organisational unit in the Finance Business Line and reports directly to the Managing Director of Accounting and Controlling and to the Chief Financial Officer.

Substantive and organisational supervision over the course of examining financial statements is exercised by the Director of DR. The work on the preparation of the annual and semi-annual financial statements of the Bank is co-ordinated by the Deputy Director of DR. The prepared financial statements are submitted to the Management Board for verification. Additionally, the Audit Committee receives information on quarterly financial statements and on profits and losses before they are published. The Audit Committee deals with the financial statements in detail and recommends the Supervisory Board to approve or reject the annual financial statements.

The annual and semi-annual financial statements of the Bank are subject respectively to an independent audit and a review by a statutory auditor.

The Bank manages the risk of the process of preparation of financial statements also by ongoing monitoring of changes in requirements under external legislation and regulations concerning reporting obligations of banks, and by preparing for their implementation well ahead of the deadline.

The Bank also updates on an ongoing basis its accounting principles used to prepare financial statements.
The Bank also performs the control functions with respect to subsidiaries, which are consolidated for the purpose of preparing the financial statements of the Group, through its representatives in supervisory boards of those subsidiaries.

It is worth mentioning, that in 2009 BRE Bank was ranked second in "The Best Annual Report" contest, in the financial institutions and banks category, organised by the Institute of Accounting and Taxes. Earlier - in 2008 and in 2007 BRE Bank was ranked highest in that contest. The contest aims at promoting annual reports which are most useful for shareholders and investors.

XIV.8. Compliance at BRE Bank

Compliance policy is executed at BRE Bank. Its aim is to guarantee that the provisions of law and the standards of conduct for financial institutions are obeyed at the Bank. The Management Board is responsible for implementation of the Compliance Policy, delegating that obligation to the Compliance Bureau (BMZ) which is supervised directly by the President of the Management Board.

In the area of compliance a number of banking regulations have been introduced, in order to guarantee that:
- cases of using the Bank in money laundering practices and in financing terrorism will be identified and reported to proper state authorities,
- confidential information will not be used to favour the Bank's employees compared with other participants of the organised financial market - internal regulations impose limitations on private investments of employees who have access to confidential information,
- personal data of clients are effectively protected, and their use and processing is subject to the provisions of law,
- gifts given to and received from Bank's clients do not generate corruption related situations thanks to the gift policy adopted at the Bank,
- principles of limiting conflicts of interests are applied at the Bank through limiting the employee's possibility of participation in supervisory boards and management boards of companies which are the Bank's clients,
- as well as through applying the "Chinese Walls" principle in order to limit the flow of confidential information between organisational units,
- banking products advertisements are subject to thorough evaluation in terms of applicable regulations and standards.

XIV.9. Investor relations in BRE Bank

It is BRE Bank's tradition to devote special attention to establish good communication between the Company and the investors. The main goals of investor relations are: informing about the operation and results of the company, building the company's credibility and influencing its proper evaluation. In 2009 the investor relations team was transformed into Investor Relations Bureau.

Year 2009 was a determinant of responsibility and care of the stakeholders by the bank and an exam checking the ability to communicate during a crisis environment.

The Bank has provided the market with the information on preliminary financial results twice, in January and July 2009; when results differed considerably from the previous quarters and market expectations. In both cases, by respecting the best models in terms of corporate governance, the Bank reacted immediately and informed about the ensuing situation ahead of time compared to the publication of the quarterly results. Such conduct was assessed positively by investors, all the more so, because the market practice consists in maximizing a delay of releasing this kind of information.

Furthermore, in 2009 the traditional activities from the investor relations scope were conducted. Investors and stock analysts had a chance to meet with the Management Board representatives on the occasion of numerous foreign and domestic conferences, road-show and individual talks. In 2009 the Management Board of BRE Bank was ranked 1st by Euromoney Magazine in the category of the most accessible senior management.

Like every year, four analysts' conferences on quarterly results were organized. Bearing in mind the comfort of the audience, conferences were also broadcast via Internet and recordings were published on the websites.

A total of 390 stakeholders took part in 187 meetings organised by investor relations within a year and the number of contacts of the investor relations team with analysts and investors, both individuals and institutions,in the form of e-mails and phone conversations in 2009 exceeded 1.7 thousand.

Activities of Investor Relations team were highly ranked in the rankings announced in 2009 of the financial magazines Institutional Investor and IR Magazine. In the first case, Investor Relations of BRE Bank were ranked first among Polish companies and were granted the "Best Investor Relations - Poland" title. In a similar ranking of an opinion-forming IR Magazine monthly, BRE Bank was ranked second among the companies applying for the title "Best IR by a Polish company". Positive opinion on the quality of investor relations at BRE has also been shared by analysts surveyed by "Parkiet" in March 2009. They assessed the quarterly reports of companies listed on the stock exchange, as well as meetings dedicated to results and presentations. BRE Bank was ranked 2nd.

XV. BRE Bank Group's Plans for the Future

XV.1. Conditions for 2010 Plans – Macroeconomic Scenario

In 2010, we expect GDP growth to accelerate significantly to ca. 3% as compared to estimated 1.7% in 2009.
In the coming quarters, consumption will be relatively stable and increase modestly later in the year. The growth in consumption will be curbed by a delayed effect of deterioration on the labour market and a decrease of total wages. The situation on the labour market will probably improve only in the second half of the year, when companies hire new staff, consequently driving private consumption. Naturally, the situation on the labour market will be largely dependent on the outlook of both domestic and foreign demand.

As for domestic demand, the first positive signal is the significant slow-down of the trend to reduce corporate stocks (observed already in Q3 2009); stocks should be gradually rebuilt in the coming quarters as the market picks up. Another important driver is the expected increase in infrastructure investments: the Ministry of Finance expects ca. PLN 12 billion. Yet another key factor driving domestic demand is the level of foreign direct investments. This part of investment demand is difficult to forecast because it depends on global sentiment and risk aversion. However, assuming that the global risk aversion decreases, the inflow of FDI to Poland can be expected at a level close to the average recorded in the past years. Last but not least, other private investments will grow slowly in 2010 as stocks are replenished. However, assuming that the production capacity will be utilised at 77% while new lending remains limited, private investments cannot be expected to grow sharply. Yet, if investments do grow more dynamically, this will happen at the cost of a bigger negative contribution of net exports due to growing imports.

The inflation path in 2010 will probably be V-shaped. The CPI will drop in H1, approaching the floor of the NBP inflation target band, mainly due to the strong effect of a high statistical base of 2009 (prices grew sharply month on month in early 2009 due to strong depreciation of the zloty). In H2, the CPI might rebound fast as inflation pressure mounts due to growing consumption and disappearance of the base effect. The outlook of high inflation in H2 and the improving economy should encourage the Monetary Policy Council to raise interest rates during the year, at the earliest in Q3. We expect that the NBP reference rate can increase to 4.00% by the end of 2010, as compared to 3.50% at the end of 2009.

XV.2. Scenario for the Banking Sector

In 2010, the growth rate of household deposits is expected to fall from 15.2% YoY at the end of 2009 to ca. 8% YoY in H1 2010, and to stabilise at this level until the end of the year. This will be driven by the worse conditions on the labour market, resulting in a decrease of total wages and continued growth of unemployment in H1 as a delayed effect of the current economic slow-down. The growth rate of deposits will also be curbed by continued inflows to investment funds (the balance of payments and withdrawals remains positive since mid-2009) and further large IPOs on the WSE in the intensified privatisation process of state companies (e.g., Tauron).

The average annual growth rate of corporate deposits in 2010 should remain around 10% YoY, as compared to 4.5% YoY in 2009. The growth of corporate deposits has been accelerating for several months and will continue to accelerate in 2010, driven by major improvements in the financial results of companies (up by 18.5% YoY in Q3 2009) thanks to economic recovery.

Limited availability of long-term bank debt combined with still high credit risk will lead to moderate loan growth in 2010. In addition, the volume of loans will be affected by appreciation of the zloty as the value of fx loans decreases (in particular, housing loans). Lending can be expected to pick up only in H2 when the Polish economy gains momentum and credit risk drops significantly.

Retail loans are expected to grow by ca. 6% in 2010, as compared to 11.8% in 2009. New lending to corporate customers will slow down more sharply following a decrease reported at the end of 2009 (-3.4% YoY). The annual growth rate of corporate loans will remain negative for most of 2010 but it should turn positive later in the year (expected growth by ca. 4% YoY at the end of 2010).

XV.3. Strategic directions of BRE Bank Group's development in 2010

The main strategic goals for BRE Bank Group in 2010 include enhancement of its capital position and profitable growth of the business in attractive product areas e.g. (i) reinvigorating growth in its existing core business lines in both retail and corporate segments, (ii) expanding market share in non-mortgage retail lending and (iii) strengthening its position in niche adjacent corporate lending segments. The Bank seeks to complement lending volume growth with effective cross-selling efforts, especially with regards to non-solvency products for both corporate and retail clients. The Bank will focus on organic growth of its franchise and continue to win new customers.

The Management Board of the Bank intends to recommend to the Annual General Shareholders Meeting a pre-emptive rights issue in 2010 of up to 70% of the existing share capital of the Bank with the aim to raise PLN 2bn as a result of the new shares' issue.

The Bank plans to increase its share capital and increase its strategic flexibility to support the implementation of the announced growth strategy for the years 2010 – 2012, as well as provide for a Tier 1 capital ratio in line with potential new capital requirements, both regulatory and those of the marketplace.

The Bank expects that its improved capitalization will reinforce its competitive advantage to win profitable business from clients and facilitate its expansion plans as economic conditions improve.

In corporate banking the Bank will seek to strengthen its position in lending to public-sector entities and to expand in projects co-financed with the EU funds. At the same time, the Management Board plans further acquisition of clients from K2 and K3 segments. In investment banking the Management Board intends to maintain the current model of close cooperation with corporate clients and improve the range of products currently offered to clients. This will allow the Bank to maintain its strong position particularly in IR-products, FX and debt origination.

For retail banking, the strategic goal is to strengthen the Bank's position in its non-mortgage lending business,in particular among the existing clients of the Bank. The Bank intends to achieve this goal through cross-selling and, consequently, increasing penetration levels of the Bank's customer base. At the same time, revenues from non-mortgage products will help to diversify the Bank revenue sources. Moreover, the Bank aims to further develop sales of mortgage products, including those denominated in foreign currencies. The sales of foreign currency mortgage products will be based on the Bank's expertise gained from building up the current portfolio of mortgage loans denominated mainly in CHF.

The Bank plans to maintain a leading position in product innovations. In particular, the Management Board intends to become a leading player in modern transactional banking, tailored for corporate clients. A further development of electronic distribution channels, both for corporate clients and individuals is planned.

The BREnova Programme implemented in the Group in 2009, improved the cost base significantly, which, in turn, improved the operating efficiency ratios. The Management Board will seek to maintain the ratios achieved in 2009 or improve them.

XVI. Statements of the Management Board of the Bank

True and Fair Picture in the Presented Reports

The Management Board of BRE Bank SA declares that according to their best knowledge:

- The consolidated financial statement and the comparative figures were prepared in compliance with the binding accounting principles and present a true, fair and clear picture of the financial position and the condition of the assets of BRE Bank SA Group as well as its financial performance;
- The report of the Management Board concerning the business activities in 2009 presents a true picture of the developments, achievements, and situation of BRE Bank SA Group, including a description of the main risks and threats.

Appointment of the Auditor

The Auditor authorised to audit financial statements performing the audit of the annual financial statements of the BRE Bank SA Group was appointed in compliance with legal regulations. The audit company and its auditors fulfilled the conditions necessary for an impartial and independent audit report in compliance with respective provisions of Polish law and professional standards.

Signatures of the Members of the Management Board of BRE Bank SA

Date	Name	Position	Signature
01.03.2010	Mariusz Grendowicz	President of the Management Board, General Director of the Bank	
01.03.2010	Karin Katerbau	Deputy President of the Management Board, Bank Director for Finance	
01.03.2010	Wiesław Thor	Deputy President of the Management Board, Bank Director for Risk Management	
01.03.2010	Przemysław Gdański	Member of the Management Board, Bank Director for Corporate Banking	
01.03.2010	Hans - Dieter Kemler	Member of the Management Board, Bank Director for Investment Banking	
01.03.2010	Jarosław Mastalerz	Member of the Management Board, Bank Director for Retail Banking	
01.03.2010	Christian Rhino	Member of the Management Board, Bank Director for Operations & IT	