BRE BANK SA

BRE Bank SA Group

IFRS Consolidated Financial Statements
for the fourth quarter of 2009

Contents

Selected financial data

	SELECTED FINANCIAL DATA FOR THE GROUP	in PLN '000		in EUR '000	
		IV Quarters of 2009 from 01.01.2009 to 31.12.2009	IV Quarters of 2008 from 01.01.2008 to 31.12.2008	IV Quarters of 2009 from 01.01.2009 to 31.12.2009	IV Quarters of 2008 from 01.01.2008 to 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 non-controlling interests	**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)	**-**	**-**	**-**	**-**

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 PLN '000		in EUR '000	
		As at 31.12.2009	As at 31.12.2008	As at 31.12.2009	As at 31.12.2008
I.	Total assets	**81 020 025**	**82 605 202**	**19 721 539**	**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.	Equity attributable to Owners of BRE Bank SA	**4 120 187**	**3 894 452**	**1 002 918**	**933 384**
VI.	Non-controlling interests	**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**

	SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000		in EUR'000	
		IV Quarters of 2009 the period from 01.01.2009 to 31.12.2009	IV Quarters of 2008 the period from 01.01.2008 to 31.12.2008	IV Quarters of 2009 the period from 01.01.2009 to 31.12.2009	IV Quarters of 2008 the period from 01.01.2008 to 31.12.2008
I.	Interest income	**2 865 773**	**2 940 153**	**660 225**	**832 409**
II.	Fee and commission income	**777 932**	**704 842**	**179 222**	**199 553**
III.	Net trading income	**385 267**	**447 478**	**88 759**	**126 689**
IV.	Operating profit	**98 878**	**901 487**	**22 780**	**255 227**
V.	Profit before income tax	**98 878**	**901 487**	**22 780**	**255 227**
VI.	Net profit	**57 143**	**829 531**	**13 165**	**234 855**
VII.	Net cash flows from operating activities	**(2 076 159)**	**(6 895 493)**	**(478 312)**	**(1 952 236)**
VIII.	Net cash flows from investing activities	**(49 500)**	**577 299**	**(11 404)**	**163 444**
IX.	Net cash flows from financing activities	**191 435**	**7 165 940**	**44 103**	**2 028 804**
X.	Net increase / decrease in cash and cash equivalents	**(1 934 224)**	**847 746**	**(445 612)**	**240 012**
XI.	Earnings per 1 ordinary share (in PLN/EUR)	**1.92**	**27.95**	**0.44**	**7.91**
XII.	Diluted earnings per 1 ordinary share (in PLN/EUR)	**1.92**	**27.93**	**0.44**	**7.91**
XIII.	Declared or paid dividend per share (in PLN/EUR)	**-**	**-**	**-**	**-**

	SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000		in EUR'000	
		As at 31.12.2009	As at 31.12.2008	As at 31.12.2009	As at 31.12.2008
I.	Total assets	**72 607 181**	**72 355 392**	**17 673 721**	**17 341 432**
II.	Amounts due to the Central Bank	**2 003 783**	**1 302 469**	**487 752**	**312 163**
III.	Amounts due to other banks	**19 184 949**	**20 142 760**	**4 669 916**	**4 827 620**
IV.	Amounts due to customers	**42 414 412**	**37 438 494**	**10 324 330**	**8 972 892**
V.	Own equity	**3 813 626**	**3 624 147**	**928 296**	**868 600**
VI.	Share capital	**118 764**	**118 764**	**28 909**	**28 464**
VII.	Number of shares	**29 690 882**	**29 690 882**	**29 690 882**	**29 690 882**
VIII.	Book value per share (in PLN/EUR)	**128.44**	**122.06**	**31.27**	**29.25**
IX.	Diluted book value per share (in PLN/EUR)	**128.28**	**121.98**	**31.22**	**29.23**
X.	Capital adequacy ratio	**11.73**	**10.04**	**11.73**	**10.04**

The following exchange rates were used in translating selected financial data into euro:

- for items of the Statement of Financial Position – exchange rate announced by the National Bank of Poland as at 31 December 2009: EUR 1 = PLN 4.1082, 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 – 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 four quarters of 2009 and 2008:1 EUR = 4.3406 PLN and 1 EUR = 3.4247 PLN respectively.

Introduction

Net profit attributable to the shareholders of the holding company of BRE Bank Group was PLN 128.9 million and the profit before tax reached PLN 209.4 million at the end of 2009. The 2009 profit was affected by continuing negative market trends, mainly reflected in higher loan loss provisions and lower trading income compared to 2008. In addition, the results of 2008, i.e., profit before tax of PLN 1 000.1 million and net profit of PLN 857.5 million, included a high contribution of one-off transactions.

The income on the core business grew year on year in 2009 and reached a record high level while overhead costs were reduced, mainly due to the effectively implemented strategic programme, BREnova.

Net interest income was the main driver of growth in the Group's income in 2009: it grew by 19.1% YoY (PLN 265.7 million) mainly driven by positive change in assets structure in favour of more profitable products, growth in loan volume and increased lending margin which was partly offset by interest expenses on deposits. Net commission income grew by almost 8% YoY (PLN 43 million) due to cross sell activities and customer growth. Trading income was down by 16% year on year (PLN 77.5 million) due to continuing weak economic conditions as well as due to accounting recognition of hedging the operations of foreign branches and first-time creation of a general provision for derivatives.

BRE Bank Group's cost reduction measures helped to reduce overhead costs by 4.5% year on year while depreciation was up by 27.5% in 2009.

BRE Bank Group's return on equity (profit before tax on continued and discontinued operations to the average equity excluding the profit of the period) stood at 5.1% p.a. in 2009, compared to 30.8% in 2008 (22.8% net of one-off transactions).

The Group's cost/income ratio on continued activities (CIR measured as overhead costs and depreciation to income including net other operating income and cost) reached 54.2% at the end of 2009, which represents a YoY decrease by 3.5 p.p. from 57.7% (60.8% net of one-off transactions) in 2008. Due to its record high recurrent income and stable costs BRE achieved in 2009 the lowest C/I ratio over the last 5 years.

Profit before tax amounted to PLN 81.9 million in Q4 2009. The profit was a result of the highest quarterly income level combined with higher overhead costs, characteristic for the end of the year and this time also driven by extraordinary, non-recurring items. Also, in Q4 BRE recorded lower loan loss provisions by PLN 49.3 million QoQ. The income in Q4 was driven by the core business as well as by dividend income on PZU shares held by BRE (PLN 96.2 million). Trading income was down QoQ, i.a. mainly due to the creation of general provisions for valuation of derivative instruments and the recognition of fx-hedging of the operations of foreign branches. As expected, administrative expenses in Q4 were higher than in the previous quarters and were driven by the Bank's four major marketing campaigns: SMEs and transaction banking in Corporates, and two campaigns in mBank and MultiBank in Retail. In addition, as announced in our Q3 2009 report, in view of the PZU dividend income, the Bank decided to implement some measures which generated additional costs: other operating costs and depreciation in Q4 included ca. PLN 57 million of one-off costs, i.e., accelerated amortization of selected intangible assets and provisions against future liabilities arising from signed contracts and liabilities following court decisions concerning fees charged for bridge insurance of mortgage loans. In Q4, loan loss provisions were considerably lower than in the previous quarter, i.a. due to better financial situation of the Bank's clients.

Main drivers of the financial results in 2009 included:

1. High share of loans in the Group's balance sheet. In particular, retail loans grew by 6.4% as measured by end-of-period balances. The growth rate of total BRE Group gross loans amounted to 2,7% in 2009.
2. Change in the structure of the loans portfolio with a growing share of retail clients, improving profitability and risk diversification of the portfolio. Non-mortgage loan volume per client increased by 14.5% in 2009 vs. 2008 which was increasing the credit margin throughout 2009 and consequently the share of stable regular revenues.
3. Growth of the deposit base by over PLN 5 billion in 2009, including an increase of over PLN 3 billion in Q4 alone, as a result of well targeted deposit gathering campaigns attracting both retail and corporate deposits. Amounts due to customers grew by 13.4% in 2009 (including retail customer deposits, up by 15.7%) and by 8.5% in Q4. As a result BRE improved its market share in Retail deposits (up to 5.1%) and retained its high market share in the enterprise market (8.9%). Thanks to this trend, the ratio of deposits to loans improved gradually during 2009. Continued deposit volume growth improved BRE's liquidity profile and will facilitate profitable loan portfolio growth in the future. At the same time, the YoY growth in customer deposits as measured by average balances was lower than the growth in the loans portfolio. This increased demand for financing in the interbank market and the relative cost of funding, which negatively influenced interest margins.
4. Impact of declining market conditions and low liquidity including more limited opportunities to generate income, growing cost of new funding, and negative impact on the valuation of financial instruments.
5. However and despite falling market interest rates the net interest margin of BRE Bank Group was maintained at 2.3% in 2009 (2.3% in 2008) thanks to the balanced approach undertaken by the Bank.
6. Significant volatility of the foreign exchange rates, impacted both, balance-sheet items and foreign exchange profit.
7. Strongly increased charge of loan loss provisions in the Group as a result of the effects of the market downturn to the standing of customers of the Bank (including a share of over 25% of credit provisions related to

asymmetric derivative instruments). Nevertheless BRE Banks's NPL ratio (old NBP rules) stayed at 5.9% and compared favourably to the market (market NPL ratio: 7.6%).

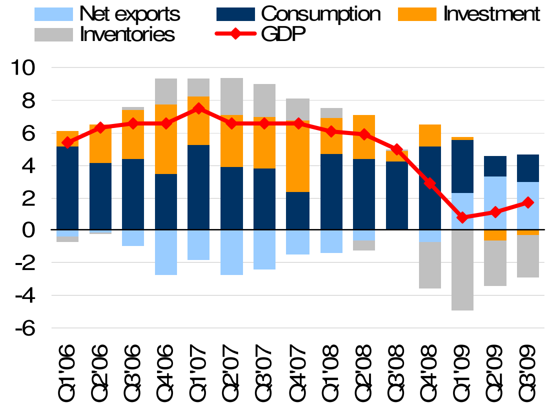
8. Strict cost discipline, both at the Bank and the subsidiaries, with the implementation of the strategic programme BREnova resulting in the best cost/income ratio (excluding one-off transactions) of the Group over the last 5 years.

Macroeconomics in Q4 2009

GDP

The Polish GDP rate slowed down sharply from 5.0% in 2008 to 1.7% in 2009. One of the main drivers of the slow-down 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). Another 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. While the GDP rate fell very sharply early in the year 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 next quarters (1.1% YoY in Q2, 1.7% YoY in Q3) and H2 turned out to be much better than H1 2009.

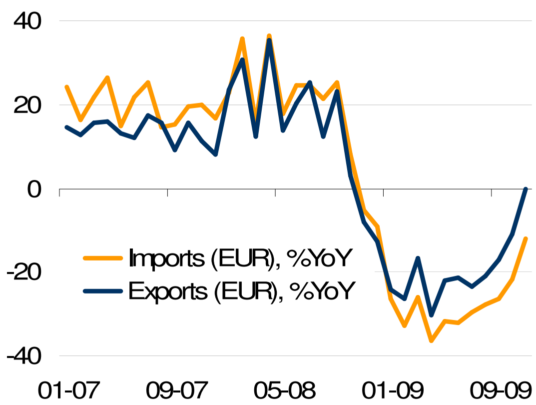
Contributions of main categories to real GDP growth (percentage points)



The positive contribution of net exports to GDP (3 percentage points) remained high in Q3 as in all of 2009, but 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 a 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. This had a positive impact on the results of the non-financial corporate sector, which grew by 18.5% YoY in Q3 2009.

The contribution of investments to GDP was negative in Q3 for the second consecutive quarter (-0.3 percentage points), but it improved as compared to Q2 (-0.6 percentage points). It should be noted that the decrease in private investments was largely cushioned by their substitution with public investments (mainly development of road infrastructure); as a result, although private investments dropped sharply (by 9.4% YoY), total investments fell by only 1.5% YoY in Q3. Importantly, Q3 brought a significant slow-down in reductions of corporate stocks, the main driver of the negative contribution of investments to GDP in 2008 (up to -5 percentage points in Q1).

Imports and exports growth rate (%YoY)



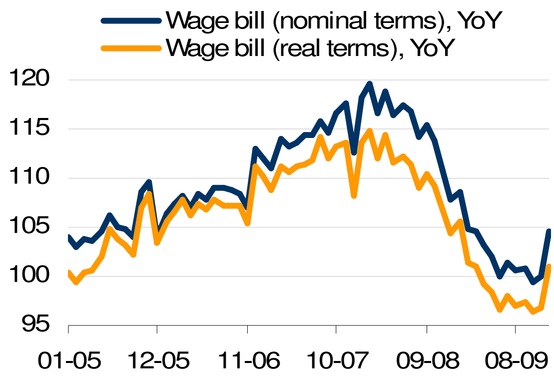
Despite these negative developments, Poland's economy continued to grow mainly driven by stable domestic consumer demand, historically the key factor in the Polish economy which is relatively closed. Private consumption grew by 2.2% YoY in Q3. Consumption remained stable despite the economic slow-down because the crisis did not affect the labour market as much as expected; in addition, Polish consumption is financed with credit to much lesser extent than consumption in well-developed economies (or other countries of the region like the Czech Republic and Slovakia). Domestic consumption was also helped by relative underdevelopment, which means that consumption can hardly be deferred, in contrast to mature economies.

The monthly macroeconomic data from Q4 2009 (including industrial output and retail sales) and 2009 GDP statistics (1.7% in 2009) suggest that the Polish economy picked up strongly at the end of 2009. According to our estimates, GDP was around 3.0% YoY in Q4 while investments made a positive contribution to GDP.

Importantly, faced with the biggest global economic crisis since the Great Depression in the 1930s, Poland maintained a positive GDP as the only country in the region and, indeed, in the EU.

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. Consequently, the situation on the labour market largely stabilised in H2. Employment in the corporate sector decreased as ca. 12 thousand jobs were cut, a relatively good result considering that ca. 45 thousand jobs were lost in Q2 and that employment in the last quarter is always lower due to seasonality. As employment fell, the official unemployment rate grew from 10.9% at the end of Q3 to 11.9% at the end of the year.



Importantly, the growth in wages in the corporate sector recovered in Q4 (6.5% YoY at the end of 2009 vs. 3.3% YoY at the end of Q3). In addition to one-off factors, it was driven by the accelerating increase of wages in industrial production in anticipation of gradual improvement on the labour market.

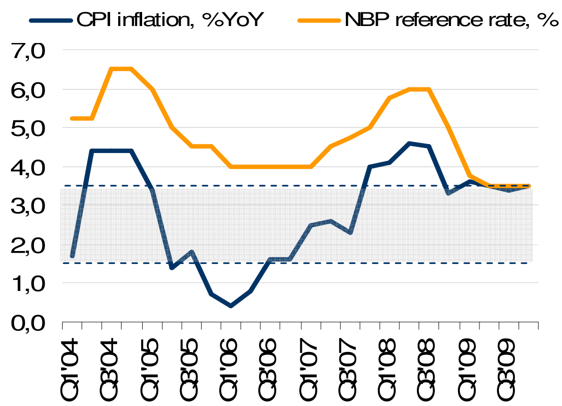
The accelerating growth of wages combined with relatively low decrease in employment in Q4 resulted in improvement of total wages. After total wages in the corporate sector were down for most of the year (by 3-4% YoY), they were once again on an increase by the end of the year (1.1% YoY in December).

Negative trends on the domestic labour market gradually slowed down as a result of strongly increasing economic activity, demonstrated both by leading indicators and industrial output and retail sales statistics.

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 driven by the strong depreciation of the zloty. The CPI rose to 4.0% YoY. 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 in Q4 to 3.5% YoY at the end of the year. This was mainly a result of a low statistical base of "transport" driven by a sharp fall of fuel prices in late 2008. This effect was partly curbed by the falling dynamics of energy prices as a result of a high statistical base last year (electricity price rises in the autumn of 2008). The base effect should help to reduce the CPI significantly in the coming months, approaching the floor of the NBP target inflation band.

CPI inflation (%YoY) and NBP reference rate (%)



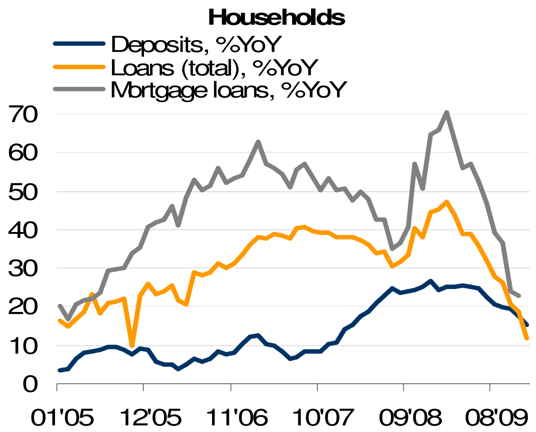
The Polish Monetary Policy Council (RPP) kept the reference interest rate at 3.50% in Q4 as in Q3 (a cut by 25 basis points in June was the last in the monetary relaxation cycle). What's important, at the October meeting the Council changed its policy bias from easing to neutral after the release of the new inflation projection, which showed increase of GDP and inflation forecasts. The change of the Council's bias was also based on recent macroeconomic statistics (including industrial output and retail sales), which indicate a strong recovery in Q4. The monetary policy should not change in the coming months in a falling inflation environment, but we expect the Council to start raising the rates in H2 2010.

Money Supply and the Banking Sector

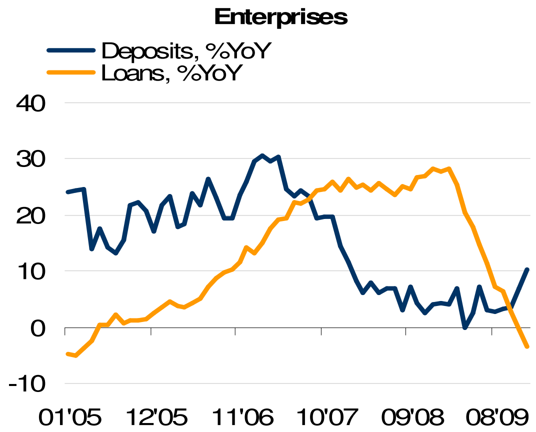
The growth rate of household deposits continued to fall in Q4, from 19.9% YoY at the end of Q3 to 15.2% YoY in December. Household deposits grew by PLN 16.3 billion in Q4, compared to PLN 26.7 billion of growth in Q4 2008. The growth rate of household deposits was adversely affected by the situation on the labour market (growing unemployment rate); however, growth in total wages reported at the year's end sent a positive signal (total wages were on the decrease for most of 2009). The growth rate of household deposits was also affected by further outflow of cash to investment funds (the balance of payments and withdrawals in investment funds was PLN 1.5 billion in Q4 compared to PLN 2.4 billion in Q3).

The growth rate of corporate deposits improved from 3.3% YoY in Q3 to 10.4% YoY in December (the volume of deposits grew by PLN 17.8 billion compared to PLN 7.1 billion of growth in Q4 2008), mainly due to strong improvement of financial results of Polish companies observed already in Q2 2008.

Deposits and loans of households - growth rate (%YoY)



Deposits and loans of enterprises – growth rate (%YoY)



Due to tighter conditions of lending in a higher risk environment (growing proportion of NPLs driven by economic slow-down) and the disappearance of positive currency effects, the growth rate of loans fell sharply in Q4. In particular, corporate loans were affected as their dynamics turned negative (-3.4% YoY in December compared to growth by 6.5% YoY in Q3). Net of the fx effect (fx loans account for ca. 24% of total corporate loans), the growth rate of corporate loans fell from 1.6% YoY in Q3 to -3.1% YoY in December. Importantly, with appreciation of the zloty, the fx rate began to exert a negative impact on the annual growth rate of corporate loans.

The growth rate of household loans also fell sharply from 26.3% YoY in Q3 to 11.8% YoY in December; meanwhile, their volumes grew by ca. PLN 8 billion compared to PLN 49.3 billion of growth in Q4 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 15.5% YoY in September to 12.3% YoY in December, another negative effect of currency appreciation.
In Q4, 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. A milestone was a decision to introduce a new instrument of monetary policy as of early 2010. Discount credit will enable banks to take loans from NBP (for a maximum of 12 months) secured with pledge of promissory notes (issued by companies to banks).

Key Factors Driving the Results of BRE Bank Group in Q4 2009

Statement of Financial Position

BRE Bank Group's balance sheet total was PLN 81 billion at 31 December 2009, down by 1.9% year on year and up by 3.1% quarter on quarter.

Credits and loans remained the largest balance-sheet item at the end of 2009 with a share of 65% as compared to 63% at the end of 2008. Changes in lending in 2009 were largely driven by the volatility of the exchange rate of the zloty, i.e., depreciation in H1 and appreciation in H2. New lending decreased, mainly due to the overall economic environment and the associated risks. As a result, the nominal growth of the gross loans portfolio in 2009 reached PLN 1.4 billion (2.7%). The upward trend was particularly notable in the retail loans portfolio, which grew by 6.4% year on year, up by PLN 1.7 billion. Meanwhile, the overall corporate loans portfolio decreased by 3.5%, i.e., PLN 0.9 billion whereas loans granted to BRE Bank's Corporates & Institutions increased by 3.9% YoY to PLN 16.3 bn, lending volumes in the main subsidiaries i.e. BRE Leasing and BRE Bank Hipoteczny decreased.

Overall loans fell by 0.4% or PLN 0.2 billion net and remained stable on a gross basis in Q4 2009. This was also partly driven by the appreciation of the zloty and the falling value of fx loans as expressed in PLN.

Advances and loans to banks fell by PLN 3.6 billion or 58.5% year on year and by 3% quarter on quarter. The portfolio of securities held for trading followed a similar trend in 2009: it was down by PLN 3.6 billion year on year and up by 10% or ca. PLN 0.1 billion quarter on quarter. Meanwhile, investment securities grew by PLN 7.6 billion (138.5%) year on year and by PLN 2.0 billion (17.5%) quarter on quarter. These changes occurred mainly within the structure of short-term assets, which remained at around 25% of total assets and grew modestly in Q4. Overall, a safe level of quality financial assets was kept providing a strong liquidity base for BRE Group's future development. 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 55.8% of the total liabilities at the end of 2009, compared to 53% at the end of September 2009 and 48.1% at the end of 2008. Deposits grew strongly in Q4 2009 (up by 8.5% or PLN 3.4 billion), including both retail deposits (up by 8.5%) and corporate deposits (up by 10.5%), as a result of the effective deposit gathering activities pursued by the Bank.

Positive trends were observed in the deposit base in H2, whereas the Bank's deposits had decreased temporarily in H1 2009. This was driven by general trends on the deposit market including the behaviour of customers deriving from the need of financing the current business and diversification of risks, as well as from the behaviour of banks looking to attract funding at the time of low liquidity on the market. As a result, the average level of customer deposits in the Bank grew less dynamically than the average loans portfolio in 2009 as a whole which drove an adequate increase in the level of funding from the interbank market as a supplementary source of money supply, causing an increase in the cost of funding.

Funding from the interbank market increased sharply 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 separate source of funding for the portfolio of housing loans granted in CHF.

Funding on the interbank market fell by PLN 2.5 billion (9%) in 2009 and by PLN 1.1 billion (4.4%) in Q4 2009.

The share of the Group's equity in the sources of funding was 5.3% at the end of 2009, the same level as at the end of Q3 2009 and up by 0.4pp since the end of 2008; this demonstrates a stable share of equity in all of 2009.

The capital adequacy ratio increased to 11.50% at the end of 2009, compared to 10.04% at the end of 2008 and 11.38% at the end of September 2009. The ratio rose, as the equity was rising while the overall capital requirement decreased, mainly driven by the credit risk capital requirement.

The equity increased year on year due to an increase in Tier 1 capital following the retention of the full profit and lower deductions (lower unrealised losses on debt instruments).

As a result, the own funds of the Group were PLN 6.3 billion at the end of 2009, up by PLN 0.4 billion year on year and stable quarter on quarter. Meanwhile, the capital requirement fell from PLN 4.7 billion at the end of 2008 to PLN 4.4 billion at the end of September and 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.

Income Statement

BRE Bank Group generated a profit before tax of PLN 209.4 million in 2009, fully achieved by continued operations.

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 and up by 11.9% or PLN 302.6 million net of the one-off transaction in 2008 (sale of Vectra S.A.).

The growth was mainly driven by the growing net interest income of the Bank and the subsidiaries and by growth in the net commission income combined with a decrease in the trading profit.

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.

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.

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.

Net interest income in Q4 was up by 1.3% quarter on quarter, driven by an increase in interest income (mainly on credits and loans) exceeding the increase in interest cost.

BRE Bank Group's net commission income was up by 7.8% year on year in 2009. Commission income from payment cards, brokerage and lending, and bank accounts grew the fastest.

Commission income of Q4 2009 was somewhat lower than in record Q3, mainly due to higher commission expenses in Retail Banking relating to acquisition costs and expenses for credit and banking cards issuance.

Trading income stood at PLN 406.4 million at the end of 2009, including ca. PLN 24.4 million of cost of the valuation of asymmetric derivative instruments and PLN 7.2 million of cost of a general provision for derivatives (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 fx income, which went down as a result of less active fx trading by clients and lower currency conversion income. The trading income of Q4 2009 was down quarter on quarter, mainly due to a lower fx income (the Bank created PLN 7.2 million general provision for derivatives) combined with higher other trading income.

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No capital 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 relates to the loss on the closed sale of a subsidiary of Intermarket Group (PLN 19.7 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 37 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. Other operating income net of these items was up by ca. PLN 35 million.

2009 results of the Group were largely driven by the net loan loss provisions of PLN 1,097 million, compared to PLN 269 million in 2008. Provisions were up by PLN 828 million YoY, including provisions at the Bank (YoY increase by PLN 753 million) and the subsidiaries (YoY increase by PLN 75 million). Almost 30% or ca. PLN 275 million of provisions set up at the Bank in 2009 (PLN 3.6 million and PLN 6.8 million of net released provisions in Q4 and Q3 2009 respectively) were loan loss provisions against clients holding liabilities under derivative transactions. The amount of provisions set up against derivative instruments resulted from conservative assumptions made as part of restructuring measures taken by the Bank.

Loan loss provisions were up year on year mainly in Corporates and Financial Markets (up by PLN 522 million); more than half of these provisions were set up against loans related to derivative transactions. The provisions also grew significantly in Retail Banking (up by PLN 306 million), mainly provisions against consumer loans for new clients of mBank (mBank cash loans). The sale of this product was stopped in May 2009.

It is worth mentioning, that Q4 2009 loan loss provisions were lower than in Q3 by 19.8% (PLN 49.3 million) i.a. thanks to better situation of the Bank's clients.

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).

The Group's costs were down due to reduction of personnel costs, down by PLN 94 million year on year. The reduction was reported mainly in the Bank and included lower bonus and management options provisions (strictly related to generated results) as well as undertaken workforce reductions.

Employment of BRE Bank Group (FTE)	*31.12.2008*	*30.09.2009*	*31.12.2009*	*% change since the end of 2008*
	6,133	5,641	5,566	-9%

Maintenance costs grew year on year, mainly driven by:

- growing fixed costs, i.e., rents, property maintenance, post and telephone fees;
- growing energy and fuel prices;
- 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 the 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 of the branch network, development of banking systems, and growth in leased assets following the growth in sales in 2008. It should be noted that in Q4 the Group incurred costs amounting to PLN 20.4 million relating to accelerated amortization of some functionalities of selected IT systems.

The effectively implemented strategic programme BREnova that comprised strict cost discipline and effective management of resources helped the Group to report a strong improvement of productivity as measured by the cost/income ratio which was 54.2% at the end of 2009 compared to 57.7% at the end of 2008 (60.8% net of the one-off transactions).

Performance of the Business Lines

The presented results of the BRE Bank Group segments refer to the report covering both continued and discontinued operations under relevant items.

The 2008 results were updated compared to the published version in order to include organisational changes in the Bank having a minor effect on the structure of the Group's results by segment.

Considering the increase of provisions and the much lower income on one-off transactions, the profit before tax of all business lines in 2009 was down year on year.

Retail Banking and Private Banking

Financial Results

The Retail Banking Line (RBL) and Private Banking (PB), 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.

The high growth was mainly driven by net interest income (up by 40.5%); as a result, the share of the Line in the Group's net interest income grew by nearly 10 pp to 58%. The strong growth of income was largely driven by the growth of the loans portfolio, mainly mortgage loans (up by 54% as measured by average balances, and up by PLN 926.6 million or 4% as measured by end-of-period balances) due to both business expansion and fx rate effects.

The Line's 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 lending business.

As a result, the Line's contribution to the Group's total net commission remained stable at 29% in 2009 as in 2008.

The strong growth of the Line's overall income was coupled with a much lower growth in administrative costs (by only 3.3%). This was owed to the imposed cost discipline across the Group.

Despite the positive trends in income and productivity, the Line's 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 306 million) year on year. The quarterly increase in provisions was mainly driven by higher default provisions for consumer loans. By comparison, in 2008 the increase in provisions was more closely correlated to the fast growth in the loans portfolio and derived mainly from portfolio provisions.

The provisions grew by PLN 101.9 million Q4, i.e., much less in than in Q3.

Interest income remained high in Q4 and was higher than the average of 2009. Commission income in Q4 was similar to the average quarterly income in 2009 but below the particularly high level noted in Q3 as a result of both higher costs of intermediary services in Q4 (up by PLN 4.5 million) and a payment for personalisation of cards at PLN 2 million.

Additional costs were incurred in Q4 due to write-offs and provisions against future liabilities totalling ca. PLN 34 million. This was the main reason for a significant decrease in the Line's quarterly profit before tax to PLN 8 million from PLN 73 million in Q3 2009.

The information on mBank presented below is shown separately for mBank's business in Poland and its operations in the Czech Republic and Slovakia.

mBank and MultiBank: Operation in Poland

Customers

BRE Bank's Retail Banking Line had 2,866.2 thousand customers at the end of Q4 2009 (including 2,296.0 thousand at mBank and 570.2 thousand at MultiBank). The number of customers grew by 104.5 thousand in Q4 (up by 3.8%; 84.1 thousand at mBank, 20.4 thousand at MultiBank).

The number of customers grew by 338.0 thousand in 2009 (up by 13.4%; 260.9 thousand at mBank, 77.1 thousand at MultiBank).

The Bank had 356.0 thousand microenterprise customers (265.2 thousand at mBank, 90.8 thousand at MultiBank). The number of new microenterprise customers acquired in Q4 was 12.4 thousand (up by 3.6%; 7.9 thousand at mBank, 4.5 thousand at MultiBank).

The number of new microenterprise customers acquired in 2009 was 44.0 thousand (up by 14.1%; 27.1 thousand at mBank, 16.9 thousand at MultiBank).

Accounts

There were 3,852.9 thousand accounts at the end of 2009 (3,480.0 thousand at mBank, 372.9 thousand at MultiBank). The number of accounts grew by 231.6 thousand in Q4 (up by 6.4%; 216.4 thousand at mBank, 15.2 thousand at MultiBank). The number of accounts grew by 689.0 thousand in 2009 (up by 21.8%; 631.3 thousand at mBank, 57.7 thousand at MultiBank).

There were 432.1 thousand microenterprise accounts (341.5 thousand at mBank, 90.6 thousand at MultiBank). The number of microenterprise accounts grew by 15.3 thousand in Q4 (up by 3.7%; 10.9 thousand at mBank, 4.4 thousand at MultiBank) and by 56.8 thousand in 2009 (up by 15.1%; 40.0 thousand at mBank, 16.8 thousand at MultiBank).

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Deposits

BRE Bank's Retail Banking Line deposits were PLN 17,957.7 million at the end of December 2009 (PLN 12,708.6 million at mBank, PLN 5,249.1 million at MultiBank).

The balance-sheet deposits grew by PLN 1,991.3 million in Q4 (up by 12.5%; PLN 1,223.8 million at mBank, PLN 767.5 million at MultiBank). The balance-sheet deposits grew by PLN 2,628.4 million in 2009 (up by 17.1%; PLN 1,812.8 million at mBank, PLN 815.6 million at MultiBank).

The balance-sheet microenterprise deposits were PLN 1,956.2 million at the end of December 2009 (PLN 947.6 million at mBank, PLN 1,008.7 million at MultiBank). The deposits grew by PLN 405.3 million in 2009 (up by 26.1%; up by PLN 139.6 million at mBank, up by PLN 265.7 million at MultiBank).

The growth was a result of effective marketing campaigns.

According to statistics at the end of November 2009, the market share of BRE Bank's Retail Banking Line deposits was 4.6%.

Investment Funds

Investment fund assets of BRE Bank retail customers were PLN 1,640.9 million at the end of December 2009 (PLN 1,299.0 million at mBank, PLN 341.9 million at MultiBank).

Investment fund assets grew by PLN 129.4 million in Q4 (up by 8.6%; PLN 99.5 million at mBank, PLN 29.9 million at MultiBank). Investment fund assets grew by PLN 616.5 million in 2009 (up by 60.2%; PLN 479.7 million at mBank, PLN 136.8 million at MultiBank).

The market share of BRE Bank Retail Banking Line's investment funds was 1.8% at the end of Q4 2009.

Loans

Balance-sheet loans stood at PLN 26,781.2 million at the end of 2009 (PLN 11,758.2 million at mBank, PLN 15,023.0 million at MultiBank). Loans were up by PLN 13.2 million in Q4 (0.0%; PLN 10.9 million at mBank, PLN 2.3 million at MultiBank).

Balance-sheet loans were up by PLN 1,784.0 million in 2009 (7.1%; PLN 855.2 million at mBank, PLN 928.8 million at MultiBank).

BRE Bank Retail Banking Line's market share in retail loans was 6.5% at the end of November 2009.

All microenterprise loans were PLN 2,546.9 million at the end of December 2009 (PLN 712.3 million at mBank, PLN 1,834.6 million at MultiBank).

Structure of the Credit Portfolio:

- mBank: 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.

The RBL balance-sheet mortgage loans were PLN 21,404.3 million at the end of 2009 (PLN 9,347.9 million at mBank, PLN 12,056.4 million at MultiBank). The balance-sheet mortgage loans were down by PLN 53.5 million in Q4 (down by 0.2%; down by PLN 13.5 million at mBank, down by PLN 40.0 million at MultiBank).

The RBL balance-sheet mortgage loans were up by PLN 668.9 million in 2009 (up by 3.2%; PLN 332.8 million at mBank, PLN 336.1 million at MultiBank).

The market share of the RBL in housing loans was 10.4% at the end of November 2009.

Mortgage loans to retail customers at 31 December 2009

Mortgage Loans to Retail Customers	Total	PLN	FX
Balance-sheet value (PLN B)	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 (%)	79.97%	56.65%	83.46%
NPL	0.52%	1.80%	0.37%

Cards

The number of credit cards issued by the end of December 2009 was 499.0 thousand (341.9 thousand at mBank, 157.1 thousand at MultiBank). The number of credit cards grew by 17.4 thousand in Q4 (up by 3.6%; 11.2 thousand at mBank, 6.2 thousand at MultiBank).

The number of debit cards issued by the end of 2009 was 2,505.9 thousand (1,965.4 thousand at mBank, 540.5 thousand at MultiBank). The number of debit cards grew by 137.4 thousand in Q4 (up by 5.8%; 112.0 thousand at mBank, 25.4 thousand at MultiBank).

According to data at the end of November 2009, the market share of the BRE Bank Retail Banking Line in credit cards was 5.4% by the amount of debt under cards.

Distribution Network

mBank

mBank's distribution network had 142 locations (65 mKiosks, 23 Financial Centres, 54 Partner mKiosks).

MultiBank

MultiBank's distribution network had 134 outlets (76 Financial Services Centres and 58 Partner Outlets including 51 Branches of the Future, which can be either Financial Services Centres or Partner Outlets).

mBank: Foreign Operations

mBank in the Czech Republic (CZ) and Slovakia (SK)

Customers

mBank in the Czech Republic and Slovakia had 389.8 thousand customers at the end of 2009 (including 288.9 thousand at mBank CZ and 100.9 thousand at mBank SK). The number of customers grew by 35.9 thousand in Q4 (up by 10.1%; 22.8 thousand at mBank CZ, 13.1 thousand at mBank SK).

The number of customers in the Czech Republic and Slovakia grew by 145.7 thousand in 2009 (up by 59.7%; 103.4 thousand at mBank CZ, 42.3 thousand at mBank SK).

Accounts

mBank in the Czech Republic and Slovakia had 775.1 thousand accounts at 31 December 2009 (584.5 thousand at mBank CZ, 190.6 thousand at mBank SK). The number of accounts grew by 81.0 thousand in Q4 2009 (up by 11.7%; 48.9 thousand at mBank CZ, 32.1 thousand at mBank SK) and by 385.8 thousand in 2009 (up by 99.1%; 285.5 thousand at mBank CZ, 100.3 thousand at mBank SK).

Deposits

mBank in the Czech Republic and Slovakia had deposits at EUR 1,139.2 million at the end of Q4 2009 (EUR 848.7 million at mBank CZ, EUR 290.5 million at mBank SK). Balance-sheet deposits grew by EUR 62.4 million in Q4 (up by 5.8%; EUR 30.4 million at mBank CZ, EUR 32.0 million at mBank SK). Balance-sheet deposits grew by EUR 343.2 million in Q4 (up by 43.1%; EUR 238.5 million at mBank CZ, EUR 104.7 million at mBank SK).

Loans

Balance-sheet loans were EUR 258.8 million at the end of December 2009 (EUR 172.7 million at mBank CZ, EUR 86.1 million at mBank SK). Loans grew by EUR 6.9 million in Q4 (up by 2.7%; EUR 5.9 million at mBank CZ, EUR 0.9 million at mBank SK). Balance-sheet loans grew by EUR 77.9 million in 2009 (up by 43.1%; EUR 63.9 million at mBank CZ, EUR 14.0 million at mBank SK).

Expansion of the Distribution Network

The distribution network of mBank CZ has 27 locations (17 mKiosks, 10 Financial Centres).

The distribution network of mBank SK has 16 locations (9 mKiosks, 7 Financial Centres).

Private Banking (PB)

Customers

PB had 5,587 customers at the end of December 2009, down by 23.9% (1,754 customers) in 2009.

Restructuring improved the quality of the customer base. Average assets under management per client were over PLN 1 million.

Loans

The loans of PB customers were PLN 573.4 million at the end of 2009 compared to PLN 478.9 at the end 2008 (up by 19.7%).

BRE PB completed the largest and most profitable BRE Issue for acquisition of PGE shares in Q4 2009. BRE PB granted almost 900 loans totalling over PLN 5.5 billion, which represented more than 80% of all BRE Issue loans granted by the Retail Banking Line.

Assets under Management

Customers' assets under management invested via BRE PB (including deposits, asset management products and financial market products) totalled PLN 5,732.2 million at the end of December 2009, up by PLN 1,170.7 million year on year. As a result, BRE PB's assets under management grew by a record-high figure of PLN 0.7 billion compared to the level achieved at the peak of the bull market in 2007.

This was helped by new products added to the offering. BRE Wealth Management started to offer a new foreign market strategy whose underlying assets are shares of companies on emerging markets. Products of Allianz, Ipopema and Agio investment funds were added to the offering. Seven subscriptions for structured deposits with different underlying assets were completed.

BRE Ubezpieczenia

BRE Ubezpieczenia companies were growing on the basis of three business lines: an internet platform (direct), classical bancassurance, and global services for leasing providers.

The priority of the direct business line was to improve selling tools (cross-selling, call centre, "Best Price Guarantee" campaign, implementation of a customer chat in the premium calculator). In the classical bancassurance line, BRE Ubezpieczenia focused on providing customers of BRE Bank Group companies with insurance products complementary to banking products including mortgage loans, consumer loans, payment cards and current and savings accounts. New implementations included an innovative insurance package for new MasterCard payment cards, loan repayment insurance packages, as well as a wide-range telemarketing campaign of insurance products including accident insurance, third-party liability insurance and robbery insurance for holders of mBank and MultiBank current and savings accounts. In addition, customers using mortgage loans were offered the option of additional insurance of chattels, third-party liability insurance and home assistance as an attractive addition to the package of guarantees attached to the long-term financial liability and owned real property. In its co-operation with BRE Leasing, the company focused on systemic support of processes including the selling offer, signing of contracts, post-sale services and monitoring of claims handling.

The consolidated profit before tax of the company (including BRE Ubezpieczenia Sp. z o.o.) was PLN 23.6 million in 2009, growing impressively year on year (the profit more than tripled). The company generated a profit before tax of PLN 0.9 million in Q4 2009. Income from insurance and auxiliary activities (PLN 141 million) grew much faster (up by 20%) than operating costs (up by 6%). Administrative costs including in particular marketing spending, personnel costs, IT maintenance, other office expenses totalled almost PLN 24 million, up by 11% year on year.

<u>Corporates and Financial Markets</u>

Financial Results

The Line generated a loss before tax of PLN 29.8 million in 2009, down by PLN 647 million year on year. The decline was mainly driven by loan loss provisions, up by PLN 522 million the one-off sale of Vectra at a capital gain of PLN 137.7 million included in the results of 2008 and additional costs of Compania de Factoring, a Romanian subsidiary of the 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 trading income was down, affecting to total income of the 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. 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 to the economic downturn.

The assets of Corporations and Financial Markets decreased modestly by 4.1% or PLN 2.3 billion in the period while the liabilities of the Line decreased more sharply, by 6.9% or PLN 4 billion.

The contribution of the subsidiaries to the profit of the Line was PLN 88.2 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 high credit provisions (resulting from the deteriorating financial standing of some customers).

The Corporations and Financial Markets segment includes sub-segments: Corporates and Institutions which covers the key area of customer relations, and Trading and Investments, the area of liquidity and risk management.

Corporates and Institutions

Financial Results

The segment reported a loss of PLN 215.9 million in 2009, mainly due to high loan loss provisions at PLN 651 million, up by PLN 531 million year on year. The sharp increase in provisions was mainly caused by provisions set up against loans related to derivative instruments (PLN 275 million).

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Net interest income grew by 9.5% while the net commission income grew by 5.0% in the period. Trading income was down by over PLN 51 million or 28.9% year on year due to the negative valuation of fx options and the less active business by clients.

The administrative costs were down modestly by 0.9% in 2009, driven mainly by cost reductions by 5.4% in the Bank, which proves high effectiveness of optimisation activities.

In Q4 2009, the income of the segment was up by ca. PLN 100 million or 35% QoQ including the PZU dividend (PLN 96 million), while overhead costs were up by ca. 24.7% and loan loss provisions were much lower (down by ca. PLN 24 million).

Corporate 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.

Corporate Banking Customers

	31.12.2008	*31.12.2009*
*K1**	968	898
*K2**	3,896	3,810
*K3**	8,234	8,128
Total	13,098	12,836

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

Corporate Customer Deposits

BRE Bank's corporate customer deposits (including deposits of enterprises) were PLN 17.1 billion at the end of December 2009, up by 7.4% year on year and up by 8.6% quarter on quarter.

Deposits of enterprises were PLN 14.6 billion at the end of December 2009, up by 7.0% year on year and up by 9.9% quarter on quarter. The 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 9.0% in September 2009 and 9.1% at the end of 2008.

Corporate Customer Loans

BRE Bank's corporate customer loans (including loans to enterprises) were PLN 16.3 billion at the end of December 2009, up by 3.9% year on year and up by 6.6% quarter on quarter.

Loans to enterprises were PLN 14.02 billion at the end of December 2009, down by 4.4% quarter on quarter and down by 4.0% year to date. The 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 September 2009 and in December 2008.

Strategic Product Lines

Cash Management

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.

Banking Products with EU Financing

Sales of products related to EU financing fell by ca. 22% year on year in 2009. The decrease in the value of granted loans (down by 21%) and commitments (down by 52%) was mainly caused by economic slow-down in 2009 when some investments co-financed by the EU were put on hold. At the same time, sales of guarantees related to EU financing grew by over 200% in 2009 thanks to growing sales of contractual guarantees issued to contractors of investments financed by the EU.

Financial Instruments

The profit on the sales of financial instruments to corporate customers stood at over PLN 32.2 million in Q4 2009, up by 5.4% quarter on quarter.

Corporate Network

The BRE Bank corporate branch network included 24 Branches and 21 Corporate Offices at the end of December 2009.

Expansion of the Offering

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 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 very many 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 bank account statements, and improves the speed of processing.

Proprietary Investments Portfolio

The portfolio of proprietary and mezzanine investments totalled PLN 232 million at cost at the end of Q4 2009, down by PLN 18.8 million year on year. The decrease was among others due to the sale of a stake in Xtrade SA, redemption of some bonds of a customer, as well as the transfer of PZU SA shares to the fund BRE GOLD FIZ Aktywów Niepublicznych in exchange for investment certificates and redemption of some investment certificates. The portfolio value at cost in Q4 decreased by PLN 8.7 million quarter on quarter.

BRE Bank Group Subsidiaries:

Dom Inwestycyjny BRE Banku (DI BRE)

DI BRE generated a profit before tax of over PLN 42.2 million in 2009. DI BRE is the leader in options trading with a share exceeding 32.63%. DI BRE ranked as the second most active broker in the futures market in Q4 2009, reporting a market share of 15.0%. DI BRE also retained a high share in equities trading: 6.99% of all transactions on the stock market were handled by DI BRE in Q4 2009.

The growing share in trading on the futures market and the equities market is a result of stable growth in trading by all client groups.

BRE Corporate Finance SA (BRE CF)

Revenues from sales at the end of Q4 2009 amounted to PLN 5.28 million (PLN 5.3 million after Q4 2008). The Company recorded a net loss of PLN 1.33 million after 12 months of 2009 (-PLN 2.15 million net loss at the end of 2008).

The second half of the year and particularly autumn of 2009 saw improvement on the M&A market. Investors were more open to plan new investments and search for ways of financing them. As a result of these gradual positive changes on the market, BRE Corporate Finance concluded several new contracts in the Q4 2009 and their realisation is planned for 2010.

BRE Bank Hipoteczny (BBH)

BBH's total credit portfolio stood at PLN 4.6 billion at the end of 2009, down by 9.9% year on year. Its balance sheet total was down by 4.5% year on year and reached PLN 4.46 billion. Its profit before tax was PLN 32.5 million (compared to PLN 53.1 million at the end of 2008). BBH's ROE stood at 10.4%, compared to 19.7% a year earlier. Its C/I ratio was up from 40.5% at the end of 2008 to 48.4% at the end of 2009.

The Bank issued mortgage bonds totalling PLN 360 million in 2009.

BRE Leasing

Leasing contracts executed by BRE Leasing in Q4 2009 totalled PLN 381 million, up by 3.0% quarter on quarter. Leasing contracts executed by the company in 2009 totalled PLN 1,872 million, down by 44.9% year on year. The sales fell due to diminished demand for leasing services. BRE Leasing made a profit before tax of PLN 1.7 million in Q4 2009 as a result of lower sales and higher provisions resulting from the difficult market situation. The profit before tax of BRE Leasing in 2009 was PLN 5.3 million.

Factoring – The Intermarket Group

The sales of the Intermarket Group companies totalled EUR 1.4 billion in Q4 2009, up by 3.1% quarter on quarter. Total sales of Intermarket Group amounted to EUR 5.2 billion in 2009, down by 13.6% year on year as a result of less active business by existing clients and a rising number of bankruptcies.

The pre-tax profit of Intermarket Group companies consolidated by BRE Bank was PLN 6.1 million in Q4 2009. The loss was PLN 4.9 million in 2009, mainly driven by a loss related to withdrawal from the investment in a Romanian subsidiary (loan loss write-offs and loss on the sale of shares).

Polfactor, the subsidiary operating in Poland, reported sales at PLN 1.2 billion in Q4, stable quarter on quarter, and sales of PLN 4.1 billion in 2009, the highest annual sales in history of the company (up by 19.6% YoY). Due to new provisions, Polfactor posted a loss of PLN 1.4 million in Q4 2009 and reported a cumulative profit before tax of PLN 6.5 million in 2009 (down by 48.2% YoY).

Trading and Investments

Financial Results

The business area generated a profit before tax of PLN 186.1 million in 2009, compared to PLN 274.8 million in 2008, the latter included PLN 137.7 million on the one-off transaction of the sale of Vectra SA. As a result, the recurrent profit grew by over 35% YoY.

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 (also negative at 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.

Net interest income in Q4 2009 was similar to previous quarters but trading income went down sharply. In addition, overheads increased. As a result, the profit before tax of PLN 25.7 million in Q4 was lower than in previous quarters.

Market Position

BRE Bank ranks first in mid-term bank debt securities with a market share of 25.6%, second in short-term debt securities with a market share of 20.6%, and third in mid-term corporate bonds with a market share of 21.3% and (all data as at the end of November 2009).

The Bank remains very active in financial market trading: its share in interest rate derivatives was ca. 18.9% and in Treasury bonds and bills ca. 4.8%. Its share in fx spots and forwards was 5.9% and in WIG-20 index options ca. 18.4% (all data as at the end of November 2009).

Asset Management

Financial Results

This business is shown separately as discontinued operations under profit before tax in the presentation of the consolidated profit and loss account; in 2008, it mainly included the profit on the sale of the subsidiary PTE Skarbiec-Emerytura. BRE Bank Group did not have discontinued operations in 2009.

Quality of the Loans Portfolio

A major criterion of the evaluation of the quality of the credit risk portfolio is the portfolio structure and valuation based on the provisions of the International Accounting Standards (IAS) 39 and 37 concerning the identified impairment exposures portfolio and relevant provisions.

The default ratio for the risk portfolio under IAS 39 and IAS 37 was 4.7% at the end of 2009, compared to 4.0% at the end of Q3 2009 and 1.6% at the end of 2008.

The default ratio for the balance-sheet credit risk portfolio (credit receivables less interest) was 5.5% at the end of 2009 (up from 4.8% at the end of Q3 2009 and 2.1% at the end of 2008).

The main driver of the falling quality of the credit risk portfolio in Q4 2009 was growth in the default loans portfolio.

The absolute value of the default portfolio grew significantly in Q4 2009 (from PLN 2,330 million in Q3 2009 to PLN 2,717 million at the end of 2009) due to the declining financial standing of customers and the resulting customer default rating.

The ratio of write-offs and provisions to default credit exposure grew modestly to 56.5% at the end of 2009 from 56.2% at the end of Q3 2009. The ratio for the balance-sheet portfolio was up from 58.0% (end of Q3 2009) to 59.1%. The main reason for the increase in the ratio was the increase in provisions (write-offs).

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

Consolidated Income Statement

	Note	IVrd Quarter (current year) from 01.10.2009 to 31.12.2009	IV Quarters cumulative (current year) from 01.01.2009 to 31.12.2009	IVrd Quarter (previous year) from 01.10.2008 to 31.12.2008	IV Quarters cumulative (previous year) from 01.01.2008 to 31.12.2008
Continued operations					
Interest income		834 331	3 453 207	1 084 830	3 637 222
Interest expense		(416 796)	(1 795 030)	(700 409)	(2 244 770)
Net interest income	5	**417 535**	**1 658 177**	**384 421**	**1 392 452**
Fee and commission income		266 325	1 001 287	216 409	844 463
Fee and commission expense		(114 324)	(406 564)	(87 709)	(292 997)
Net fee and commission income	6	**152 001**	**594 723**	**128 700**	**551 466**
Dividend income	7	96 227	99 067	5 686	9 429
Net trading income, including:	8	82 861	406 374	61 907	483 855
Foreign exchange result		*75 982*	*415 048*	*81 463*	*517 314*
Other trading income		*6 879*	*(8 674)*	*(19 556)*	*(33 459)*
Gains less losses from investment securities	9	(3 968)	(772)	(2 149)	135 765
Other operating income	10	59 651	263 522	48 281	266 505
Net impairment losses on loans and advances	11	(199 512)	(1 097 134)	(130 468)	(269 144)
Overhead costs	12	(376 105)	(1 285 425)	(414 180)	(1 346 601)
Amortization and depreciation		(82 324)	(259 362)	(58 224)	(203 475)
Other operating expenses	13	(64 463)	(169 781)	(33 122)	(153 106)
Operating profit		**81 903**	**209 389**	**(9 148)**	**867 146**
Share of profit (loss) of associates		-		-	-
Profit before income tax from continued operations		**81 903**	**209 389**	**(9 148)**	**867 146**
Income tax expense		(39 236)	(78 866)	(7 450)	(108 435)
Net profit from continued operations		**42 667**	**130 523**	**(16 598)**	**758 711**
Discontinued operations	19				
Profit before income tax from discontinued operations		**-**	**-**	**54 061**	**132 969**
Income tax expense		-	-	-	(2 336)
Net profit from discontinued operations		**-**	**-**	**54 061**	**130 633**
Net profit from continued and discontinued operations		**42 667**	**130 523**	**37 463**	**889 344**
Net profit from continued and discontinued operations, attributable to:					
- Owners of BRE Bank SA		40 778	128 928	35 190	857 459
- Non-controlling interests		1 889	1 595	2 273	31 885
Net profit from continued operations attributable to Owners of BRE Bank SA			**128 928**		**726 826**
Weighted average number of ordinary shares	14		**29 690 882**		**29 680 542**
Earnings on continued operations per 1 ordinary share (in PLN)	14		**4.34**		**24.49**
Weighted average number of ordinary shares for diluted earnings	14		**29 729 741**		**29 701 246**
Diluted earnings on continued operations per 1 ordinary share (in PLN)	14		**4.34**		**24.47**

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

Consolidated Statement of Comprehensive Income

	IVrd Quarter (current year) from 01.10.2009 to 31.12.2009	IV Quarters cumulative (current year) from 01.01.2009 to 31.12.2009	IVrd Quarter (previous year) from 01.10.2008 to 31.12.2008	IV Quarters cumulative (previous year) from 01.01.2008 to 31.12.2008
Financial result	**42 667**	**130 523**	**37 463**	**889 344**
Other comprehensive income subject to taxation	**40 119**	**99 454**	**(119 452)**	**(278 443)**
Exchange differences on translating foreign operations (net)	387	6 114	19 041	13 569
Available-for-sale financial assets (net)	39 732	93 340	(138 493)	(292 012)
Total comprehensive income net of tax, total	**82 786**	**229 977**	**(81 989)**	**610 901**
Total comprehensive income (net), attributable to:				
- Owners of BRE Bank SA	83 701	229 406	(96 106)	568 887
- Non-controlling interests	(915)	571	14 117	42 014

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

Consolidated Statement of Financial Position

	Note	31.12.2009	30.09.2009	31.12.2008
ASSETS				
Cash and balances with the Central Bank		3 786 765	3 454 658	2 512 333
Debt securities eligible for rediscounting at the Central Bank		9 134	17 094	9 238
Loans and advances to banks		2 530 572	2 609 026	6 104 093
Trading securities	15	1 065 190	966 667	4 624 621
Derivative financial instruments		1 933 627	2 532 859	5 632 872
Loans and advances to customers	16	52 464 951	52 697 836	52 142 477
Investment securities	17	13 120 687	11 168 841	5 502 312
- Available for sale		13 120 687	11 168 841	5 502 312
Pledged assets	15, 17	3 516 525	2 521 524	3 445 281
Investments in associates		1 150	1 182	16 953
Intangible assets		441 372	437 154	438 452
Tangible fixed assets		786 446	785 486	814 469
Deferred income tax assets		331 828	342 679	327 558
Other assets		1 031 778	1 035 242	1 034 543
Total assets		**81 020 025**	**78 570 248**	**82 605 202**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		2 003 783	1 243 280	1 302 469
Amounts due to other banks		25 019 805	26 163 651	27 488 807
Derivative financial instruments and other trading liabilities		1 935 495	2 402 074	6 174 491
Amounts due to customers	18	42 791 387	39 440 109	37 750 027
Debt securities in issue		1 411 850	1 478 610	1 790 745
Subordinated liabilities		2 631 951	2 661 985	2 669 453
Other liabilities		776 195	786 333	996 280
Current income tax liabilities		904	6 143	218 807
Deferred income tax liabilities		544	1 469	81
Provisions		176 957	196 954	166 006
Total liabilities		**76 748 871**	**74 380 608**	**78 557 166**
Equity				
Equity attributable to Owners of BRE Bank SA		**4 120 187**	**4 035 511**	**3 894 452**
Share capital:		**1 521 683**	**1 521 683**	**1 521 683**
- Registered share capital		118 764	118 764	118 764
- Share premium		1 402 919	1 402 919	1 402 919
Retained earnings:		**2 712 394**	**2 670 641**	**2 587 137**
- Profit from the previous years		2 583 466	2 582 491	1 729 678
- Profit for the current year		128 928	88 150	857 459
Other components of equity		**(113 890)**	**(156 813)**	**(214 368)**
Non-controlling interests		**150 967**	**154 129**	**153 584**
Total equity		**4 271 154**	**4 189 640**	**4 048 036**
Total equity and liabilities		**81 020 025**	**78 570 248**	**82 605 202**
Capital adequacy ratio		**11.50**	**11.38**	**10.04**
Book value		**4 120 187**	**4 035 511**	**3 894 452**
Number of shares		**29 690 882**	**29 690 882**	**29 690 882**
Book value per share (in PLN)		**138.77**	**135.92**	**131.17**
Diluted number of shares		**29 729 741**	**29 724 581**	**29 711 586**
Diluted book value per share (in PLN)		**138.59**	**135.76**	**131.08**

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

Consolidated Statements of Changes in Equity

Changes from 1 January to 31 December 2009

	Share capital		**Retained earnings**					**Other components of equity**				
	Registered share capital	**Share premium**	**Other supplementary capital**	**Other reserve capital**	**General risk fund**	**Profit from the previous years**	**Profit for the current year**	**Exchange differences on translating foreign operations**	**Available for sale financial assets**	**Equity attributable to Owners of BRE Bank SA, total**	**Non-controlling interests**	**Total equity**
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	**-**	**-**	**-**	**-**	**-**	**-**	**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)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
Stock option program for employees	-	-	-	(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**

Changes from 1 January to 31 December 2008

	Share capital		**Retained earnings**					**Other components of equity**				
	Registered share capital	**Share premium**	**Other supplementary capital**	**Other reserve capital**	**General Risk Fund**	**Profit from the previous years**	**Profit for the current year**	**Exchange differences on translating foreign operations**	**Available for sale financial assets**	**Equity attributable to Owners of BRE Bank SA, total**	**Non-controlling interest**	**Total equity**
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							**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	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	-	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**

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

Consolidated Statement of Cash Flows

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
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 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 shares in associates	-	485 013
Disposal of 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 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**
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 shareholders	3 187	12 266
Other financing outflows	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**
Increase / decrease 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	**6 867 880**	**8 693 727**

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

BRE Bank SA Stand-alone Financial Statements

Income Statement

	Note	IVrd Quarter (current year) from 01.10.2009 to 31.12.2009	IV Quarters cumulative (current year) from 01.01.2009 to 31.12.2009	IVrd Quarter (previous year) from 01.10.2008 to 31.12.2008	IV Quarters cumulative (previous year) from 01.01.2008 to 31.12.2008
Interest income		717 600	2 865 773	884 584	2 940 153
Interest expense		(370 707)	(1 508 756)	(570 171)	(1 812 886)
Net interest income		**346 893**	**1 357 017**	**314 413**	**1 127 267**
Fee and commission income		203 911	777 932	176 680	704 842
Fee and commission expense		(103 423)	(378 703)	(84 209)	(280 876)
Net fee and commission income		**100 488**	**399 229**	**92 471**	**423 966**
Dividend income		22 086	59 738	5 686	68 681
Net trading income, including:		74 649	385 267	49 054	447 478
Foreign exchange result		*74 421*	*402 115*	*67 331*	*482 361*
Other trading income		*228*	*(16 848)*	*(18 277)*	*(34 883)*
Gains less losses from investment securities		54 314	55 346	1 023	265 457
Other operating income		11 389	68 477	16 005	43 742
Impairment losses on loans and advances		(171 318)	(966 652)	(99 303)	(218 747)
Overhead costs		(296 180)	(993 382)	(339 546)	(1 070 917)
Amortization and depreciation		(68 919)	(207 942)	(45 917)	(159 798)
Other operating expenses		(45 104)	(58 220)	(11 755)	(25 642)
Operating profit		**28 298**	**98 878**	**(17 869)**	**901 487**
Profit before income tax		**28 298**	**98 878**	**(17 869)**	**901 487**
Income tax expense		(21 326)	(41 735)	7 248	(71 956)
Net profit		**6 972**	**57 143**	**(10 621)**	**829 531**

Net profit			**57 143**		**829 531**
Weighted average number of ordinary shares	23		**29 690 882**		**29 680 542**
Earnings per 1 ordinary share (in PLN)	23		**1.92**		**27.95**
Weighted average number of ordinary shares for diluted earnings	23		**29 729 741**		**29 701 246**
Diluted earnings per 1 ordinary share (in PLN)	23		**1.92**		**27.93**

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

Statement of Comprehensive Income

	IVrd Quarter (current year) from 01.10.2009 to 31.12.2009	IV Quarters cumulative (current year) from 01.01.2009 to 31.12.2009	IVrd Quarter (previous year) from 01.10.2008 to 31.12.2008	IV Quarters cumulative (previous year) from 01.01.2008 to 31.12.2008
Financial result	**6 972**	**57 143**	**(10 621)**	**829 531**
Other comprehensive income subject to taxation	**74 765**	**136 007**	**(144 715)**	**(300 534)**
Exchange differences on translating foreign operations (net)	6 043	8 001	(5 800)	(8 058)
Available-for-sale financial assets (net)	68 722	128 006	(138 915)	(292 476)
Total comprehensive income net of tax, total	**81 737**	**193 150**	**(155 336)**	**528 997**

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

Statement of Financial Position

	31.12.2009	30.09.2009	31.12.2008
ASSETS			
Cash and balances with the Central Bank	3 771 992	3 450 194	2 491 851
Debt securities eligible for rediscounting at the Central Bank	9 134	17 094	9 238
Loans and advances to banks	2 497 397	2 488 764	6 065 581
Trading securities	1 234 792	1 178 096	4 969 212
Derivative financial instruments	1 931 868	2 513 395	5 612 313
Loans and advances to customers	44 260 700	43 249 190	42 257 165
Investment securities	13 391 252	11 471 674	5 498 171
- Available for sale	13 391 252	11 471 674	5 498 171
Pledged assets	3 513 782	2 523 995	3 443 989
Investments in subsidiaries	487 182	469 620	457 305
Intangible assets	396 121	402 354	406 360
Tangible fixed assets	555 864	574 016	601 649
Deferred income tax assets	108 975	129 186	156 747
Other assets	448 122	414 747	385 811
Total assets	**72 607 181**	**68 882 325**	**72 355 392**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	2 003 783	1 243 280	1 302 469
Amounts due to other banks	19 184 949	19 339 758	20 142 760
Derivative financial instruments and other trading liabilities	1 933 149	2 407 764	6 211 316
Amounts due to customers	42 414 412	38 837 011	37 438 494
Debt securities in issue	-	-	7 829
Subordinated liabilities	2 631 951	2 661 985	2 669 453
Other liabilities	516 443	539 050	654 676
Current income tax liabilities	-	-	214 145
Provisions for deferred income tax	79	82	81
Provisions	108 789	122 481	90 022
Total liabilities	**68 793 555**	**65 151 411**	**68 731 245**
Equity			
Share capital	**1 521 683**	**1 521 683**	**1 521 683**
- Registered share capital	118 764	118 764	118 764
- Share premium	1 402 919	1 402 919	1 402 919
Retained earnings:	**2 377 239**	**2 369 292**	**2 323 767**
- Profit for the previous year	2 320 096	2 319 121	1 494 236
- Net profit for the current year	57 143	50 171	829 531
Other components of equity	**(85 296)**	**(160 061)**	**(221 303)**
Total equity	**3 813 626**	**3 730 914**	**3 624 147**
Total equity and liabilities	**72 607 181**	**68 882 325**	**72 355 392**
Capital adequacy ratio	**11.73**	**11.60**	**10.04**
Book value	**3 813 626**	**3 730 914**	**3 624 147**
Number of shares	**29 690 882**	**29 690 882**	**29 690 882**
Book value per share (in PLN)	**128.44**	**125.66**	**122.06**
Diluted number of shares	**29 729 741**	**29 724 581**	**29 711 586**
Diluted book value per share (in PLN)	**128.28**	**125.52**	**121.98**

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

Statements of Changes in Equity

Changes from 1 January to 31 December 2009

	Share capital		Retained earnings					Other components of equity		
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available-for-sale financial assets	Total
Equity as at 1 January 2009	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**829 531**	**-**	**(10 610)**	**(210 693)**	**3 624 147**
- 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**	**874 123**	**12 113**	**608 000**	**829 531**	**-**	**(10 610)**	**(210 693)**	**3 624 147**
Total income							**57 143**	**8 001**	**128 006**	**193 150**
Transfer to General Risk Fund	-	-	-	-	100 000	(100 000)	-	-	-	-
Transfer to supplementary capital	-	-	729 531	-	-	(729 531)	-	-	-	-
Stock option program for employees	-	-	-	(3 671)	-	-	-	-	-	(3 671)
- value of services provided by the employees	-	-	-	*(3 671)*	-	-	-	-	-	*(3 671)*
Equity as at 31 December 2009	**118 764**	**1 402 919**	**1 603 654**	**8 442**	**708 000**	**-**	**57 143**	**(2 609)**	**(82 687)**	**3 813 626**

Changes from 1 January to 31 December 2008

	Share capital		Retained earnings					Other components of equity		
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available-for-sale financial assets	Total equity
Equity as at 1 January 2008	**118 643**	**1 398 789**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**(2 552)**	**81 783**	**3 080 133**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**(2 552)**	**81 783**	**3 080 133**
Total income							**829 531**	**(8 058)**	**(292 476)**	**528 997**
Transfer to General Risk Fund	-	-	-	-	50 000	(50 000)	-	-	-	-
Transfer to supplementary capital	-	-	587 231	-	-	(587 231)	-	-	-	-
Issue of shares	121	2 784	-	-	-	-	-	-	-	2 905
Other changes	-	-	(1)	-	-	-	-	-	-	(1)
Stock option program for employees	-	1 346	-	10 767	-	-	-	-	-	12 113
- value of services provided by the employees	-	-	-	*12 113*	-	-	-	-	-	*12 113*
- settlement of exercised options	-	*1 346*	-	*(1 346)*	-	-	-	-	-	-
Equity as at 1 January 2008	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**-**	**829 531**	**(10 610)**	**(210 693)**	**3 624 147**

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

Statement of Cash Flows

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
A. Cash flow from operating activities	**(2 076 159)**	**(6 895 493)**
Profit before income tax	**98 878**	**901 487**
Adjustments:	***(2 175 037)***	***(7 796 980)***
Income taxes paid (negative amount)	(346 863)	(118 475)
Amortisation	207 942	159 798
Foreign exchange (gains) losses	5 276	639 366
(Gains) losses on investing activities	(58 107)	(271 122)
Impairment of financial assets	6 632	11 020
Dividends received	(59 738)	(68 681)
Interest received	(2 204 176)	(2 334 815)
Interest paid	1 545 552	1 665 572
Change in loans and advances to banks	936 880	59 258
Change in trading securities	3 625 024	(4 114 256)
Change in derivative financial instruments	3 680 445	(3 348 468)
Change in loans and advances to customers	12 702	(13 887 680)
Change in investment securities	(8 181 074)	261 017
Change in other assets	84 695	(160 772)
Change in amounts due to other banks	(764 295)	5 983 317
Change in financial instruments and other trading liabilities	(4 278 167)	4 029 896
Change in amounts due to customers	3 734 094	3 570 335
Change in debt securities in issue	171	219
Change in provisions	18 767	21 191
Change in other liabilities	(140 797)	106 300
Net cash from operating activities	**(2 076 159)**	**(6 895 493)**
B.Cash flows from investing activities	**(49 500)**	**577 299**
Investing activity inflows	**134 975**	**818 121**
Disposal of shares in associates	-	485 013
Disposal of shares in subsidiaries	1 369	50
Disposal of intangible assets and tangible fixed assets	1 367	342
Other investing inflows	132 239	332 716
Investing activity outflows	**184 475**	**240 822**
Acquisition of shares in subsidiaries	11 980	5
Purchase of intangible assets and tangible fixed assets	171 751	240 817
Other investing outflows	744	-
Net cash used in investing activities	**(49 500)**	**577 299**
C. Cash flows from financing activities	**191 435**	**7 165 940**
Financing activity inflows	**1 723 058**	**11 704 517**
Proceeds from loans and advances from other banks	1 514 028	10 954 760
Proceeds from other loans and advances	209 030	-
Increase of subordinated liabilities	-	746 852
Issue of ordinary shares	-	2 905
Financing activity outflows	**1 531 623**	**4 538 577**
Repayments of loans and advances from other banks	1 082 533	3 640 500
Repayments of other loans and advances	11 506	106 718
Redemption of debt securities	8 000	29 200
Decrease of subordinated liabilities	-	359 500
Payments of financial lease liabilities	10 674	14 380
Other financing outflows	418 910	388 279
Net cash from financing activities	**191 435**	**7 165 940**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(1 934 224)**	**847 746**
(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	8 513 263	7 508 153
Cash and cash equivalents at the end of the reporting period	**6 534 190**	**8 513 263**

Explanatory Notes to the Consolidated Financial Statements

1. Information Concerning the Group of BRE Bank SA

The Group of 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 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: shares and equity interests in companies 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, which is 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.

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 Registry (KRS) under number KRS 0000025237.

According to the Polish Classification of Business Activities, the business of the Bank was classified as "Other banking business" under number 6512A. According to the Stock Exchange Quotation, the Bank is classified in 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 and 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 trade and investment activity.

Foreign branches of mBank in both the Czech Republic and Slovakia conduct 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: the Bank 5 364, the Group 6 982).

Corporates and Financial Markets, including:

Corporates and Institutions

- BRE Bank Hipoteczny SA, subsidiary
- BRE Corporate Finance SA, subsidiary
- BRE Holding Sp. z o.o., subsidiary
- BRE Leasing Sp. z o.o., subsidiary
- Dom Inwestycyjny BRE Banku SA, subsidiary
- Garbary Sp. z o.o., subsidiary
- Intermarket Bank AG, subsidiary
- Magyar Factor zRt., subsidiary
- Polfactor SA, subsidiary
- Tele-Tech Investment Sp. z o.o., subsidiary
- Transfinance a.s., subsidiary
- BRE GOLD FIZ Aktywów Niepublicznych, subsidiary

Trading and Investment Activity

- BRE Finance France SA, subsidiary

Retail Banking (including private banking)

- Aspiro Sp. z o.o. (previously emFinanse Sp. z o.o.), subsidiary
- BRE Wealth Management SA, subsidiary
- BRE Ubezpieczenia TUiR SA, subsidiary
- BRE Ubezpieczenia Sp. z o.o., subsidiary

Asset Management (discontinued operations Note 19)

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 assets held for sale and discontinued operations was presented in the financial statements of BRE Bank and the consolidated financial statements of BRE Bank Group for the year 2008 published on 27 February 2009.

Information concerning assets held for sale and discontinued operations was presented in comparative data under the Note 19 of these financial statements.

Remaining business

- Centrum Rozliczeń i Informacji CERI Sp. z o.o., subsidiary
- BRE.locum SA, subsidiary

Other information concerning companies of the Group

On 2 October 2009, in accordance with the decision of the District Court in Łódź, the change of the name of the company emFinanse Sp. z o.o. into Aspiro Sp. z o.o. was registered in the National Court Registry.

On 5 November 2009 BRE Bank took over all deposit certificates (A and B series) at a total value of PLN 191 816 thousand, issued by BRE GOLD FIZ Aktywów Niepublicznych – closed-end investment fund of non-public assets. 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 of 2009.

A detailed description of the business of the companies of BRE Bank SA Group was presented in the Explanatory Notes to the Consolidated Financial Statements for 2008, published on 27 February 2009.

Additionally, information concerning the business conducted by the Group's entities is presented under the Note 4 "Business Segments" of these consolidated financial statements.

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.

In drafting BRE Bank SA Group Concise IFRS Consolidated Financial Statements for the fourth quarter of 2009, the Group applied the provisions of the revised International Accounting Standard (IAS) 1, Presentation of Financial Statements, which has been binding since 1 January 2009. The revised IAS 1 was applied with reference to all reporting periods presented in the financial statements.

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 where estimates or judgments are material to the Consolidated Financial Statements are disclosed in the Note 3.

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).

Intra-Group transactions, balances and unrealised gains on transactions between 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 acquisition accounting in line with IFRS 3 Business Combinations to combinations of bussines 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.

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

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

No.	Company	31.12.2009 Share in voting rights (directly and indirectly)	Consolidation method	31.12.2008 Share in voting rights (directly and indirectly)	Consolidation method
1.	Aspiro Sp. z o.o. (previously emFinanse Sp. z o.o.)	100%	full	100%	full
2.	BRE Bank Hipoteczny SA	100%	full	100%	full
3.	BRE Corporate Finance SA	100%	full	100%	full
4.	BRE Holding Sp. z o.o.	100%	full	100%	full
5.	BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full
6.	BRE Ubezpieczenia TUiR SA	100%	full	100%	full
7.	BRE Wealth Management SA	100%	full	100%	full
8.	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full	100%	full
9.	Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
10.	Garbary Sp. z o.o.	100%	full	100%	full
11.	Tele-Tech Investment Sp. z o.o.	100%	full	100%	full
12.	BRE Finance France SA	99.98%	full	99.98%	full
13.	BRE.locum SA	79.99%	full	79.99%	full
14.	Magyar Factor zRt.	78.12%	full	78.12%	full
15.	Polfactor SA	78.12%	full	78.12%	full
16.	Transfinance a.s.	78.12%	full	78.12%	full
17.	Intermarket Bank AG	56.24%	full	56.24%	full
18.	BRE Leasing Sp. z o.o.	50.004%	full	50.004%	full
19.	BRE GOLD FIZ Aktywów Niepublicznych	100% of certificates	full	-	-

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.

Interest income on impaired loans is recognised in interest income with the application of interest rates used to discount the future cash flows for the purpose of measuring impairment losses.

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 an 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 claims handling and costs of enforcement of recourses, less received returns, recourses and any recoveries, including recoveries from sale of remains after claims 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

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

2.8 Financial Assets/Liabilities

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.

<u>Financial assets valued at fair value through the Income Statement</u>

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 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. 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

<u>Assets Carried at Amortised Cost</u>

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 impairment of loans and receivables or investments held to maturity and recognised at amortised cost, the impairment amount is calculated as the difference between the carrying value in the 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 the 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 an 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 amortization 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

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

<u>Fair Value Hedges</u>

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.

<u>Cash Flow Hedges</u>

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.

<u>Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting</u>

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 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.

The 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, the initially recognition 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.

<u>Goodwill</u>

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

<u>Computer software</u>

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".

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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 amortization period does not exceed 3 years. Amortization 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 2.20.

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

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

Land 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 Non-Current Assets Held for Sale and Discontinued Operation

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

Non-current assets held for sale are priced at the lower of: 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.

2.21 Deferred Income Tax

The Group forms a provision/assets 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 separately for each country 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 equity, and it is subsequently transferred to the Income Statement when the respective investment or hedged item affects the Income Statement.

2.22 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.

2.23 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 future reporting periods are subject to settlement, proportionally to the duration of the relevant insurance agreements.

2.24 Leasing

<u>BRE Bank SA Group as a Lessor</u>

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

<u>BRE Bank SA Group as a Lessee</u>

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.

In the case of finance lease contracts, under which the Group holds leased assets, the object of such lease agreement is recognised as a fixed asset and a liability is recognised in the amount equal to present value of minimum lease payments as of the date of commencement of the lease. Lease payments are recognised as financial costs in the Income Statement and simultaneously they reduce the balance of the liability. Fixed assets which are the basis of the finance lease contract are depreciated in the manner defined for the Group's fixed assets.

2.25 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 claims, benefits and premiums concern insurance activity.

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

Provision for unpaid claims and benefits which were notified to the insurer and in relation to which the information held does not enable to assess the value of claims 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-related 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.

2.26 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 equity in the case of own shares and liabilities in the case of shares of the ultimate parent of the Group. 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.

2.27 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,
- valuation of cash flow hedge financial assets,
- currency translation differences resulting from valuation of structural items.

2.28 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 Financial Statements are presented in the 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 mid 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 mid 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 mid 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 mid 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.

2.29 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.

2.30 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.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, binding for annual periods starting on or after 1 October 2008.
- 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 8, Operating Segments, binding for annual periods starting on or after 1 January 2009.
- IAS 1 (Revised), Presentation of Financial Statements, binding for annual periods starting on or after 1 January 2009.
- IAS 23 (Revised), Borrowing Costs, binding for annual periods starting on or after 1 January 2009.
- 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.

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 17, Distribution of Non-Cash Assets to Owners, binding for annual periods starting after 1 July 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 July 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 7 (Revised) Financial Instruments: Disclosures, binding for annual periods starting on or after 1 January 2009.
- IFRS 9, Financial Instruments, binding for annual periods starting on or after 1 January 2013.
- IAS 24, Related Party Disclosures, retrospectively binding for annual periods starting on or after 1 January 2011.
- 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.

- Embedded Derivatives, Amendments to IFRIC 9 and IAS 39, binding for annual periods ended after 30 June 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 believes that the application of these standards and interpretations will not have a significant effect on the financial statements in the period of their first application.

The Group did not take the opportunity of reclassification of financial instruments to other categories based on amendment to IAS 39 and IFRS 7, binding since 1 July 2008.

2.31 Comparative Data

Data prepared as at 31 December 2008 as well as data presented in the Statement of Financial Position prepared as at 30 September 2009 are totally comparable with data intoduced in the current financial period so they were not adjusted.

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

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

<u>Impairment of loans and advances</u>

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.

<u>Fair value of derivative instruments</u>

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.

<u>Impairment of equity securities available for sale</u>

Impairment is regarded to occur if over a period of at least three months the listed price of the given security continues to be lower than the cost of its acquisition or the issuer incurs loss not covered by its equity within the period of one year, and in the case of the occurrence of other facts and circumstances providing indications of the impairment of value. In addition, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic legal or other environment in which the issuer operates which indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

<u>Impairment of debt instruments available for sale</u>

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 over a period of at least three months the listed price of the given security persists at a level lower than its cost of acquisition as a result of higher credit risk, if the issuer incurs a loss not covered by his equity capital over a period of one year or in the event of other circumstances indicating impairment. 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.

Technical-insurance provisions

Provision for unpaid claims and benefits which were reported to the insurer and in relation to which the information held does not enable to make an assessment of claims 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 claims arising from the given risk.

As at 31 December 2009 provision for claims incurred but not reported to the insurer (IBNR), was calculated using the 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-based ratios are composed on the basis of available market studies concerning loss arising from the given group of risks.

4. Business Segments

The classification by business segments is based on client groups and products 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 of 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 TU 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, 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 TU 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 with 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 the activities of 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, and BRE Gold FIZ Aktywów Niepublicznych, whose all investment certificates have been taken 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.

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.

Proprietary investments also include 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 19 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 for three quarters of 2008 and the whole year 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 purposes of management accounting. Assets and liabilities for which the units of the given segment are responsible as well as income and costs related to such assets and liabilities are attributed to individual business segments. The financial result (profit/loss) of a business segment takes into account all the income and cost items attributable to it.

The business operations of particular companies of the Group are attributed 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**	**(4 018 196)**	**81 020 025**	**81 020 025**
Liabilities of the segment	**49 412 460**	**4 608 648**	**25 577 889**	**373 356**	**(3 223 482)**	**76 748 871**	**76 748 871**
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)	(110 771)
Net profit attributable to Owners of BRE Bank SA							31 885	31 885
Net profit attributable to non-controlling interests							857 459	857 459
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)	-	(3)	-	(142 114)	
- 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.

The table above comprises financial data concerning continued and discontinued operations jointly.

IFRS Consolidated Financial Statements for the fourth quarter of 2009 PLN (000's)

5. Net Interest Income

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Interest income		
Loans and advances including the unwind of the impairment provision discount	2 610 235	2 676 885
Cash and short-term placements	204 505	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	(91 608)	(150 895)
Other borrowed funds	(58 180)	(82 086)
Other	(2 428)	(2 182)
	(1 795 030)	**(2 244 770)**

Interest income related to financial assets which have been impaired amounted to PLN 83 519 thousand (31 December 2008: PLN 56 350 thousand).

6. Net Fee and Commission Income

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Fee and commission income		
Credit activity-related fees and commissions	203 877	178 992
Commissions from payment cards	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
Commissions due to 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)
Discharged brokerage fees	(26 365)	(20 713)
Insurance activity-related fees	(2 096)	(34)
Other discharged fees	(189 307)	(128 621)
	(406 564)	**(292 997)**

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Fee and commission income from insurance contracts		
- Income from insurance policies administration	13 059	1 942
- Income from insurance intermediation	66 384	87 717
Total fee and commission income	**79 443**	**89 659**

The amount of other discharged fees comprises primarily commissions paid to external entities for sale of the Bank's products.

7. Dividend Income

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Trading securities	117	1 699
Securities available for sale	98 950	7 730
Dividend income, total	**99 067**	**9 429**

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8. Net Trading Income

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Foreign exchange result	**415 048**	**517 314**
Net exchange differences on translating foreign operations	(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)
Equity instruments	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.

9. Gains and Losses from Investment Securities

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Sale/redemption of the financial assets available for sale by the issuer	(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 the write-off in the amount of PLN 16 836 thousand which was done by Intermarket Bank AG due to impairment of Compania de Factoring IFN, Romania, of which 50% were held by Intermarket. On 28 October 2009, Intermarket Bank AG sold all shares held in the Company Compania de Factoring IFN SA.

In addition, the item comprises the amount of reversal due to prior impairment of Czwarty Polski Fundusz Rozwoju Sp. z o.o. in the amount of PLN 19 794 thousand made by BRE.locum SA 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 impact on the value of sale/redemption of financial assets available for sale had the result on the sale of shares of Vectra SA. The transaction of sale was described under item 4 of Selected Explanatory Information to the financial statements for the first quarter of 2008, published on 6 May 2008.

10. Other Operating Income

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Income from sale or liquidation of tangible fixed assets and intangible assets and assets held for disposal	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 recognised as expired, written off and unrecoverable	5 957	5 048
Income from compensations, 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 BRE Bank SA Group.

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

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the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
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
- Costs of expertise and certificates concerning risk assessment	(279)	-
Income from insurance activity net, total	**50 401**	**20 513**

11. Impairment Losses on Loans and Advances

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Impairment losses on amounts due from other banks	(19 950)	(21 894)
Impairment losses on off-balance sheet contingent liabilities due to other banks	542	(287)
Impairment losses on loans and advances to customers	(1 087 919)	(233 747)
Impairment losses on off-balance sheet contingent liabilities due to customers	10 193	(13 216)
Total impairment losses on loans and advances	**(1 097 134)**	**(269 144)**

12. Overhead Costs

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Staff-related expenses	(644 751)	(738 697)
Material costs	(585 228)	(561 476)
Taxes and fees	(25 222)	(26 598)
Contributions and transfers to the Bank Guarantee Fund	(22 711)	(6 923)
Contributions to the Social Benefits Fund	(5 034)	(5 483)
Other	(2 479)	(7 424)
Total overhead costs	**(1 285 425)**	**(1 346 601)**

Staff-related expenses in 2009 and 2008 is presented below

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Wages and salaries	(541 661)	(593 902)
Social security expenses	(69 889)	(82 483)
Pension fund expenses	(1 320)	(1 091)
Salaries settled in the form of employee 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 2009 was 7 473 persons (2008: 6 982 persons).

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13. Other Operating Expenses

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Costs of sale or liquidation of tangible fixed assets, intangible assets and assets held for disposal	(82 981)	(114 627)
Impairment provisions created for other receivables (excluding loans and advances)	(19 332)	(8 604)
Provisions for future commitments	(34 538)	(4 935)
Costs of receivables and liabilities recognised as expired, written off and unrecoverable	(284)	(4 464)
Donations made	(2 974)	(3 360)
Costs of sale of services	(1 118)	(1 968)
Impairment provisions created for tangible fixed assets and intangible assets	(4 838)	-
Compensation, penalties and fines paid	(651)	(790)
Other operating costs	(23 065)	(14 358)
Total other operating expenses	**(169 781)**	**(153 106)**

Costs of sale or liquidation of tangible fixed assets, intangible assets and assets held for disposal comprise primarily BRE.locum's income from 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 sale of services concern non-banking services.

14. Earnings per Share

Earnings per share for 12 months – continued operations

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Basic:		
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
Net basic profit per share (in PLN per share)	**4.34**	**24.49**
Diluted:		
Net profit from continued operations attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	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	29 729 741	29 701 246
Diluted earnings per share (in PLN per share)	**4.34**	**24.47**

Earnings per share for 12 months – continued and discontinued operations

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Basic:		
Net profit from continued and discontinued operations attributable to Owners of BRE Bank SA	128 928	857 459
Weighted average number of ordinary shares	29 690 882	29 680 542
Net basic profit per share (in PLN per share)	**4.34**	**28.89**
Diluted:		
Net profit from continued and discontinued operations attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	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	29 729 741	29 701 246
Diluted earnings per share (in PLN per share)	**4.34**	**28.87**

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15. Trading Securities and Pledged Assets

	31.12.2009	30.09.2009	31.12.2008
Debt securities:	**1 824 702**	**1 168 700**	**5 713 217**
Government bonds included in cash equivalents and pledged government bonds (sell-buy-back transactions), including:	1 079 141	143 626	836 767
- pledged government bonds (sell-buy-back transactions)	766 313	45 486	716 356
Treasury bills included in cash equivalents and pledged treasury bills (sell-buy-back transactions), including:	227 557	453 964	874 579
- pledged treasury bills (sell-buy-back transactions)	-	163 629	380 428
Other debt securities:	518 004	571 110	4 001 871
Equity securities:	**6 801**	**7 082**	**8 188**
- listed	6 801	7 082	8 188
Debt and equity securities, including:	**1 831 503**	**1 175 782**	**5 721 405**
- Trading securities	*1 065 190*	*966 667*	*4 624 621*
- Pledged assets	*766 313*	*209 115*	*1 096 784*

The note above includes neither Treasury bills nor government bonds pledged in favour of the Bank Guarantee Fund in the amount of PLN 187 564 thousand (30 September 2009: PLN 184 954 thousand, 31 December 2008: PLN 176 592 thousand), nor investment government bonds pledged in sell-buy-back transactions in the amount of PLN 2 562 648 thousand (30 September 2009: PLN 2 127 455 thousand, 31 December 2008: PLN 2 171 905 thousand), which have been classified as investment securities (Note 17).

16. Loans and Advances to Customers

	31.12.2009	30.09.2009	31.12.2008
Loans and advances to individuals	28 372 347	28 387 976	26 653 688
Loans and advances to corporate entities	24 137 577	24 799 076	25 016 257
Loans and advances to public sector	1 102 534	649 911	663 580
Other receivables	817 261	603 643	668 684
Total (gross) loans and advances to customers	**54 429 719**	**54 440 606**	**53 002 209**
Provisions for loans and advances to customers (negative amount)	(1 964 768)	(1 742 770)	(859 732)
Total (net) loans and advances to customers	**52 464 951**	**52 697 836**	**52 142 477**
Short-term (up to 1 year)	16 897 781	18 599 083	16 241 124
Long-term (over 1 year)	35 567 170	34 098 753	35 901 353

The Group presents loans to microenterprises supported by Retail Banking of BRE Bank (mBank and MultiBank) under the item "loans and advances to individuals". Loans to microenterprises in the presented reporting periods amount to respectively: 31 December 2009 – PLN 2 546 900 thousand, 30 September 2009 – PLN 2 532 500 thousand, 31 December 2008 – PLN 1 971 300 thousand.

17. Investment Securities and Pledged Assets

	31.12.2009	30.09.2009	31.12.2008
Debt securities	**15 728 539**	**13 378 022**	**7 754 415**
Listed, including:	15 671 265	13 319 572	7 702 443
- pledged government bonds (sell-buy-back transactions)	2 188 251	2 127 455	2 171 905
- pledged government bonds (loan collateral)	374 397	-	-
- government bonds pledged under the Bank Guarantee Fund	145 323	143 351	175 300
- Treasury bills pledged under the Bank Guarantee Fund	42 241	41 603	1 292
Unlisted	57 274	58 450	51 972
Equity securities	**142 360**	**103 228**	**96 394**
- listed	14 068	10 742	7 958
- unlisted	128 292	92 486	88 436
Total investment securities and pledged assets, including:	**15 870 899**	**13 481 250**	**7 850 809**
- Available for sale securities	*15 870 899*	*13 481 250*	*7 850 809*
- Pledged assets	*2 750 212*	*2 312 409*	*2 348 497*
Short-term (up to 1 year)	9 547 762	7 242 864	1 545 996
Long-term (over 1 year)	6 323 137	6 238 386	6 304 813

The above presented equity securities, valued at fair value, include provisions for impairment in the amount of PLN 306 thousand as at 31 December 2009 (30 September 2009: PLN 2 148 thousand, 31 December 2008: PLN 20 941 thousand).

The note above comprises government bonds and Treasury bills pledged in favour of the Bank Guarantee Fund and pledged investment government bonds (sell-buy-back transactions), which are presented in the Statement of Financial Position in a separate position "Pledged assets".

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18. Amounts due to Customers

	31.12.2009	30.09.2009	31.12.2008
Individual customers	24 344 214	22 440 861	21 047 662
Corporate customers	18 200 289	16 469 635	16 626 162
Public sector customers	246 884	529 613	76 203
Total amounts due to customers	**42 791 387**	**39 440 109**	**37 750 027**
Short-term (up to 1 year)	41 767 594	38 628 359	37 079 660
Long-term (over 1 year)	1 023 793	811 750	670 367

The Group presents amounts due to microenterprises supported by Retail Banking of BRE Bank (mBank and MultiBank) under the item "amounts due to individuals". The value of liabilities in respect of current accounts as well as liabilities in respect of term deposits accepted from microenterprises in the presented reporting periods amounts to: 31 December 2009 – PLN 1 956 200 thousand, 30 September 2009 – PLN 1 491 000 thousand, 31 December 2008 – PLN 1 550 900 thousand.

19. Non-current Assets and Liabilities Held for Sale and 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 were 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 concern non-current assets (disposal groups) held for sale and discontinued operations in comparative periods presented in financial statements.

Financial data for the period from 1 January to 31 December 2008 concerning Income Statement items related to assets held for sale and discontinued operations.

the period	from 01.01.2008 to 31.12.2008
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 the companies PTE Skarbiec-Emerytura SA and Aegon PTE SA as well as on 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.

the period	from 01.01.2008 to 31.12.2008
Cash flow from operating activities	10 680
Cash flows from investing activities	485 013
including sale of assets held for sale	*485 013*

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Earnings per share for 12 months – discontinued operations

the period	from 01.01.2008 to 31.12.2008
Basic:	
Net profit from discontinued operations attributable to Owners of BRE Bank SA	130 633
Weighted average number of ordinary shares	29 680 542
Net basic profit per share (in PLN per share)	**4.40**
Diluted:	
Net profit from discontinued operations attributable to Owners of BRE Bank SA, 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**

Selected explanatory information

1. Compliance with International Financial Reporting Standards

The presented consolidated report for the fourth quarter of 2009 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to interim financial reports.

2. Consistency of Accounting Principles and Calculation Methods Applied to the Drafting of the Quarterly Report and the Last Annual Financial Statements

A detailed description of the accounting policy principles of the Group is presented under items 2 and 3 of the Notes to the Consolidated Financial Statements for the fourth quarter of 2009. The accounting policies were applied consistently over all the periods presented in the financial statements.

3. Seasonal or Cyclical Nature of the Business

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

4. Nature and Values of Items Affecting Assets, Liabilities, Equity, Net Profit/(Loss) or Cash Flows, which are Extraordinary in Terms of Their Nature, Magnitude or Exerted Impact

- On 29 October BRE Bank concluded with its client, a subsidiary of the Bank ("Entity"), an investment loan agreement for financing of the Entity's liabilities in the amount totalling PLN 400 000 thousand. The loan is to be repaid by 29 October 2010.
- On 6 November 2009 BRE Bank SA signed a syndicated agreement in the amount of PLN 2 800 000 thousand granting revolving loans to a client of the Bank. BRE Bank and three other banks are parties to the syndicated agreement. The Bank's share in the syndication amounts to PLN 700 000 thousand. In the process of fulfilling the obligations arising from the syndication the following loan agreements were concluded with the client of the Bank:

  - on 6 November 2009 two loan agreements concerning granting two revolving loans in a total amount of PLN 800 000 thousand were concluded. The Bank's total exposure in both loans amounts to PLN 200 000 thousand,

  - on 19 November 2009 three loan agreements concerning granting three revolving loans in a total amount of PLN 1 000 000 thousand were concluded. The Bank's total exposure in the loans amounts to PLN 250 000 thousand,

  - on 25 November 2009 three loan agreements concerning granting three revolving loans in a total amount of PLN 1 000 000 thousand were concluded. The Bank's total exposure in the loans amounts to PLN 250 000 thousand.

  The aforementioned loans were granted for financing the statutory operation of the Bank's client.
- On 16 November 2009, under the agreement conluded 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 mid 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 conluded 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 mid exchange rate of the National Bank of Poland of 16 November 2009) for the purpose of satisfying general financial needs of the Bank.
- On 7 December 2009 the Bank signed a syndicated agreement in the amount of PLN 2 350 000 thousand connected with granting a loan to a client of the Bank. BRE Bank and three other banks are parties to the syndicated agreement. The Bank's share in the sindication amounts to PLN 446 500 thousand. In the process of fulfilling the obligations arising from the aforesaid syndication the Bank concluded a loan agreement with its client on 7 December 2009 concerning granting a loan to the client in the amount of PLN 2 350 000 thousand. The BRE Bank's share in the loan amounts to PLN 446 500 thousand.
- On 18 December 2009, under the loan agreement conluded between BRE Bank and the European Investment Bank ("EBI") on 31 July 2009, under which EBI granted EUR 100 000 thousand to the Bank, the Bank drew the first tranche of the loan in the amount of EUR 50 000 thousand (the equivalent of PLN 209 030 thousand according to the mid exchange rate of the National Bank of Poland of 18 December 2009).

5. Nature and Amounts of Changes in Estimate Values of Items, which were Presented in Previous Interim Periods of the Current Reporting Year, or Changes of Accounting Estimates Indicated in Prior Reporting Years, if they Bear a Substantial Impact Upon the Current Interim Period

In the fourth quarter of 2009 there were no significant changes in estimate values of items presented in previous reporting periods.

6. Issues, Redemption and Repayment of Debt and Equity Securities

In the fourth quarter of 2009 BRE Bank Hipoteczny issued bonds in the amount of PLN 306 000 thousand and redeemed bonds in the amount of PLN 355 000 thousand.

7. Dividends Paid (or Declared) Altogether or Broken Down by Ordinary Shares and Other Shares

Pursuant to the resolution on profit distribution for the year 2008, adopted on 16 March 2009 by the 22nd Ordinary General Shareholders Meeting of BRE Bank SA, no dividend for the year 2008 was not paid.

8. Income and Profit by Business Segment

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

9. Significant Events After the End of the Fourth Quarter of 2009, which are not Reflected in the Financial Statements

- On 27 January 2010 BRE Bank entered into tree loan agreements with Commerzbank AG in a total amount of PLN 1 554 010 thousand. In accordance with the biggest of them, the Bank will received a loan in the amount of CHF 350 000 thousand (PLN 972 370 thousand at the NBP mid exchange rate of 27 January 2010) for the purpose of fulfilling general financial needs of the Bank.
- On 28 January 2010 BRE Bank entered into a loan agreement with its client, a subsidiary of the Bank ("Entity"). In accordance with the agreement, the Bank will grant a loan in a total amount of EUR 200 000 thousand (PLN 812 600 thousand at the NBP mid rate of 28 January 2010) for the purpose of fulfilling general financial needs of the Entity. The loan will be paid in tranches. Each tranche matures two years after the date of drawing the tranche. The last tranche will be paid off at 29 June 2012.

10. Effect of Changes in the Structure of the Entity in the Fourth Quarter of 2009, Including Business Combinations, Acquisitions or Disposal of Subsidiaries, Long-term Investments, Restructuring, and Discontinuation of Business Activities

On 13 October 2009, BRE Bank SA and Commerzbank AG, the ultimate parent of the Group, concluded the agreement concerning terms and conditions of the 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 Branch.

11. Changes in Contingent Liabilities and Commitments

In the fourth quarter of 2009 there were no changes in contingent liabilities and commitments of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

12. Write-offs of the Value of Inventories Down to Net Realisable Value and Reversals of such Write-offs

The above indicated events did not occur in the Group.

13. Revaluation Write-offs on Account of Impairment of Tangible Fixed Assets, Intangible Assets, or other Assets as well as Reversals of such Write-offs

In the fourth quarter 2009 BRE Bank made the impairment provision for tangible fixed assets in the amount of PLN 4 838 thousand.

14. Reversals of Provisions Against Restructuring Costs

The above indicated events did not occur in the Group.

15. Acquisitions and Disposals of Tangible Fixed Asset Items

In the fourth quarter of 2009, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and property development operations that are performed by the companies of the Group.

16. Liabilities Assumed on Account of Acquisition of Tangible Fixed Assets

The above indicated events did not occur in the Group.

17. Corrections of Errors from Previous Reporting Periods

In the fourth quarter of 2009, there were no corrections of errors from previous reporting periods.

18. Default or Infringement of a Loan Agreement or Failure to Initiate Composition Proceedings

The above indicated events did not occur in the Group.

19. Position of the Management on the Probability of Performance of Previously Published Profit/Loss Forecasts for the Year in the Light of the Results Presented in the Quarterly Report Compared to the Forecast

BRE Bank did not publish a performance forecast for the year 2009. The description of the business strategy and goals of the Bank published in current report no. 25/2007 is not a performance forecast in the sense of § 5.1.25 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic reports published by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws from 2009, No. 33, item 259).

20. 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) at PLN 4 nominal value each (PLN 4 in 2008). All issued shares were fully paid up.

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REGISTERED SHARE CAPITAL (THE STRUCTURE)								
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	23-12-86	01-01-89
1986-12-11	ordinary registered**	-	-	21 500	86 000	fully paid up in cash	23-12-86	01-01-89
1993-10-20	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	04-03-94	01-01-94
1994-10-18	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	17-02-95	01-01-95
1997-05-28	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	10-10-97	10-10-97
1998-05-27	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	20-08-98	01-01-99
2000-05-24	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	15-09-00	01-01-01
2004-04-21	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	30-06-04	01-01-04
2003-05-21	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	01-01-05
2003-05-21	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	05-07-05*	01-01-05
2003-05-21	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	01-01-05
2003-05-21	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	01-01-05
2003-05-21	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-05*	01-01-05
2003-05-21	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-05*	01-01-05
2003-05-21	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-05*	01-01-05
2003-05-21	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-05*	01-01-05
2003-05-21	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-05*	01-01-05
2003-05-21	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-05*	01-01-05
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*
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*
Total number of shares				**29 690 882**				
Total registered share capital					**118 763 528**			
Nominal value per share (in PLN)			**4**					

* date of registration of shares in National Securities Deposit (KDPW SA)
** as at the end of the reporting period

21. Material Share Packages

There was a change in the holding of material share packages of the Bank in three quarters of 2009.

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 30 September 2009 – 69.7847%).

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 held

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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.

22. Change in Bank Shares and Options held by Managers and Supervisors

	Number of shares held as at the date of publishing the report for Q3 2009	Number of shares acquired from the date of publishing the report for Q3 2009 to the date of publishing the report for Q4 2009	Number of shares sold from the date of publishing the report for Q3 2009 to the date of publishing the report for Q4 2009	Number of shares held as at the date of publishing the report for Q4 2009
Management Board				
1. Mariusz Grendowicz	-	-	-	-
2. Wiesław Thor	5 609	-	5 609	-
4. Karin Katerbau	-	-	-	-
3. Przemysław Gdański	-	-	-	-
5. Hans-Dieter Kemler	-	-	-	-
6. Jarosław Mastalerz	-	-	-	-
7. Christian Rhino	-	-	-	-

As at the date of publishing the report for the third quarter of 2009 and as at the date of publishing the report for the fourth quarter of 2009, the Members of the Management Board had no Bank share options and they have no Bank share options.

The Members of the Supervisory Board of BRE Bank SA had neither Bank shares nor Bank share options and they have neither Bank shares nor Bank share options.

23. Earnings per Share (Stand-Alone Data)

Earnings per share for 12 months

the period	from 01.01.2009 to 31.12.2009	from 01.01.2008 to 31.12.2008
Basic:		
Net profit	57 143	829 531
Weighted average number of ordinary shares	29 690 882	29 680 542
Net basic profit per share (in PLN per share)	**1.92**	**27.95**
Diluted:		
Net profit attributable to the shareholders, applied for calculation of diluted earnings per share	57 143	829 531
Weighted average number of ordinary shares in issue	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)	**1.92**	**27.93**

24. Proceedings Before a Court, Arbitration Body or Public Administration Authority

As at 31 December 2009, BRE Bank SA ("Bank") was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer'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 mid 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")

The 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 8 February 2010 82 entities who were the client 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 193 402 thousand via the District Court in Warsaw. Additionally, by 8 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 BRE Bank Group SA 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.

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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 Treasury 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.

25. Off-balance Sheet Liabilities

Off-balance sheet liabilities as at 31 December 2009, 30 September 2009, 31 December 2008.

Consolidated data

	31.12.2009	30.09.2009	31.12.2008
1. Contingent liabilities granted and received	**13 193 060**	**14 363 250**	**20 735 831**
Commitments granted	**12 458 234**	**13 446 476**	**19 152 615**
- financing	10 102 505	10 578 424	15 940 051
- guarantees	2 312 114	2 560 857	3 027 249
- other commitments	43 615	307 195	185 315
Commitments received	**734 826**	**916 774**	**1 583 216**
- financing	261 857	429 330	956 208
- guarantees	472 969	487 444	627 008
2. Derivative financial instruments	**315 781 178**	**376 178 936**	**654 609 081**
Interest rate derivatives	256 843 652	306 745 611	561 929 698
FX derivatives	57 286 283	67 494 684	91 281 575
Market risk derivatives	1 651 243	1 938 641	1 397 808
Total off-balance sheet items	**328 974 238**	**390 542 186**	**675 344 912**

Stand-alone data

	31.12.2009	30.09.2009	31.12.2008
1. Contingent liabilities granted and received	**12 911 686**	**14 311 917**	**18 976 682**
Commitments granted	**12 227 183**	**13 474 118**	**18 419 046**
- financing	9 575 808	10 285 833	14 963 786
- guarantees	2 358 668	2 631 785	3 020 853
- other commitments	292 707	556 500	434 407
Commitments received	**684 503**	**837 799**	**557 636**
- financing	260 410	422 610	74 057
- guarantees	424 093	415 189	483 579
2. Derivative financial instruments	**316 358 096**	**377 124 374**	**656 809 303**
Interest rate derivatives	257 415 716	307 716 897	563 830 533
FX derivatives	57 291 137	67 468 836	91 580 962
Market risk derivatives	1 651 243	1 938 641	1 397 808
Total off-balance sheet items	**329 269 782**	**391 436 291**	**675 785 985**

26. 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 100% controlled by Commerzbank AG.

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

- On 13 October 2009, BRE Bank SA and Commerzbank AG, the ultimate parent of the Group, concluded the agreement on terms and conditions of the 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 29 October BRE Bank concluded with its client, a subsidiary of the Bank ("Entity"), an investment loan agreement for financing of the Entity's liabilities in the amount totaling PLN 400 000 thousand. The loan is to be repaid by 29 October 2010.
- On 16 November 2009, under the agreement conluded 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 mid 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 conluded 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 mid exchange rate of the National Bank of Poland of 16 November 2009) for the purpose of satisfying general financial needs of the Bank.

In all reporting periods there were no related-party 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 are as follows:

Numerical data concerning transactions with related entities (in PLN '000) as at 31 December 2009

No.	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								
1	AMBRESA Sp. z o.o.	-	688	-	-	2	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	775	-	(3)	1	-	-	-
3	BRE Systems Sp. z o.o. (previously ServicePoint 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 '000) as at 31 December 2008

No.	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								
1	AMBRESA Sp. z o.o.	-	847	-	-	2	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	715	-	(1)	1	-	-	-
3	BRE Systems Sp. z o.o. (previously ServicePoint 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	24 587 002	38 424	(549 414)	-	-	580 504	557 636

27. Credit and Loan Guarantees, other Guarantees Granted in Excess of 10% of the Equity

As at 31 December 2009 no exposure under guarantees granted in excess of 10% of the equity occurred in the Group.

28. Other Information which the Issuer Deems Necessary to Assess its Human Resources, Assets, Financial Position, Financial Performance and their Changes as well as Information Relevant to an Assessment of the Issuer's Capacity to Meet its Liabilities

No such information is pertinent.

29. Factors Affecting the Results in the Coming Quarter

Apart from operating activity of the Bank and BRE Bank Group companies, there are no other events expected in the first quarter of 2010 that would have a significant impact on the profit of this period.