BRE Bank SA Group

IFRS Consolidated Financial Statements for the third quarter of 2010

Contents

Selected financial data

	SELECTED FINANCIAL DATA FOR THE GROUP	in PLN '000		in EUR '000	
		III Quarters of 2010 the period from 01.01.2010 to 30.09.2010	III Quarters of 2009 the period from 01.01.2009 to 30.09.2009	III Quarters of 2010 the period from 01.01.2010 to 30.09.2010	III Quarters of 2009 the period from 01.01.2009 to 30.09.2009
I.	Interest income	2 544 983	2 618 876	635 817	595 294
II.	Fee and commission income	863 905	734 962	215 831	167 063
III.	Net trading income	306 398	323 513	76 548	73 537
IV.	Operating profit	608 705	127 486	152 074	28 979
V.	Profit before income tax	608 705	127 486	152 074	28 979
VI.	Net profit attributable to Owners of BRE Bank SA	446 120	88 150	111 455	20 037
VII.	Net profit attributable to non-controlling interests	21 206	(294)	5 298	(67)
VIII.	Net cash flows from operating activities	(3 903 220)	(2 589 861)	(975 147)	(588 698)
IX.	Net cash flows from investing activities	(33 124)	(128 862)	(8 275)	(29 291)
X.	Net cash flows from financing activities	1 507 175	(625 235)	376 540	(142 121)
XI.	Net increase / decrease in cash and cash equivalents	(2 429 169)	(3 343 958)	(606 883)	(760 111)
XII.	Earnings per 1 ordinary share (in PLN/EUR)	12.80	2.97	3.20	0.68
XIII.	Diluted earnings per 1 ordinary share (in PLN/EUR)	12.78	2.97	3.19	0.68
XIV.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

	SELECTED FINANCIAL DATA FOR THE GROUP	in PLN '000			in EUR '000		
		As at			As at		
		30.09.2010	31.12.2009	30.09.2009	30.09.2010	31.12.2009	30.09.2009
I.	Total assets	84 421 803	81 023 886	78 570 248	21 174 267	19 722 478	18 607 078
II.	Amounts due to the Central Bank	133	2 003 783	1 243 280	33	487 752	294 435
III.	Amounts due to other banks	25 974 779	25 019 805	26 163 651	6 514 868	6 090 211	6 196 100
IV.	Amounts due to customers	44 517 409	42 791 387	39 440 109	11 165 641	10 416 091	9 340 243
V.	Equity attributable to Owners of BRE Bank SA	6 764 713	4 120 187	4 035 511	1 696 693	1 002 918	955 693
VI.	Non-controlling interests	170 666	150 967	154 129	42 806	36 748	36 501
VII.	Share capital	168 311	118 764	118 764	42 215	28 909	28 126
VIII.	Number of shares	42 077 777	29 690 882	29 690 882	42 077 777	29 690 882	29 690 882
IX.	Book value per share (in PLN/EUR)	160.77	138.77	135.92	40.32	33.78	32.19
X.	Diluted book value per share (in PLN/EUR)	160.61	138.59	135.76	40.28	33.73	32.15
XI.	Capital adequacy ratio	15.89	11.50	11.38	15.89	11.50	11.38

	SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000		in EUR'000	
		III Quarters of 2010 the period from 01.01.2010 to 30.09.2010	III Quarters of 2009 the period from 01.01.2009 to 30.09.2009	III Quarters of 2010 the period from 01.01.2010 to 30.09.2010	III Quarters of 2009 the period from 01.01.2009 to 30.09.2009
I.	Interest income	2 209 188	2 148 173	551 924	488 299
II.	Fee and commission income	657 936	574 021	164 373	130 480
III.	Net trading income	296 786	310 618	74 146	70 606
IV.	Operating profit	427 974	70 580	106 921	16 043
V.	Profit before income tax	427 974	70 580	106 921	16 043
VI.	Net profit	327 574	50 171	81 838	11 404
VII.	Net cash flows from operating activities	(5 215 174)	(2 978 156)	(1 302 914)	(676 961)
VIII.	Net cash flows from investing activities	(32 651)	(82 385)	(8 157)	(18 727)
IX.	Net cash flows from financing activities	2 682 175	(369 219)	670 091	(83 927)
X.	Net increase / decrease in cash and cash equivalents	(2 565 650)	(3 429 760)	(640 980)	(779 615)
XI.	Earnings per 1 ordinary share (in PLN/EUR)	9.40	1.69	2.35	0.38
XII.	Diluted earnings per 1 ordinary share (in PLN/EUR)	9.39	1.69	2.35	0.38
XIII.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

	SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000			in EUR'000		
		As at			As at		
		30.09.2010	31.12.2009	30.09.2009	30.09.2010	31.12.2009	30.09.2009
I.	Total assets	77 506 885	72 607 181	68 882 325	19 439 901	17 673 721	16 312 775
II.	Amounts due to the Central Bank	133	2 003 783	1 243 280	33	487 752	294 435
III.	Amounts due to other banks	21 861 815	19 184 949	19 339 758	5 483 274	4 669 916	4 580 059
IV.	Amounts due to customers	44 093 717	42 414 412	38 837 011	11 059 372	10 324 330	9 197 417
V.	Own equity	6 391 433	3 813 626	3 730 914	1 603 068	928 296	883 558
VI.	Share capital	168 311	118 764	118 764	42 215	28 909	28 126
VII.	Number of shares	42 077 777	29 690 882	29 690 882	42 077 777	29 690 882	29 690 882
VIII.	Book value per share (in PLN/EUR)	151.90	128.44	125.66	38.10	31.26	29.76
IX.	Diluted book value per share (in PLN/EUR)	151.74	128.28	125.52	38.06	31.23	29.72
X.	Capital adequacy ratio	16.92	11.73	11.60	16.92	11.73	11.60

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 30 September 2010: EUR 1 = 3.987, 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 30 September 2009: EUR 1 = PLN 4.2226.
- for items of the Income Statement – an exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of three quarters of 2010 and 2009: 1 EUR = 4.0027 PLN and 1 EUR = 4.3993 PLN respectively.

Introduction

Main Achievements of BRE Bank Group in Q3 2010

BRE Bank Group generated a pre-tax profit of PLN 608.7 million in the three quarters of 2010 compared to PLN 127.5 million a year earlier (up by 377% YoY). The net profit attributable to the owners of BRE Bank stood at PLN 446.1 million compared to PLN 88.2 million (up by 406% YoY).

In Q3 2010 pre-tax profit reached PLN 279.9 million, up by PLN 108.9 million or 63.7% QoQ and up by PLN 168.6 million or 151.5% YoY.

BRE Group could achieve its good financial results in Q3 thanks to a continuing positive business development in almost all the areas of activity of the Bank and the Group's subsidiaries including among others the following:

- Continued effective acquisition of retail customers: the total number of customers reached 3,571.7 thousand at the end of September 2010, hence, 310.1 thousand new customers were acquired during 9 months of 2010 (+9.5% YtD). Client growth amounted to 80.3 thousand in Q3. Hence, 34.5 thousand new customers chose BRE on average every month in 2010 suggesting that the target of 4 million customers by 2012 might be achieved earlier.
- Growth of the net number of corporate customers by 100 in Q3 2010 to 13,126.
- Gross loans increased by 1% QoQ excluding fx effects. In nominal terms (i.e. including fx effects) the loan portfolio recorded a slight decrease by 1.6%, mainly as a result of the appreciation of the zloty, particularly visible in the retail loan portfolio (-3.1% QoQ). At the same time, a stable volume of the corporate portfolio and growth in financing of the public sector were recorded.
- Growth in sales of new non-mortgage retail loans accelerated (+8% QoQ), including a strong increase in sales of cash loans (+52% QoQ) and car loans (55% QoQ).
- Stable deposit base since June 2010 at the level of PLN 44.5 billion: decrease of retail deposits by 5.6% as a result of reduced interest rates offered to clients thus improving the Bank's deposit margin. At the same time, sustained growth of corporate deposits (up by 10.4% QoQ) was achieved.
- Marked improvement of the cost of risk to 127 bps after 9 months 2010 and to 93 bps in Q3 (vs. 228 bps in 9 months 2009 and 185 bps in Q3 2009)
- Positive impact of the recovery in the economy on business operations and improvement of the results of a majority of the Group's subsidiaries; the contribution of subsidiaries reached 23.4% of the Group's result in Q3 2010.
- Significantly higher business growth potential and funding possibilities for the Group's activities thanks to the increase of capital following the registration of its new shares issue on 16 July 2010 (PLN 1,979.4 million) as well as strong improvement of the capital adequacy ratio and core Tier 1 ratio.

The increase in Q3 2010 profit was achieved mainly thanks to high income (record high recurrent income) and lower loan loss provisions resulting from the improved standing of customers.

High income in Q3 (PLN 825 million), up by 7.7% QoQ and up by 13.9% YoY, could be achieved as a result of:

- High net interest income (up by 10.3% QoQ and 16.7% YoY) recorded mainly thanks to lower cost of deposits following the strategic decision to reduce interest rates offered to customers and higher income on loans as well as on investment securities.
- Sound growth of the fee and commission income in the major business categories (up by 15.5% QoQ and 22.4% YoY) as a result of growing sales of new products and cross selling. Also a positive impact of a one-off settlement with VISA at PLN 13 million was recorded.
- Partial sale of its PZU shareholding by the subsidiary BRE Gold FIZ Aktywów Niepublicznych at PLN 30.5 million in Q3 (PLN 47.5 million in Q1-3 2010); in addition, PZU shares held by the Group generated a dividend of PLN 5 million in Q3.

Costs including depreciation stood at PLN 416.9 million in Q3 (up by 6.5% QoQ and 14.5% YoY). As a result, the cost/income ratio decreased to 51.0% after 9 months 2010 compared to 51.2% at the end of H1 2010 and 51.5% after 9 months of 2009.

In addition, the Group's loan loss provisions decreased significantly to PLN 128.2 million (down by 37.0% QoQ and 48.5% YoY) as a result of the improved financial standing of customers.

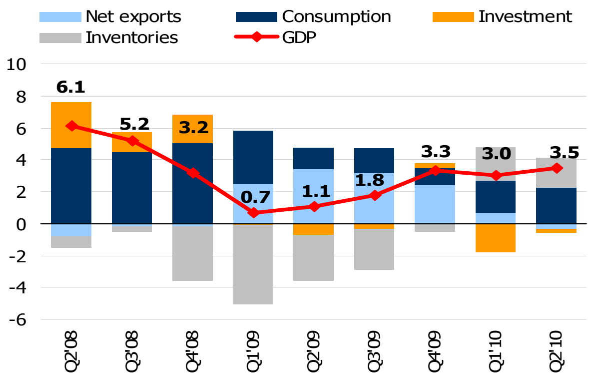
The positive developments in the income statement were reflected in further improving key financial ratios:

- ROE before tax grew to 15.3% YtD vs. 14.0% after H1 2010 and 4.2% a year ago;
- ROE net grew to 11.8% YtD vs. 10.8% after H1 2010 and 2.9% a year ago;
- CAR stood at 15.89% vs. 12.03% at the end of Q2 and 11.38% a year ago;
- Core Tier 1 ratio reached was 10.62% vs. 6.66 at the end of Q2 2010 and .54% a year ago.

Macroeconomic environment in Q3 2010

The YoY GDP growth rate accelerated from 3.0% in Q1 to 3.5% YoY in Q2. Like in Q1, the biggest contributors to the structure of GDP growth were consumption (2.3 percentage points) and inventories (1.9 percentage points).

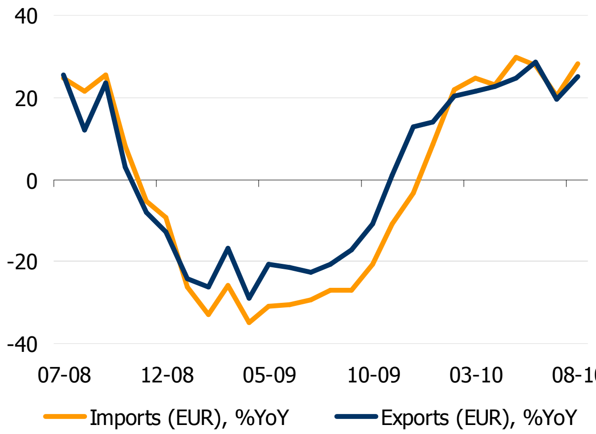
Contributions of main categories to real GDP growth



The growth rate of private consumption increased for the second consecutive quarter (from 2.2% YoY in Q1 to 3.0% YoY in Q2) and was additionally supported by a gradual improvement on the labour market.

Investments still made a negative contribution to GDP growth, although the decrease was much lower than in Q1 (-1.7% YoY vs. -12.4% YoY). However, public investments recorded a considerable improvement and grew sharply (mainly investments in road infrastructure) while the situation in the private sector did not improve much in H1 2010 (private investments fell by 17.7% YoY). Despite growth of demand, both foreign and domestic, and the accompanying increase in the utilisation of the production capacity, Polish companies have not yet decided to initiate larger scale new investment projects, probably due to the still uncertain global situation (including the fiscal crisis in the euro zone, the threat of a double-dip recession in the USA). Only investments in the energy sector picked up significantly, among others in relation to rebuilding of the production capacity.

Imports and exports growth rate (%YoY)

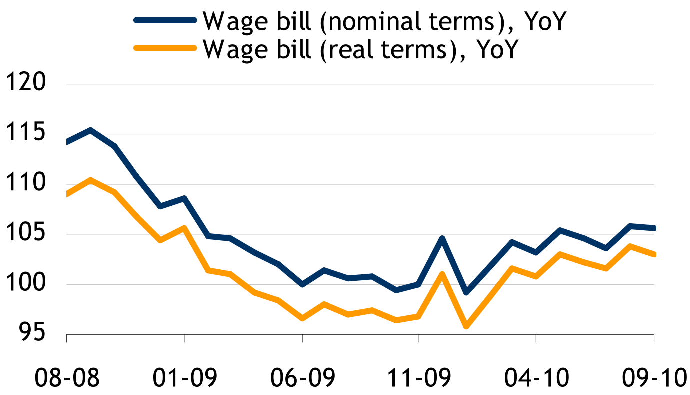


Companies continued to rebuild inventories in Q2 as economic activity picked up (contribution of 1.9 percentage points to GDP growth); the trend should continue in the coming quarters.
Thanks to the continuing strong momentum of the German economy, exports remained the main driver of economic growth in Poland and grew by ca. 25% YoY in Q2 (in current prices in EUR) and by a similarly high rate in July-August (ca. 22% YoY). As growing foreign demand continues to drive the Polish economy in Q3, industrial output continues to grow sharply (ca. 12% YoY in July-August vs. 11.6% in Q2), which should activate private investments over time. The rising growth rate of retail sales (ca. 5.3% YoY in July-August vs. 3% YoY in Q2) suggests improvement of domestic demand.

Labour Market

The Polish labour market continued to improve gradually in Q3. The growth rate of employment in the corporate sector continued to rise from 1.1% YoY in June to 1.8% YoY in September. Employment grew by ca. 28 thousand FTEs in Q3, most of the new jobs were created in the area of industrial processing and in construction. As a result of the ongoing improvement on the labour market, the official unemployment rate decreased from 11.6% to 11.4% in Q3 (preliminary data of the Ministry of Labour and Social Policy).
Wages and salaries in the corporate sector were relatively stable in Q3: their growth rate increased only modestly (from 3.5% at the end of Q2 to 3.7% YoY), although it should be noted that the growth rate of wages and salaries in industrial processing has remained at the level of ca. 6% YoY since June.

Wage bill growth rate in nominal and real terms (YoY



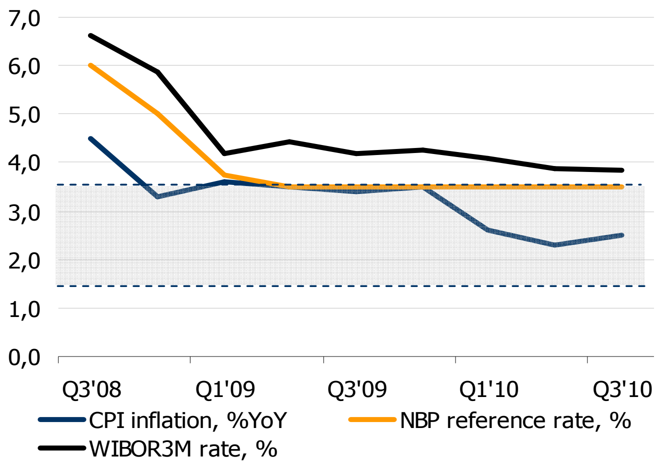
As a result, total real wages and salaries grew by 3.0% YoY in September v. 2.3% in June, curbed by spiking inflation.

Inflation and Interest Rates

The CPI was 2.5% YoY at the end of Q3, up from 2.3% YoY at the end of Q2. The first months of the quarter (July-August) saw the last phase of a mid-term downtrend of inflation prevailing since mid-2008. Over that period, inflation fell to 2.0% YoY, mainly due to the negative effect of a high statistical base of 2009 resulting from high price rises in 2009 due to depreciation of the zloty. The negative base effect was reinforced by last year's cumulative rise of tobacco product prices (only cigarettes subject to a higher excise tax rate are allowed for sale since the beginning of July 2009).

The CPI spiked in September 2010 (to 2.5% YoY), mainly due to a high rise of food prices (1.8% MoM) following supply limitations in agriculture caused by adverse weather conditions. Importantly, core inflation has been stable, falling from 1.5% YoY at the end of Q2 to 1.2% YoY in Q3.

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



As the above mentioned base effect disappears while demand pressure mounts as a result of continued improvement of the Polish economy as well as cost pressure (strongly rising PPI in the last months), the CPI should continue to increase in the coming months, albeit less sharply than in September. The situation will also depend strongly on the inflation expectations of households: they grew sharply (though temporarily) in August after the government announced a VAT rate rise next year.

In Q3, the Monetary Policy Council (RPP) maintained the basic interest rate at 3.50% according to expectations. The minutes of the Council's August meeting revealed that the Council voted on a 50 bp rise of the reference rate and, importantly, a rise of the mandatory reserve rate to the level from before the crisis (3.50% vs. 3.00% as at September), which caused a temporary increase of expectations of an interest rate hike in the coming months.

However, the communiqué after the Council's September meeting changed the perspective on the future interest rate path. Compared to earlier communiqués of the Council, it was surprisingly dovish. It stressed factors in support of maintaining the current reference rate level, such as the moderate GDP growth rate, limited salary and inflation pressures and the risk of weaker economic growth globally in the coming quarters. In view of the September communiqué, the probability of a monetary tightening later this year has decreased significantly.

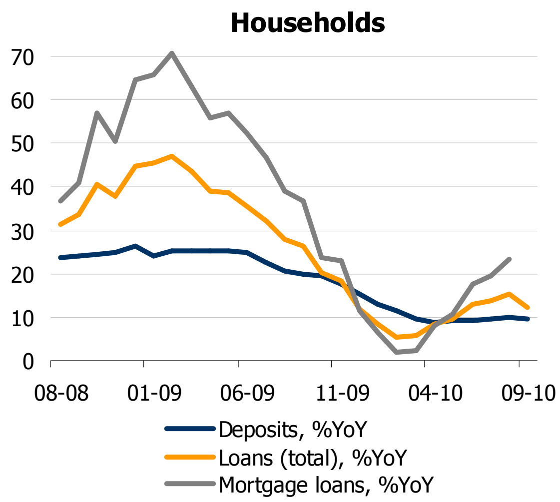
Money Supply and the Banking Sector

At the end of September 2010, the growth rate of retail deposits remained stable at 9.7% YoY vs. 9.3% YoY at the end of June 2010. Retail deposits grew by PLN 3.7 billion in Q3 vs. PLN 1.8 billion growth a year earlier; the higher growth was mainly driven by the improvements on the labour market. Corporate deposits grew by 12.9% YoY at the end of September 2010 v. 13.1% YoY at the end of June 2010, which is an indicator for good financial results of enterprises and their still low investments in Q3 2010. The volume of corporate deposits decreased by PLN 1.6 billion in Q3 2010 vs Q2 2010 (PLN 1.1 billion in Q3 2009 vs. Q2 2010).

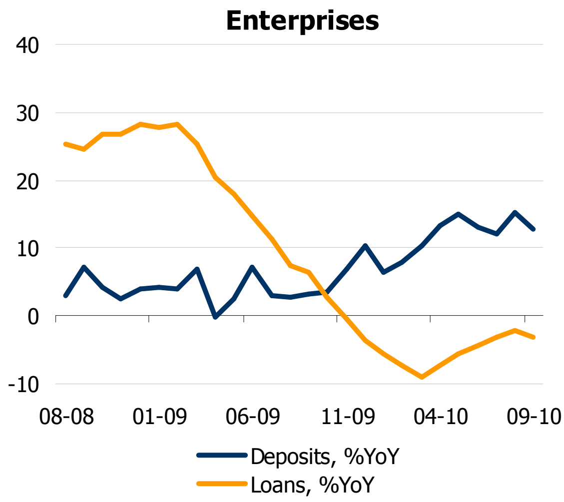
The growth rate of household loans fell from 13.1% YoY at the end of June 2010 to 12.4% YoY at the end of September while their volume grew by PLN 4.0 billion in Q3 2010 v. PLN 6.0 billion in Q3 2009. Net of fx effects, the growth rate was 9.9% YoY at the end of September 2010. The continuing high growth rate of household loans is related to high growth of housing loans (23.4% YoY, or 13.3% YoY net of fx effects) in August 2010.

In view of the continued uncertainty of business prospects, the growth rate of corporate loans remained negative at -3.1% YoY at the end of September 2010 v. -4.4% YoY at the end of June 2010. Net of fx effects, the growth rate of corporate loans was -1.6% YoY at the end of September 2010. The weakness of demand for corporate loans is reflected in the high growth rate of corporate deposits and still low corporate investments typical of the early stage of economic recovery.

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



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



Key Factors Driving the Results of BRE Bank Group after Q3 2010

Income Statement of BRE Bank Group

Profit before tax generated by BRE Bank Group in the three quarters of 2010 reached PLN 608.7 million v. PLN 127.5 million in the same period of 2009. Profit before tax increased to PLN 279.9 million in Q3 2010, up by PLN 108.9 million or 63.7% QoQ. Main drivers of the strong growth in the profit before tax in Q3 2010 were record high recurrent income and a decrease of loan loss provisions.

Income development

Income generated by BRE Bank Group in the three quarters of 2010 was PLN 2,280.1 million, up by PLN 168.6 million or 8.0% YoY. The income growth was driven by a rise of net commission income, net interest income and income on investment securities. Net trading income decreased.

Net interest income was BRE Bank Group's main revenue source in the three quarters of 2010. It rose to PLN 1,307.8 million, up by PLN 67.2 million or 5.4% YoY.

The main source of interest income (71.2%) were loans and advances. Interest income on loans and advances was PLN 166.4 million lower YoY due to lower nominal interest rates in 2010. As a result of a significant growth in the volume of investment securities, interest income from this portfolio increased by PLN 186.4 million or 48.1%. Reduced nominal interest rates caused a decrease in interest income on short-term placements. Interest income from debt securities held for trading decreased as the volume of this asset category went down.

At the same time, interest expenses arising from amounts due to banks and customers decreased by PLN 112.7 million or 9.0% YoY; as did interest expenses arising from the issue of debt securities (down by PLN 23.0 million or 31.4% YoY).

Net interest income reached its highest level in Q3 2010 and was up by PLN 44.8 million QoQ. The main driver were lower interest expenses paid to banks and customers (down by PLN 44.2 million or 11.2%). This was a result of lower average costs of deposits as the Bank reduced its deposit interest rates offered to clients.

BRE Bank Group's net interest margin (calculated as net interest income to average interest-earning assets) was 2.1% p.a. at the end of September 2010 v. 2.3% p.a. at the end of September 2009. At the same time the ratio of net interest income to average RWA went up to 3.4% in Q3 2010 (3.2% Ytd). The margin development was driven by changes in the structure of assets with a growing share of investment securities compared to 2009.

Net commission income in the three quarters of 2010 accounted for 23.9% of BRE Bank Group's revenues and grew by PLN 102.8 million or 23.2% YoY. Commission income from insurance activities, commissions on clients' accounts and payment card commissions grew the most. Growth of commission income from insurance activities (up by 104.3%) resulted from growing sales of insurance products, including bancassurance (in particular insurance of cards and accounts) by the subsidiary BRE Ubezpieczenia. Growth of commission income on clients' accounts and on payment cards was driven by a higher client activity and the continued growth of the customer base of BRE Bank Group.

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Commission income stood at a record level in Q3 2010. Net commission income grew by PLN 26.8 million or 15.5% QoQ. The growth was mainly driven by growing income on payment cards accompanied by falling costs of payment card services and insurance as a result of new interchange settlement rates. It has to be noted that a positive one-off effect of settlements with Visa contributed to the result in Q3 (PLN 13.2 million).

Net trading income stood at PLN 306.4 million at the end of September 2010, down by PLN 17.1 million or 5.3% YoY. Net trading income fell as a result of a lower fx result, down by PLN 57.7 million or 17.0% YoY. This was due to a lower fx volatility and hence less active trading by clients on the fx market. Other trading income grew by PLN 40.6 million YoY at the end of September 2010, mainly driven by more active trading in interest rate instruments and a positive valuation of interest-rate derivative instruments in 2010.

QoQ net trading income decreased by PLN 33.9 million or 27.8% as a result of lower fx income in Q3 and a release of PLN 8.2 million of provisions for derivative instruments in Q2 2010.

The result from investment securities stood at PLN 46.5 million after 9 months 2010 and included income on the partial sale the Bank's shareholding in PZU by the subsidiary BRE Gold FIZ Aktywów Niepublicznych (PLN 16.9 million in Q2 and PLN 30.5 million in Q3).

Other operating result (net other operating income and cost) stood at PLN 65.7 million at the end of September 2010 v. PLN 98.6 million a year earlier. The decrease was mainly due to provisions for legal risk set up at PLN 18.5 million in 2010.

In Q3 other operating income was up by PLN 6.0 million to PLN 63.8 million (+38.2% QoQ) due to an improvement of other operating costs which in Q2 included provisions against legal risk (PLN 13.8 million vs. PLN 4.7 million in Q3).

Development of Loan Loss Provisions

Net loan loss provisions of BRE Bank Group stood at PLN 508.8 million at the end of September 2010 v. PLN 897.6 million at the end of September 2009, down by PLN 388.8 million or 43.3%. Provisions decreased significantly both in the Bank (PLN 472.4 million after Q3 2010 v. PLN 795.3 million in 2009) and in the subsidiaries (PLN 36.4 million after Q3 2010 v. PLN 102.3 million in 2009).

The cost of credit risk decreased as a result of general improvement in the financial standing of the Group's clients and in particular due to a significant decrease of loan loss provisions in the area of Corporates and Institutions. Following the macroeconomic improvement, adequate provisioning in previous periods and undertaken restructuring measures of exposures, the loan loss provisions in this business area decreased from PLN 539.0 million at the end of September 2009 to PLN 230.2 million in 2010.

Changes to the credit policy towards retail clients introduced in 2009, mainly including the Bank's withdrawal from granting cash loans to clients without a previous relationship with the Bank, helped to reduce loan loss provisions in Retail Banking despite business growth (PLN 267.8 million after Q3 2010 v. PLN 338.7 million in 2009).

The cost of credit risk decreased QoQ. Loan loss provisions stood at PLN 128.2 million in Q3 2010, down by PLN 75.3 million or 37.0% QoQ. Provisions decreased by PLN 41.4 million QoQ in Corporates and Institutions and by PLN 26.9 million in Retail Banking.

Development of Overhead Costs

Overhead costs in the three quarters of 2010 were up by PLN 76.1 million or 8.4% YoY. Costs including depreciation (the latter remained stable) stood at PLN 1,162.6 million, up by 7.0% YoY. Personnel costs were up by PLN 56.7 million or 12.1% as a result of business growth entailing accruals for retail sales commissions, bonuses and employee stock options. The growth in personnel costs was to a smaller extent also related to the increase of headcount of BRE Bank Group by 5.8% YoY.

Employment in BRE Bank Group (FTEs)	*30.09.2010*	*31.12.2009*	*30.09.2009*	*% annual change*
	5,894	5,566	5,569	+5,8%

Material costs in the three quarters of 2010 were up by PLN 16.2 million or 4.1% YoY, mainly due to higher marketing expenses both in retail and corporate banking.

In Q3, overhead costs increased by PLN 26.0 million or 7.8% QoQ. The increase was mainly driven by personnel costs, which grew by PLN 22.7 million or 13.2% in Q3. This was mainly a result of an increase of variable remuneration components (retail sales commissions, accruals for bonuses) directly linked to business performance and to a smaller extent attributable to the implementation of the Group's various new initiatives in business areas, operations and risk which helped to dynamically increase the income of the Group and improved the quality of operations.

Effective management of resources allowed BRE Bank Group to further improve its efficiency as measured by the cost/income ratio, which was down to 50.5% in Q3 2010 (51.0% in the three quarters of 2010) v. 51.1% in Q2 2010 and 51.5% in Q1-3 2009.

Changes in the Consolidated Statement of Financial Position at the end of Q3 2010

BRE Bank Group's balance sheet total was PLN 84,421.8 million at the end of September 2010, up by 7.4% YoY and down by 5.0% QoQ.

Assets of BRE Bank Group

Loans and advances to customers stood at PLN 54,588.2 million and remained the largest asset category at the end of Q3 2010 with a share of 64.7% of total assets (as compared to 62.5% at the end of H1 2010). Loans and advances to customers grew by PLN 1,890.3 million or 3.6% YoY. While the Group's sales of loans grew dynamically in Q3 2010, the volume of loans and advances to customers fell by PLN 992.9 million or 1.8% net and by PLN 901.7 million or 1.6% gross QoQ due to the appreciation of the zloty against foreign currencies. Loans and advances to corporate customers remained stable while loans and advances to individuals fell by 3.1%. It should be noted that loans and advances to the public sector increased by PLN 302.1 million or 26.5% in Q3.

Investment securities were the second largest category of assets. They grew by PLN 313.7 million or 1.7% in Q3 2010.

Loans and advances to banks fell by PLN 2,533.8 million or 46.4% in Q3 2010. The decrease was related to the Group's lower participation in interbank market transactions.

Liabilities of BRE Bank Group

Amounts due to customers, BRE Bank Group's major source of funding, were up by PLN 5,077.3 million or 12.9% YoY. Both, amounts due to retail clients and amounts due to corporate clients grew (by PLN 2,182.5 million and PLN 2,980.6 million, respectively) as a result of the implementation of successful marketing initiatives aiming at growing the customer base. As a result, amounts due to customers reached PLN 44,517.4 million at the end of September 2010, representing 57.5% of total liabilities, compared to 53.0% at the end of September 2009 and 54.1% at the end of H1 2010. Amounts due to corporate clients grew by PLN 1,824.7 million or 10.4% in Q3 2010, reflecting the overliquidity in this market segment. Meanwhile, amounts due to retail clients decreased by PLN 1,447.9 million or 5.6% in Q3 2010 following a reduction of interest rates on deposits offered to retail clients. Total amounts due to clients remained stable QoQ.

In Q3 2010 amounts due to banks fell by PLN 2,406.0 million or 8.5% QoQ. The decrease resulted from the appreciation of the zloty against foreign currencies and the repayment of a CHF 250 million loan to Commerzbank.

Following the discontinuation of repo transactions with NBP, amounts due to the central bank fell by PLN 2,022.5 million or 100% in Q3 2010.

The share of BRE Bank Group's equity in liabilities was 8.2% at the end of September 2010, compared to 7.5% at the end of H1 2010. The growth was mainly driven by retention of the current year's profit in equity.

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Performance Indicators

The key performance indicators of BRE Bank Group were as follows:

	30.09.2010	30.06.2010	30.09.2009
ROA net	0.74%	0.60%	0.15%
ROE before tax	15.3%	14.0%	4.2%
ROE net	11.8%	10.8%	2.9%
CIR	51.0%	51.2%	51.5%
CAR	15.89%	12.03%	11.38%
Core Tier 1	10.62%	6.68%	6.54%

ROA= Net profit (including minority shareholders)/Total assets
ROE before tax = Profit before tax / Equity (including minority shareholders, excluding the current year's profit)
ROE net = Net profit (including minority shareholders) / Equity (including minority shareholders, excluding the current year's profit)
CIR = Administrative costs + depreciation / Income (including net other income and cost)

Capital adequacy ratio of BRE Bank Group was 15.89% at the end of September 2010 v. 12.03% at the end of June 2010 and 11.38% at the end of Q3 2009. Core Tier 1 ratio was 10.62% at the end of Q3 2010 v. 6.68% at the end of June 2010 and 6.54% at the end of Q3 2009.

While risk-weighted assets grew by PLN 662.7 million YoY, capital adequacy ratio increased due to the following factors:

- Growth of the Group's equity following the capital increase in Q2 2010;
- Appreciation of CHF against PLN, increasing the value of CHF denominated subordinated liabilities included in supplementary capital and expressed in PLN;
- Further improvement of the revaluation reserves.

Contribution of Consolidated Subsidiaries to the Results of BRE Bank Group

In the three quarters of Q3 2010, the consolidated subsidiaries generated profit before tax of PLN 193.6 million v. PLN 133.5 million a year earlier. The results of the following subsidiaries improved YoY: BRE Leasing, BRE Bank Hipoteczny, BRE Ubezpieczenia, BRE Wealth Management, Intermarket Bank, Polfactor, Magyar Factor, Aspiro and CERI.
In addition, two subsidiaries of BRE Bank Group were deconsolidated in Q3 (BRE Corporate Finance S.A. and Tele-Tech Investment Sp. z o.o.). Considering these subsidiaries' profit in the previous quarters, their contribution to the profit before tax of the Group is immaterial.

Income of BRE Bank Group stood at PLN 2,280.1 million at the end of Q3 2010, up by PLN 168.6 million or 8.0% YoY.

Performance of the Business Lines

The Retail Banking Line remained the biggest contributor to the income of the Group (50.0%), followed by Corporates and Institutions (35.0%). Both Lines increased their contribution to the income of the Group YoY while the contribution of the other two areas (Trading and Investments and Other) decreased.

Retail Banking and Private Banking

Financial Results

The segment generated a profit before tax of PLN 341.3 million in the three quarters of 2010 v. PLN 208.3 million in Q1-3 2009. The growth of profit before tax of the segment by PLN 133.0 million or 63.9% was mainly driven by:

- High growth of net commission income (up by 70.5% YoY). The segment's fee and commission income grew mainly due to income from the insurance business, commissions on bank accounts, and commissions on payment cards. The improved net commission income is owed to several factors including mainly: increased sales of mortgage loans and non mortgage loans in connection with an expanding business of the Group's insurance activities, a growing number of bank accounts and issued cards as a result of increased cross – selling on the one hand and effective new customer acquisition on the other.
- Increase of net trading income by PLN 13.6 million as a result of growing sales of EUR mortgage loans.

- Decrease of loan loss provisions by PLN 70.9 million thanks to changes to the lending policy applicable to retail clients, including the withdrawal from sales of cash loans to clients without a previous relationship with the Bank in May 2009. As a result, provisions created for mBank's cash loan portfolio amounted to PLN 71.2 million in the three quarters of 2010 v. PLN 199.7 million in the same period of 2009.

The Retail Banking segment generated a record-high profit before tax of PLN 151.0 million in Q3 2010 v. PLN 81.5 million in Q2 2010. The strong improvement of profitability was possible thanks to the segment's record-high net interest income and net commission income. The segment's excellent performance in Q3 was also owed to the decrease of its loan loss provisions, which reached the lowest level in 2010 (down from PLN 95.7 million in Q2 to PLN 68.7 million in Q3). The segment's administrative costs were up by PLN 13.0 million or 8.1% QoQ.

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: Operations in Poland

Customers

BRE Bank's Retail Banking had 3,103.1 thousand customers at the end of Q3 2010 (including 2,510.7 thousand at mBank and 592.4 thousand at MultiBank).

The number of customers grew by 63.9 thousand in Q3 2010 (up by 2.1%; +74.6 thousand at mBank, -10.8 thousand at MultiBank). The number of customers grew by 236.9 thousand YtD (up by 8.3%; 214.7 thousand at mBank, 22.2 thousand at MultiBank).

The Bank had 383.0 thousand microenterprise customers (286.1 thousand at mBank, 96.8 thousand at MultiBank). The number of new microenterprise customers acquired YtD was 26.9 thousand (up by 7.6%; 20.9 thousand at mBank, 6.0 thousand at MultiBank).

Accounts

The Bank recorded 4,348.1 thousand accounts at the end of September 2010 (3,956.3 thousand at mBank, 391.7 thousand at MultiBank). The number of accounts grew by 118.4 thousand in Q3 2010 (up by 2.8%; +124.3 thousand at mBank,
-5.9 thousand at MultiBank). The number of accounts grew by 495.2 thousand YtD (up by 12.9%; 476.3 thousand at mBank, 18.8 thousand at MultiBank).

There were 464.2 thousand microenterprise accounts (368.0 thousand at mBank, 96.2 thousand at MultiBank).

The number of microenterprise accounts grew by 8.1 thousand in Q3 2010 (up by 1.8%; 7.8 thousand at mBank, 0.3 thousand at MultiBank). The number of microenterprise accounts grew by 32.0 thousand YtD (up by 7.4%; 26.5 thousand at mBank, 5.5 thousand at MultiBank).

Deposits

BRE Bank's Retail Banking Line deposits stood at PLN 19,002.1 million at the end of September 2010 (PLN 13,836.4 million at mBank, PLN 5,165.8 million at MultiBank).

The balance-sheet deposits decreased by PLN 479.1 million in Q3 2010 (down by 2.5%; -PLN 136.7 million at mBank, -PLN 342.4 million at MultiBank). The balance-sheet deposits grew by PLN 1,044.4 million YtD (up by 5.8%; PLN 1,127.8 million at mBank, -PLN 83.3 million at MultiBank).

Microenterprises' balance-sheet deposits stood at PLN 1,706.5 million at the end of September 2010 (PLN 866.2 million at mBank, PLN 840.3 million at MultiBank). Deposits decreased by PLN 22.5 million QoQ (down by 1.3%; PLN 4.0 million at mBank, -PLN 26.5 million at MultiBank).

Investment Funds

Investment fund assets of BRE Bank retail customers were PLN 2,059.4 million at the end of September 2010 (PLN 1,570.5 million at mBank, PLN 488.9 million at MultiBank).

Investment fund assets grew by PLN 185.6 million in Q3 2010 (up by 9.9%; PLN 108.3 million at mBank, PLN 77.3 million at MultiBank).

Investment fund assets grew by PLN 418.5 million YtD (up by 25.5%; PLN 271.5 million at mBank, PLN 147.0 million at MultiBank).

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Loans

Balance-sheet loans stood at PLN 29,891.5 million at the end of September 2010 (PLN 13,161.1 million at mBank, PLN 16,730.3 million at MultiBank).

Balance-sheet loans were down by PLN 552.0 million in Q3 2010 (down by 1.8%; -PLN 227.9 million at mBank, -PLN 324.1 million at MultiBank).

Balance-sheet loans were up by PLN 3,110.3 million YtD (up by 11.6%; PLN 1,402.9 million at mBank, -PLN 1,707.3 million at MultiBank).

Microenterprise loans stood at PLN 2,940.6 million at the end of September 2010 (PLN 915.1 million at mBank, PLN 2,025.5 million at MultiBank).

Structure of the Loan Portfolio:

- mBank: 78.2% mortgage loans, 7.3% cash loans, 6.4% credit lines, 4.9% credit cards, 3.2% other;

- MultiBank: 82.7% mortgage loans, 5.8% credit lines, 2.0% cash loans, 1.6% credit cards, 7.8% other.

The Retail Banking balance-sheet retail mortgage loans stood at PLN 23,687.2 million at the end of Q3 2010 (PLN 10,298.5 million at mBank, PLN 13,388.7 million at MultiBank).

The balance-sheet mortgage loans were down by PLN 812.1 million in Q3 2010 (down by 3.3%; -PLN 381.1 million at mBank, -PLN 431.0 million at MultiBank).

The balance-sheet mortgage loans were up by PLN 2,282.9 million YtD (up by 10.7%; PLN 950.6 million at mBank, PLN 1,332.4 million at MultiBank).

Mortgage loans to retail customers at 30 September 2010.

Mortgage Loans to Retail Customers	Total	PLN	FX
Balance-sheet value (PLN B)	23.69	2.26	21.43
Average maturity (years)	22.90	19.98	23.31
Average value (PLN thou.)	267.02	206.08	275.62
Average LTV (%)	81.44%	56.03%	85.18%
NPL	0.82%	3.63%	0.52%

Cards

The number of credit cards issued by the end of September 2010 was 556.1 thousand (384.2 thousand at mBank, 171.9 thousand at MultiBank).

The number of credit cards grew by 16.8 thousand in Q3 2010 (up by 3.1%; 11.2 thousand at mBank, 5.6 thousand at MultiBank).

The number of credit cards grew by 57.1 thousand YtD (up by 11.4%; 42.3 thousand at mBank, 14.8 thousand at MultiBank).

The number of debit cards issued by the end of September 2010 was 2,890.0 thousand (2,267.6 thousand at mBank, 622.4 thousand at MultiBank). The number of debit cards grew by 141.6 thousand in Q3 2010 (up by 5.2%; 109.5 thousand at mBank, 32.1 thousand at MultiBank).

The number of debit cards grew by 384.1 thousand YtD (up by 15.3%; 302.2 thousand at mBank, 81.9 thousand at MultiBank).

Expansion of the Distribution Network

mBank

The distribution network operated by Aspiro had 122 locations (65 mKiosks, 24 Financial Centres, 33 Partner mKiosks).

MultiBank

MultiBank's distribution network had 133 outlets (72 Financial Services Centres and 61 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 463.9 thousand customers at the end of Q3 2010 (including 341.1 thousand at mBank CZ and 122.8 thousand at mBank SK).

The number of customers grew by 17.0 thousand in Q3 2010 (up by 3.8%; 11.4 thousand at mBank CZ, 5.6 thousand at mBank SK).

The number of customers grew by 74.2 thousand YtD (up by 19.0%; 52.2 thousand at mBank CZ, 21.9 thousand at mBank SK).

Accounts

mBank in the Czech Republic and Slovakia had 901.8 thousand accounts at 30 September 2010 (671.6 thousand at mBank CZ, 230.2 thousand at mBank SK).

The number of accounts grew by 22.4 thousand in Q3 2010 (up by 2.6%; 16.3 thousand at mBank CZ, 6.1 thousand at mBank SK). The number of accounts grew by 126.8 thousand YtD (up by 16.4%; 87.1 thousand at mBank CZ, 39.7 thousand at mBank SK).

Deposits

mBank in the Czech Republic and Slovakia had deposits at EUR 990.6 million at the end of Q3 2010 (EUR 682.4 million at mBank CZ, EUR 308.2 million at mBank SK).
Balance-sheet deposits decreased by EUR 33.1 million in Q3 2010 (down by 3.2%; -EUR 36.7 million at mBank CZ, EUR 3.6 million at mBank SK).

Loans

Balance-sheet loans were EUR 350.1 million at the end of September 2010 (EUR 265.8 million at mBank CZ, EUR 84.3 million at mBank SK).

Balance-sheet loans grew by EUR 39.3 million in Q3 2010 (up by 12.7%; EUR 40.7 million at mBank CZ, -EUR 1.3 million at mBank SK). Balance-sheet loans grew by EUR 91.3 million YtD (up by 35.3%; EUR 93.1 million at mBank CZ, -EUR 1.8 million at mBank SK).

Expansion of the Distribution Network

The distribution network of mBank CZ had 24 locations (15 mKiosks, 9 Financial Centres).
The distribution network of mBank SK had 11 locations (5 mKiosks, 6 Financial Centres).

Private Banking (PB)

Number of Customers

Private Banking had 4,690 customers at the end of September 2010, down by ca. 16% (897 customers) YtD.

The decrease resulted from continued restructuring of the customer base aimed at its improved quality and a focus on servicing target customers with liquid assets of at least PLN 1 million.

Loans

The loans of Private Banking customers were PLN 601 million, up by 4.9% or almost PLN 28 million YtD.

Assets under Management

Customers' assets under management invested via BRE PB (including deposits, asset management products and financial market products) totalled PLN 5,627 million at the end of September 2010, down modestly YtD. A change in the structure of assets was a positive development. In Q1-3 2010, deposit products were being gradually replaced by investment products (as demonstrated by assets in investment funds which increased by over 40% to PLN 899 million).

Product Innovation

In Q3, BRE Private Banking & Wealth Management offered a new tool, Fund Picking, a ranking of investment funds in Poland. Unlike other rankings available on the market, this quarterly publication is developed using not only funds' investment performance but is also based on information obtained in meetings with fund managers. This way the authors of the ranking have knowledge of the covered funds' strategies, plans and market approach. Funds are evaluated along two dimensions: quantitative analysis (results) and qualitative analysis.

Work was underway to implement the Portfolio Management service based on detailed analysis of the customer's assets ("Client's Balance", an innovative tool used by BRE Private Banking & Wealth Management since Q2 2010) and using tactical and strategic allocation of assets.

Retail Banking Subsidiaries

BRE Ubezpieczenia

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

On the internet platform, gross premiums written by BRE Ubezpieczenia in Q1-3 2010 totalled PLN 62.4 million, up by 35% YoY. Sales in this channel mainly include car insurance products, accounting for 90% of premiums written. The remaining products are property insurance and travel insurance. In bancassurance, premiums written totalled PLN 424.6 million, up by 63% YoY. The increase was driven by sales of investment policies which grew by 64%. Gross premiums written in co-operation with BRE Leasing decreased modestly from PLN 78 million in Q1-3 2009 to PLN 76 million in 2010. BRE Ubezpieczenia focused on systemic support for the process of offering products, executing contracts, as well as post-sale service and monitoring of claims handling.

The consolidated profit before tax of the company (including BRE Ubezpieczenia Sp. z o.o.) was PLN 17.9 million in Q1-3 2010 v. PLN 21.1 million in Q1-3 2009. The profit from insurance and auxiliary activities totalled PLN 37.3 million. Overhead costs including in particular marketing spending, personnel costs, IT maintenance, other office expenses totalled PLN 19.4 million, up by 23% YoY.

Aspiro SA

Aspiro added products from new Business Partners to its offering in Q3 2010. The new Partners include Benefia TU na Życie SA, which offers life insurance products combined with insurance capital funds. Aspiro continues to implement the strategy of offering products from mBank, MultiBank and complementary products of third party banks. Aspiro offers products from 17 Partners including mortgage loans, business products, cash loans, and leasing.

Products are distributed across Poland by 24 Financial Centres, 65 mKiosks, 33 Partner mKiosks, and 33 Agent Service Points.

Aspiro generated a profit before tax of PLN 7.6 million at the end of Q3 2010.

The transformation of the limited liability company Aspiro Sp. z .o.o. into a joint-stock company was registered on 16 September 2010.

BRE Wealth Management

The company added asset allocation advisory to its services: the new service consists in preparing recommendations for the long-term structure of an investment portfolio broken down by asset category corresponding to the client's individual investment profile. The company's assets under management crossed the mark of PLN 1 billion at the end of September 2010. In 2010, BRE WM introduced several new investment strategies including the individual conservative strategy which aims at generating long-term return rates exceeding the yield of risk-free instruments while keeping investment risk moderate, and a stable funds portfolio which aims at generating returns above the interest on 12-month bank deposits while keeping investment risk low and ensuring the liquidity of invested funds. The company also introduced reports evaluating investment funds distributed in the Bank's private banking network.

The company generated a profit before tax of PLN 6 million, almost double the profit of Q1-3 2009. BRE WM's net commission income reached nearly PLN 13 million, compared to PLN 8 million last year. Due to expansion, administrative costs increased YoY (to PLN 6.8 million, up by 70%).

Corporates and Financial Markets

The Corporates and Financial Markets segment includes 2 sub-segments (business lines): Corporates and Institutions which covers the key area of customer relations, and Trading and Investments, the area of liquidity and risk management. At the beginning of Q3 2010 certain activities that are presented in the segment Corporates and Financial Markets were reassigned among its two sub-segments. The reassignment comprised a shift of the following areas from Corporates and Institutions to Trading and Investments: (a) Financial Institutions, (b) Subsidiaries: DI BRE Bank SA, BRE Bank Hipoteczny SA and BRE Corporate Finance SA. The amendments were made in order to better reflect business lines organisational responsibilities and performance measurement requirements and to better leverage existing cooperation areas between business lines at Bank level with subsidiaries.

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Corporates and Institutions

Financial Results

The business line generated a profit before tax of PLN 98.0 million in the three quarters of 2010 v. a loss of (PLN 314.8 million) in Q1-3 2009. The strong improvement in profit was mainly due to:

- Strong decrease of loan loss provisions from PLN 539.0 million to PLN 230.2 million. In particular, loan loss provisions related to derivative instruments decreased: PLN 36.6 million of such provisions were released by the end of September 2010 while PLN 278.6 million of such provisions were set up in Q1-3 2009;
- Increased income from the core business: net interest income up by PLN 32.8 million, net commission income up by PLN 6.5 million, net trading income up by PLN 19.3 million;
- Sale of part of BRE Bank's PZU shareholding at PLN 47.5 million v. a loss from investment securities at (PLN 17.1 million) in 2009 due to the impairment of a Romanian subsidiary recognised by Intermarket Bank.

The business line of Corporates and Institutions significantly improved its profitability in Q3 2010. The line's profit before tax was PLN 75.1 million in Q3 v. PLN 21.1 million in Q2 2010. This improvement was mainly driven by lower loan loss provisions (down from PLN 101.9 million in Q2 to PLN 60.5 million in Q3) and lower provisions for legal risk. The business line's administrative costs were up by PLN 12.6 million or 9.0% QoQ.

Number of Corporate Customers

BRE Bank acquired 1,631 new corporate customers in Q1-3 2010, over 25% more than in Q1-3 2009; 77.6% of the new customers were K3 customers while 19.7% were K2 customers. The number of corporate customers totalled 13,126 companies at the end of September 2010, up by a net amount of 100 companies compared to the end of June 2010 and up by net 134 companies compared to the end of September 2009.

Number of Corporate Banking Customers

	30.09.2010	30.06.2010	30.09.2009
K1*	1 083	1 062	908
K2*	3 905	3 860	3 875
K3*	8 138	8 104	8 209
Total	13 126	13 026	12 992

* *K1 is the segment of the largest corporations with annual sales over PLN 500 million; K2 is the segment of corporations with annual sales between PLN 30 million and PLN 500 million; K3 is the segment of SMEs with annual sales between PLN 3 and 30 million*

Corporate Customers' Deposits

BRE Bank's corporate customer deposits (including deposits of enterprises) were PLN 18.0 billion at the end of September 2010, up by 5.2% compared to the end of June 2010 and up by 14.8% compared to the end of Q3 2009.

Deposits of enterprises stood at PLN 14.9 billion at the end of September 2010, up by 3.2% compared to the end of June 2010 and up by 12.2% compared to the end of September 2009. The total deposits of enterprises in the sector at the end of Q3 2010 were down by 0.5% QoQ and up by 12.6% YoY. The market share of BRE Bank's deposits of enterprises was 8.7% at the end of September 2010 compared to 8.3% at the end of June 2010 and 8.7% at the end of September 2009.

Corporate Customers' Loans

BRE Bank's corporate customer loans (including loans to enterprises) stood at PLN 15.9 billion at the end of September 2010, comparable to the level at the end of June 2010 (up by 0.3%) and up by 3.9% compared to the end of Q3 2009.

Loans to enterprises were PLN 13.7 billion at the end of September 2010, down by 2.7% compared to the end of June 2010 and down by 6.9% compared to the end of September 2009. The total loans to enterprises in the sector were down by 3.8% YoY. The market share of BRE Bank's loans to enterprises was 6.2% at the end of September 2010, compared to 6.4% in June 2010 and 6.4% in September 2009. The market share of BRE Bank's loans to public sector reached 2% at the end of September 2010, compared to 1.2% in June 2010 and 0.1% in September 2009.

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 Q3 2010 was 709.8 thousand, up by 6.4% QoQ. The number of identifications of trade payments and income from such services also grew. More than 2.2 million transactions were processed in July-September 2010, up by 2.9% QoQ. Income from these services grew by 1.0% QoQ. The number of customers using the most advanced bank account consolidation facilities grew by 4.1% QoQ at the end of September 2010. 561 customers were using Cash Pooling and Shared Balances services at the end of September 2010.

Banking Products with EU Financing

Sales of products related to EU financing grew by more than 31.1% in Q3 2010 compared to the average quarterly sales in 2009. Income from guarantees related to EU financing grew by 22.9% QoQ.

Financial Instruments

The profit on the sales of financial instruments to corporate customers stood at close to PLN 38.6 million in Q3 2010, down by 5.0% compared to the average quarterly profit in 2009 and down by 11.1% QoQ.

Corporate Network

The BRE Bank corporate branch network included 24 Branches and 21 Corporate Offices at the end of September 2010.

Proprietary Investment Portfolio

The proprietary and mezzanine investment portfolio stood at PLN 199.1 million at cost at the end of Q3 20910. The value of the portfolio was stable QoQ.

Corporates and Institutions Subsidiaries of BRE Bank Group:

BRE Leasing

Leasing contracts executed by BRE Leasing in Q3 2010 totalled PLN 604 million, down by 10.5% QoQ and up by 63.2% YoY. The decrease after Q2 was due to a lower amount of real estate contracts. BRE Leasing achieved a profit before tax of PLN 16.2 million in Q3 2010, up by 19.7% QoQ.

Factoring – Intermarket Group

Sales of the Intermarket Group subsidiaries totalled EUR 1.52 billion in Q3 2010 and EUR 4.22 billion in Q1-3 2010 (up by 10.8% YoY). In Q3 sales of the Hungarian and Czech subsidiaries grew the most QoQ: these subsidiaries had suffered the most during last year's crisis and are now gradually growing turnover thanks to the acquisition of new clients and the improving standing of existing clients.

Profit before tax of Intermarket Group subsidiaries consolidated by BRE Bank was PLN 1.1 million in Q3 2010 v. PLN 7.9 million in Q2 2010. The decrease of profit before tax was due to loan loss provisions set up in the Czech subsidiary. However profit before tax of Intermarket Group at the end of September 2010 stood at PLN 14.6 million as compared to a loss of PLN 11.0 million after Q3 2009.

Polfactor, the subsidiary operating in Poland, maintained its growth of sales, which reached PLN 3.2 billion in Q1-3 2010 (up by 8.1% YoY). The growth of the factoring volume is mainly driven by the company's existing clients. Due to much lower loan loss provisions and a strict cost discipline (C/I ratio at 45%), profit before tax reached PLN 3.1 million in Q3 2010, up by 3.1% QoQ.

Trading and Investments

Financial Results

The business line generated a profit before tax of PLN 169.7 million at the end of September 2010, compared to PLN 198.4 million in Q1-3 2009. The decrease of the line's profit was mainly caused by a reduced fx income, down by PLN 89.1 million due to a very high fx income in 9 months of 2009, when large volumes of fx derivative transactions were settled. Other trading profit grew by PLN 41.1 million owing to a positive valuation of interest-rate derivative instruments in 2010. The segment's net interest income grew by PLN 14.1 million or 9.0% thanks to a bigger investment securities portfolio.

Trading and Investments generated a profit before tax of PLN 62.1 million in Q3 2010, up by PLN 2.2 million or 3.6% QoQ. The business line's net interest income and net commission income improved QoQ while its net trading income decreased. The line's costs were stable QoQ.

Market Position

BRE Bank ranks first in mid-term bank debt securities with a market share of 22.65%, third in short-term debt securities with a market share of 17.02%, and second in mid-term corporate bonds with a market share of 18.50% (all data as at the end of September 2010).

The Bank remains very active in financial market trading : its share in interest rate derivatives was ca. 20.3% and in Treasury bonds and bills ca. 6.5%. Its share in fx spots and forwards was 5.2% (data as at the end of August 2010).

Trading and Investments Subsidiaries of BRE Bank Group:

Dom Inwestycyjny BRE Banku (DI BRE)

The company maintained its market position in the three quarters of 2010. Its market share in equities trading was 6%, ensuring the seventh position on the market. The company's participation in bonds trading was 6%, ranking fourth on the market. DI BRE's share in futures trading ensured the third market position and a 14% market share. DI BRE ranked second in options trading with a market share of 26%. The number of accounts operated by DI BRE kept growing and reached 263 thousand at the end of September 2010. Most of the new accounts were acquired via mBank.

DI BRE generated a profit before tax of ca. PLN 27 million v. PLN 28 million in Q1-3 2009. Net commission income reached PLN 55 million, up by 5% YoY. Administrative costs reached PLN 37 million and were stable YoY.

BRE Bank Hipoteczny (BBH)

The credit portfolio reached PLN 3.8 billion at the end of Q3 2010 v. PLN 4.1 billion at the end of 2009 and PLN 4.8 billion at the end of Q3 2009. Profit before tax was PLN 10.0 million in Q3 2010 (v. PLN 11.0 million in Q2 2010 and PLN 9.8 million in Q3 2009). ROE was 12.8% at the end of Q3 2010 v. 11.3% at the end of Q3 2009. C/I ratio decreased to 45.1% at the end of Q3 2010 v. 48.3% at the end of 2009 and 49.5% at the end of Q3 2009.

The Bank issued mortgage bonds at PLN 350 million in 2010 v. PLN 360 million in 2009.

Quality of the Loan Portfolio

The share of default exposures in loans and advances to BRE Bank Group clients at the end of September 2010 was 6.0% vs. 5.3% at the end of H1 2010 and 4.5% at the end of Q3 2009.

During Q3 2010 loan loss provisions increased from PLN 2,324.9 million to PLN 2,416.0 million, including PLN 223.6 million of IBNI (Incurred But Not Identified) loss provisions. The level of IBNI at the end of H1 2010 stood at PLN 234.6 million and at PLN 263.9 a year ago.

After Q3 2010 the ratio of provisions to default loans was 64.1% vs. 67.6% after Q2 2010 and 61.0% at the end of Q3 2009.

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Consolidated Income Statement

	Note	IIIrd Quarter (current year) from 01.07.2010 to 30.09.2010	III Quarters cumulative (current year) from 01.01.2010 to 30.09.2010	IIIrd Quarter (previous year) from 01.07.2009 to 30.09.2009	III Quarters cumulative (previous year) from 01.01.2009 to 30.09.2009
Interest income		863 482	2 544 983	828 190	2 618 876
Interest expense		(382 434)	(1 237 144)	(416 138)	(1 378 234)
Net interest income	5	**481 048**	**1 307 839**	**412 052**	**1 240 642**
Fee and commission income		302 601	863 905	259 347	734 962
Fee and commission expense		(103 390)	(318 352)	(96 589)	(292 240)
Net fee and commission income	6	**199 211**	**545 553**	**162 758**	**442 722**
Dividend income	7	5 222	8 163	18	2 840
Net trading income, including:	8	88 169	306 398	99 551	323 513
Foreign exchange result		*83 352*	*281 378*	*96 919*	*339 066*
Other trading income		*4 817*	*25 020*	*2 632*	*(15 553)*
Gains less losses from investment securities	9	29 604	46 500	20 346	3 196
Other operating income	10	63 796	209 195	47 138	203 871
Net impairment losses on loans and advances	11	(128 230)	(508 791)	(248 770)	(897 622)
Overhead costs	12	(358 253)	(985 410)	(304 820)	(909 320)
Amortization and depreciation		(58 672)	(177 207)	(59 248)	(177 038)
Other operating expenses	13	(41 969)	(143 535)	(17 727)	(105 318)
Operating profit		**279 926**	**608 705**	**111 298**	**127 486**
Profit before income tax		**279 926**	**608 705**	**111 298**	**127 486**
Income tax expense		(66 584)	(141 379)	(34 050)	(39 630)
Net profit		**213 342**	**467 326**	**77 248**	**87 856**
Net profit attributable to:					
- Owners of BRE Bank SA		206 453	446 120	72 486	88 150
- Non-controlling interests		6 889	21 206	4 762	(294)

Net profit attributable to Owners of BRE Bank SA			**446 120**		**88 150**
Weighted average number of ordinary shares	14		**34 860 155**		**29 690 882**
Earnings per 1 ordinary share (in PLN)	14		**12.80**		**2.97**
Weighted average number of ordinary shares for diluted earnings	14		**34 902 290**		**29 724 581**
Diluted earnings per 1 ordinary share (in PLN)	14		**12.78**		**2.97**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Consolidated Statement of Comprehensive Income

	IIIrd Quarter (current year) from 01.07.2010 to 30.09.2010	III Quarters cumulative (current year) from 01.01.2010 to 30.09.2010	IIIrd Quarter (previous year) from 01.07.2009 to 30.09.2009	III Quarters cumulative (previous year) from 01.01.2009 to 30.09.2009
Financial result	**213 342**	**467 326**	**77 248**	**87 856**
Other comprehensive income subject to taxation	**45 927**	**226 823**	**40 402**	**59 335**
Exchange differences on translating foreign operations (net)	(4 651)	(4 599)	(8 969)	5 727
Available-for-sale financial assets (net)	50 578	231 422	49 371	53 608
Total comprehensive income net of tax, total	**259 269**	**694 149**	**117 650**	**147 191**
Total comprehensive income (net), attributable to:				
- Owners of BRE Bank SA	254 654	674 450	117 154	145 705
- Non-controlling interests	4 615	19 699	496	1 486

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Consolidated Statement of Financial Position

ASSETS	Note	30.09.2010	30.06.2010	31.12.2009	30.09.2009
Cash and balances with the Central Bank		1 336 340	888 794	3 786 765	3 454 658
Debt securities eligible for rediscounting at the Central Bank		10 149	18 268	9 134	17 094
Loans and advances to banks		2 927 913	5 461 670	2 530 572	2 609 026
Trading securities	15	766 471	657 012	1 065 190	966 667
Derivative financial instruments		1 506 159	1 852 554	1 933 627	2 532 859
Loans and advances to customers	16	54 588 181	55 581 111	52 468 812	52 697 836
Investment securities	17	19 244 196	18 930 522	13 120 687	11 168 841
- Available-for-sale		19 244 196	18 930 522	13 120 687	11 168 841
Pledged assets	15, 17	1 624 629	3 072 434	3 516 525	2 521 524
Investments in associates		1 116	1 161	1 150	1 182
Intangible assets	18	402 685	412 652	441 372	437 154
Tangible fixed assets	19	756 483	766 234	786 446	785 486
Current income tax assets		2 966	5 821	125 308	-
Deferred income tax assets		321 026	326 552	331 828	342 679
Other assets		933 489	936 631	906 470	1 035 242
Total assets		**84 421 803**	**88 911 416**	**81 023 886**	**78 570 248**
EQUITY AND LIABILITIES					
Amounts due to the Central Bank		133	2 022 651	2 003 783	1 243 280
Amounts due to other banks		25 974 779	28 380 750	25 019 805	26 163 651
Derivative financial instruments and other trading liabilities		1 592 915	2 065 845	1 935 495	2 402 074
Amounts due to customers	20	44 517 409	44 474 797	42 791 387	39 440 109
Debt securities in issue		1 478 620	1 335 539	1 415 711	1 478 610
Subordinated liabilities		2 849 798	2 982 103	2 631 951	2 661 985
Other liabilities		869 106	778 667	776 195	786 333
Current income tax liabilities		16 725	16 299	904	6 143
Deferred income tax liabilities		1 000	1 814	544	1 469
Provisions		185 939	178 291	176 957	196 954
Total liabilities		**77 486 424**	**82 236 756**	**76 752 732**	**74 380 608**
Equity					
Equity attributable to Owners of BRE Bank SA		**6 764 713**	**6 508 609**	**4 120 187**	**4 035 511**
Share capital:		**3 487 850**	**3 487 984**	**1 521 683**	**1 521 683**
- Registered share capital		168 311	118 764	118 764	118 764
- Share premium		3 319 539	1 402 919	1 402 919	1 402 919
- Paid, not registered share capital		-	1 966 301	-	-
Retained earnings:		**3 162 423**	**2 954 386**	**2 712 394**	**2 670 641**
- Profit from the previous years		2 716 303	2 714 719	2 583 466	2 582 491
- Profit for the current year		446 120	239 667	128 928	88 150
Other components of equity		**114 440**	**66 239**	**(113 890)**	**(156 813)**
Non-controlling interests		**170 666**	**166 051**	**150 967**	**154 129**
Total equity		**6 935 379**	**6 674 660**	**4 271 154**	**4 189 640**
Total equity and liabilities		**84 421 803**	**88 911 416**	**81 023 886**	**78 570 248**
Capital adequacy ratio		**15.89**	**12.03**	**11.50**	**11.38**
Book value		**6 764 713**	**6 508 609**	**4 120 187**	**4 035 511**
Number of shares		**42 077 777**	**42 062 082**	**29 690 882**	**29 690 882**
Book value per share (in PLN)		**160.77**	**154.74**	**138.77**	**135.92**
Diluted number of shares		**42 119 912**	**42 103 950**	**29 729 741**	**29 724 581**
Diluted book value per share (in PLN)		**160.61**	**154.58**	**138.59**	**135.76**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Consolidated Statement of Changes in Equity

Changes from 1 January to 30 September 2010

	Share capital		Retained earnings					Other components of equity		Equity attributable to Owners of BRE Bank SA, total	Non-controlling interests	Total 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 as at 1 January 2010	118 764	1 402 919	1 761 960	53 158	719 210	178 066	-	3 017	(116 907)	4 120 187	150 967	4 271 154
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2010	118 764	1 402 919	1 761 960	53 158	719 210	178 066	-	3 017	(116 907)	4 120 187	150 967	4 271 154
Total comprehensive income							446 120	(2 994)	231 324	674 450	19 699	694 149
Transfer to General Risk Fund	-	-	-	-	59 743	(59 743)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	52 995	-	-	(52 995)	-	-	-	-	-	-
Loss coverage with reserve capital	-		-	(207)	-	207	-	-	-			-
Issue of shares	49 547	1 929 907	-	-	-	-	-	-	-	1 979 454	-	1 979 454
Issue expenses	-	(13 287)	-		-	-	-	-	-	(13 287)	-	(13 287)
Stock option program for employees	-	-	-	3 909	-	-	-	-	-	3 909	-	3 909
- value of services provided by the employees	-	-	-	*3 972*	-	-	-	-	-	*3 972*	-	*3 972*
- settlement of exercised options	-	-	-	*(63)*	-	-	-	-	-	*(63)*	-	*(63)*
Equity as at 30 September 2010	168 311	3 319 539	1 814 955	56 860	778 953	65 535	446 120	23	114 417	6 764 713	170 666	6 935 379

Changes from 1 January to 31 December 2009

	Share capital		Retained earnings					Other components of equity		Equity attributable to Owners of BRE Bank SA, total	Non-controlling interests	Total 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 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)	-	-	-	-	-	-
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

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Changes from 1 January to 30 September 2009

	Share capital		Retained earnings					Other components of equity		Equity attributable to Owners of BRE Bank SA, total	Non-controlling interest	Total equity
	Registered share capital	Share premium	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 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	-	-	-	-	-	-	-	-	-	-	-	-
- change in the scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-
- 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							**88 150**	**4 004**	**53 551**	**145 705**	**1 486**	**147 191**
Dividends paid	-	-	-	-	-	-	-	-	-	-	(940)	(940)
Transfer to General Risk Fund	-	-	-		105 900	(105 900)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	13 711	-	(13 711)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	789 858	-	-	(789 858)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Stock option program for employees	-	-	-	(4 646)	-	-	-	-	-	(4 646)	-	(4 646)
- value of services provided by the employees	*-*	*-*	*-*	*(4 646)*	*-*	*-*	*-*	*-*	*-*	*(4 646)*	*-*	*(4 646)*
Equity as at 30 September 2009	**118 764**	**1 402 919**	**1 761 399**	**52 560**	**719 210**	**49 322**	**88 150**	**(135)**	**(156 678)**	**4 035 511**	**154 129**	**4 189 640**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Consolidated Statement of Cash Flows

the period	to 30.09.2010	to 30.09.2009
A. Cash flow from operating activities	(3 903 220)	(2 589 861)
Profit before income tax	608 705	127 486
Adjustments:	*(4 511 925)*	*(2 717 347)*
Income taxes paid (negative amount)	(23 431)	(391 380)
Amortisation	177 207	177 038
Foreign exchange (gains) losses	182 025	(37 620)
(Gains) losses on investing activities	(46 784)	(1 319)
Impairment of financial assets	(1 704)	35 381
Dividends received	(8 163)	(2 862)
Interest received	(1 481 098)	(1 617 549)
Interest paid	1 141 201	1 206 767
Change in loans and advances to banks	299 012	516 393
Change in trading securities	273 886	3 432 397
Change in derivative financial instruments	427 468	3 100 013
Change in loans and advances to customers	(710 618)	904 908
Change in investment securities	(4 548 466)	(5 592 796)
Change in other assets	(27 022)	93 832
Change in amounts due to other banks	(735 140)	(1 277 952)
Change in other trading liabilities	(342 580)	(3 772 417)
Change in amounts due to customers	745 457	939 675
Change in debt securities in issue	60 570	(268 462)
Change in provisions	8 982	30 948
Change in other liabilities	97 273	(192 342)
Net cash from operating activities	(3 903 220)	(2 589 861)
B.Cash flows from investing activities	(33 124)	(128 862)
Investing activity inflows	91 039	34 615
Disposal of shares in subsidiaries, net of cash disposed	-	17 163
Disposal of intangible assets and tangible fixed assets	20 581	14 374
Other investing inflows	70 458	3 078
Investing activity outflows	124 163	163 477
Acquisition of shares in subsidiaries, net of cash acquired	-	272
Purchase of intangible assets and tangible fixed assets	124 163	162 461
Other investing outflows	-	744
Net cash used in investing activities	(33 124)	(128 862)
C. Cash flows from financing activities	1 507 175	(625 235)
Financing activity inflows	4 933 416	2 435 419
Proceeds from loans and advances from other banks	1 830 989	835 133
Proceeds from other loans and advances	199 260	-
Issue of debt securities	937 000	1 599 801
Issue of ordinary shares	1 966 167	-
Other financing inflows	-	485
Financing activity outflows	3 426 241	3 060 654
Repayments of loans and advances from other banks	2 217 149	1 020 268
Repayments of other loans and advances	14 561	23 752
Redemption of debt securities	938 156	1 650 419
Payments of financial lease liabilities	160	36
Dividends and other payments to shareholders	2 272	981
Other financing outflows	253 943	365 198
Net cash from financing activities	1 507 175	(625 235)
Net increase / decrease in cash and cash equivalents (A+B+C)	(2 429 169)	(3 343 958)
Increase / decrease in cash and cash equivalents in respect of foreign exchange gains and losses	17 150	44 959
Cash and cash equivalents at the beginning of the reporting period	6 867 880	8 693 728
Cash and cash equivalents at the end of the reporting period	4 455 861	5 394 729

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Income Statement

	Note	IIIrd Quarter (current year) from 01.07.2010 to 30.09.2010	III Quarters cumulative (current year) from 01.01.2010 to 30.09.2010	IIIrd Quarter (previous year) from 01.07.2009 to 30.09.2009	III Quarters cumulative (previous year) from 01.01.2009 to 30.09.2009
Interest income		752 526	2 209 188	689 303	2 148 173
Interest expense		(339 099)	(1 108 689)	(354 693)	(1 138 049)
Net interest income		**413 427**	**1 100 499**	**334 610**	**1 010 124**
Fee and commission income		228 729	657 936	201 116	574 021
Fee and commission expense		(82 189)	(271 687)	(92 579)	(275 280)
Net fee and commission income		**146 540**	**386 249**	**108 537**	**298 741**
Dividend income		53	19 270	7	37 652
Net trading income, including:		83 069	296 786	98 329	310 618
Foreign exchange result		*81 098*	*273 928*	*95 172*	*327 694*
Other trading income		*1 971*	*22 858*	*3 157*	*(17 076)*
Gains less losses from investment securities		958	893	108	1 032
Other operating income		12 685	34 958	10 843	57 088
Impairment losses on loans and advances		(110 580)	(472 411)	(216 655)	(795 334)
Overhead costs		(283 404)	(763 577)	(233 772)	(697 202)
Amortization and depreciation		(43 946)	(134 139)	(46 388)	(139 023)
Other operating expenses		(13 399)	(40 554)	(4 129)	(13 116)
Operating profit		**205 403**	**427 974**	**51 490**	**70 580**
Profit before income tax		**205 403**	**427 974**	**51 490**	**70 580**
Income tax expense		(49 474)	(100 400)	(25 268)	(20 409)
Net profit		**155 929**	**327 574**	**26 222**	**50 171**

Net profit			**327 574**		**50 171**
Weighted average number of ordinary shares	14		**34 860 155**		**29 690 882**
Earnings per 1 ordinary share (in PLN)	14		**9.40**		**1.69**
Weighted average number of ordinary shares for diluted earnings	14		**34 902 290**		**29 724 581**
Diluted earnings per 1 ordinary share (in PLN)	14		**9.39**		**1.69**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Comprehensive Income

	IIIrd Quarter (current year) from 01.07.2010 to 30.09.2010	III Quarters cumulative (current year) from 01.01.2010 to 30.09.2010	IIIrd Quarter (previous year) from 01.07.2009 to 30.09.2009	III Quarters cumulative (previous year) from 01.01.2009 to 30.09.2009
Financial result	**155 929**	**327 574**	**26 222**	**50 171**
Other comprehensive income subject to taxation	**90 616**	**280 157**	**30 977**	**61 242**
Exchange differences on translating foreign operations (net)	(774)	(1 856)	(1 248)	1 958
Available-for-sale financial assets (net)	91 390	282 013	32 225	59 284
Total comprehensive income net of tax, total	**246 545**	**607 731**	**57 199**	**111 413**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Financial Position

ASSETS	30.09.2010	30.06.2010	31.12.2009	30.09.2009
Cash and balances with the Central Bank	1 323 709	870 195	3 771 992	3 450 194
Debt securities eligible for rediscounting at the Central Bank	10 149	18 268	9 134	17 094
Loans and advances to banks	4 058 462	6 199 323	2 497 397	2 488 764
Trading securities	987 685	856 362	1 234 792	1 178 096
Derivative financial instruments	1 498 733	1 854 237	1 931 868	2 513 395
Loans and advances to customers	46 655 411	47 367 583	44 260 700	43 249 190
Investment securities	19 598 704	19 255 639	13 397 725	11 471 674
- Available-for-sale	19 598 704	19 255 639	13 397 725	11 471 674
Pledged assets	1 622 570	3 069 855	3 513 782	2 523 995
Investments in subsidiaries	481 605	481 271	480 709	469 620
Intangible assets	357 182	367 387	396 121	402 354
Tangible fixed assets	506 736	520 004	555 864	574 016
Current income tax assets	-	-	116 081	-
Deferred income tax assets	65 965	87 287	108 975	129 186
Other assets	339 974	405 544	332 041	414 747
Total assets	**77 506 885**	**81 352 955**	**72 607 181**	**68 882 325**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank	133	2 022 651	2 003 783	1 243 280
Amounts due to other banks	21 861 815	23 564 063	19 184 949	19 339 758
Derivative financial instruments and other trading liabilities	1 598 537	2 063 895	1 933 149	2 407 764
Amounts due to customers	44 093 717	43 920 712	42 414 412	38 837 011
Subordinated liabilities	2 849 798	2 982 103	2 631 951	2 661 985
Other liabilities	608 100	542 643	516 443	539 050
Current income tax liabilities	1 084	8 343	-	-
Provisions for deferred income tax	77	80	79	82
Provisions	102 191	105 028	108 789	122 481
Total liabilities	**71 115 452**	**75 209 518**	**68 793 555**	**65 151 411**
Equity				
Share capital	**3 487 850**	**3 487 984**	**1 521 683**	**1 521 683**
- Registered share capital	168 311	118 764	118 764	118 764
- Share premium	3 319 539	1 402 919	1 402 919	1 402 919
- Paid, not registered share capital	-	1 966 301	-	-
Retained earnings:	**2 708 722**	**2 551 208**	**2 377 239**	**2 369 292**
- Profit for the previous year	2 381 148	2 379 563	2 320 096	2 319 121
- Net profit for the current year	327 574	171 645	57 143	50 171
Other components of equity	**194 861**	**104 245**	**(85 296)**	**(160 061)**
Total equity	**6 391 433**	**6 143 437**	**3 813 626**	**3 730 914**
Total equity and liabilities	**77 506 885**	**81 352 955**	**72 607 181**	**68 882 325**

Capital adequacy ratio	**16.92**	**11.80**	**11.73**	**11.60**
Book value	**6 391 433**	**6 143 437**	**3 813 626**	**3 730 914**
Number of shares	**42 077 777**	**42 062 082**	**29 690 882**	**29 690 882**
Book value per share (in PLN)	**151.90**	**146.06**	**128.44**	**125.66**
Diluted number of shares	**42 119 912**	**42 103 950**	**29 729 741**	**29 724 581**
Diluted book value per share (in PLN)	**151.74**	**145.91**	**128.28**	**125.52**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Changes in Equity

Changes from 1 January to 30 September 2010

	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 2010	**118 764**	**1 402 919**	**1 603 654**	**8 442**	**708 000**	**57 143**	**-**	**(2 609)**	**(82 687)**	**3 813 626**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2010	**118 764**	**1 402 919**	**1 603 654**	**8 442**	**708 000**	**57 143**	**-**	**(2 609)**	**(82 687)**	**3 813 626**
Total income							**327 574**	**(1 856)**	**282 013**	**607 731**
Transfer to General Risk Fund	-	-	-	-	57 143	(57 143)	-	-	-	-
Issue of shares	49 547	1 929 907	-	-	-	-	-	-	-	1 979 454
Issue expenses	-	(13 287)	-	-	-	-	-	-	-	(13 287)
Stock option program for employees	-	-	-	3 909	-	-	-	-	-	3 909
- value of services provided by the employees	-	-	-	*3 972*	-	-	-	-	-	*3 972*
- settlement of exercised options	-	-	-	*(63)*	-	-	-	-	-	*(63)*
Equity as at 30 September 2010	**168 311**	**3 319 539**	**1 603 654**	**12 351**	**765 143**	**-**	**327 574**	**(4 465)**	**199 326**	**6 391 433**

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**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Changes from 1 January to 30 September 2009

	Share capital		Retained earnings					Other components of equity		Total
	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 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							**50 171**	**1 958**	**59 284**	**111 413**
Transfer to General Risk Fund	-	-	-	-	100 000	(100 000)	-	-	-	-
Transfer to supplementary capital	-	-	729 531	-	-	(729 531)	-	-	-	-
Stock option program for employees	-	-	-	(4 646)	-	-	-	-	-	(4 646)
- value of services provided by the employees	-	-	-	*(4 646)*	-	-	-	-	-	*(4 646)*
Equity as at 30 September 2009	**118 764**	**1 402 919**	**1 603 654**	**7 467**	**708 000**	**-**	**50 171**	**(8 652)**	**(151 409)**	**3 730 914**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Cash Flows

the period	from 01.01.2009 to 30.09.2010	from 01.01.2009 to 30.09.2009
A. Cash flow from operating activities	(5 215 174)	(2 978 156)
Profit before income tax	427 974	70 580
Adjustments:	*(5 643 148)*	*(3 048 736)*
Income taxes paid (negative amount)	7 557	(299 178)
Amortisation	134 139	139 023
Foreign exchange (gains) losses	182 011	(37 892)
(Gains) losses on investing activities	678	(1 556)
Impairment of financial assets	(1 704)	-
Dividends received	(19 270)	(37 652)
Interest received	(1 580 364)	(1 675 842)
Interest paid	1 139 905	1 198 680
Change in loans and advances to banks	(928 386)	516 793
Change in trading securities	177 953	3 540 042
Change in derivative financial instruments	433 135	3 098 918
Change in loans and advances to customers	(936 048)	526 535
Change in investment securities	(4 518 642)	(5 867 598)
Change in other assets	(13 474)	53 998
Change in amounts due to other banks	(171 037)	(939 416)
Change in financial instruments and other trading liabilities	(334 612)	(3 803 552)
Change in amounts due to customers	682 051	617 946
Change in debt securities in issue	-	171
Change in provisions	(6 598)	32 459
Change in other liabilities	109 558	(110 615)
Net cash from operating activities	(5 215 174)	(2 978 156)
B.Cash flows from investing activities	(32 651)	(82 385)
Investing activity inflows	19 314	40 602
Disposal of shares in subsidiaries	-	1 369
Disposal of intangible assets and tangible fixed assets	44	1 365
Other investing inflows	19 270	37 868
Investing activity outflows	51 965	122 987
Acquisition of shares in subsidiaries	-	11 980
Purchase of intangible assets and tangible fixed assets	51 965	110 263
Other investing outflows	-	744
Net cash used in investing activities	(32 651)	(82 385)
C. Cash flows from financing activities	2 682 175	(369 219)
Financing activity inflows	3 892 922	390 780
Proceeds from loans and advances from other banks	1 727 495	390 780
Proceeds from other loans and advances	199 260	-
Issue of ordinary shares	1 966 167	-
Financing activity outflows	1 210 747	759 999
Repayments of loans and advances from other banks	955 866	392 297
Repayments of other loans and advances	9 454	11 506
Redemption of debt securities	-	8 000
Payments of financial lease liabilities	4 362	9 657
Other financing outflows	241 065	338 539
Net cash from financing activities	2 682 175	(369 219)
Net increase / decrease in cash and cash equivalents (A+B+C)	(2 565 650)	(3 429 760)
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	17 150	44 959
Cash and cash equivalents at the beginning of the reporting period	6 534 190	8 513 263
Cash and cash equivalents at the end of the reporting period	3 985 690	5 128 462

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) 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 30 September 2010, 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.
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 Bank conducts retail banking business in Czech Republic and Slovakia through its foreign branches of mBank in those countries.

As at 30 September 2010 the headcount of BRE Bank SA amounted to 4 302 FTEs and of the Group to 5 894 FTEs (30 September 2009: Bank 4 017 FTEs, Group 5 569 FTEs).

As at 30 September 2010 the employment in BRE Bank SA was 5 181 persons and in the Group 6 850 persons (30 September 2009: Bank 4 839 persons, Group 6 483 persons).

Corporates and Financial Markets, including:

Corporates and Institutions

- BRE Holding Sp. z o.o., subsidiary
- BRE Leasing Sp. z o.o., subsidiary
- Garbary Sp. z o.o., subsidiary
- Intermarket Bank AG, subsidiary
- Magyar Factor zRt., subsidiary
- Polfactor SA, subsidiary
- Transfinance a.s., subsidiary
- BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, subsidiary

Trading and Investment Activity

- BRE Bank Hipoteczny SA, subsidiary
- Dom Inwestycyjny BRE Banku SA, subsidiary
- BRE Finance France SA, subsidiary

Retail Banking (including private banking)

- Aspiro SA, subsidiary
- BRE Wealth Management SA, subsidiary
- BRE Ubezpieczenia TUiR SA, subsidiary, insurer
- BRE Ubezpieczenia Sp. z o.o., subsidiary, insurance broker

Remaining business

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

Other information concerning companies of the Group

Starting from the consolidated financial statements for the third quarter of 2010 the Group stopped the consolidation of two subsidiaries, BRE Corporate Finance SA and Tele-Tech Sp. z o.o. The financial statements of these two subsidiaries are immaterial for the Group activity.

The business operations of particular companies of the Group are attributed to business segments (including consolidation adjustments).

At the beginning of Q3 2010 certain activities that are presented in the segment Corporates and Financial Markets were reassigned within its two sub-segments. The reassignment comprised a shift of the following activities from Corporates and Institutions to Trading and Investments:

- Financial Institutions,
- Subsidiaries: DI BRE Bank SA, BRE Bank Hipoteczny SA and BRE Corporate Finance SA.

The amendments were made in order to better reflect business lines organisational responsibilities and performance measurement requirements and to better leverage existing cooperation areas between business lines at Bank level and with subsidiaries.

On 16 September 2010 under the decision of the District Court for Łódź Śródmieście in Łódź, the joint-stock company Aspiro SA was registered in the Register of Enterepreneurs, which was established owing to transformation of the limited liability company Aspiro Sp. z o.o..

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 2009, published on 1 March 2010.

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.

2.1 Accounting Basis

These Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 9-month period ended 30 September 2010.

The presented Consolidated Financial Statements for the three quaters of 2010 fulfill the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting', concerning interim 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 accounting policy 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. Those companies were recognised at cost less impairment.

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 third quarter of 2010 PLN (000's)

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

Company	30.09.2010		30.09.2009	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
Aspiro SA	100%	full	100%	full
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Holding Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia TUiR SA	100%	full	100%	full
BRE Wealth Management SA	100%	full	100%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full
BRE Finance France SA	99.98%	full	99.98%	full
BRE.locum SA	79.99%	full	79.99%	full
Magyar Factor zRt.	78.12%	full	78.12%	full
Polfactor SA	78.12%	full	78.12%	full
Transfinance a.s.	78.12%	full	78.12%	full
Intermarket Bank AG	56.24%	full	56.24%	full
BRE Leasing Sp. z o.o.	50.004%	full	50.004%	full
BRE GOLD FIZ Aktywów Niepublicznych	100% of certificates	full	-	-
BRE Corporate Finance SA	-	-	100%	full
Tele-Tech Investment Sp. z o.o.	-	-	100%	full

Starting from the consolidated financial statements for the third quarter of 2010 the Bank stopped the consolidation of two subsidiaries, BRE Corporate Finance SA and Tele-Tech Sp. z o.o..

2.3 Interest Income and Expenses

All interest proceeds linked with financial instruments carried at amortised cost using the effective interest rate method are recognised in the Income Statement.

The effective interest rate method is a method of calculation of the amortised initial value of financial assets or financial liabilities and allocation of interest income or interest expenses to the proper periods. The effective interest rate is the interest rate at which the discounted future payments or future cash inflows are equal to the net present carrying value of the respective financial asset or liability. When calculating the effective interest rate, the Group estimates the cash flows taking into account all the contractual conditions attached to the given financial instrument, but without taking into account the possible future losses on account of non-recovered loans. This calculation takes into account all the fees paid or received between the contracting parties, which constitute an integral component of the effective interest rate, as well as transaction expenses and any other premiums or discounts.

Following the recognition of an impairment loss on a financial asset or a group of similar financial assets, the subsequent interest income is measured according to the interest rate at which the future cash flows were discounted for the purpose of valuation of impairment.

Interest income includes interest and commissions received or due on account of loans, inter-bank deposits or investment securities recognised in the calculation of the effective interest rate.

Interest income, including interest on loans, is recognised in the Income Statement, and on the other side in the Statement of Financial Position as receivables from banks or from other customers.

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

2.4 Fee and Commission Income

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

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

Additionally, fee and commission income on insurance activity comprises income on services provided by 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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Management Board of the Bank as its chief operating decision-maker (as defined in IFRS 8).

In accordance with IFRS 8, the Group has the following business segments: Retail Banking, Corporates and Financial Markets including the sub-segments Corporates and Institutions and Trading and Investment Acivity, and the remaining business.

2.8 Financial Assets

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

<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 and equity securities held for trading are accounted according to the weighted average method.

The Group classifies financial assets/financial liabilities as measured at fair value through the Income Statement if they meet either of the following conditions:

- 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),
- 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:

- the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
- 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

- 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
- 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.

Loans and Receivables

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

Held to Maturity Investments

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

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

In reporting periods presented in these Consolidated Financial Statements, there were no assets held to maturity at the Group.

Available for Sale Investments

Available for sale investments consist of investments which the Group intends to hold for an undetermined period of time. They may be sold, e.g., in order to improve liquidity, in reaction to changes of interest rates, foreign exchange rates, or prices of equity instruments.

Interest income and expense from available for sale investments are presented in net interest income. Gains and losses from sale of available for sale investments are presented in gains and losses from investment securities.

Standardised purchases and sales of financial assets at fair value through the Income Statement, held to maturity and available for sale are recognised on the settlement date – the date on which the Group delivers or receives the asset. Changes in fair value in the period between trade and settlement date with respect to assets carried at fair value is recognised in profit or loss or in other components of equity. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs, except for financial assets at fair value through the Income Statement. Financial assets are excluded from the Statement of Financial Position when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Group has transferred substantially all risks and rewards of ownership.

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

The fair value of quoted investments in active markets is based on current market 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:

- the amount determined in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and
- 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. Securities purchased together with a resale clause (reverse repos) 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:

- 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.
- 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.
- 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.
- 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.
- 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.

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

Changes of the fair value of derivative instruments that do not meet the criteria of hedge accounting are recognised in the Income Statement of the current period.

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

- Futures contracts for bonds, index futures
- Options for securities and for stock-market indices
- Options for futures contracts
- Forward transactions for securities
- Commodity swaps

Interest rate risk instruments:

- Forward Rate Agreement (FRA)
- Interest Rate Swap (IRS), Overnight Index Swap (OIS)
- Interest Rate Options

Foreign exchange risk instruments:

- Currency forwards, fx swap, fx forward
- Cross Currency Interest Rate Swap (CIRS)
- 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.

Goodwill

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

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

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

Computer software

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

Capitalised costs attached to the development of software are amortised over the period of their estimated useful life.

Computer software directly connected with the functioning of specific information technology hardware is recognised as 'Tangible fixed assets'.

Development costs

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

Development costs' useful lives are finite and the 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 2.21.

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

- Buildings and constructed structures 25-40 years,
- 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,
- Office 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 Inventories

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

2.21 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.

2.22 Deferred Income Tax

The Group forms a provision for the temporary difference on account of deferred corporate income tax arising due to the discrepancy between the timing of recognition of income as earned and of costs as incurred according to accounting regulations and according to legal regulations concerning corporate income taxation. A positive net difference is recognised in liabilities as 'Provisions for deferred income tax'. A negative net difference is recognised under 'Deferred income tax assets'. Any change in the balance of the deferred tax assets and 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 other components of equity, and it is subsequently transferred to the Income Statement when the respective investment or hedged item affects the Income Statement.

2.23 Assets Repossessed for Debt

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

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

2.24 Prepayments, Accruals and Deferred Income

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

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

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

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

2.25 Leasing

BRE Bank SA Group as a Lessor

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

BRE Bank SA Group as a Lessee

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

2.26 Provisions

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

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

Technical-insurance provisions for unpaid 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.

2.27 Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

2.28 Equity

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

Registered share capital

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

- 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.

- Dividends

Dividends for the given year, which have been approved by the Annual 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'.

- Own Shares

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

Share premium

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

Retained earnings

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

Other components of equity

Other components of equity result from:

- valuation of available for sale financial instruments,
- currency translation differences resulting from valuation of foreign operations.

2.29 Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

The items contained in financial reports of particular entities of the Group, including foreign branches of the Bank, are valued in the currency of the basic economic environment in which the given entity conducts its business activities ('functional currency'). The 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 as financial assets measured at fair value through the Income Statement are recognised under gains or losses arising in connection with changes of fair value. Foreign exchange differences on account of such non-monetary assets as equity instruments classified as available for sale financial assets are recognised under other components of equity.

Changes in fair value of monetary items available for sale cover foreign exchange differences arising from valuation at amortised cost, which are recognised in the Income Statement, and foreign exchange differences relating to other changes in carrying value, which are recognised under other components of equity.

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

Companies Belonging to the Group

The performance and the financial position of all the entities belonging to the Group, none of which conduct their operations under hyperinflationary conditions, the functional currencies of which differ from the presentation currency, are converted to the presentation currency as follows:

- assets and liabilities in each presented Statement of Financial Position are converted at the average rate of exchange of the National Bank of Poland (NBP) in force at the end of this reporting period;
- revenues and expenses in each Income Statement are converted at the rate equal to the arithmetical mean of the average rates quoted by NBP on the last day of each of nine months of each presented periods; whereas
- all resulting foreign exchange differences are recognised as a distinct item of equity.

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

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

Leasing Business

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

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

2.30 Trust and Fiduciary Activities

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

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

The assets concerned are not shown in these financial statements as they do not belong to the Group.

Other companies belonging to the Group do not conduct any trust or fiduciary activities.

2.31 New Standards, Interpretations and Amendments to Published Standards

Published Standards and Interpretations which have been issued and binding of the Group for annual periods starting on 1 January 2010:

Standards and Interpretations approved by the European Union:

- IFRIC 12, Service Concession Arrangements, binding for annual periods starting on 29 March 2009.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, binding for annual periods starting on or after 1 July 2009.
- IFRIC 17, Distribution of Non-Cash Assets to Owners, binding for annual periods starting after 1 November 2009.
- IFRIC 18, Transfers of Assets from Customers, binding for annual periods starting after 1 November 2009.
- IFRS 1 (Revised), Additional Exemptions in First-time Adoption of IFRS, binding for annual periods starting on or after 1 January 2010.
- IFRS 2 (Revised), Share-based Payment, binding for annual periods starting on or after 1 January 2010.
- IFRS 3 (Revised), Business Combinations, binding prospectively to business combinations for which the acquisition date is on or after 1 July 2009.
- IAS 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting after 1 July 2009.

- IAS 39 (Revised), Financial Instruments: Recognition and Measurement – criteria of qualification as hedged item, binding for annual periods starting on or after 1 July 2009.
- Improvements to IFRS 2009 revising 12 standards, binding mostly for annual periods starting on 1 January 2010. Improvements have been approved by the European Union.

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

Standards and Interpretations approved by the European Union:

- IFRIC 14, (Revised), Prepayments of a Minimum Funding Requirement, binding for annual periods starting on or after 1 January 2011.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, binding for annual periods starting on or after 1 July 2010.
- 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.
- IAS 24, Related Party Disclosures, retrospectively binding for annual periods starting on or after 1 January 2011.
- IAS 32 (Revised), Classification of Rights Issues, binding for annual periods starting on or after 1 February 2010.

Standards and Interpretations which have not been approved by the European Union yet.

- IFRS 7 (Revised), Disclosures - Transfers of financial assets, binding for annual periods starting on or after 1 July 2011.
- IFRS 9, Financial Instruments, binding for annual periods starting on or after 1 January 2013.
- Improvements to IFRS, in majority binding for annual periods starting on or after 1 January 2011.

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

2.32 Comparative Data

At the beginning of Q3 2010 certain activities that are presented in the segment Corporates and Financial Markets were reassigned within its two sub-segments. The reassignment comprised a shift of the following activities from Corporates and Institutions to Trading and Investments:

- Financial Institutions,
- Subsidiaries: DI BRE Bank SA, BRE Bank Hipoteczny SA and BRE Corporate Finance SA.

The amendments were made in order to better reflect business lines organisational responsibilities and performance measurement requirements and to better leverage existing cooperation areas between business lines at Bank level and with subsidiaries.

In connection with above mentioned, the comparative data concerning presentation of 'Business Segments' have been adjusted so as to reflect the changes in presentation in the current year.

All other data prepared as at 30 Septenber 2009 as well as data presented in the Statement of Financial Position prepared as at 31 December 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.

Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the Income Statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio, before such a decrease will be able to be attributed to a specific loan. The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets. The Management plans future cash flows based on estimates drawing on historical experience of losses incurred on assets featuring the traits of credit risk exposure and objective impairment symptoms similar to those which characterise the portfolio. The methodology and the assumptions (on the basis of which the estimated cash flow amounts and their anticipated timing are determined) are regularly reviewed in order to reduce the discrepancies between the estimated and the actual magnitude of the impairment losses concerned.

Fair value of derivative instruments

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All the models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, the models applied resort exclusively to observable data originating from an active market.

Impairment of debt instruments available for sale

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

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.

Provision for claims incurred but not reported to the insurer (IBNR), is 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

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Bank's Management Board (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses their performance.

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

The Group conducts it business through different business segments which offer specific products and services targeted at specific client groups and market segments. The Group currently conducts its operations through the following business segments:

- The Retail Banking segment, which divides its customers into mBank customers, MultiBank customers and BRE Private Banking customers, offers a full range of the Bank's banking products and services as well as specialized products offered by a number of subsidiaries belonging to the Retail Banking segment. The key products in this segment include current and savings accounts (including accounts in foreign currencies), term deposits, lending products (retail mortgage loans and non-mortgage loans such as car loans, cash loans, overdrafts, credit cards and other loan products), debit cards, insurance, investment products and brokerage services offered to both individual customers and to micro-businesses. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of BRE Wealth Management SA, Aspiro SA as well as BRE Ubezpieczenia TUiR SA and BRE Ubezpieczenia Sp. z o.o..
- The Corporates and Financial Markets segment, which is divided into two sub-segments:
  - *Corporates and Institutions* sub-segment, which targets small, medium and large-sized companies and public sector entities. The key products offered to these customers include transactional banking products and services including current account products, multi-functional internet banking, tailor-made cash management and trade finance services, term deposits, foreign exchange transactions, a comprehensive offering of short-term financing and investment loans, cross-border credit, project finance, structured and mezzanine finance services, investment banking products including foreign exchange options, forward contracts, interest rate derivatives and commodity swaps and options, structured deposit products with embedded options (interest on structured deposit products are directly linked to the performance of certain

underlying financial instruments such as foreign exchange options, interest rate options and stock options), debt origination for corporate clients, treasury bills and bonds, non-government debt, medium-term bonds, buy sell back and sell buy back transactions and repo transactions, as well as leasing and factoring services. The Corporates and Institutions sub-segment includes the results of the following subsidiaries:, BRE Leasing Sp. z o.o., Intermarket Bank AG, Polfactor SA, BRE Holding Sp. z o.o., Transfinance a.s., Magyar Factor zRt., Garbary Sp. z o.o. as well as BRE Gold Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, all of whose investment certificates were acquired by BRE Bank in November 2009. The main item of assets of BRE Gold FIZ Aktywów Niepublicznych is a shareholding in PZU, owned previously by BRE Bank.

- *The Trading and Investment Activity* sub-segment consists primarily of treasury, financial markets, and financial institutions operations, and manages the liquidity, interest rate and foreign exchange risks of the Bank, its trading and investment portfolios, and conducts market making in PLN denominated cash and derivative instruments, debt origination for financial institutions and financial institutions' coverage. The Bank also maintains an extensive correspondent banking network and also develops relationships with other banks providing products such as current accounts, overdrafts, stand alone and syndicated loans and loans insured by KUKE to support the Polish export market. This sub-segment also includes the results of BRE Finance France SA, BRE Bank Hipoteczny SA and DI BRE Bank SA.

- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment were reported under 'Remaining Business' below. This segment includes the results of BRE.locum SA and Centrum Rozliczeń i Informacji CERI Sp. z o.o..

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 are reflected in the results of each segment.

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

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

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

The business operations of particular companies of the Group are attributed to business segments (including consolidation adjustments).

At the beginning of Q3 2010 certain activities that are presented in the segment Corporates and Financial Markets were reassigned within its two sub-segments. The reassignment comprised a shift of the following activities from Corporates and Institutions to Trading and Investments:

- Financial Institutions,
- Subsidiaries: DI BRE Bank SA, BRE Bank Hipoteczny SA and BRE Corporate Finance SA.

The amendments were made in order to better reflect business lines organisational responsibilities and performance measurement requirements and to better leverage existing cooperation areas between business lines at Bank level and with subsidiaries.

In this context, the following comparative data concerning presentation of 'Business Segments' for the periods ending 31 December 2009 and 30 September 2009 as well as at 31 December 2009 and as at 30 September 2009 have been adjusted so as to reflect the above mentioned changes.

The primary and unique basis used by the Group in the segment reporting is business line division.

Business segment reporting on the activities of BRE Bank Group
for the period from 01.01.2010 to 30.09.2010
(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	**468 165**	**85 829**	**761 079**	**(1 731)**	**(5 503)**	**1 307 839**	**1 307 839**
- sales to external clients	648 559	291 155	373 379	249	(5 503)	1 307 839	
- sales to other segments	(180 394)	(205 326)	387 700	(1 980)	-	-	
Net fee and commission income	**238 156**	**59 297**	**222 493**	**(1 547)**	**27 154**	**545 553**	**545 553**
- sales to external clients	230 727	63 921	225 298	(1 547)	27 154	545 553	
- sales to other segments	7 429	(4 624)	(2 805)	-	-	-	
Trading income	**108 052**	**80 608**	**120 084**	**1 870**	**(4 216)**	**306 398**	**306 398**
Gains less losses from investment securities	**47 311**	**958**	**-**	**-**	**(1 769)**	**46 500**	**46 500**
Net impairment losses on loans and advances	**(230 185)**	**(10 756)**	**(267 850)**	**-**	**-**	**(508 791)**	**(508 791)**
Gross profit of the segment	**98 041**	**169 663**	**341 302**	**7 051**	**(7 352)**	**608 705**	**608 705**
Income tax						(141 379)	(141 379)
Net profit attributable to Owners of BRE Bank SA						446 120	446 120
Net profit attributable to non-controlling interests						21 206	21 206
Assets of the segment	**24 780 115**	**31 728 500**	**32 402 129**	**961 562**	**(5 450 503)**	**84 421 803**	**84 421 803**
Liabilities of the segment	**46 371 634**	**9 078 141**	**25 915 100**	**612 362**	**(4 490 813)**	**77 486 424**	**77 486 424**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(88 516)	(11 600)	(23 497)	(550)	-	(124 163)	
Amortisation/depreciation	(90 291)	(17 145)	(67 299)	(2 755)	283	(177 207)	(177 207)
Losses on credits and loans	(936 493)	(16 044)	(422 579)	(1)	-	(1 375 117)	
Other costs/ income without cash outflows/ inflows*	5 782	(124 950)	2 826	111	(4 216)	(120 447)	
- other non-cash costs	*(176)*	*(1 069 802)*	*(2)*	*-*	*1 557*	*(1 068 423)*	
- other non-cash income	*5 958*	*944 852*	*2 828*	*111*	*(5 773)*	*947 976*	

* 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.

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	**601 791**	**110 660**	**955 375**	**(4 671)**	**(4 978)**	**1 658 177**	**1 658 177**
- sales to external clients	899 506	175 137	591 869	(3 357)	(4 978)	1 658 177	
- sales to other segments	(297 715)	(64 477)	363 506	(1 314)	-	-	
Net fee and commission income	**309 056**	**76 305**	**173 585**	**(1 504)**	**37 281**	**594 723**	**594 723**
- sales to external clients	298 456	82 472	178 018	(1 504)	37 281	594 723	
- sales to other segments	10 600	(6 167)	(4 433)	-	-	-	
Trading income	**118 432**	**142 220**	**142 647**	**(452)**	**3 527**	**406 374**	**406 374**
Gains less losses from investment securities	**(19 806)**	**986**	**(1 508)**	**19 794**	**(238)**	**(772)**	**(772)**
Net impairment losses on loans and advances	**(629 516)**	**(26 974)**	**(440 647)**	**3**	**-**	**(1 097 134)**	**(1 097 134)**
Gross profit of the segment	**(268 515)**	**238 706**	**216 253**	**17 132**	**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	**24 401 128**	**30 241 236**	**29 152 371**	**1 243 486**	**(4 014 335)**	**81 023 886**	**81 023 886**
Liabilities of the segment	**44 601 816**	**9 419 292**	**25 577 889**	**373 356**	**(3 219 621)**	**76 752 732**	**76 752 732**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(158 847)	(23 071)	(85 234)	(2 883)	-	(270 035)	
Amortisation/depreciation	(130 648)	(18 630)	(107 476)	(2 984)	376	(259 362)	(259 362)
Losses on credits and loans	(1 368 850)	(47 738)	(527 981)	(933)	-	(1 945 502)	
Other costs/ income without cash outflows/ inflows*	11 801	18 164	(97)	(55)	-	29 813	
- other non-cash costs	*(925)*	*(5 465 237)*	*(97)*	*(55)*	-	*(5 466 314)*	
- other non-cash income	*12 726*	*5 483 401*	-	-	-	*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.

Business segment reporting on the activities of BRE Bank Group
for the period from 01.01.2009 to 30.09.2009
(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	**448 420**	**78 257**	**721 522**	**(3 861)**	**(3 696)**	**1 240 642**	**1 240 642**
- sales to external clients	681 164	109 087	456 987	(2 900)	(3 696)	1 240 642	
- sales to other segments	(232 744)	(30 830)	264 535	(961)	-	-	
Net fee and commission income	**231 633**	**53 377**	**130 519**	**(1 801)**	**28 994**	**442 722**	**442 722**
- sales to external clients	223 282	58 413	133 834	(1 801)	28 994	442 722	
- sales to other segments	8 351	(5 036)	(3 315)	-	-	-	
Trading income	**88 794**	**128 609**	**106 487**	**1 216**	**(1 593)**	**323 513**	**323 513**
Gains less losses from investment securities	**(16 346)**	**986**	**(1 000)**	**19 794**	**(238)**	**3 196**	**3 196**
Net impairment losses on loans and advances	**(538 971)**	**(19 916)**	**(338 732)**	**(3)**	**-**	**(897 622)**	**(897 622)**
Gross profit of the segment	**(314 763)**	**198 348**	**208 252**	**33 252**	**2 397**	**127 486**	**127 486**
Income tax						(39 630)	(39 630)
Net profit attributable to Owners of BRE Bank SA						88 150	88 150
Net profit attributable to non-controlling interests						(294)	(294)
Assets of the segment	**22 400 621**	**28 943 696**	**29 247 495**	**1 212 888**	**(3 234 452)**	**78 570 248**	**78 570 248**
Liabilities of the segment	**21 681 670**	**31 366 773**	**23 371 918**	**522 097**	**(2 561 850)**	**74 380 608**	**74 380 608**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(92 569)	(14 803)	(52 992)	(2 097)	-	(162 461)	
Amortisation/depreciation	(91 692)	(13 407)	(70 080)	(2 142)	283	(177 038)	(177 038)
Losses on credits and loans	(931 064)	(31 910)	(352 732)	(838)	-	(1 316 544)	
Other costs/ income without cash outflows/ inflows*	9 780	(53 351)	203	(65)	-	(43 433)	
- other non-cash costs	*(582)*	*(4 564 030)*	*(3)*	*(65)*	-	*(4 564 680)*	
- other non-cash income	*10 362*	*4 510 679*	*206*	-	-	*4 521 247*	

* 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.

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

5. Net Interest Income

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Interest income		
Loans and advances including the unwind of the impairment provision discount	1 811 317	1 977 737
Cash and short-term placements	122 529	164 084
Investment securities	573 794	387 369
Trading debt securities	26 552	77 134
Other	10 791	12 552
Total interest income	**2 544 983**	**2 618 876**

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Interest expense		
Arising from amounts due to banks and customers	(1 145 864)	(1 258 521)
Arising from issue of debt securities	(50 230)	(73 189)
Other borrowed funds	(37 300)	(45 344)
Other	(3 750)	(1 180)
Total interest expense	**(1 237 144)**	**(1 378 234)**

Interest income related to financial assets which have been impaired amounted to PLN 133 836 thousand (30 September 2009: PLN 65 034 thousand).

6. Net Fee and Commission Income

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Fee and commission income		
Credit-related fees and commissions	165 938	151 371
Payment cards-related fees	236 701	210 844
Commissions from insurance activity	113 980	55 793
Fees from brokerage activity	82 279	81 249
Commissions from money transfers	57 671	53 549
Commissions from bank accounts	74 353	63 949
Commissions due to guarantees granted and trade finance commissions	31 510	34 940
Commissions on trust and fiduciary activities	8 230	7 379
Fees from portfolio management services and other management-related fees	6 892	6 192
Other	86 351	69 696
Fee and commission income	**863 905**	**734 962**

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Fee and commission expense		
Payment cards-related fees	(142 459)	(136 038)
Discharged brokerage fees	(19 905)	(20 441)
Insurance activity-related fees	(25 329)	(515)
Commissions paid to external entities for sale of the Bank's products	(64 367)	(82 406)
Other discharged fees	(66 292)	(52 840)
Total fee and commision expense	**(318 352)**	**(292 240)**

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

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Fee and commission income from insurance contracts		
- Income from insurance policies administration	11 620	10 573
- Income from insurance intermediation	102 360	45 220
Total fee and commission income from insurance contracts	113 980	55 793

7. Dividend Income

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Trading securities	23	114
Securities available for sale	8 140	2 726
Total dividend income	8 163	2 840

8. Net Trading Income

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Foreign exchange result	281 378	339 066
Net exchange differences from the conversion	265 575	(745 779)
Net transaction gains and losses	15 803	1 084 845
Other net trading income	25 020	(15 553)
Interest-bearing instruments	15 099	(25 716)
Equity instruments	3 427	6 668
Market risk instruments	6 494	3 495
Total net trading income	306 398	323 513

'Foreign exchange result' includes profits/(loss) 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 profit/(loss) 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 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Sale/redemption of the financial assets available for sale	46 565	794
Impairment of available for sale equity securities	(65)	2 402
Total gains and losses from investment securities	46 500	3 196

In 2010 the amount of sale/redemption of the financial assets available for sale mainly relates to the sale of 180 490 shares of PZU SA by BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

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 Company Compania de Factoring IFN SA.

In 2009 the item also comprises the amount of a reversal of prior impairment of Czwarty Polski Fundusz Rozwoju Sp. z o.o. in the amount of PLN 19 794 thousand made by BRE.locum Sp. z o.o. in connection with the sale of real estate being the only asset belonging to the company Czwarty Polski Fundusz Rozwoju Sp. z o.o., a subsidiary which is 100% held by BRE.locum.

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

10. Other Operating Income

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Income from sale or liquidation of fixed assets, intangible assets and assets held for resale	114 751	84 864
Income from services provided	41 055	36 259
Income from insurance activity net	35 248	37 562
Income due to release of provisions for future commitments	4 419	25 460
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	548	3 481
Income from compensations, penalties and fines received	234	3 244
Income from the release of impairment provisions for tangible fixed assets and intangible assets under financial lease agreements and rentals	-	28
Other	12 940	12 973
Total other operating income	**209 195**	**203 871**

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 the three quarters of 2010 and 2009 respectively is presented below.

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Income from premiums		
- Premiums attributable	81 442	54 582
- Change in provision for premiums	(5 444)	8 408
Premium revenue	**75 998**	**62 990**
Reinsurance contracts		
- Premiums attributable	(26 507)	(18 817)
- Change in provision for premiums	3 608	601
Premiums on reinsurer's share	**(22 899)**	**(18 216)**
Net premiums	**53 099**	**44 774**
Compensation and benefits		
- Compensation and benefits paid out in the current year including costs of liquidation before tax	(20 112)	(12 527)
- Change in provision for compensation and benefits paid out in the current year including costs of liquidation before tax	(22 531)	(12 359)
- Compensation and benefits paid out in the current year including reinsurer's share of costs of liquidation	15 377	12 245
- Change in provision for compensation and benefits paid out in the current year including reinsurer's share of costs of liquidation	10 117	5 387
Compensation and benefits net	**(17 149)**	**(7 254)**
- Other costs on own share	(463)	164
- Other operating income	30	77
- Costs of expertise and certificates concerning risk assessment	(269)	(199)
Income from insurance activity net, total	**35 248**	**37 562**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

11. Net Impairment Losses on Loans and Advances

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Impairment losses on amounts due from other banks	(11 209)	(16 267)
Impairment losses on off-balance sheet contingent liabilities due to other banks	-	(132)
Impairment losses on loans and advances to customers	(539 069)	(847 562)
Impairment losses on off-balance sheet contingent liabilities due to customers	41 487	(33 661)
Total impairment losses on loans and advances	**(508 791)**	**(897 622)**

12. Overhead Costs

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Staff-related expenses	(525 071)	(468 319)
Material costs	(414 013)	(397 765)
Taxes and fees	(23 079)	(21 054)
Contributions and transfers to the Bank Guarantee Fund	(16 098)	(17 244)
Contributions to the Social Benefits Fund	(4 724)	(3 141)
Other	(2 425)	(1 797)
Total overhead costs	**(985 410)**	**(909 320)**

Staff-related expenses for the three quarters of 2010 and 2009 are presented below.

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Wages and salaries	(435 094)	(391 462)
Social security expenses	(64 105)	(54 160)
Pension fund expenses	(445)	(966)
Remuneration settled in the form of shares and share options	(5 134)	(1 088)
Other staff expenses	(20 293)	(20 643)
Staff-related expenses, total	**(525 071)**	**(468 319)**

As at 30 September 2010 the headcount of BRE Bank SA amounted to 4 302 FTEs and of the Group to 5 894 FTEs (30 September 2009: Bank 4 017 FTEs, Group 5 569 FTEs).

As at 30 September 2010 the employment in BRE Bank SA was 5 181 persons and in the Group 6 850 persons (30 September 2009: Bank 4 839 persons, Group 6 483 persons).

13. Other Operating Expenses

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Costs arising from sale or liquidation of fixed assets, intangible assets and assets held for resale	(98 597)	(65 326)
Costs arising from provisions created for other receivables (excluding loans and advances)	(905)	(19 116)
Provisions for future commitments	(19 680)	(1 333)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(59)	(201)
Donations made	(2 987)	(2 878)
Costs of sale of services	(971)	(850)
Compensation, penalties and fines paid	(1 421)	(487)
Other operating costs	(18 915)	(15 127)
Total other operating expenses	**(143 535)**	**(105 318)**

Costs of sale or liquidation of tangible fixed assets, intangible assets and assets held for disposal comprise primarily BRE.locum's costs from developer activity.

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

Costs of sale of services concern non-banking services.

14. Earnings per Share

Earnings per share for 9 months – consolidated data

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Basic:		
Net profit attributable to Owners of BRE Bank SA	446 120	88 150
Weighted average number of ordinary shares	34 860 155	29 690 882
Net basic profit per share (in PLN per share)	**12.80**	**2.97**
Diluted:		
Net profit attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	446 120	88 150
Weighted average number of ordinary shares	34 860 155	29 690 882
Adjustments for:		
- stock options for employees	42 135	33 699
Weighted average number of ordinary shares for calculation of diluted earnings per share	34 902 290	29 724 581
Diluted earnings per share (in PLN per share)	**12.78**	**2.97**

Earnings per share for 9 months – stand-alone data

the period	from 01.01.2010 to 30.09.2010	from 01.01.2009 to 30.09.2009
Basic:		
Net profit	327 574	50 171
Weighted average number of ordinary shares	34 860 155	29 690 882
Net basic profit per share (in PLN per share)	**9.40**	**1.69**
Diluted:		
Net profit attributable to the shareholders, applied for calculation of diluted earnings per share	327 574	50 171
Weighted average number of ordinary shares in issue	34 860 155	29 690 882
Adjustments for:		
- stock options for employees	42 135	33 699
Weighted average number of ordinary shares for calculation of diluted earnings per share	34 902 290	29 724 581
Diluted earnings per share (in PLN per share)	**9.39**	**1.69**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

15. Trading Securities and Pledged Assets

	30.09.2010	30.06.2010	31.12.2009	30.09.2009
Debt securities:	**979 263**	**888 676**	**1 824 702**	**1 168 700**
Government bonds included in cash equivalents and pledged government bonds (sell-buy-back transactions), including:	516 681	314 499	1 079 141	143 626
- pledged government bonds (sell-buy-back transactions)	180 887	48 874	766 313	45 486
Treasury bills included in cash equivalents and pledged treasury bills (sell-buy-back transactions), including:	188 264	282 122	227 557	453 964
- pledged treasury bills (sell-buy-back transactions)	42 370	199 639	-	163 629
Other debt securities:	274 318	292 055	518 004	571 110
Equity securities:	**10 465**	**16 849**	**6 801**	**7 082**
- listed	10 465	16 849	6 801	7 082
Debt and equity securities, including:	**989 728**	**905 525**	**1 831 503**	**1 175 782**
- Trading securities	*766 471*	*657 012*	*1 065 190*	*966 667*
- Pledged assets	*223 257*	*248 513*	*766 313*	*209 115*

The note above includes neither Treasury Bills nor Government Bonds pledged in favour of the Bank Guarantee Fund in the amount of PLN 184 426 thousand (30 June 2010: PLN 184 658 thousand, 31 December 2009: PLN 187 564 thousand, 30 September 2009: PLN 184 954 thousand), nor Investment Government Bonds pledged as sell-buy-back transactions and loan collateral in the amount of PLN 1 216 946 thousand (30 June 2010: PLN 2 639 263 thousand, 31 December 2009: PLN 2 562 648 thousand, 30 September 2009: PLN 2 127 455 thousand), which have been classified as investment securities (Note 17).

16. Loans and Advances to Customers

	30.09.2010	30.06.2010	31.12.2009	30.09.2009
Loans and advances to individuals	31 830 372	32 863 045	28 855 129	28 387 976
Loans and advances to corporate entities	23 199 561	23 190 545	23 433 995	24 799 076
Loans and advances to public sector	1 443 833	1 141 732	1 327 936	649 911
Other receivables	530 445	710 647	816 521	603 643
Total (gross) loans and advances to customers	**57 004 211**	**57 905 969**	**54 433 581**	**54 440 606**
Provisions for loans and advances to customers (negative amount)	(2 416 030)	(2 324 858)	(1 964 769)	(1 742 770)
Total (net) loans and advances to customers	**54 588 181**	**55 581 111**	**52 468 812**	**52 697 836**
Short-term (up to 1 year)	18 877 133	19 211 962	17 018 006	18 599 083
Long-term (over 1 year)	35 711 048	36 369 149	35 450 806	34 098 753

The Group presents loans to micro enterprises provided by Retail Banking of BRE Bank (mBank and MultiBank) under the item 'Loans and advances to individuals'. Loans to micro enterprises in the presented reporting periods amounted to respectively: 30 September 2010 – PLN 2 940 600 thousand, 30 June 2010 - PLN 2 889 400 thousand, 31 December 2009 – PLN 2 546 900 thousand, 30 September 2009 – PLN 2 532 500 thousand.

<u>Provisions for Loans and Advances</u>

	30.09.2010	30.06.2010	31.12.2009	30.09.2009
Receivables classified as "non-default"				
Gross balance sheet exposure	53 586 038	54 815 494	51 872 653	52 016 660
Impairment provisions for exposures analysed according to portfolio approach	(223 580)	(234 595)	(232 516)	(263 899)
Net balance sheet exposure	**53 362 458**	**54 580 899**	**51 640 137**	**51 752 761**
Receivables classified as "default"				
Gross balance sheet exposure	3 418 173	3 090 475	2 560 928	2 423 946
Provisions for exposures analysed individually	(2 192 450)	(2 090 263)	(1 732 253)	(1 478 871)
Net balance sheet exposure	**1 225 723**	**1 000 212**	**828 675**	**945 075**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

17. Investment Securities and Pledged Assets

	30.09.2010	30.06.2010	31.12.2009	30.09.2009
Debt securities	**20 420 765**	**21 524 628**	**15 728 539**	**13 378 022**
Listed, including:	20 420 765	21 462 859	15 671 265	13 319 572
- pledged government bonds (sell-buy-back transactions)	581 693	2 245 822	2 188 251	2 127 455
- pledged government bonds (loan collateral)	635 253	393 441	374 397	-
- government bonds pledged under the Bank Guarantee Fund	147 909	147 994	145 323	143 351
- Treasury bills pledged under the Bank Guarantee Fund	36 517	36 664	42 241	41 603
Unlisted	-	61 769	57 274	58 450
Equity securities	**224 803**	**229 815**	**142 360**	**103 228**
- listed	204 878	214 594	14 068	10 742
- unlisted	19 925	15 221	128 292	92 486
Total investment securities and pledged assets, including:	**20 645 568**	**21 754 443**	**15 870 899**	**13 481 250**
- Available for sale securities	*19 244 196*	*18 930 522*	*13 120 687*	*11 168 841*
- Pledged assets	*1 401 372*	*2 823 921*	*2 750 212*	*2 312 409*
Short-term (up to 1 year)	11 433 303	11 123 175	9 547 762	7 242 864
Long-term (over 1 year)	9 212 265	10 631 268	6 323 137	6 238 386

As at 30 September 2010 the fair value of equity securities include provisions for impairment in the amount of PLN 371 thousand (30 June 2010: PLN 371 thousand, 31 December 2009: PLN 2 814 thousand, 30 September 2009: PLN 2 148 thousand).

As at 30 September 2010 equity securities include fair value of PZU shares in amount PLN 194 000 thousand.

The above include Government Bonds and Treasury Bills under the Bank Guarantee Fund, Investment Government Bonds pledged as sell-buy-back transactions and Government Bonds pledged as collateral for the loan received from European Investment Bank, which are presented in the Statement of Financial Position in a separate position 'Pledged assets'.

18. Intangible assets

	30.09.2010	30.06.2010	31.12.2009	30.09.2009
Development costs	1 599	1 726	2 015	2 159
Goodwill	7 137	7 137	7 137	7 137
Patents, licences and similar assets, including:	319 593	327 278	363 251	356 481
- computer software	266 204	268 839	298 291	300 979
Other intangible assets	665	1 167	2 209	2 736
Intangible assets under development	73 691	75 344	66 760	68 641
Total intangible assets	**402 685**	**412 652**	**441 372**	**437 154**

19. Tangible assets

	30.09.2010	30.06.2010	31.12.2009	30.09.2009
Tangible fixed assets, including:	734 343	746 108	742 880	759 483
- land	17 782	13 971	18 726	18 745
- buildings and constructions	235 755	237 567	236 811	241 774
- equipment	126 105	130 822	136 925	141 449
- vehicles	183 819	185 129	169 154	166 974
- other tangible fixed assets	170 882	178 619	181 264	190 541
Fixed assets under construction	22 140	20 126	43 566	26 003
Total tangible fixed assets	**756 483**	**766 234**	**786 446**	**785 486**

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

20. Amounts due to Customers

	30.09.2010	30.06.2010	31.12.2009	30.09.2009
Individual customers:	**24 623 407**	**26 071 332**	**25 064 578**	**22 440 861**
Current accounts	15 164 000	16 153 893	16 808 287	16 209 111
Term deposits	9 410 874	9 854 527	8 206 679	6 181 973
Other liabilities:	48 533	62 912	49 612	49 777
- liabilities in respect of cash collaterals	35 736	44 095	36 030	38 749
- other	12 797	18 817	13 582	11 028
Corporate customers:	**19 450 263**	**17 625 524**	**17 479 925**	**16 469 635**
Current accounts	10 240 849	9 843 649	8 486 646	7 961 411
Term deposits	7 131 725	5 930 489	7 256 219	6 040 812
Loans and advances received	692 539	563 488	289 691	301 627
Repo transactions	958 022	831 120	881 157	530 646
Other liabilities:	427 128	456 778	566 212	1 635 139
- liabilities in respect of cash collaterals	349 183	397 538	378 540	1 503 416
- other	77 945	59 240	187 672	131 723
Public sector customers:	**443 739**	**777 941**	**246 884**	**529 613**
Current accounts	147 569	124 469	139 446	82 713
Term deposits	289 901	643 684	106 063	444 015
Other liabilities:	6 269	9 788	1 375	2 885
- other	6 269	9 788	1 375	2 885
Total amounts due to customers	**44 517 409**	**44 474 797**	**42 791 387**	**39 440 109**

Short-term (up to 1 year)	42 849 080	43 004 618	41 767 594	38 628 359
Long-term (over 1 year)	1 668 329	1 470 179	1 023 793	811 750

The Group presents amounts due to micro enterprises provided by Retail Banking of BRE Bank (mBank and MultiBank) under the item 'amounts due to individual customers'. In the presented reporting periods the value of liabilities in respect of current accounts and term deposits accepted from micro enterprises amounted to respectively: 30 September 2010 – PLN 1 706 500 thousand, 30 June 2010 - PLN 1 729 000 thousand, 31 December 2009 – PLN 1 956 200 thousand, 30 September 2009 – PLN 1 491 000 thousand.

Selected explanatory information

1. Compliance with International Financial Reporting Standards

The presented consolidated report for the third quarter of 2010 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 third quarter of 2010. 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

- As a result of the capital increase concluded in Q2 2010, on 16 July 2010 the new amount of the Bank's share capital - increased by PLN 49 485 thousand to a total amount of PLN 168 248 thousand - was registered in the National Court Register. The total income from shares' issue - decreased by issue costs in the amount of PLN 13 287 thousand - was PLN 1 966 167 thousand.
- From 26 April to 26 July 2010 BRE Bank concluded the underwriting of four agreements with BRE Bank Hipoteczny SA ('BBH') whose total value is PLN 450 000 thousand. These agreements include:
  a) an underwriting agreement of 26 July 2010, under which the Bank took up on the 28 July 2010, 200 000 4-year mortgage bonds issued by BBH, for a total amount of PLN 200 000.
  b) a stand-by credit agreement of 22 July 2010 for the period of 12 months, under which the Bank undertook to make a deposit in BBH the value of which will not exceed PLN 200 000 thousand.

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 third quarter of 2010 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 third quarter of 2010 BRE Bank Hipoteczny issued bonds in the amount of PLN 20 000 thousand and mortgage bonds in the amount of PLN 300 000 thousand. At the same time the company redeemed bonds in the amount of PLN 30 000 thousand and mortgage bonds in the amount PLN 200 000 thousand.

As a result of the capital increase concluded in Q2 2010, on 16 July 2010 the new amount of the Bank's share capital - increased by PLN 49 485 thousand to a total amount of PLN 168 248 thousand - was registered in the National Court Register. The total income from shares' issue - decreased by issue costs in the amount of PLN 13 287 thousand - was PLN 1 966 167 thousand.

On 5 August 2010 the National Depository for Securities ('KDPW') made a registration of 15 695 shares of BRE Bank SA which were issued as part of the conditional increase in the share capital of the Bank pursuant to the resolution No. 21 of the 21st Ordinary General Meeting of the Bank of March the 14th 2008 on the issuance of senior bonds of BRE Bank SA and the conditional increase of the share capital by means of issuance of shares with no subscription rights for the existing shareholders in order to enable beneficiaries of the long term incentive programme to take up shares in BRE Bank SA, on application for admission of the shares to trading on the regulated market and on dematerialisation of the shares.

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 2009, adopted on 30 March 2010 by the 23rd Ordinary General Shareholders Meeting of BRE Bank SA, dividend for the year 2009 will not be paid.

8. Income and Profit by Business Segment

Income and profit by business segment within the Group are presented on the consolidated level under item 4 of the Notes to the Consolidated Financial Statements for the third quarter of 2010.

9. Significant Events After the End of the Third Quarter of 2010, which are not Reflected in the Financial Statements

The above indicated events did not occur in the Group.

10. Effect of Changes in the Structure of the Entity in the Third Quarter of 2010, Including Business Combinations, Acquisitions or Disposal of Subsidiaries, Long-term Investments, Restructuring, and Discontinuation of Business Activities

On 29 April 2010 the Bank and Commerzbank AG concluded a binding Enterprise Sale Agreement of Commerzbank AG Spółka Akcyjna Oddział w Polsce (former branch of Dresdner Bank AG in Poland; the 'Branch') with Commerzbank AG. Under the agreement, the Bank undertook to acquire the ownership of the banking enterprise of the Branch. The transfer is expected to take place in Q4 2010 under a dispositive agreement on sale of the banking enterprise of the Branch to be concluded by the Bank with Commerzbank AG.

The Bank announced the start of integration between the businesses and operations of the Bank and the Branch, and the consent for acquisition of the banking enterprise of the Branch as granted by the Polish Financial Supervision Authority in Current Report No. 48/2009 dated 13 October 2009 and Current Report No. 15/2010 dated 23 March 2010.

The above matter does not have any effect on changes in the structure of the Group and does not have an impact on the financial data of the Group for the third quarter of 2010.

11. Changes in Contingent Liabilities and Commitments

In the third quarter of 2010 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

The above indicated events did not occur in the Group.

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 third quarter of 2010, 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 third quarter of 2010, 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.

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

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

BRE Bank did not publish a performance forecast for the year 2010. The description of the new BRE Bank Group strategy published in current report no. 8/2010 shall not be read as a forecast about financial results or their estimations with respect to the Bank and BRE Bank Group referred to in Article 5 item 1 point 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 30 September 2010 was 42 077 777 shares (30 September 2009: 29 690 882) at PLN 4 nominal value each (30 September 2009: PLN 4). All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE)						
Share type	Type of privilege	Type of limitation	Number of shares	Series / issue value	Paid up	Registered on
ordinary bearer*	-	-	9 978 500	39 914 000	fully paid up in cash	1986
ordinary registered*	-	-	21 500	86 000	fully paid up in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid up in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid up in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid up in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid up in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid up in cash	2008
ordinary bearer	-	-	12 386 895	49 547 580	fully paid up in cash	2010
Total number of shares			42 077 777			
Total registered share capital				168 311 108		
Nominal value per share		4				

* As at the end of the reporting period

As a result of the capital increase concluded in Q2 2010, on 16 July 2010 the new amount of the Bank's share capital - increased by PLN 49 485 thousand to a total amount of PLN 168 248 thousand - was registered in the National Court Register. The total income from shares' issue - decreased by issue costs in the amount of PLN 13 287 thousand - was PLN 1 966 167 thousand.

On 5 August 2010 the National Depository for Securities ('KDPW') made a registration of 15 695 shares of BRE Bank SA which were issued as part of the conditional increase in the share capital of the Bank pursuant to the resolution No. 21 of the 21st Ordinary General Meeting of the Bank of March the 14th 2008 on the issuance of senior bonds of BRE Bank SA and the conditional increase of the share capital by means of issuance of shares with no subscription rights for the existing shareholders in order to enable beneficiaries of the long term incentive programme to take up shares in BRE Bank SA, on application for admission of the shares to trading on the regulated market and on dematerialisation of the shares.

21. Material Share Packages

There was no change in the holding of material share packages of the Bank in the third quarter of 2010.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 September 2010 it held 69.7587% of the share capital and votes at the General Meeting of BRE Bank SA (as at 30 June 2010 – 69.7847%).

Registration of the new issue of shares on 16 July 2010 did not change the share of the main shareholder in the Bank's share capital.

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

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

	Number of rights to shares held as at the date of publishing the report for H1 2010	Number of rights to shares acquired from the date of publishing the report for H1 2010 to the date of publishing the report for Q3 2010	Number of rights to shares realised from the date of publishing the report for H1 2010 to the date of publishing the report for Q3 2010	Number of rights to shares held as at the date of publishing the report for Q3 2010
Management Board				
1. Cezary Stypułkowski	-	-	-	-
2. Karin Katerbau	1 176	-	1 176	-
3. Wiesław Thor	4 545	-	4 545	-
4. Przemysław Gdański	-	-	-	-
5. Hans-Dieter Kemler	-	-	-	-
6. Jarosław Mastalerz	4 585	-	4 585	-
7. Christian Rhino	2 919	-	2 919	-

	Number of shares held as at the date of publishing the report for H1 2010	Number of shares acquired from the date of publishing the report for H1 2010 to the date of publishing the report for Q3 2010	Number of shares sold from the date of publishing the report for H1 2010 to the date of publishing the report for Q3 2010	Number of shares held as at the date of publishing the report for Q31 2010
Management Board				
1. Cezary Stypułkowski	-	-	-	-
2. Karin Katerbau	-	1 176	-	1 176
3. Wiesław Thor	-	4 545	-	4 545
4. Przemysław Gdański	-	-	-	-
5. Hans-Dieter Kemler	-	-	-	-
6. Jarosław Mastalerz	-	4 585	4 585	-
7. Christian Rhino	-	2 919	-	2 919

As at the date of publishing the report for the third quarter of 2010 Mr. Andre Carls, Member of the Supervisory Board of BRE Bank SA, had 1 635 shares of BRE Bank SA.

The other Members of the Supervisory Board of BRE Bank SA had neither Bank shares nor rights to shares of BRE Bank SA and they have neither Bank shares nor rights to shares of BRE Bank SA.

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

As at 30 September 2010, the 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 30 September 2010 was also not greater than 10% of the issuer's equity.

Report on major proceedings brought against 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 39.5 million according to the average exchange rate of the National Bank of Poland of 30 September 2010). 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 Bank BPH SA ('BPH') against Garbary Sp. z o.o. ('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

ZM Pozmeat SA contributed in kind to Garbary as payment for a stake in ZM Pozmeat SA 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. On 16 September 2010, the District Court in Poznań dismissed the claim in whole; the decision is not legally valid. BPH can appeal against this decision.

3. Lawsuit brought by Bank BPH SA against the Bank and Tele-Tech Investment Sp. z o.o. ('TTI')

   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 TTI 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 ZM Pozmeat SA was at risk of insolvency.

   In its reply to the claim, the Bank petitioned the Court for dismissing the claim on the grounds of there being no legal basis for allowing the claim. On 1 December 2009, the Court decided to suspend the case until the completion of Pozmeat's bankruptcy proceedings.

4. Claims of clients of Interbrok

   As at 25 October 2010, 153 entities who were clients of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (hereinafter referred to as Interbrok) called the Bank for amicable settlement in the total amount of PLN 296 461 thousand and via the District Court in Warsaw. In addition, as at 25 October 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 did not create provisions for the above claims.

   The District Court in Warsaw settled the aforementioned court cases and dismissed actions in all cases. As a consequence of the Court of Appeal verdict on 4th March 2010, one of the judgments becomes final and valid (the appeal was dismissed). In the other 7 cases, verdicts of the District Court in Warsaw are not legally valid.

As at 30 September 2010, 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 30 September 2010 also was not greater than 10% of the issuer's equity.

Taxes

Within the period from 24 September to 5 October 2010, the officers of the Third Treasury Office – Warszawa Śródmieście carried out tax audits at the company BRE Ubezpieczenia Sp. z o.o. concerning the settlement of the corporate income tax for the year 2009. The audits did not identify any irregularities.

Within the period from 8 September to 10 September 2010, the officers of the Treasury Office Poznań Śródmieście carried out tax audits at the company Garbary Sp. z o.o. within the scope of accuracy of documents and determination of correctness of amounts included in VAT records (concerning purchase and supply) for the period from May 2007 to May 2010 under the Law on tax on goods and services. The audits did not identify any relevant irregularities.

On 19 July 2010 officers of the Treasury Control Office launched in BRE Bank audit proceeding concerning reliability of declared tax bases and correctness of the calculation and payment of the corporate income tax for the period from 1 January 2006 to 31 December 2006.

Within the period from 9 February to 11 March 2010, 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 June to 31 July 2005 and for the period from 1 December to 31 December 2005. The audits did not identify any relevant irregularities.

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 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.

IFRS Consolidated Financial Statements for the third quarter of 2010 PLN (000's)

There were no tax audits at the other companies of the Group within the year 2010 or 2009.

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.

24. Off-balance Sheet Liabilities

Off-balance sheet liabilities as at 30 September 2010, 30 June 2010, 31 December 2009 and 30 September 2009.

Consolidated data

	30.09.2010	30.06.2010	31.12.2009	30.09.2009
1. Contingent liabilities granted and received	15 548 496	14 629 613	13 191 260	14 363 250
Commitments granted	14 407 545	13 416 317	12 458 234	13 446 476
- financing	11 921 228	10 757 477	10 102 505	10 578 424
- guarantees and other financial facilities	2 483 700	1 908 216	2 312 114	2 560 857
- other commitments	2 617	750 624	43 615	307 195
Commitments received	1 140 951	1 213 296	733 026	916 774
- financing	63 664	689 724	260 410	429 330
- guarantees	1 077 287	523 572	472 616	487 444
2. Derivative financial instruments (nominal value of contracts)	349 851 851	332 547 396	315 781 176	376 178 936
Interest rate derivatives	295 909 664	274 797 225	256 843 650	306 745 611
Currency derivatives	51 604 820	55 527 975	57 286 283	67 494 684
Market risk derivatives	2 337 367	2 222 196	1 651 243	1 938 641
Total off-balance sheet items	365 400 347	347 177 009	328 972 436	390 542 186

Stand-Alone data

	30.09.2010	30.06.2010	31.12.2009	30.09.2009
1. Contingent liabilities granted and received	15 031 062	14 140 073	12 911 686	14 311 917
Commitments granted	13 973 096	12 959 338	12 227 183	13 474 118
- financing	11 486 203	10 292 754	9 575 808	10 285 833
- guarantees and other financial facilities	2 485 137	1 916 868	2 358 668	2 631 785
- other commitments	1 756	749 716	292 707	556 500
Commitments received	1 057 966	1 180 735	684 503	837 799
- financing	10 430	688 237	260 410	422 610
- guarantees	1 047 536	492 498	424 093	415 189
2. Derivative financial instruments (nominal value of contracts)	350 689 035	333 416 697	316 358 096	377 124 374
Interest rate derivatives	296 782 552	275 669 034	257 415 716	307 716 897
Currency derivatives	51 569 116	55 530 980	57 291 137	67 468 836
Market risk derivatives	2 337 367	2 216 683	1 651 243	1 938 641
Total off-balance sheet items	365 720 097	347 556 770	329 269 782	391 436 291

25. 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 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.

- From 26 April to 26 July 2010 BRE Bank concluded the underwriting of four agreements with BRE Bank Hipoteczny SA ('BBH') whose total value is PLN 450 000 thousand. These agreements include:
  - c) an underwriting agreement of 26 July 2010, under which the Bank took up on the 28 July 2010, 200 000 4-year mortgage bonds issued by BBH, for a total amount of PLN 200 000.
  - d) a stand-by credit agreement of 22 July 2010 for the period of 12 months, under which the Bank undertook to make a deposit in BBH the value of which will not exceed PLN 200 000 thousand.

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 30 September 2010, 31 December 2009 and 30 September 2009 are as follows:

Numerical data concerning transactions with related entities (in PLN '000) as at 30 September 2010

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.	-	28	-	(12)	2	-	-	-
2	BRE Corporate Finanse SA	-	2 937	-	(15)	29	-	1 821	-
3	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	12 601	-	(114)	1	-	-	-
4	BRE Systems Sp. z o.o.	487	-	21	(2)	11	-	513	-
5	Tele-Tech Investment Sp. z o.o.	59 870	161	4 289	-	2	-	-	-
	Ultimate Parent Group								
	Commerzbank AG Capital Group	385 401	25 767 072	8 818	(294 953)	-	-	476 738	715 083

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.	-	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 30 September 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.	-	726	-	-	2	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	13	-	(3)	1	-	-	-
3	BRE Systems Sp. z o.o.	958	231	13	(1)	25	-	52	-
	Ultimate Parent Group								
	Commerzbank AG Capital Group	772 428	24 446 442	11 680	(373 362)	-	-	1 197 996	161 500

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

As at 30 September 2010 no exposure under guarantees granted in excess of 10% of the equity occurred in the Group.

27. 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

On 2 August 2010 the Supervisory Board of BRE Bank, pursuant to § 23 of the By-laws of BRE Bank SA, released Mr. Mariusz Grendowicz from the Management Board of the Bank and from the function of the President of the Management Board and Chief Executive Officer of the Bank.

As a consequence of the above, with the effect from 1 October 2010 the Supervisory Board appointed Mr. Cezary Stypułkowski to the Management Board of BRE Bank SA and for the post of the President of the Management Board of BRE Bank SA. Mr Cezary Stypułkowski will be acting President of the Management Board until the Polish Financial Supervision Authority approves him in the function as President of the Management Board of the Bank.

On 1 October 2010 the Supervisory Board designated Mr. Cezary Stypułkowski, Member of the Management Board of the Bank, as acting President of the Management Board of the Bank.

From 2 August 2010 to 1 October 2010 the duties of the President of the Management Board where temporarily executed by the Executive Vice-President, Mr. Wiesław Thor.

On 27 October 2010 the Polish Financial Supervision Authority granted the consent to the appointment of Cezary Stypułkowski as President of the Management Board of BRE Bank SA.

28. 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 4th quarter of 2010 that would have a significant impact on the profit of this period.