BRE BANK SA

Our people make the difference.

BRE Bank SA Group

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012

Contents

Selected Financial Data

	SELECTED FINANCIAL DATA FOR THE GROUP	in PLN'000		in EUR'000	
		4 Quarters period from 01.01.2012 to 31.12.2012	4 Quarters period from 01.01.2011 to 31.12.2011	4 Quarters period from 01.01.2012 to 31.12.2012	4 Quarters period from 01.01.2011 to 31.12.2011
I.	Interest income	4 476 800	3 890 573	1 072 647	939 729
II.	Fee and commission income	1 273 953	1 279 172	305 241	308 971
III.	Net trading income	356 542	347 412	85 428	83 914
IV.	Operating profit	1 472 103	1 467 127	352 718	354 370
V.	Profit before income tax	1 472 103	1 467 127	352 718	354 370
VI.	Net profit attributable to Owners of BRE Bank SA	1 203 230	1 134 972	288 295	274 141
VII.	Net profit attributable to non-controlling interests	581	9 463	139	2 286
VIII.	Net cash flows from operating activities	3 551 237	1 594 968	850 881	385 249
IX.	Net cash flows from investing activities	(216 342)	(187 372)	(51 836)	(45 258)
X.	Net cash flows from financing activities	(400 979)	(2 519 401)	(96 075)	(608 536)
XI.	Net increase / decrease in cash and cash equivalents	2 933 916	(1 111 805)	702 970	(268 545)
XII.	Earnings per ordinary share (in PLN/EUR)	28.57	26.96	6.84	6.51
XIII.	Diluted earnings per ordinary share (in PLN/EUR)	28.54	26.94	6.84	6.51
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		
		31.12.2012	30.09.2012	31.12.2011	31.12.2012	30.09.2012	31.12.2011
I.	Total assets	102 236 046	99 805 527	98 875 647	25 007 594	24 261 152	22 386 263
II.	Amounts due to the Central Bank	-	-	-	-	-	-
III.	Amounts due to other banks	21 110 939	22 701 039	27 390 809	5 163 871	5 518 265	6 201 505
IV.	Amounts due to customers	57 983 600	57 228 772	54 244 388	14 183 161	13 911 413	12 281 377
V.	Equity attributable to Owners of BRE Bank SA	9 685 493	9 161 888	8 048 755	2 369 134	2 227 111	1 822 305
VI.	Non-controlling interests	24 491	23 931	23 910	5 991	5 817	5 413
VII.	Share capital	168 556	168 548	168 411	41 230	40 971	38 130
VIII.	Number of shares	42 138 976	42 137 036	42 102 746	42 138 976	42 137 036	42 102 746
IX.	Book value per share (in PLN/EUR)	229.85	217.43	191.17	56.22	52.85	43.28
X.	Capital adequacy ratio	18.73	15.44	14.96	18.73	15.44	14.96

	SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000		in EUR'000	
		4 Quarters period from 01.01.2012 to 31.12.2012	4 Quarters period from 01.01.2011 to 31.12.2011	4 Quarters period from 01.01.2012 to 31.12.2012	4 Quarters period from 01.01.2011 to 31.12.2011
I.	Interest income	4 089 597	3 484 479	979 873	841 641
II.	Fee and commission income	1 068 839	994 969	256 095	240 325
III.	Net trading income	344 897	337 847	82 638	81 604
IV.	Operating profit	1 456 347	1 342 200	348 943	324 195
V.	Profit before income tax	1 456 347	1 342 200	348 943	324 195
VI.	Net profit	1 199 484	1 066 012	287 398	257 485
VII.	Net cash flows from operating activities	5 327 755	460 887	1 276 537	111 323
VIII.	Net cash flows from investing activities	(133 420)	9 593	(31 968)	2 317
IX.	Net cash flows from financing activities	(1 740 586)	(1 794 959)	(417 047)	(433 555)
X.	Net increase / decrease in cash and cash equivalents	3 453 749	(1 324 479)	827 523	(319 915)
XI.	Earnings per ordinary share (in PLN/EUR)	28.48	25.32	6.82	6.12
XII.	Diluted earnings per ordinary share (in PLN/EUR)	28.45	25.30	6.82	6.11
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		
		31.12.2012	30.09.2011	31.12.2011	31.12.2012	30.09.2011	31.12.2011
I.	Total assets	98 148 976	95 562 803	93 895 432	24 007 870	23 229 813	21 258 701
II.	Amounts due to the Central Bank	-	-	-	-	-	-
III.	Amounts due to other banks	20 241 514	21 795 359	25 281 169	4 951 204	5 298 109	5 723 865
IV.	Amounts due to customers	59 881 918	56 950 776	54 018 635	14 647 502	13 843 837	12 230 265
V.	Own equity	9 163 857	8 658 316	7 610 906	2 241 538	2 104 700	1 723 172
VI.	Share capital	168 556	168 548	168 411	41 230	40 971	38 130
VII.	Number of shares	42 138 976	42 137 036	42 102 746	42 138 976	42 137 036	42 102 746
VIII.	Book value per share (in PLN/EUR)	217.47	205.48	180.77	53.19	49.95	40.93
IX.	Capital adequacy ratio	19.66	16.72	15.28	19.66	16.72	15.28

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

- for items of the statement of financial position – exchange rate announced by the National Bank of Poland as at 31 December 2012: EUR 1 = 4.0882, exchange rate as at 30 September 2012: EUR 1 = PLN 4.1138 and exchange rate as at 31 December 2011: EUR 1 = PLN 4.4168.
- for items of the income statement – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of fourth quarters of 2012 and 2011: EUR 1 = PLN 4.1736 and EUR 1 = PLN 4.1401 respectively.

Introduction

Major developments of BRE Bank Group in Q4 2012

BRE Bank Group reported a profit before income tax of PLN 299.9 million in Q4 2012, which represents a decrease of PLN 54.5 million or 15.4% QoQ. Net profit attributable to the shareholders of BRE Bank stood at PLN 272.6 million in Q4 2012 and was down by PLN 7.5 million or 2.7% QoQ.

The results of the Group were predominantly driven by:

- **Lower revenues:** total income reached PLN 822.9 million and was down by 10.3% compared to Q3 2012. The decrease was observed in net interest income (down by PLN 17.6 million or 3.1% QoQ), net fee and commission income (down by PLN 8.7 million or 4.3%) and net trading income (down by PLN 23.4 million or 23.5%) reflecting slowing sales of credit products and lower client activity, while net other operating income was adversely impacted by provisions set up against legal risk, unused holiday leave and office properties rental.
- **Increase of operating costs** by PLN 5.6 million or 1.3% QoQ to PLN 434.0 million (including amortisation/depreciation) mainly driven by higher marketing spending. As a result, the effectiveness of BRE Bank Group as measured by the cost/income ratio stood at 46.4% after Q4 2012 compared to 44.5% after Q3 2012.
- **Lower cost of risk** at 52 bps. Loan loss provisions decreased by PLN 45.9 million or 34.0% QoQ driven by lower cost of risk registered in the corporate segment.
- **Continued organic growth and business expansion** as demonstrated by:
    - **Growing retail customer base,** which reached 4,134 thousand (an increase of 54 thousand customers QoQ and 209 thousand customers in 2012);
    - **Growing number of corporate customers,** which reached the historically highest number of 15,095 customers (an increase of 213 customers QoQ and 1,118 customers in 2012).

Net loans and advances stood at PLN 67,059.3 million in Q4 2012 and decreased by PLN 2,137.4 million or 3.1% QoQ mainly due to a decrease of corporate loans by PLN 2,321.8 million or 7.6%.

Customer deposits stood at PLN 57,983.6 million and increased by PLN 754.8 million or 1.3% QoQ mainly due to an increase of retail deposits, which were up by 15.9%.

The changes in the Group's results translate into following profitability ratios:

- Gross ROE of 17.9% (compared to 19.1% at the end of Q3 2012);
- Net ROE of 14.6% (compared to 15.2% at the end of Q3 2012).

The Group's capital ratios remained adequate. The capital adequacy ratio stood at 18.73% at the end of Q4 2012 compared to 15.44% at the end of Q3 2012. Core Tier I ratio stood at 13.00% compared to 10.92% at the end of Q3 2012. As of December 2012, BRE Bank Group reports its capital adequacy ratios using the Advanced Internal Ratings-Based Approach (AIRB). Detailed information related to the capital adequacy ratio calculation is presented in Note 24 of these Condensed Consolidated Financial Statements.

Key Events of Q4 2012

Changes of the BRE Bank Group's Shareholder Structure

On December 27, 2012, Commerzbank AG announced the acquisition of 29,352,897 shares of BRE Bank from Commerzbank Auslandbanken AG. The shares carry 29,352,897 votes at the General Meeting of BRE Bank and account for 69.66% of shares and votes at the General Meeting. Before the transaction, Commerzbank held the stake in BRE Bank indirectly through Commerzbank Auslandsbanken AG. Commerzbank AG acquired the stake in BRE Bank through an internal transfer of shares within Commerzbank AG Group and as such, the dominant entity of BRE Bank has not changed.

Euro Medium Term Note Programme

The Management Board of BRE Bank informed on April 12, 2012 that BRE Finance France SA as the issuer and BRE Bank as the issue underwriter signed an agreement for a Euro Medium Term Note Programme (EMTN) for a total amount of up to EUR 2 billion. Under the EMTN Programme, the issuer will have a right to issue debt securities in multiple tranches, various currencies and with diverse interest structure. The Luxembourg Stock Exchange admitted the Programme to trading. The debt securities will be unconditionally and irrevocably guaranteed by BRE Bank. The Bank agreed to extend future guarantees of payment of any amounts payable on debt securities issued under the Programme.

Fitch Ratings and Moody's Investors Service assigned ratings to the Euro Medium Term Note Programme in accordance with the level and outlook of BRE Bank's long-term rating.

On 4 October 2012, BRE Finance France SA issued the first tranche of Eurobonds with a nominal value of EUR 500 million, maturing in 2015. The interest on Eurobonds was set at 2.75% p.a. Receipts from the issue of debt securities have been remitted by the issuer to BRE Bank as issue underwriter in the form of a cash deposit. The Bank will pay BRE Finance France SA, the provider of the cash deposit, a fixed interest on an annual basis, and an additional repurchase premium amounting to EUR 2,230 thousand. The funds will be used to finance general banking operations of BRE Bank.

On October 5 and 10, 2012 Fitch Ratings and Moody's Investors Service assigned ratings to the first tranche of Eurobonds issued under the EMTN Programme. The ratings are in accordance with those assigned to the EMTN Programme.

Bydgoszcz City Card

On November 15, 2012 BRE Bank and mBank, its retail arm, launched a new payment card - Bydgoszcz City Card - which may be used as a seasonal public transport ticket and electronic money. BRE Bank has a wealth of experienced in implementing city card projects. Similar city cards, which can also be used as payment cards, were offered to the residents of Kraków in 2011.

As part of its cooperation with the city of Bydgoszcz, BRE Bank issued two types of cards: a prepaid card and a debit card linked to a personal account with mBank. The proposed solution allows adding new functions to the card, f.i. the card may be used in cultural institutions and parking meters in Bydgoszcz.

Additionally, the holders of the Bydgoszcz City Card issued by mBank are entitled to discounts on seasonal public transport tickets. BRE Bank and mBank cards may be used to pay for goods and services in Poland and abroad and on the Internet, and to withdraw cash from ATMs. Moreover, the cards allow their holders to make convenient contactless payments (PayPass).

HalCash Transfer at BRE Bank

BRE Bank, in cooperation with HalCash Central Eastern Europe, launched HalCash transfers allowing its clients to order instant funds transfers and ATM withdrawals using their mobile phones. The new solution is available in iBRE electronic banking system to the Bank's clients authorised to submit domestic transfers. HalCash solution makes it possible to execute fund transfers in real time in one of four thousand ATMs of Euronet, BZ WBK and TF Skok located across Poland, whereas the money may be withdrawn from an ATM 24 hours a day, 7 days a week.

Awards and distinctions

In Q4 2012, BRE Bank Group was appreciated by both, clients and external experts, which was reflected in several awards and distinctions:

- MasterCard eMoney PayPass "American Classic Car" issued by BRE Bank won in the category of the best card design in Poland in a contest organised by Central European Electronic Card;

- mBank Slovakia won three distinctions in the Golden Coin 2012 contest: audience award for mKonto and two places on the podium for mKreditka and mKonto. mBank's offer was appreciated in particular for account maintenance available free of charge, free debit card and wide range of on-line services;
- BRE Private Banking & Wealth Management was awarded the top five-star score in the survey analysing the quality of offer dedicated to the most affluent clients of Polish banks commissioned by Forbes and conducted in the "mysterious client" formula. During their visits at banks' branches, the mysterious clients assessed the interior design of the branches and quality of service, but also the methods used by banks to contact the client and their quality. In addition, each institution completed an extended questionnaire about the scope of services provided;
- The annual report of BRE Bank Group won the second prize in the financial institutions category in The Best Annual Report contest for listed companies organised by the Tax and Accounting Institute (IRiP). Moreover, the on-line version of the annual report was awarded in the Best On-line Annual Report category.

Economic environment in Q4 2012

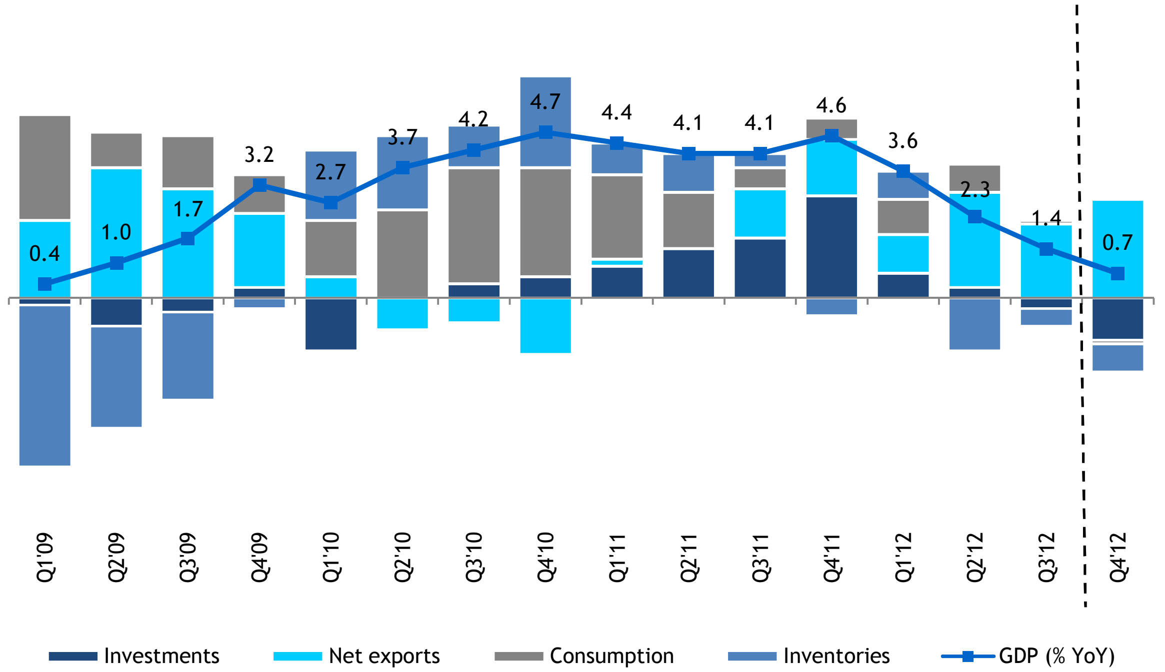
In Q4 2012 Poland's economic growth slowed down to ca. 0.9% p.a. compared to 1.4% reported in Q3 2012. Bank expects that the downward trend will continue and the Polish economy may shrink even by ca. 0.4% YoY in H1 2013. GDP should grow by ca. +0.6% YoY in 2013.

Both national accounts data and more frequent statistics indicate that the decline is mainly driven by contracting domestic demand. Its year-on-year growth rate was negative in Q3 and Q4 2012 (-0.7% and -0.8%, respectively) and may fall even to -2.5% in the coming quarters. Private consumption decreased by ca. 0.9% YoY in Q4 2012, which is consistent with the contraction of aggregate payrolls and the stagnation in consumer lending (which is particularly important as a source of financing consumption when the savings rate is close to nil). The weakness of consumption is also demonstrated by the monthly sales figures and the consumer economic conditions (these indicators are currently at levels close to early 2009). The scenario of further decrease in consumption is also consistent with developments on the labour market: employment at the end of 2012 was 0.5% lower than in December 2011. The falling employment has been accompanied by an increase of the official unemployment rate from 12.5% in December 2011 to 13.4% in December 2012. The steady deterioration of the situation on the labour market combined with a decline of market demand have effectively stymied the growth of salaries which have been rising at a rate lower than inflation (the real growth rate of salaries has been negative since the beginning of Q3 2012). Due to the restrictions imposed by current real disposable income, a negative year-on-year growth rate of private consumption is not out of the question in the coming quarters. As for public consumption, its low growth rate is a result of fiscal tightening driven by the requirement to bring the central and local government deficit to no more than 3.0% of GDP, according to the Convergence Programme.

In Q3 2012, the contribution of investments to GDP growth was negative for the first time in ten quarters – the growth rate of investments decreased to -1.5% YoY, while in Q4 2012 accounted for -0.6%. The decline was mainly produced by infrastructure (the value added in construction decreased by 5.8% compared to a 2.0% growth in Q2 2012) and it may be expected to continue given limited support of EU funds. Negative trends in the production of investment goods and corporate investment lending suggest that private and housing investments are likely to fall in the coming quarters (production being put on hold due to oversupply and falling prices). The falling economic conditions indices demonstrate a negative attitude of entrepreneurs to new investments. BRE Bank expects that investments will continue to have a negative impact on GDP growth in the coming quarters and their decline will prevail at least until the end of 2013.

Companies probably continued to reduce stocks in Q3 and Q4 2012 due to weaker economic activity, a trend is likely to continue in H1 2013. The change in stock levels will slow down GDP growth owing to the procyclical effect of this aggregate.

Constituents of GDP growth

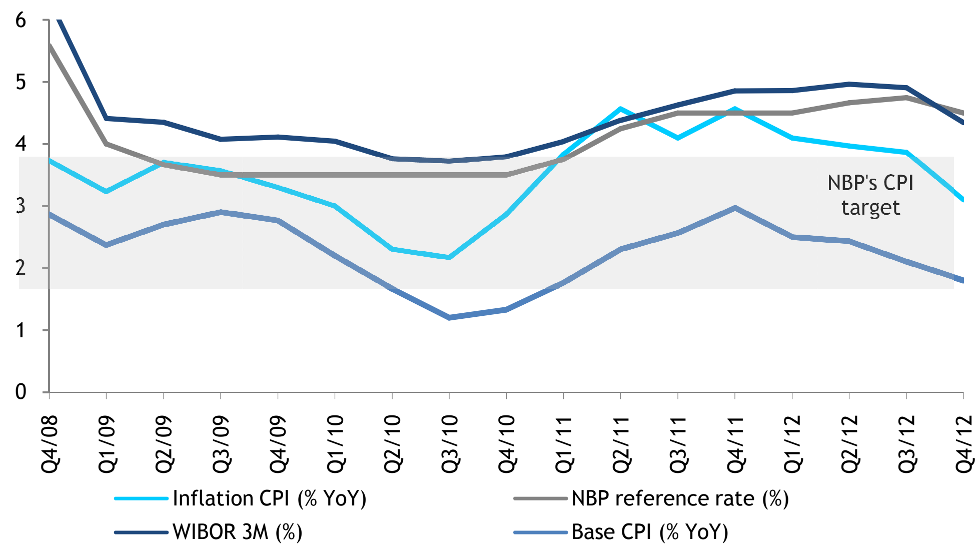


Exports continued growing at a higher rate than imports in Q3 2012, a trend which started in Q2 (and is particularly pronounced as the economy slows down): the growth rate of imports at -3.7% YoY only confirms the weak domestic demand. According to BRE Bank's estimates that the contribution of net exports is likely to go into free fall to ca. 0-1 pp in H2 2013.

Inflation and Interest Rates

In October 2012, CPI returned to well within the NBP band and fell below the NBP target to the level of 2.4% at the end of 2012. In addition to the base effect of the past year (in such categories as fuels and pharmaceuticals), other disinflation drivers are the modestly rising food prices, a stronger zloty and weakening economic activity, which further drive down also core inflation (1.4% in December 2012 compared to 3.1% a year earlier).

CPI, NBP reference rate, WIBOR 3M



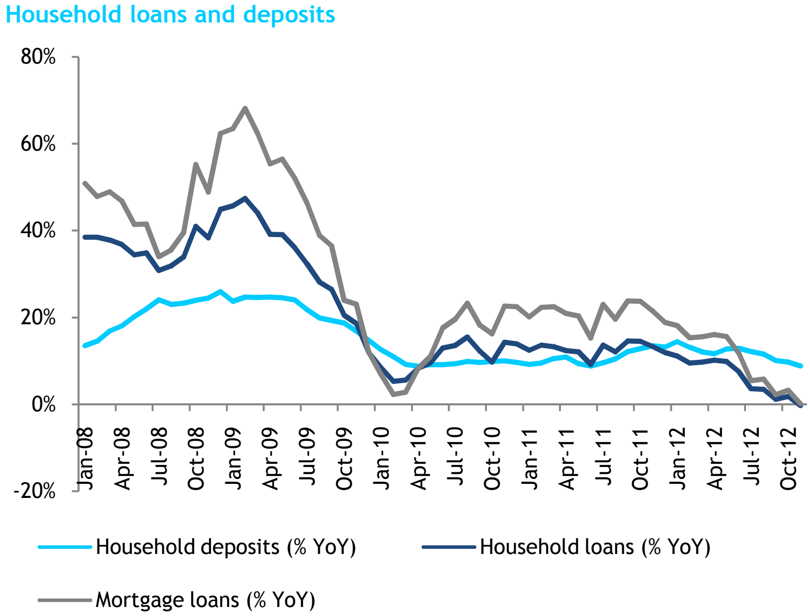
In Q4 2012, the Monetary Policy Council initiated a monetary easing cycle by cutting the interest rates from 4.75% (in force until the November 2012 meeting) to 4.00% (as of the meeting on January 9, 2013). In view of the weakening economy, the increasingly recession-sounding statistics, falling inflation expectations and inflation fast approaching the NBP's target, the Bank expects that the easing cycle will continue and the interest rates will get close even to 3.25% in H1 2013.

Money Supply and the Banking Sector

The growth rate of retail deposits continued to decline in Q4 2012 and stood at 7.8% at the end of 2012. Household deposits increased by PLN 16.0 billion in Q4 2012 compared to PLN 24.3 billion in Q4 2011.

The slowing growth of household deposits is yet another signal indicating a weakening economy as it reflects a slower growth of household savings. Although term deposits are historically anticyclical, their growth rate will decrease in the coming months due to the effect of a high statistical base of 2011. Current deposits, in turn, have procyclical properties and, hence, their growth rate (similar to GDP growth) should reach its minimum in H1 2013. The decrease of deposits was combined with a dynamic change in the value of assets under management of investment fund companies (TFI): it increased by 27.0% YoY in 2012, of which ca. 65% was driven by a positive balance of cash inflows and outflows.

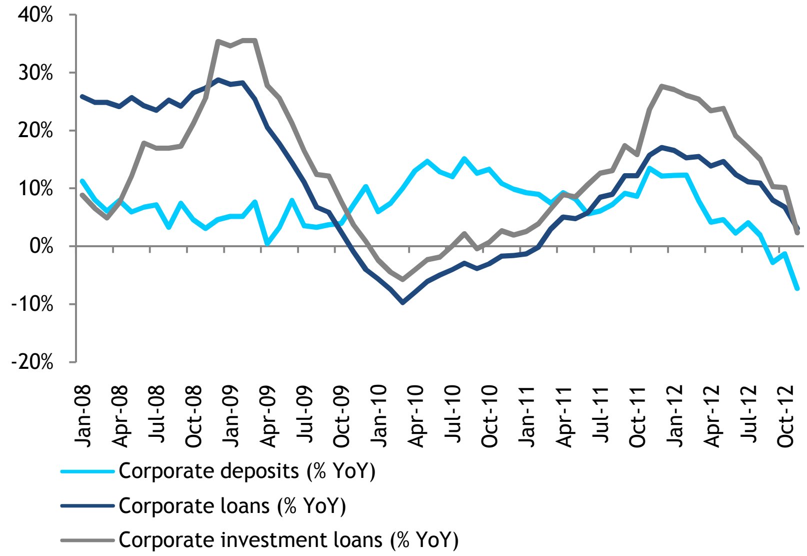
The growth rate of household loans decreased to 0.1% YoY in December 2012 (net of the FX effect, the growth rate was 2.8%). The sharp decrease was largely driven by the strengthening of the zloty as well as the share of FX loans in household mortgages, which is still above 50%. However, even net of the impact of the volatility of the FX rates, the slowdown of the growth of household loan volumes is clearly visible. Owing to the sharp weakening of the growth rate of salaries, the declining consumer sentiment and the rising consumers' risk aversion, the trend seems most likely to continue in the coming quarters.



The growth rate of housing loans was 4.9% YoY in December 2012 net of the FX effect (only 0.9% in nominal terms) compared to 9.9% in December 2011. Apart from the changing valuation of FX loans, the stagnation of housing loan volumes was also driven by a smaller value of newly sold loans: they are estimated at ca. PLN 38-39 billion in 2012 that is, around 20% less than in 2011. The government programme of housing subsidies "Rodzina na swoim" (RnS) expired at the end of 2012 and, consequently, interest in subsidised loans rose from quarter to quarter in 2012. At the same time, the value of new loans without subsidies is steadily decreasing; BRE Bank expects that only a small part of demand for RnS will help to increase volumes once the programme has expired (30% according to BRE Bank's estimates) – this is suggested among others by an analysis of interest in mortgage loans online. The alternative programme "Mieszkanie dla Młodych" (MdM) proposed by the government is initially scheduled to take effect as of mid-2013; however, similar to RnS in 2007, several quarters are needed to make a noticeable impact on the loans volume. Hence, the volume of newly sold loans in 2013 is likely to decrease by another 10%. Nevertheless, BRE Bank expects the growth rate of housing loans of ca. 2% YoY (net of the FX effect) in 2013.

The rising uncertainty of consumers and their deteriorating financial standing also affect consumer loans: their volume decreased to PLN 128.3 billion in December 2012, for the first time since mid-2009, impacting negatively the growth rate (-4.6% YoY). The prospects of a recovery seem low due to decreased demand (supply factors have in fact not changed for several quarters). The announced amendments to Recommendation T are unlikely to drive a major growth of lending. According to BRE Bank's forecast, the volume of consumer loans may increase slightly at the end of 2013. Combined with a low base of 2012 year-end, the growth rate will be 2-3% YoY.

Corporate loans and deposits



The growth rate of corporate deposits was negative in September 2012, compared to the double-digit growth at the turn of 2011 and 2012 and the volume of the corporate deposits was close to PLN 190 billion at the end of 2012. In 2012, corporate deposits decreased by PLN 15.3 billion compared to a PLN 22.4 billion growth in 2011. In addition to the negative effect of a high statistical base of 2011 year-end, the results were due to weak financial results of companies. There is no reason to believe that the trend may turn any time soon: economic slowdown and the propensity to finance only necessary investments with own funds will drive further decrease of the volume of corporate deposits at least in H1 2013. BRE Bank expects corporate deposits to grow by ca. 3% in 2013.

In December 2012, the growth rate of corporate loans decreased to 2.1% YoY (net of the FX effect, the growth rate was 4.0%). In 2012, the volume increased by PLN 5 billion (which is only ca 15% of the growth reported in 2011). Furthermore, the volume of investment loans decreased by 2.5% YoY (it increased by over PLN 15 billion in 2011). BRE Bank expects the growth rate will continue to decline in 2013, which is demonstrated by entrepreneurs' growing aversion to investments as presented by economic conditions surveys. Investments decreased in Q3 2012 for the first time since Q2 2010 and, according to NBP surveys, the slowdown of investments affects most of the polled categories of companies and is expected to continue as the scale of new investments is the lowest since 2009 and represents downward trend. It should also be mentioned that investments fell the most in service industries (in Q3 2012, nominal decrease of investments YoY) and for companies operating only domestically, which suggests that changes in investments are strongly correlated with consumer behaviour. The growth rate of investment loans is currently similar to the turn of 2008/2009 (the rate of decline after the peak reached at the end of 2011 is similar). BRE Bank believes, however, that the biggest decline of corporate loans is yet to come: the decline of the growth rate will mainly be caused by the base effect of 2011 year-end, while the decline of volumes will be driven by further weakening of the economy (affecting the demand and supply of loans).

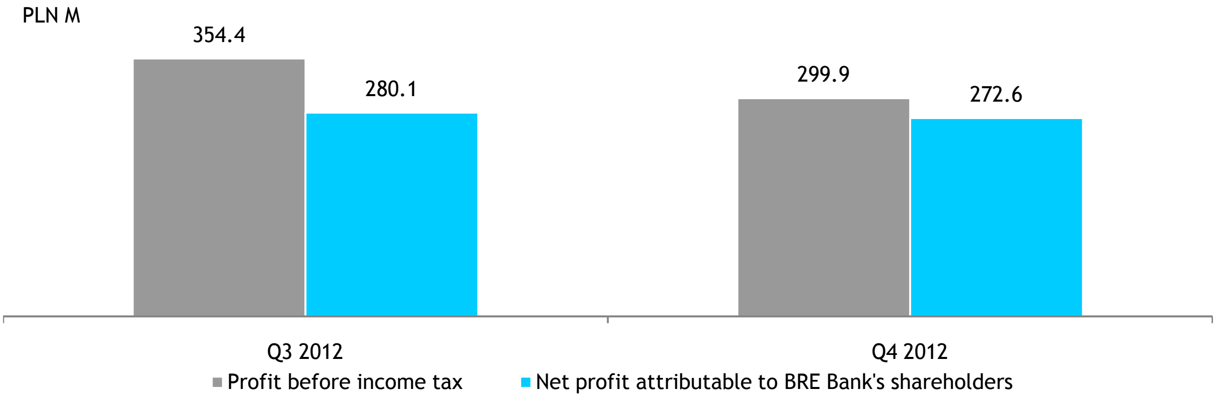
Financial performance of BRE Bank Group in Q4 2012

Financial Results of BRE Bank Group

BRE Bank Group generated a profit before income tax of PLN 299.9 million in Q4 2012, down by 15.4% QoQ. Net profit attributable to the shareholders of BRE Bank was down by 2.7% QoQ and reached PLN 272.6 million.

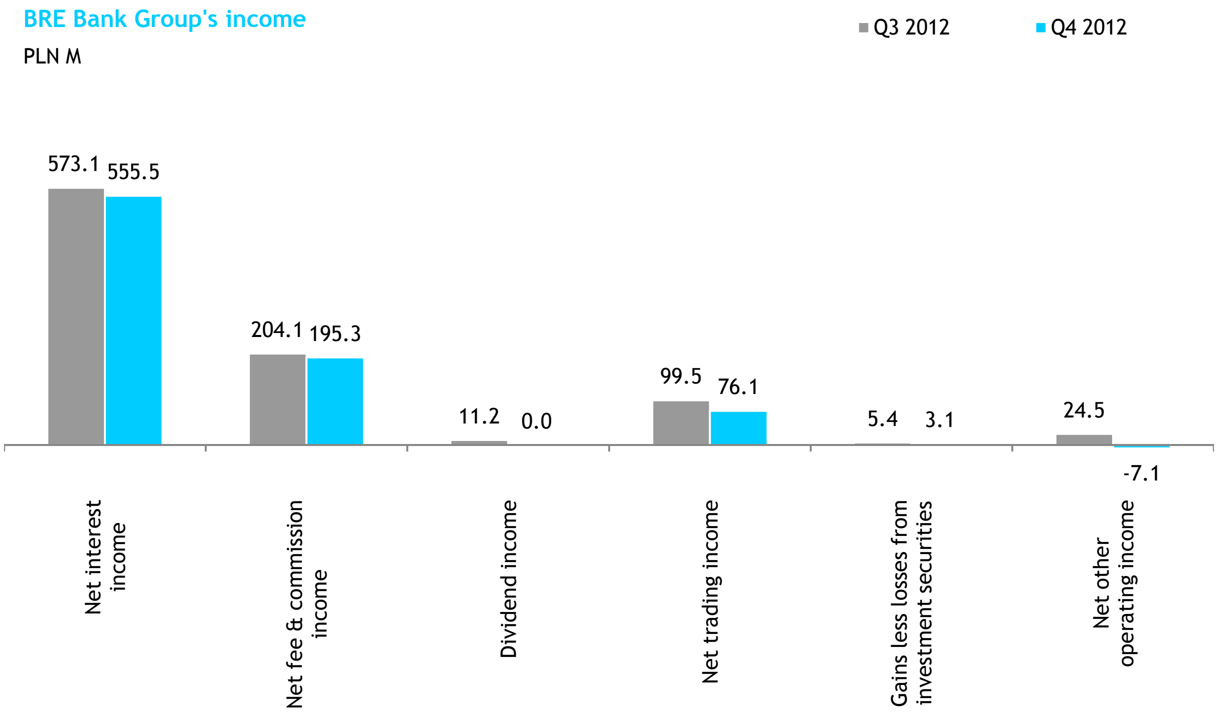
Net profit was supported by a lower effective income tax rate in Q4 2012.

BRE Bank Group's profit



Income of BRE Bank Group

Total income of BRE Bank Group in Q4 2012 stood at PLN 822.9 million, down by PLN 94.8 million or 10.3% compared to Q3 2012.



Net interest income remained the Group's largest revenue source and reached PLN 555.5 million in Q4 2012, down by PLN 17.6 million or 3.1% QoQ.

Interest income increased by PLN 15.2 million or 1.3% QoQ and reached PLN 1,159.7 million in Q4 2012. Loans and advances remained the main source of interest income at 70.0% decreasing by PLN 21.3 million or 2.6% QoQ and stood at PLN 811.2 million. Interest income from investment securities increased by PLN 26.5 million or 12.3% in Q4 2012, while interest income from debt securities held for trading remained stable QoQ (down by PLN 0.2 million or 1.0%).

As for interest cost in Q4 2012, the cost of customer deposits increased by PLN 32.8 million or 7.9% QoQ due to the growth of BRE Bank Group's deposit base. The second largest interest cost driver was once again the cost of settlements with banks, down by PLN 10.9 million or 13.0% QoQ. Interest cost of issued debt securities increased by PLN 8.6 million or 18.1%, mainly driven by an issue of EUR 500 million bonds under the EMTN programme.

BRE Bank Group's **net interest margin** remained stable at 2.4% at the end of Q4 2012, the same as at the end of Q3 2012.

Net fee and commission income in Q4 2012 stood at PLN 195.3 million, representing a decrease by PLN 8.7 million or 4.3% QoQ, while its contribution to the Group's total income increased to 23.7%.

Fee and commission income in Q4 2012 decreased by PLN 8.1 million or 2.6% QoQ and reached PLN 310.3 million. The main driver of the lower fee and commission income were decreased commissions from insurance activity (down by PLN 11.5 million or 22.2% QoQ). Commissions for payment card services increased by PLN 6.2 million or 6.3% QoQ. Net fee and commission income from brokerage activity was down by PLN 3.1 million or 16.2% QoQ.

Fee and commission costs in Q4 2012 were stable QoQ, up by PLN 0.6 million or 0.5%. The cost of payment card processing and insurance increased by PLN 3.2 million or 6.6% QoQ. Commissions paid to third parties selling BRE Bank Group's products decreased by PLN 4.2 million or 20.4% in the reporting period.

BRE Bank Group reported no major **dividend income** in Q4 2012, unlike in Q3 2012 when the result was driven by a dividend paid by PZU.

Trading income stood at PLN 76.1 million in Q4 2012 and decreased by 23.5% QoQ. The Group's FX income decreased by PLN 9.4 million or 10.5%. Other trading income was negative at PLN 4.8 million in Q4 2012 compared to a positive income of PLN 9.1 million in Q3 2012 due to a negative result on interest rate instruments.

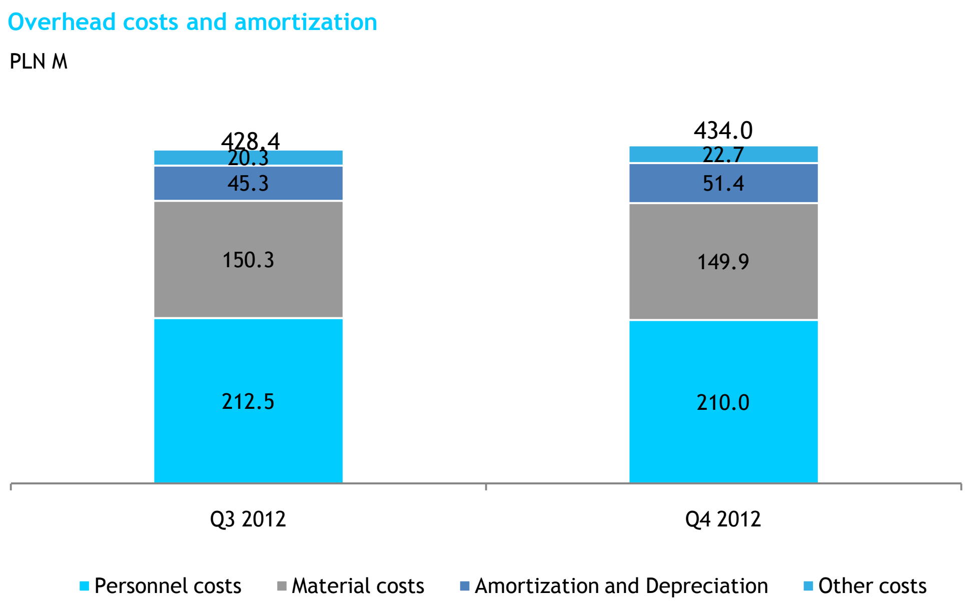
IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

Gains less loses on investment securities and on investments in subsidiaries and affiliates reached PLN 3.1 million and decreased by PLN 2.3 million QoQ.

Net other operating income and costs (other operating income minus other operating expenses) stood at a negative PLN 7.1 million in Q4 2012 compared to a positive PLN 24.5 million in Q3 2012. This was due to provisions set up against legal risk, unused employee holiday leave and office properties rental.

<u>Overhead Costs of BRE Bank Group</u>

Overhead costs of BRE Bank Group including amortisation and depreciation stood at PLN 434.0 million in Q4 2012, up by PLN 5.6 million or 1.3% QoQ.



Personnel costs decreased by PLN 2.5 million or 1.1% in Q4 2012, mainly owing to lower payroll costs. The headcount of BRE Bank Group increased by 14 FTEs in Q4 2012.

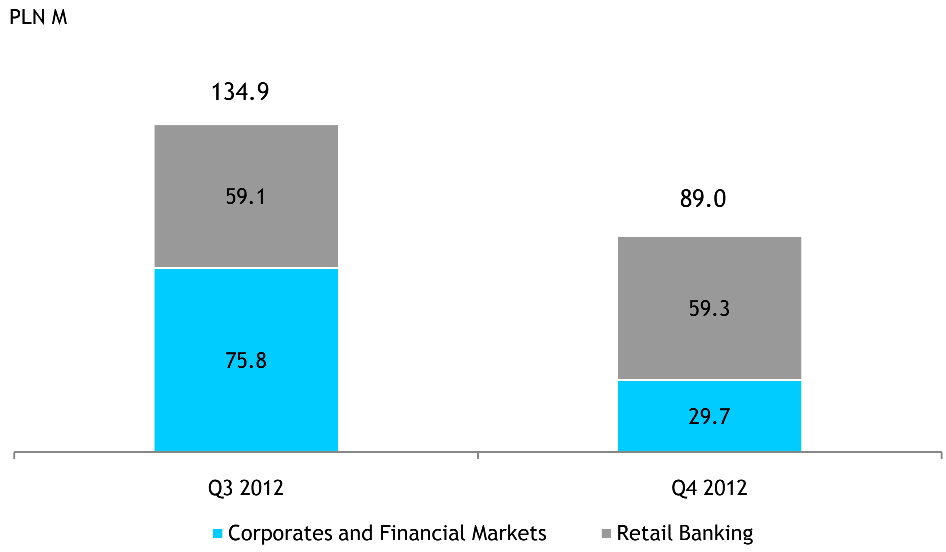
BRE Bank Group Headcount	31.12.2012	30.09.2012	% change QoQ
FTE	6,138	6,124	0.2%

In Q4 2012, material costs of the Group decreased by PLN 0.4 million or 0.3%, mainly due to lower costs of IT and logistics, while marketing and security costs increased. Amortisation and depreciation increased by PLN 6.1 million or 13.4% QoQ.

<u>Net impairment Losses on Loans and Advances</u>

Loan loss provisions of the Group stood at PLN 89.0 million in Q4 2012, which represents a decrease of PLN 45.9 million QoQ.

Net impairment losses on loans and advances



Net impairment losses on loans and advances in Retail Banking stood at PLN 59.3 million in Q4 2012 and were stable QoQ. Net impairment losses on loans and advances in Corporates and Financial Markets stood at PLN 29.7 million in Q4 2012 compared to PLN 75.8 million in Q3 2012 when, contrary to Q4 2012, several larger exposures were impaired.

Consolidated Statement of Financial Position

Total assets of BRE Bank Group stood at PLN 102,236.0 million at the end of Q4 2012, which represents an increase of PLN 2,430.5 million or 2.4% QoQ.

Assets of BRE Bank Group

Loans and advances to customers remained the largest asset category of the Group at the end of Q4 2012. Their share in total assets decreased modestly to 65.6% compared to 69.3% at the end of Q3 2012. Net loans and advances to customers stood at PLN 67,059.3 million in Q4 2012 and decreased by PLN 2,137.4 million or 3.1% QoQ (excluding reverse repo / buy sell back transactions and the FX effect, net loans decreased by ca. 1.8%).

Gross loans and advances to corporate clients decreased to PLN 28,405.4 million, i.e. by PLN 2,321.8 million or 7.6%, while excluding reverse repo / buy sell back transactions and the FX effect, the portfolio decreased by ca. 5.3%. Loans and advances to retail clients decreased by PLN 114.1 million or 0.3% QoQ and reached PLN 37,816.5 million, while excluding the FX effect, the portfolio increased by 0.1%. Gross loans and advances to the public sector stood at PLN 2,698.5 million in Q4 2012, down by PLN 99.2 million or 3.5% QoQ.

Investment securities were the second largest asset category at the end of Q4 2012 and stood at PLN 19,993.4 million or 19.6% of total assets increasing by PLN 2,135.6 million or 12.0% QoQ.

Liabilities of BRE Bank Group

Amounts due to customers, which are the Group's principal source of funding, increased by PLN 754.8 million or 1.3% in Q4 2012. Amounts due to customers stood at PLN 57,983.6 million at the end of Q4 2012, representing 62.7% of total liabilities at the end of December 2012 compared to 63.2% at the end of Q3 2012.

Amounts due to corporate clients stood at PLN 24,248.7 million at the end of Q4 2012 and decreased by PLN 3,688.0 million or 13.2% QoQ, while excluding repo transactions, amounts due to corporate clients decreased by 9.5% QoQ. Amounts due to retail clients increased by PLN 4,555.3 million or 15.9% reaching PLN 33,233.8 million in Q4 2012. Amounts due to the public sector stood at PLN 501.2 million and decreased by PLN 112.6 million or 18.3% QoQ.

Amounts due to banks stood at PLN 21,110.9 million at the end of Q4 2012, representing 22.8% of total liabilities. Amounts due to banks decreased by PLN 1,590.1 million or 7.0% QoQ.

The share of equity attributable to the Bank's shareholders in the liabilities of BRE Bank Group stood at 9.5% at the end of Q4 2012 compared to 9.2% at the end of Q3 2012.

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

Quality of the loan portfolio of BRE Bank Group

At the end of Q4 2012, the ratio of impaired loans remained unchanged at the level of 5.2%.

Provisions for loans and advances decreased by PLN 101.8 M and stood at PLN 2,528.5 million at the end of Q4 2012, including PLN 2,329.8 million of provisions for impaired receivables (compared to PLN 2,423.3 million at the end of Q3 2012). Additionally, Incurred But Not Identified provisions (IBNI) decreased from PLN 207.0 million at the end of Q3 2012 to PLN 198.7 million at the end of Q4 2012.

The ratio of provisions to impaired loans stood at 64.2% at the end of Q4 2012 compared to 64.5% in Q3 2012.

Performance Indicators

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

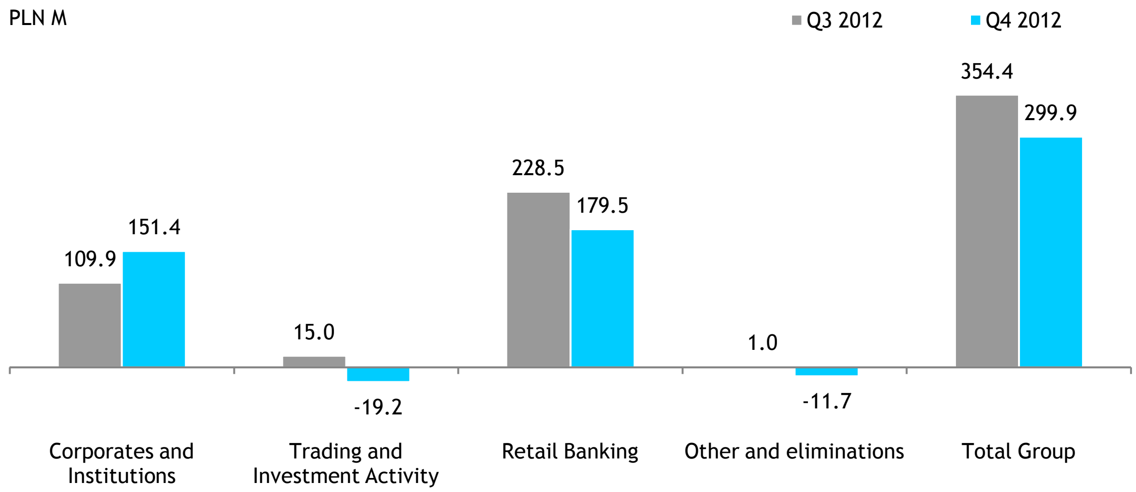
	31.12.2012	30.09.2012	31.12.2011
ROA net	1.23%	1.30%	1.26%
ROE pre-tax	17.9%	19.1%	21.0%
ROE net	14.6%	15.2%	16.4%
C / I	46.4%	44.5%	47.7%
Capital Adequacy Ratio	18.73%	15.44%	14.96%
Core Tier 1	13.00%	10.92%	9.59%

ROA net = net profit (including non-controlling interests)/total assets;
ROE pre-tax = profit before income tax/equity (including non-controlling interests, excluding current year's profit);
ROE net = net profit (including non-controlling interests)/equity (including non-controlling interests, excluding current year's profit);
C/I = overhead costs + depreciation/total income (including net other operating income/costs);
Capital Adequacy Ratio = own funds (core funds and supplementary funds after deductions)/risk weighted assets;
Core Tier 1 Ratio = core funds after deductions/risk weighted assets.

Performance of the business segments and business lines

The Retail Banking segment was the largest contributor to the Group's profit before income tax in Q4 2012 (59.8%). The contribution of Corporations and Financial Markets accounted for 44.1%, of which Corporates and Institutions 50.5% and Trading and Investment Activity -6.4%.

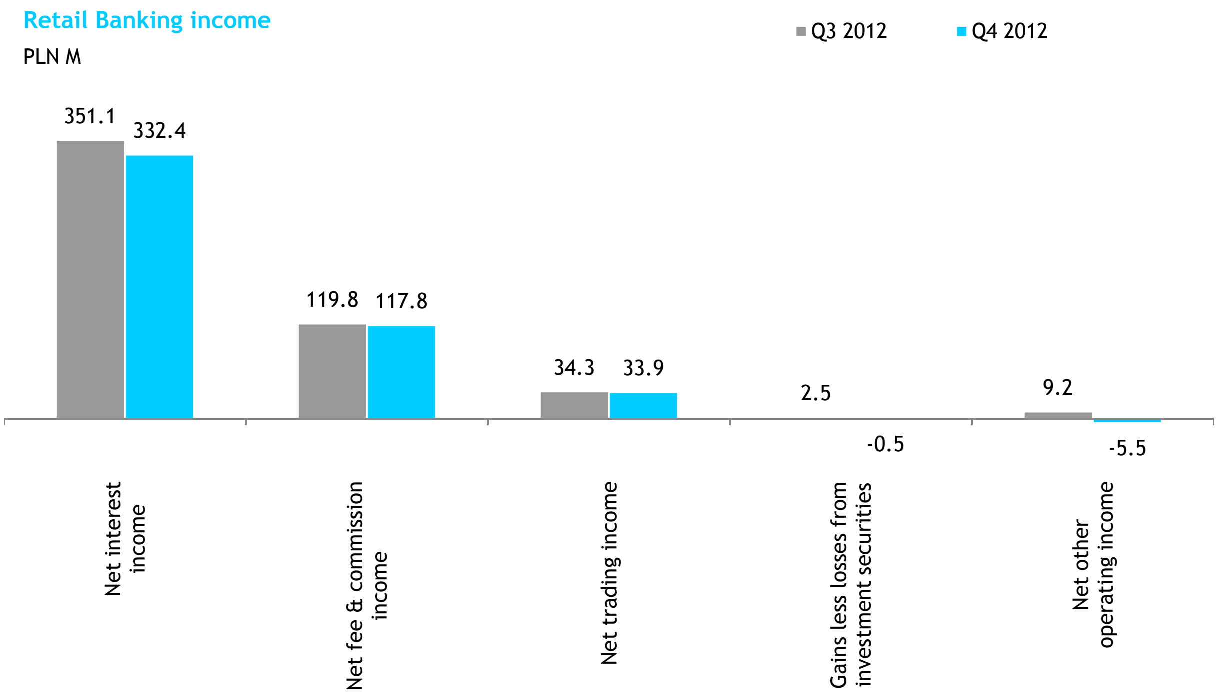
Profit (loss) before income tax by business line of BRE Bank Group



Retail Banking

Summary of Segment Results

In Q4 2012, the Retail Banking segment generated a profit before income tax of PLN 179.5 million, a decrease of PLN 49.1 million or 21.5% QoQ.



The profit before income tax of Retail Banking segment in Q4 2012 was driven by:

- **Decrease of total income** by PLN 38.9 million or 7.5% QoQ to PLN 478.1 million. Net interest income decreased by PLN 18.7 million or 5.3%, while net fee and commission income decreased by PLN 2.0 million or 1.7%.
- **Increase of overhead costs** by PLN 10.0 million or 4.4% QoQ to PLN 239.3 million, mainly due to higher amortisation and depreciation.
- **Stable net impairment losses on loans and advances** (up by PLN 0.2 million or 0.4% QoQ).

Retail Operations in Poland (mBank and MultiBank)

Customers

BRE Bank's Retail Banking in Poland had 3,523.7 thousand customers at the end of Q4 2012. The number of new customers acquired in Q4 2012 reached 41,2 thousand (+1.2%) QoQ and 162.2 thousand (+4.8%) YoY.

Deposits and Investment Funds

Retail Banking deposits stood at PLN 28,496.3 million at the end of December 2012, which represents an increase by PLN 3,123.6 million or 12.3% QoQ and by 7,323.1 million or 34.6% YoY. The dynamic growth in the retail deposit base was mainly driven by the growing number of customers and attractive offer of savings products.

The increase in the deposit base was accompanied by an increase in assets under management of BRE Bank retail customers. These stood at PLN 1,714.6 million at the end of December 2012, up by PLN 85.5 million or 5.2% YoY.

Loans

Net loans stood at PLN 35,004.7 million at the end of December 2012. In Q4 2012, loans decreased by PLN 175.4 million or 0.5% QoQ.

The structure of the loan portfolio was as follows:

- mortgage loans 83.4%,
- credit lines and overdrafts 7.1%,
- cash loans 5.0%,

- credit cards and charge cards 3.1%,
- other 1.4%.

Mortgage loans granted to household customers stood at PLN 27,180.4 million at the end of Q4 2012. The main parameters of the portfolio are presented below:

Mortgage loans to households	Total
Balance-sheet value (PLN billion)	27.18
Average maturity (years)	21.58
Average value (PLN thousand)	280.87
Average LTV (%)	79.44
NPL (%)	1.80

Cards

The number of credit cards issued by the Bank until the end of Q4 2012 stood at 701.9 thousand. In Q4 2012, the number of new credit cards issued by BRE Bank was 20.3 thousand.

The number of debit cards issued until the end of Q4 2012 stood at 4,783.5 thousand, increasing by 248.0 thousand QoQ.

Distribution Network

mBank

The distribution network of mBank comprised 94 locations (26 Financial Centres, 68 mKiosks) and 29 Agent Service Points.

Multibank

MultiBank's distribution network comprised 133 outlets (71 Financial Services Centres and 62 Partner Outlets).

<u>mBank in Czech Republic (CZ) and Slovakia (SK)</u>

Customers

mBank in the Czech Republic and Slovakia had 605.8 thousand customers at the end of December 2012 (443.2 thousand at mBank CZ and 162.6 thousand at mBank SK). The number of customers of mBank's foreign operations grew by 12.5 thousand in Q4 2012.

Deposits

Deposits in the Czech Republic and Slovakia stood at EUR 1,072.5 million at the end of Q4 2012 (EUR 726.7 million at mBank CZ, EUR 345.8 million at mBank SK), which represents an increase by EUR 154.0 million or 16.8% QoQ.

Loans

Loans in the Czech Republic and Slovakia amounted to EUR 430.2 million at the end of Q4 2012 (EUR 360.8 million at mBank CZ, EUR 69.4 million at mBank SK), which constitutes an increase by EUR 21.8 million or 5.3% QoQ.

Distribution Network

The distribution network of mBank CZ comprised 9 Financial Centres and 17 mKiosks.

The distribution network of mBank SK comprised 4 Financial Centres and 5 mKiosks.

<u>Subsidiaries of the Retail Banking area</u>

BRE Ubezpieczenia TUiR SA Group

In Q4 2012, total gross written premiums amounted to PLN 967.9 million, including PLN 845.7 million contributed by investment products. The direct area generated PLN 38.0 million in gross written premiums, mainly in car insurance policies. Gross written premiums in respect of insurance linked to banking products (loans, cards and accounts) reached PLN 54.2 million. In total, the group signed 417 thousand contracts, of which 70% were concluded in the bancassurance area (excluding investment policies).

In Q4 2012, BRE Ubezpieczenia Group generated a profit before income tax of PLN 12.9 million, supported by the sale of products via its Internet platform and in the bancassurance area, as well as the revaluation of its securities portfolio.

Aspiro SA

At the end of Q4 2012, Aspiro offered products of 28 different providers of financial services, including mBank and MultiBank. The offering covered 58 products, including mortgage loans, cash loans, insurance products, investment products, leasing and factoring.

In Q4 2012, Aspiro reported a significant growth in the sales of car loans of 57.6% QoQ, while the sales of mortgage loans and cash loans continued to fall (by 39.5% and 49.7% respectively). The sale of investment products rose by 0.6%.

In Q4 2012, the company reported a pre-tax loss amounting to PLN 7.7 million, mainly due to an ongoing restructuring process, including sales force reorganisation to reflect lower sales of mortgage products.

BRE Wealth Management S.A. (BRE WM)

At the end of 2012, BRE WM held assets under management worth PLN 3.6 billion, which is higher by PLN 67.8 million compared to Q3 2012. In Q4 2012, the company's profit before income tax stood at PLN 3.5 million and was affected mainly by higher client risk aversion, which resulted in the partial reallocation of their assets towards safer products.

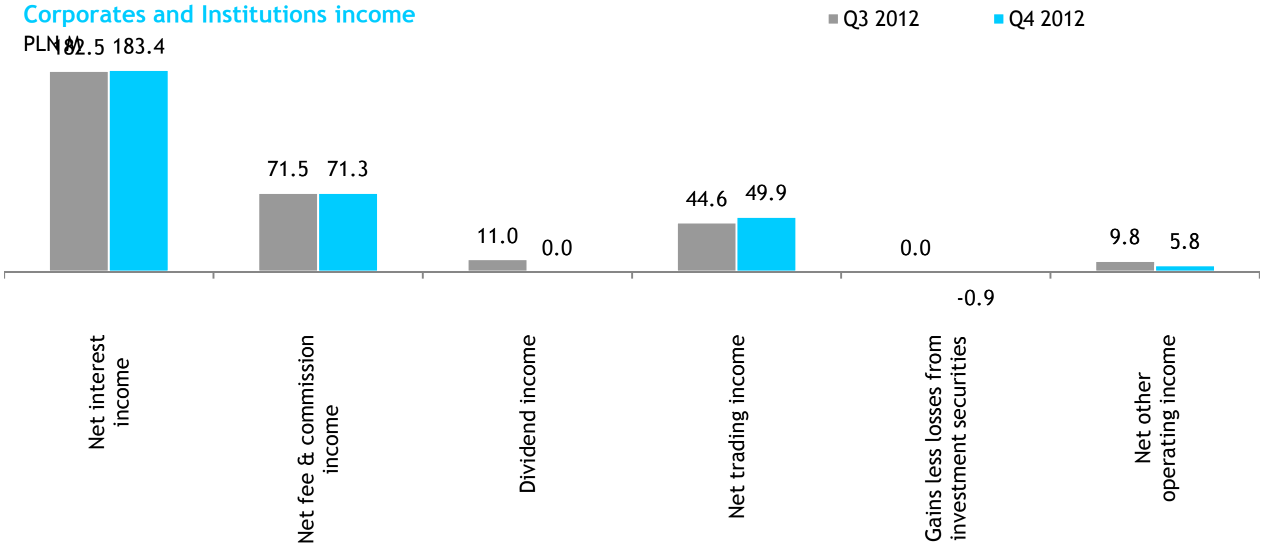
Corporates and Financial Markets

The Corporations and Financial Markets segment includes two business lines: Corporates and Institutions which is the key area of customer relations, as well as Trading and Investments, which manages liquidity and market risks, as well as the client relationships with financial institutions.

Corporates and Institutions

Summary of Segment Results

In Q4 2012, the Corporates and Institutions segment generated a profit before income tax of PLN 151.4 million, up by PLN 41.5 million or 37.7% QoQ.



The profit before income tax of Corporates and Institutions in Q4 2012 was driven by:

- **Decrease of total income** by PLN 10.0 million or 3.1% QoQ to PLN 309.5 million. Net interest income increased by PLN 0.9 million or 0.5% QoQ, while net fee and commission income decreased by PLN 0.2 million or 0.3% QoQ. Corporates and Institutions segment reported no dividend income in Q4 2012, unlike in Q3 2012 when PZU SA paid out a dividend.
- **Decrease of overhead costs (including amortisation and depreciation)** by PLN 2.2 million or 1.4% QoQ to PLN 149.2 million.
- **Decrease of net impairment losses on loans and advances** by PLN 49.4 million or 84.7% QoQ. There were no large provisions in Q4 2012, unlike in Q3 2012.

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

Number of Corporate Customers

The total number of corporate customers stood at 15,095 at the end of December 2012, which constitutes an increase by 213 customers QoQ or by 1,118 customers YoY.

The following table presents additional details on the Bank's corporate clients structure:

	31.12.2011	31.03.2012	30.06.2011	30.09.2012	31.12.2012
K1*	1,185	1,207	1,213	1,229	1,228
K2*	4,246	4,260	4,348	4,446	4,583
K3*	8,546	8,947	9,092	9,207	9,284
Total	13,977	14,414	14,653	14,882	15,095

**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 and 500 million; K3 is the segment of SMEs with annual sales between PLN 3 and 30 million.*

Corporate Customers' Deposits

Deposits placed by corporate customers with BRE Bank (excluding repo transactions) stood at PLN 22,192 million at the end of December 2012 and were up by 2.9% QoQ and down by 6.9% YoY.

Deposits placed by enterprises stood at PLN 17,175 million at the end of December 2012 and were down by 6.2% QoQ and down by 17.9% YoY. The reductions are correlated with the market trend observed in corporate deposits (the deposit market decreased by 6.6% YoY). In addition, the Bank reduced its deposit rates given its strong liquidity policy.

Corporate Customers' Loans

Loans granted to corporate clients by BRE Bank (excluding repo transactions) reached PLN 23,765 million at the end of December 2012 and were down by 6.9% QoQ and up by 1.5% YoY.

Loans to enterprises stood at PLN 16,541 million at the end of December 2012, which constitutes a decrease of 7.1% QoQ. The loan to deposit ratio for enterprises reached 96.3% and was lower compared to the market average (loan to deposit ratio for the market stood at 133.0%).

Loans granted to local governments totalled PLN 1,830 million at the end of Q4 2012 and were down by 3.7% QoQ.

Strategic Product Lines

Cash Management

In Q4 2012, the number of Direct Debit transactions reached 1,085.8 thousand and was down by 5.4% QoQ and up by 17.8% YoY. In Q4 2012, the number of Trade Payment Identification transactions stood at above 2.5 million and was down by 1.1% QoQ and down by 6.0% YoY. In Q4 2012, the number of customers using the most advanced cash pooling solutions increased by 13.6% YoY. At the end of December 2012, the Bank had 733 clients using Cash Pooling and Shared Balance products.

Corporate Network

At the end of December 2012, the corporate branch network of BRE Bank included 29 Branches and 19 Corporate Offices. In January 2013, the Corporate Office in Ostrołęka was closed down, and as a result the corporate network comprises 29 Corporate Branches and 18 Corporate Offices.

<u>Subsidiaries of the Corporates and Institutions area</u>

BRE Leasing Sp. z o.o.

The value of leasing contracts concluded by BRE Leasing in Q4 2012 stood at PLN 897 million, which represents an increase by 118.7% QoQ, and by 19.8% YoY. The growth was predominantly driven by real estate leasing contracts, which amounted to PLN 387 million in Q4 2012 (PLN 11 million in Q3 2012). The leasing contracts concluded in the movables sector amounted to PLN 484 million (+21.3% QoQ). From January to December 2012, the company concluded contracts worth PLN 2,199 million, of which 78.0% were signed in the movables sector.

The company's profit before income tax in Q4 2012 increased to PLN 17.7 million from PLN 13.0 million in Q3 2012, predominantly due to a net release of impairment losses on loans and advances and effective debt collection.

BRE Faktoring SA

BRE Faktoring generated sales of PLN 1.8 billion in Q4 2012 (+3.9% QoQ). From January to December 2012, total sales reached PLN 7.2 billion (+20.6% YoY), which was in line with the sector (+21.9% according to the Polish Factor Association). Sales grew dynamically in both, export and domestic factoring (+24.6% and +20.6% respectively).

In Q4 2012, profit before income tax reached PLN 4.0 million (-20.4% QoQ). The decrease was triggered mainly by higher impairment losses on loans and advances, which amounted to PLN 0.9 million in Q4 2012 compared to PLN 5 thousand in Q3 2012. From January to December 2012, the company's profit before income tax amounted to PLN 18.0 million (-4.0% YoY) and was roughly the same as in 2011.

Transfinance a.s.

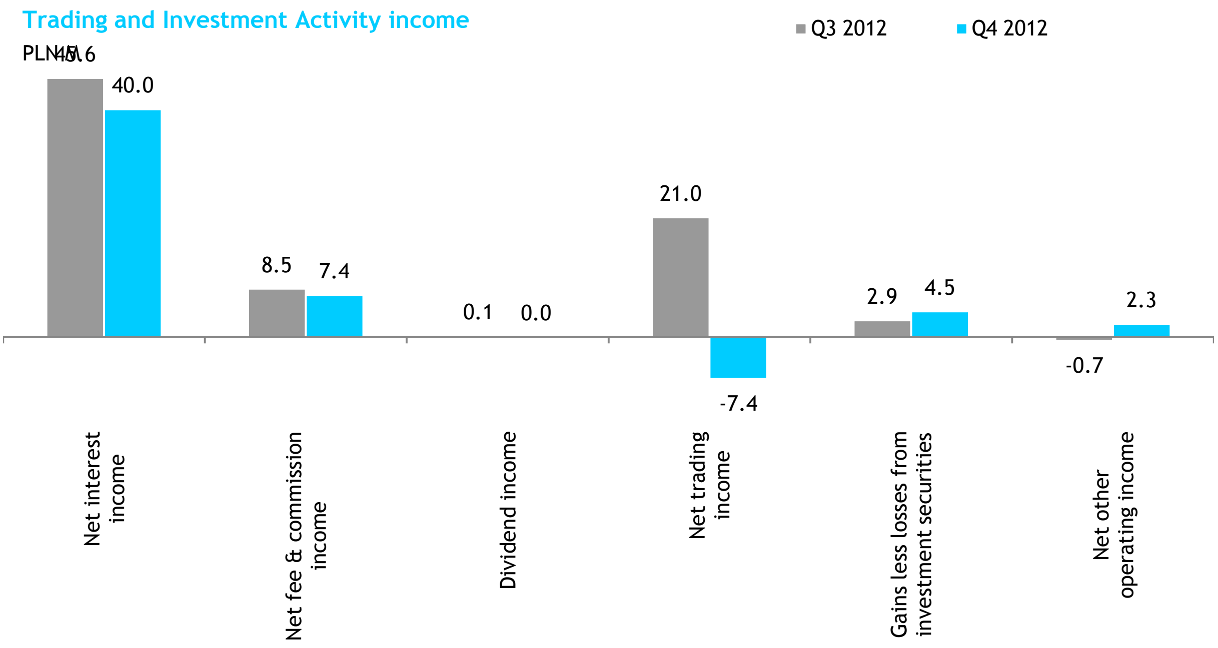
Transfinance generated sales of PLN 0.8 billion in Q4 2012 (-2.7% QoQ) and PLN 3.3 billion for the whole 2012 (+8.2% YoY).

In Q4 2012, profit before income tax reached PLN 0.3 million (-26.7% QoQ), mainly driven by an increase in legal costs for debt collection activities.

Trading and Investment Activity

Summary of Segment Results

In Q4 2012, Trading and Investment Activity segment generated a pre-tax loss of PLN 19.2 million compared to a profit before income tax of PLN 15.0 million in Q3 2012.



The profit before income tax of Trading and Investment Activity in Q4 2012 was driven by:

- **Decrease of total income** by PLN 30.6 million or 39.6% QoQ to PLN 46.7 million. Net interest income decreased by PLN 5.6 million or 12.2% and stood at PLN 40.0 million. Net trading income was negative at PLN 7.4 million due to a loss on interest rate instruments.
- **Increase of net impairment losses on loans and advances** by PLN 3.3 million or 18.6% QoQ. Net impairment losses on loans and advances of Trading and Investments stood at PLN 20.7 million in Q4 2012, mainly due to higher loan loss provisions of BRE Bank Hipoteczny.

Market position

BRE Bank ranks fourth in the market for arranging short-term debt securities with a market share of 12.9%, first in mid-term bank debt securities with a market share of 28.0%, and second in mid-term corporate bonds with a market share of 16.9% (all data as at the end of November 2012).

The Bank remains very active in trading of financial instruments. Its market share stood at ca. 24.6% in interest rate derivatives, treasury bonds and bills trading stood at 8.8% and in trading in FX spot and forward instruments stood at 7.9% (data as at the end of November 2012).

Subsidiaries of the Trading and Investment Activity area

Dom Inwestycyjny BRE Banku S.A. (DI BRE)

The market share of DI BRE in equities trading stood at 4.9% in Q4 2012, equivalent to the position of the sixth biggest market participant, compared to the eight position in Q3 2012. The activity of DI BRE in futures trading gave it the first position on the market and a market share of 15.9% in Q4 2012, compared to the same position and a market share of 16.6% in Q3 2012. The number of clients of DI BRE stood at 291.6 thousand at the end of Q4 2012, compared to 292.1 thousand in Q3 2012.

DI BRE generated a profit before income tax of PLN 6.6 million in Q4 2012, compared to PLN 3.7 million in Q3 2012.

BRE Bank Hipoteczny SA (BBH)

The loan portfolio of BBH stood at PLN 4,108 million at the end of Q4 2012 and decreased by 0.5% QoQ. In Q4 2012, BBH sold PLN 269 million of mortgage loans, mainly designated for financing of commercial properties (PLN 320 million in Q3 2012).

The company's pre-tax loss in Q4 2012 reached PLN 10.0 million, compared to PLN 8.8 million of profit before income tax in Q3 2012. The pre-tax loss of Q4 2012 was driven by PLN 20.7 million of impairment losses on loans and advances compared to PLN 1.9 million in Q3 2012.

BRE Finance France SA (BFF)

BRE Finance France is a special purpose vehicle set up for acquiring funds for BRE Bank on the international capital markets through the issue of Eurobonds. In April 2012, the Euro Medium Term Note Programme was renewed, and on October 4, 2012, the company issued Eurobonds with a nominal value of EUR 500 million, maturing in 2015 (see Key Events of Q4 2012).

Other subsidiaries

BRE Centrum Operacji sp. z o.o. (BRE CO)

BRE Centrum Operacji (BRE CO) cooperates with the corporate banking and retail banking areas of BRE Bank and BRE Group companies, providing them with mail room services as well as electronic and paper archive services.

In Q4 2012, the company reported a pre-tax loss of PLN 144 thousand, compared to a loss of PLN 44 thousand in Q3 2012. The figure reflects lower revenues from sales both, to BRE Bank's corporate and retail banking, as well as the transfer of certain processes from BRE CO to the Bank.

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

Consolidated income statement

	Note	4th Quarter (current year) period from 01.10.2012 to 31.12.2012	4 Quarters (current year) period from 01.01.2012 to 31.12.2012	4th Quarter (previous year) period from 01.10.2011 to 31.12.2011	4 Quarters (previous year) period from 01.01.2011 to 31.12.2011
Interest income		1 159 663	4 476 800	1 070 160	3 890 573
Interest expense		(604 184)	(2 243 168)	(500 793)	(1 723 365)
Net interest income	5	**555 479**	**2 233 632**	**569 367**	**2 167 208**
Fee and commission income		310 272	1 273 953	315 739	1 279 172
Fee and commission expense		(114 925)	(434 073)	(110 660)	(439 200)
Net fee and commission income	6	**195 347**	**839 880**	**205 079**	**839 972**
Dividend income	7	49	13 902	28	15 113
Net trading income, including:	8	76 079	356 542	76 779	347 412
Foreign exchange result		*80 928*	*324 006*	*85 880*	*328 640*
Other trading income and result on hedge accounting		*(4 849)*	*32 536*	*(9 101)*	*18 772*
Gains less losses from investment securities, investments in subsidiaries and associates	9	3 082	44 966	(1 250)	11 985
Other operating income	10	90 355	275 721	113 167	317 355
Net impairment losses on loans and advances	11	(88 987)	(444 635)	(89 549)	(373 470)
Overhead costs	12	(382 665)	(1 465 788)	(375 327)	(1 471 501)
Amortization and depreciation		(51 375)	(195 617)	(60 191)	(208 764)
Other operating expenses	13	(97 453)	(186 500)	(71 858)	(178 183)
Operating profit		**299 911**	**1 472 103**	**366 245**	**1 467 127**
Profit before income tax		**299 911**	**1 472 103**	**366 245**	**1 467 127**
Income tax expense		(26 774)	(268 292)	(80 344)	(322 692)
Net profit		**273 137**	**1 203 811**	**285 901**	**1 144 435**
Net profit attributable to:					
- Owners of BRE Bank SA		272 577	1 203 230	284 833	1 134 972
- Non-controlling interests		560	581	1 068	9 463

Net profit attributable to Owners of BRE Bank SA			**1 203 230**		**1 134 972**
Weighted average number of ordinary shares	14		**42 118 904**		**42 093 950**
Earnings per ordinary share (in PLN)	14		**28.57**		**26.96**
Weighted average number of ordinary shares for diluted earnings	14		**42 158 632**		**42 133 947**
Diluted earnings per ordinary share (in PLN)	14		**28.54**		**26.94**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

Consolidated statement of comprehensive income

	4th Quarter (current year) period from 01.10.2012 to 31.12.2012	4 Quarters (current year) period from 01.01.2012 to 31.12.2012	4th Quarter (previous year) period from 01.10.2011 to 31.12.2011	4 Quarters (previous year) period from 01.01.2011 to 31.12.2011
Net profit	**273 137**	**1 203 811**	**285 901**	**1 144 435**
Other comprehensive income net of tax	**248 058**	**421 998**	**(11 600)**	**2 248**
Exchange differences on translation of foreign operations (net)	276	(1 815)	(632)	3 451
Change in valuation of available for sale financial assets (net)	247 782	423 813	(10 968)	(1 203)
Total comprehensive income net of tax, total	**521 195**	**1 625 809**	**274 301**	**1 146 683**
Total comprehensive income (net), attributable to:				
- Owners of BRE Bank SA	520 635	1 625 228	273 205	1 135 612
- Non-controlling interests	560	581	1 096	11 071

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

Consolidated statement of financial position

ASSETS	Note	31.12.2012	30.09.2012	31.12.2011
Cash and balances with the Central Bank		4 819 203	1 476 061	1 038 356
Loans and advances to banks		3 944 578	4 397 325	4 008 874
Trading securities	15	1 150 886	2 115 535	1 477 022
Derivative financial instruments	16	2 802 695	1 942 500	1 506 595
Loans and advances to customers	17	67 059 254	69 196 618	67 851 516
Hedge accounting adjustments related to fair value of hedged items		2 439	2 431	1 924
Investment securities	18	19 993 388	17 857 832	20 551 272
Intangible assets	19	436 123	407 959	436 769
Tangible fixed assets	20	773 904	788 153	832 455
Current income tax assets		129	595	4 728
Deferred income tax assets	23	369 821	340 109	307 052
Other assets		883 626	1 280 409	859 084
Total assets		**102 236 046**	**99 805 527**	**98 875 647**
LIABILITIES AND EQUITY				
Liabilities				
Amounts due to other banks		21 110 939	22 701 039	27 390 809
Derivative financial instruments	16	3 476 684	2 504 368	1 862 747
Amounts due to customers	21	57 983 600	57 228 772	54 244 388
Debt securities in issue		4 892 275	3 038 175	1 735 988
Hedge accounting adjustments related to fair value of hedged items - debt securities in issue		4 220	-	-
Subordinated liabilities		3 222 295	3 235 502	3 456 200
Other liabilities		1 394 845	1 537 920	1 723 856
Current income tax liabilities		226 215	192 358	235 568
Deferred income tax liabilities	23	1 662	1 554	258
Provisions	22	213 327	180 020	153 168
Total liabilities		**92 526 062**	**90 619 708**	**90 802 982**
Equity				
Equity attributable to Owners of BRE Bank SA		**9 685 493**	**9 161 888**	**8 048 755**
Share capital:		**3 501 633**	**3 501 141**	**3 493 812**
- Registered share capital		168 556	168 548	168 411
- Share premium		3 333 077	3 332 593	3 325 401
Retained earnings:		**5 700 076**	**5 425 021**	**4 493 157**
- Profit from the previous years		4 496 846	4 494 368	3 358 185
- Profit for the current year		1 203 230	930 653	1 134 972
Other components of equity		**483 784**	**235 726**	**61 786**
Non-controlling interests		**24 491**	**23 931**	**23 910**
Total equity		**9 709 984**	**9 185 819**	**8 072 665**
Total liabilities and equity		**102 236 046**	**99 805 527**	**98 875 647**
Capital adequacy ratio *	24	**18.73**	**15.44**	**14.96**
Book value		**9 685 493**	**9 161 888**	**8 048 755**
Number of shares		**42 138 976**	**42 137 036**	**42 102 746**
Book value per share (in PLN)		**229.85**	**217.43**	**191.17**

* The calculation of the capital adequacy ratio as of 31 December 2012 took into account the total capital requirement as well as capital deductions calculated with the application of the advanced internal ratings based approach ('A-IRB approach'). Since the Bank met all high-significance conditions set out in the consent of BaFin and Polish Financial Supervision Authority regarding A-IRB application, the calculation of capital adequacy measures did not include additional capital charge resulting from the conditions set out in the consent of BaFin and Polish Financial Supervision Authority to use A-IRB approach.

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

Consolidated statement of changes in equity

Changes from 1 January to 31 December 2012

	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 translation of foreign operations	Valuation of available for sale financial assets			
Equity as at 1 January 2012	**168 411**	**3 325 401**	**2 334 675**	**81 174**	**841 953**	**1 235 355**	**-**	**1 921**	**59 865**	**8 048 755**	**23 910**	**8 072 665**
Total comprehensive income							**1 203 230**	**(1 815)**	**423 813**	**1 625 228**	**581**	**1 625 809**
Transfer to General Risk Fund	-	-	-	-	104 000	(104 000)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	10 000	-	(10 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	1 018 829	-	-	(1 018 829)	-	-	-	-	-	-
Issue of shares	145	-	-	-	-	-	-	-	-	145	-	145
Stock option program for employees	-	7 676	-	3 689	-	-	-	-	-	11 365	-	11 365
- value of services provided by the employees	*-*	*-*	*-*	*11 365*	*-*	*-*	*-*	*-*	*-*	*11 365*	*-*	*11 365*
- settlement of exercised options	*-*	*7 676*	*-*	*(7 676)*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Equity as at 31 December 2012	**168 556**	**3 333 077**	**3 353 504**	**94 863**	**945 953**	**102 526**	**1 203 230**	**106**	**483 678**	**9 685 493**	**24 491**	**9 709 984**

Changes from 1 January to 30 September 2012

	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 translation of foreign operations	Valuation of available for sale financial assets			
Equity as at 1 January 2012	**168 411**	**3 325 401**	**2 334 675**	**81 174**	**841 953**	**1 235 355**	**-**	**1 921**	**59 865**	**8 048 755**	**23 910**	**8 072 665**
Total comprehensive income							**930 653**	**(2 091)**	**176 031**	**1 104 593**	**21**	**1 104 614**
Transfer to General Risk Fund	-	-	-	-	104 000	(104 000)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	10 000	-	(10 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	1 018 829	-	-	(1 018 829)	-	-	-	-	-	-
Issue of shares	137	-	-	-	-	-	-	-	-	137	-	137
Stock option program for employees	-	7 192	-	1 211	-	-	-	-	-	8 403	-	8 403
- value of services provided by the employees	*-*	*-*	*-*	*8 403*	*-*	*-*	*-*	*-*	*-*	*8 403*	*-*	*8 403*
- settlement of exercised options	*-*	*7 192*	*-*	*(7 192)*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Equity as at 30 September 2012	**168 548**	**3 332 593**	**3 353 504**	**92 385**	**945 953**	**102 526**	**930 653**	**(170)**	**235 896**	**9 161 888**	**23 931**	**9 185 819**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000’s)

Changes from 1 January to 31 December 2011

	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 translation of foreign operations	Valuation of available for sale financial assets			
Equity as at 1 January 2011	**168 347**	**3 323 465**	**1 814 954**	**55 300**	**778 953**	**707 138**	**-**	**50**	**61 096**	**6 909 303**	**167 982**	**7 077 285**
Total comprehensive income							**1 134 972**	**1 871**	**(1 231)**	**1 135 612**	**11 071**	**1 146 683**
Dividends paid	-	-	-	-	-	-	-	-	-	-	(6 978)	(6 978)
Transfer to General Risk Fund	-	-	-	-	63 000	(63 000)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	17 000	-	(17 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	519 721	-	-	(519 721)	-	-	-	-	-	-
Issue of shares	64	-	-	-	-	-	-	-	-	64	-	64
Change in the scope of consolidation/increase of share in consolidated company	-	-	-	(513)	-	(7 034)	-	-	-	(7 547)	(148 165)	(155 712)
Stock option program for employees	-	1 936	-	9 387	-	-	-	-	-	11 323	-	11 323
- value of services provided by the employees	-	-	-	*11 323*	-	-	-	-	-	11 323	-	*11 323*
- settlement of exercised options	-	*1 936*	-	*(1 936)*	-	-	-	-	-	-	-	-
Equity as at 31 December 2011	**168 411**	**3 325 401**	**2 334 675**	**81 174**	**841 953**	**100 383**	**1 134 972**	**1 921**	**59 865**	**8 048 755**	**23 910**	**8 072 665**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

Consolidated statement of cash flows

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
A. Cash flow from operating activities	**3 551 237**	**1 594 968**
Profit before income tax	**1 472 103**	**1 467 127**
Adjustments:	***2 079 134***	***127 841***
Income taxes paid	(400 918)	(95 738)
Amortisation, including amortisation of fixed assets provided under operating lease	247 174	251 412
Foreign exchange (gains) losses related to financing activities	(1 745 708)	3 491 775
(Gains) losses on investing activities	(10 226)	(14 014)
Impairment of financial assets	3 113	-
Dividends received	(13 902)	(15 113)
Interest received	(3 122 336)	(2 537 710)
Interest paid	1 929 375	1 491 412
Changes in loans and advances to banks	(229 164)	82 717
Changes in trading securities	112 660	(181 068)
Changes in assets and liabilities on derivative financial instruments	317 837	219 297
Changes in loans and advances to customers	3 542 941	(7 232 553)
Changes in investment securities	1 052 363	(975 828)
Changes in other assets	(38 990)	15 888
Changes in amounts due to other banks	(1 948 003)	185 887
Changes in amounts due to customers	2 436 127	4 916 626
Changes in debt securities in issue	140 512	(39 839)
Changes in provisions	60 159	(10 605)
Changes in other liabilities	(253 880)	575 295
Net cash generated from operating activities	**3 551 237**	**1 594 968**
B.Cash flows from investing activities	**(216 342)**	**(187 372)**
Investing activity inflows	**50 609**	**118 865**
Disposal of shares in associates	-	1 348
Disposal of shares in subsidiaries, net of cash disposed	13 200	70 013
Disposal of intangible assets and tangible fixed assets	23 507	19 437
Dividends received	13 902	15 113
Other investing inflows	-	12 954
Investing activity outflows	**266 951**	**306 237**
Acquisition of shares in associates	102	-
Purchase of intangible assets and tangible fixed assets	266 849	306 237
Net cash used in investing activities	**(216 342)**	**(187 372)**
C. Cash flows from financing activities	**(400 979)**	**(2 519 401)**
Financing activity inflows	**7 139 339**	**4 356 344**
Proceeds from loans and advances from other banks	84 254	620 507
Proceeds from other loans and advances	-	1 255 960
Issue of debt securities	7 054 940	2 479 813
Issue of ordinary shares	145	64
Financing activity outflows	**7 540 318**	**6 875 745**
Repayments of loans and advances from other banks	3 133 894	4 290 141
Repayments of other loans and advances from other entities	10 542	9 732
Redemption of debt securities	4 039 165	2 075 810
Acquisition of shares in subsidiaries - increase of involvement	-	107 498
Payments of financial lease liabilities	382	365
Dividends and other payments to shareholders	-	6 978
Interest paid from loans and advances received from other banks and subordinated liabilities	356 335	385 221
Net cash generated from financing activities	**(400 979)**	**(2 519 401)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**2 933 916**	**(1 111 805)**
Effects of exchange rate changes on cash and cash equivalents	(31 147)	(18 800)
Cash and cash equivalents at the beginning of the reporting period	4 675 211	5 805 816
Cash and cash equivalents at the end of the reporting period	**7 577 980**	**4 675 211**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

BRE Bank SA stand-alone financial information

Income statement

	Note	4th Quarter (current year) period from 01.10.2012 to 31.12.2012	4 Quarters (current year) period from 01.01.2012 to 31.12.2012	4th Quarter (previous year) period from 01.10.2011 to 31.12.2011	4 Quarters (previous year) period from 01.01.2011 to 31.12.2011
Interest income		1 065 361	4 089 597	967 845	3 484 479
Interest expense		(569 343)	(2 073 614)	(453 856)	(1 545 562)
Net interest income		**496 018**	**2 015 983**	**513 989**	**1 938 917**
Fee and commission income		270 545	1 068 839	256 256	994 969
Fee and commission expense		(109 394)	(378 429)	(93 239)	(362 391)
Net fee and commission income		**161 151**	**690 410**	**163 017**	**632 578**
Dividend income		43	35 663	26	45 806
Net trading income, including:		72 975	344 897	73 314	337 847
Foreign exchange result		*76 682*	*316 404*	*71 633*	*309 759*
Other trading income and result on hedge accounting		*(3 707)*	*28 493*	*1 681*	*28 088*
Gains less losses from investment securities, investments in subsidiaries and associates		120 843	149 850	(1 250)	68 870
Other operating income		28 950	75 029	23 363	69 597
Net impairment losses on loans and advances		(62 484)	(383 735)	(76 630)	(318 684)
Overhead costs		(317 051)	(1 206 956)	(308 710)	(1 180 098)
Amortization and depreciation		(43 498)	(168 589)	(54 216)	(185 077)
Other operating expenses		(62 161)	(96 205)	(24 032)	(67 556)
Operating profit		**394 786**	**1 456 347**	**308 871**	**1 342 200**
Profit before income tax		**394 786**	**1 456 347**	**308 871**	**1 342 200**
Income tax expense		(42 714)	(256 863)	(68 473)	(276 188)
Net profit		**352 072**	**1 199 484**	**240 398**	**1 066 012**

Net profit			**1 199 484**		**1 066 012**
Weighted average number of ordinary shares	14		**42 118 904**		**42 093 950**
Earnings per ordinary share (in PLN)	14		**28.48**		**25.32**
Weighted average number of ordinary shares for diluted earnings	14		**42 158 632**		**42 133 947**
Diluted earnings per ordinary share (in PLN)	14		**28.45**		**25.30**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

BRE Bank SA stand-alone financial information

Statement of comprehensive income

	4th Quarter (current year) period from 01.10.2012 to 31.12.2012	4 Quarters (current year) period from 01.01.2012 to 31.12.2012	4th Quarter (previous year) period from 01.10.2011 to 31.12.2011	4 Quarters (previous year) period from 01.01.2011 to 31.12.2011
Net profit	**352 072**	**1 199 484**	**240 398**	**1 066 012**
Other comprehensive income net of tax	**150 499**	**341 957**	**(18 918)**	**2 549**
Exchange differences on translation of foreign operations (net)	391	555	(7 799)	(4 551)
Change in valuation of available for sale financial assets (net)	150 108	341 402	(11 119)	7 100
Total comprehensive income net of tax, total	**502 571**	**1 541 441**	**221 480**	**1 068 561**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

BRE Bank SA stand-alone financial information

Statement of financial position

ASSETS		31.12.2012	30.09.2012	31.12.2011
Cash and balances with the Central Bank		4 816 095	1 471 138	1 032 081
Loans and advances to banks		5 052 629	5 515 413	5 222 678
Trading securities		1 528 994	2 296 826	1 676 798
Derivative financial instruments		2 796 542	1 929 333	1 504 020
Loans and advances to customers		62 100 314	64 329 624	61 663 992
Hedge accounting adjustments related to fair value of hedged items		2 439	2 431	1 924
Investment securities		19 740 852	18 102 479	20 930 666
Investments in subsidiaries		937 336	548 670	546 430
Intangible assets		389 325	361 844	389 807
Tangible fixed assets		480 647	489 500	542 410
Deferred income tax assets		127 505	94 584	63 194
Other assets		176 298	420 961	321 432
Total assets		**98 148 976**	**95 562 803**	**93 895 432**
LIABILITIES AND EQUITY				
Liabilities				
Amounts due to the Central Bank		-	-	-
Amounts due to other banks		20 241 514	21 795 359	25 281 169
Derivative financial instruments		3 481 294	2 511 006	1 857 371
Amounts due to customers		59 881 918	56 950 776	54 018 635
Hedge accounting adjustments related to fair value of hedged items		4 220	-	-
Debt securities in issue		659 048	895 234	-
Subordinated liabilities		3 222 295	3 235 502	3 456 200
Other liabilities		1 147 996	1 235 243	1 371 511
Current income tax liabilities		217 940	183 925	227 251
Provisions for deferred income tax		79	79	85
Provisions		128 815	97 363	72 304
Total liabilities		**88 985 119**	**86 904 487**	**86 284 526**
Equity				
Share capital		**3 501 633**	**3 501 141**	**3 493 812**
- Registered share capital		168 556	168 548	168 411
- Share premium		3 333 077	3 332 593	3 325 401
Retained earnings:		**5 175 884**	**4 821 334**	**3 972 711**
- Profit for the previous year		3 976 400	3 973 922	2 906 699
- Net profit for the current year		1 199 484	847 412	1 066 012
Other components of equity		**486 340**	**335 841**	**144 383**
Total equity		**9 163 857**	**8 658 316**	**7 610 906**
Total liabilities and equity		**98 148 976**	**95 562 803**	**93 895 432**
Capital adequacy ratio *	24	**19.66**	**16.72**	**15.28**
Book value		**9 163 857**	**8 658 316**	**7 610 906**
Number of shares		**42 138 976**	**42 137 036**	**42 102 746**
Book value per share (in PLN)		**217.47**	**205.48**	**180.77**

* The calculation of the capital adequacy ratio as of 31 December 2012 took into account the total capital requirement as well as capital deductions calculated with the application of the advanced internal ratings based approach ('A-IRB approach'). Since the Bank met all high-significance conditions set out in the consent of BaFin and Polish Financial Supervision Authority regarding A-IRB not includes additional capital charge resulting from the conditions set out in the consent of BaFin and Polish application, the calculation of capital adequacy measures did Financial Supervision Authority to use A-IRB approach.

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

BRE Bank SA stand-alone financial information

Statement of changes in equity

Changes from 1 January to 31 December 2012

	Share capital		Retained earnings					Other components of equity		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 translation of foreign operations	Valuation of available for sale financial assets	
Equity as at 1 January 2012	168 411	3 325 401	2 061 378	20 178	825 143	1 066 012	-	(8 333)	152 716	7 610 906
Total comprehensive income							1 199 484	555	341 402	1 541 441
Transfer to General Risk Fund	-	-	-	-	100 000	(100 000)	-	-	-	-
Transfer to supplementary capital	-	-	966 012	-	-	(966 012)	-	-	-	-
Issue of shares	145	-	-	-	-	-	-	-	-	145
Stock option program for employees	-	7 676	-	3 689	-	-	-	-	-	11 365
- value of services provided by the employees	-	-	-	*11 365*	-	-	-	-	-	*11 365*
- settlement of exercised options	-	*7 676*	-	*(7 676)*	-	-	-	-	-	-
Equity as at 31 December 2012	168 556	3 333 077	3 027 390	23 867	925 143	-	1 199 484	(7 778)	494 118	9 163 857

Changes from 1 January to 30 September 2012

	Share capital		Retained earnings					Other components of equity		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 translation of foreign operations	Valuation of available for sale financial assets	
Equity as at 1 January 2012	168 411	3 325 401	2 061 378	20 178	825 143	1 066 012	-	(8 333)	152 716	7 610 906
Total comprehensive income							847 412	164	191 294	1 038 870
Transfer to General Risk Fund	-	-	-	-	100 000	(100 000)	-	-	-	-
Transfer to supplementary capital	-	-	966 012	-	-	(966 012)	-	-	-	-
Issue of shares	137	-	-	-	-	-	-	-	-	137
Stock option program for employees	-	7 192	-	1 211	-	-	-	-	-	8 403
- value of services provided by the employees	-	-	-	*8 403*	-	-	-	-	-	*8 403*
- settlement of exercised options	-	*7 192*	-	*(7 192)*	-	-	-	-	-	-
Equity as at 30 September 2012	168 548	3 332 593	3 027 390	21 389	925 143	-	847 412	(8 169)	344 010	8 658 316

Changes from 1 January to 31 December 2011

	Share capital		Retained earnings					Other components of equity		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 translation of foreign operations	Valuation of available for sale financial assets	
Equity as at 1 January 2011	168 347	3 323 465	1 603 654	10 791	765 143	517 724	-	(3 782)	145 616	6 530 958
Total comprehensive income							1 066 012	(4 551)	7 100	1 068 561
Transfer to General Risk Fund	-	-	-	-	60 000	(60 000)	-	-	-	-
Transfer to supplementary capital	-	-	457 724	-	-	(457 724)	-	-	-	-
Issue of shares	64	-	-	-	-	-	-	-	-	64
Stock option program for employees	-	1 936	-	9 387	-	-	-	-	-	11 323
- value of services provided by the employees	-	-	-	*11 323*	-	-	-	-	-	*11 323*
- settlement of exercised options	-	*1 936*	-	*(1 936)*	-	-	-	-	-	-
Equity as at 31 December 2011	168 411	3 325 401	2 061 378	20 178	825 143	-	1 066 012	(8 333)	152 716	7 610 906

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

BRE Bank SA stand-alone financial information

Statement of cash flows

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
A. Cash flow from operating activities	**5 327 755**	**460 887**
Profit before income tax	**1 456 347**	**1 342 200**
Adjustments:	***3 871 408***	***(881 313)***
Income taxes paid	(375 975)	(69 869)
Amortisation	168 589	185 077
Foreign exchange (gains) losses related to financing activities	(1 732 912)	3 490 529
(Gains) losses on investing activities	(115 842)	(70 737)
Impairment of financial assets	105	-
Dividends received	(35 663)	(45 806)
Interest received	(3 286 043)	(2 661 853)
Interest paid	1 967 210	1 508 874
Changes in loans and advances to banks	405 146	(64 287)
Changes in trading securities	(72 888)	(219 416)
Changes in assets and liabilities on derivative financial instruments	331 401	213 009
Changes in loans and advances to customers	2 461 542	(7 477 681)
Changes in investment securities	1 403 530	(907 713)
Changes in other assets	146 014	(13 823)
Changes in amounts due to other banks	(1 827 291)	(7 691)
Changes in amounts due to customers	4 521 599	4 769 119
Changes in debt securities in issue	4 759	-
Changes in provisions	56 511	(3 754)
Changes in other liabilities	(148 384)	494 709
Net cash generated from operating activities	**5 327 755**	**460 887**
B.Cash flows from investing activities	**(133 420)**	**9 593**
Investing activity inflows	**38 010**	**167 767**
Disposal of shares in subsidiaries	56	108 603
Disposal of intangible assets and tangible fixed assets	2 291	644
Dividends received	35 663	45 806
Other investing inflows	-	12 714
Investing activity outflows	**171 430**	**158 174**
Acquisition of shares in subsidiaries	1 653	-
Purchase of intangible assets and tangible fixed assets	169 777	158 174
Net cash used in investing activities	**(133 420)**	**9 593**
C. Cash flows from financing activities	**(1 740 586)**	**(1 794 959)**
Financing activity inflows	**3 498 853**	**1 539 758**
Proceeds from loans and advances from other banks	84 254	283 734
Proceeds from other loans and advances	-	1 255 960
Issue of debt securities	3 414 454	-
Issue of ordinary shares	145	64
Financing activity outflows	**5 239 439**	**3 334 717**
Repayments of loans and advances from other banks	2 014 391	2 823 069
Repayments of other loans and advances from other entities	10 542	9 732
Redemption of debt securities	2 760 165	-
Acquisition of shares in subsidiaries - increase of involvement	88 286	107 130
Payments of financial lease liabilities	10 575	12 339
Interest paid from loans and advances received from other banks and subordinated	355 480	382 447
Net cash from financing activities	**(1 740 586)**	**(1 794 959)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**3 453 749**	**(1 324 479)**
Effects of exchange rate changes on cash and cash equivalents	(42 994)	(18 827)
Cash and cash equivalents at the beginning of the reporting period	4 583 895	5 927 201
Cash and cash equivalents at the end of the reporting period	**7 994 650**	**4 583 895**

Explanatory notes to the consolidated financial statements

1. Information regarding 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 segment, retail banking segment and other) with an investment horizon not shorter than 3 years. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank;
- other: shares and equity interests in companies acquired in exchange for receivables, in transactions resulting from composition and work out agreements with debtors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

The parent entity of the Group is BRE Bank SA, which is a joint stock company registered in Poland and a part of Commerzbank AG Group.

The head office of the Bank is located at 18 Senatorska St., Warsaw.

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

As at 31 December 2012, the BRE Bank SA Group covered by the condensed consolidated financial statements comprised the following companies:

BRE Bank SA, the parent entity

Bank Rozwoju Eksportu SA (Export Development Bank) was established by Resolution of the Council of Ministers N° 99 of 20 June 1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, 16th Economic Registration Division, on 23 December 1986 in the Business Register under the number RHB 14036. The 9th Extraordinary Meeting of Shareholders held on 4 March 1999 adopted the resolution changing the Bank's name to BRE Bank SA. The new name of the Bank was entered in the Business Register on 23 March 1999. On 11 July 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Register (KRS) under number KRS 0000025237.

According to the Polish Classification of Business Activities, the business of the Bank was classified as 'Other monetary intermediation' under number 6419Z. According to the Stock Exchange Quotation, the Bank is classified as 'Banks' sector as part 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 of conducting 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 activities as well as brokerage activities.

The Bank provides services to Polish and international corporations and individuals, both in the local currency (Polish Zloty, PLN) and in foreign currencies.

The Bank may open and maintain accounts in 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 mBank branches in these countries.

As at 31 December 2012 the headcount of BRE Bank SA amounted to 4 728 FTEs (Full Time Equivalents) and of the Group to 6 138 FTEs (31 December 2011: Bank 4 729 FTEs, Group 6 294 FTEs).

As at 31 December 2012 the employment in BRE Bank SA was 5 703 persons and in the Group 8 034 persons (31 December 2011: Bank 5 683 persons, Group 8 158 persons).

Corporates and Financial Markets Segment, including:

Corporates and Institutions

- BRE Holding Sp. z o.o., subsidiary
- BRE Faktoring SA, subsidiary
- BRE Leasing Sp. z o.o., subsidiary
- Garbary Sp. z o.o., subsidiary
- Transfinance a.s., subsidiary
- MLV 35 Sp. z o.o. spółka komandytowo-akcyjna, subsidiary

Trading and Investment

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

Retail Banking Segment (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 agent
- BRE Agent Ubezpieczeniowy Sp. z o.o., subsidiary, insurance agent

Other

- BRE Centrum Operacji Sp. z o.o. (previously Centrum Rozliczeń i Informacji CERI Sp. z o.o.), subsidiary
- BRE.locum SA, subsidiary

Other information concerning companies of the Group

In the fourth quarter of 2012, BRE Bank purchased 100% shares of MLV 35 Sp. z o.o. spółka komandytowo-akcyjna. The core business of the company is financial intermediation.

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 2011, published on 2 March 2012.

Additionally, information concerning the business conducted by the Group's entities is presented under Note 4 'Business Segments' of these Condensed Consolidated Financial Statements.

2. Description of relevant accounting policies

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

2.1. Accounting basis

The Condensed Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 12-month period ended 31 December 2012.

The presented Condensed Consolidated Financial Statements for the fourth quarter of 2012 fulfill the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting', concerning interim financial statements.

The preparation 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 Note 3.

2.2. Consolidation

Subsidiaries

Subsidiaries comprise 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. 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 non controlling 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).

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction (i.e. transactions with owners in their capacity as owners).

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 policies in line with IFRS 3 Business Combinations to combinations of bussines under common control.

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

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 other comprehensive income since the date of acquisition – in other comprehensive income. The carrying amount of the investment is adjusted by the total changes 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. Accounting policies applied by associates have been adjusted, wherever necessary, to assure consistency with the accounting principles applied by the Group.

The condensed consolidated financial statements of the Bank cover the following companies.

Company	31.12.2012		31.12.2011	
	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 Agent Ubezpieczeniowy Sp. z o.o.	100%	full	-	-
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Centrum Operacji Sp. z o.o. (previously CERI Sp. z o.o.)	100%	full	100%	full
BRE Faktoring SA	100%	full	100%	full
BRE Holding Sp. z o.o.	100%	full	100%	full
BRE Leasing 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
Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full
MLV 35 Sp. z o.o. spółka komandytowo - akcyjna	100%	full	-	-
Transfinance a.s.	100%	full	100%	full
BRE Finance France SA	99.98%	full	99.98%	full
BRE.locum SA	79.99%	full	79.99%	full
BRE GOLD FIZ Aktywów Niepublicznych	-	-	100% of certificates	full

Starting from the fourth quarter of 2012, the Group included in the consolidation its subsidiary MLV 35 Sp. z o.o. spółka komandytowo – akcyjna.

In December 2012, the Group ceased the consolidation of its subsidiary entity BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych due to redemption of certificates issued by the company. As at 31 December 2012, the Group did not have any certificates issued by BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

2.3. Interest income and expenses

All interest income on financial instruments carried at amortised cost using the effective interest rate method is 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 expense 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 terms of the financial instrument, but without taking into account possible future losses on account of non-recovered loans and advances. This calculation takes into account all the fees paid or received between the parties to the contract, 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 into account the cash flows resulting from only those embedded derivatives, which are strictly linked to the underlying contract.

Income and expenses related to the interest component of the result on interest rate derivatives and resulting from current calculation of swap points on currency derivatives classified into banking book are presented in the interest results in the position Interest income/expense on derivatives classified into banking book. The banking book includes transactions, which are not concluded for trading purposes i.e. not aimed at generating a profit in a short-term period (up to 6 months) and those that do not constitute hedging a risk arising from the operations assigned into trading book.

Interest income and interest expenses related to the interest measurement component of derivatives concluded as hedging instruments under fair value hedge are presented in the interest result in the position Interest income/expense on derivatives concluded under the hedge accounting.

In the current reporting period, the Group has introduced changes in the presentation of operating lease revenue as well as income and expense of the interest component of the result on derivatives. Detailed information concerning above mentioned changes in the presentation of interest income and expenses is presented under note 2.32 'Comparative Data'.

2.4. Fee and commission income

Income on account of fees and commissions is recognised on the accrual basis, at the time of performance of the respective services. Fees charged for the granting of loans which are likely to be drawn down are deferred (together with the related 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. 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 payment and credit cards-related fees, 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 relate to 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. 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 as well as 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.

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. Derivative financial instruments are recognised beginning from the date of transaction.

<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 upon initial recognition. 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 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 Condensed 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.

Regular way 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 income statement or in comprehensive income. 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 in other comprehensive income 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 other comprehensive income 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

Assets carried at amortised cost

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

Loss events were divided into definite ('hard') loss events of which occurrence requires that the client be classified into the default category, and indefinite ('soft') loss events of which occurrence may imply that there is a need to classify the client into the default category.

The list of definite loss events:

1. Default or delinquency in interest or principal payments.
2. The Bank has sold exposures with a significant economic loss related to the change of the debtor creditworthiness.
3. The Bank performed enforced restructuring of the exposure, which resultes in the change of the loan/transaction service schedule due to the lack of possibility of the obligor to meet his obligations under loan/transaction agreement, as initially stipulated, which resulted in:
   a) reduction of financial obligations by remitting part of these obligations, or
   b) postponing the repayment of the substantial part of the principal, interest or (if it refers to) commission; provided that the lack of approval for restructuring would cause more than 90 calendar days delay in repayment of substantial part of the obligation.
4. Filing by the Bank, the parent or subsidiary entity of the Bank a bankruptcy motion against debtor or filing similar motion in respect of credit obligations of the debtor towards the Bank, the parent or subsidiary entity of the Bank.
5. Bankruptcy of debtor or acquiring by him a similar legal protection resulting in his evasion of or delay in repayment of credit obligations towards the Bank, the parent or subsidiary entity of the Bank.
6. Termination of part or whole credit agreement by the Bank and the beginning of restructuring/collection procedures.
7. Client's fraud.

The list of required conditions for indefinite loss events is prepared separately for each entity type.

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 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.

<u>Assets measured at fair value</u>

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 when 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 other comprehensive income 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 other comprehensive income. 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.

<u>Renegotiated agreements</u>

The Group considers renegotiations on contractual terms of loans and advances as impairment indicator 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

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 government securities acquired for the purpose of short-term resale.

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/sell buy back) 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/buy sell back) are recognised as loans and advances to other banks or other customers, depending on their nature.

When concluding a repo or reverse repo transaction, 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: (i), 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 related to the underlying debt instrument, the option should be separated and fair valued in the consolidated financial statements of the Group; (ii), exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract. Lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the prepayment date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract.

The assessment of whether the call or put option is closely related to the host debt contract is made before separating the equity element of a convertible debt instrument in accordance with IAS 32.

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.

Due to the split of derivatives classified into banking book and into trading book, the Group applies a different approach to the presentation of interest income / expense for each of these groups of derivatives that is described in Note 2.3 Interest income and expenses. The remaining result from fair value measurement of derivatives is recognized in Net trading income.

Detailed information on the restatement of comparative data related to changes in the presentation of interest income / expense on derivatives classified into banking book and derivatives concluded under the hedge accounting are included in Note 2.32 Comparative data.

<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 other comprehensive income 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 other comprehensive income. The gain or loss concerning the ineffective part is recognised in the income statement of the current period.

The amounts recognised in other comprehensive income 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 other comprehensive income remain in other comprehensive income 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 other comprehensive income are immediately transferred to the income statement.

<u>Derivative instruments not fulfilling the criteria of hedge accounting</u>

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

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

- 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 of a financial instrument at initial recognition is the transaction price (i.e., the fair value of the payment given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (without modification) 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 initial 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 date, 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 and deposits taken

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

2.18. Intangible assets

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

<u>Goodwill</u>

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

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Goodwill is allocated to cash generating units 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 and identified in accordance with IFRS 8.

<u>Computer software</u>

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

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

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

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.

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 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 are 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 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 structures 25-40 years,
- Equipment 5-15 years,
- Transport vehicles 5 years,
- Information technology hardware 3.33-5 years,
- Investments in 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 satement of financial position exceeds the estimated 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 operations

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and its 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 creates a deferred income tax on the temporary difference arising between the carrying amount of an asset or liability in the statement of financial position and its tax base. 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 liabilities 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. 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 fixed assets and intangible assets, finance leases treated as operating leases for tax purposes, 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 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 probable 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 comprehensive income, 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

Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, financial assets or other assets depending on their nature and the Group's intention in respect of recovery of these assets. In case the fair value of repossessed collateral exceeds the receivable from the debtor, the difference constitutes a liability toward the debtor.

Repossessed assets are subsequently measured and accounted for in accordance with the accounting policies relevant for these categories of assets.

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.

Revenue from leasing agreements is recognized as follows:

- Interests on finance lease

Revenue from finance lease is recognized on the accruals basis, based on the fixed rate of return calculated on the basis of all the cash flows related to the realization of a given lease agreement, discounted using the initial effective interest rate.

- Net revenue from operating lease

Revenue from operating lease and the depreciation cost of fixed assets provided by the Group under operating lease, incurred in order to obtain this revenue are recognized in net amount as other operating income in the profit and loss account.

Revenue from operating lease is recognized as income on a straight-line basis over the lease period, unless application of a different systematic method better reflects the time allocation of benefits drawn from the leased asset.

In the current reporting period the Group has introduced changes in the presentation of operating lease revenue and related depreciation cost of fixed assets provided by the Group under operating lease. Detailed information regarding above mentioned adjustments are presented under note 2.32 'Comparative Data'.

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 over 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 as well as based on shares of the ultimate parent of the Group and settled in cash. These benefits are accounted for in compliance with IFRS 2 Share-based Payment. The fair value of the service rendered by employees in return for options and shares granted increases the costs of the respective period, corresponding to own equity in the case of transactions settled in own shares and liabilities in the case of cash-settled transactions based on shares of the ultimate parent of the Group. The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options and shares to become exercisable are vested is determined on the basis of the fair value of the granted options and shares. There are no market vesting conditions that shall be taken into account when estimating the fair value of share options and shares at the measurement date. Non-market vesting conditions are not taken into account when estimating the fair value of share options and shares but they are taken into account through adjustment on the number of equity instruments. At the end of each reporting period, the Group revises its estimates of the number of options and shares that are expected to become exercised. In accordance with IFRS 2 it is not necessary to recognise the change in fair value of the share-based payment over the term of the programs. In case of the part of the program based on shares of the ultimate parent 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 owners of the Bank, and non-controlling 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.

- Own shares

In the case of acquisition of shares or equity interests in the Bank by the Bank the amount paid reduces the value of equity as own 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.

- Share issue costs

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

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.

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

Other components of equity

Other components of equity result from:

- valuation of available for sale financial instruments,
- exchange differences on translation 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 presentation currency of the Group and 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 comprehensive income.

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.

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 comprehensive income.

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 12 months of each presented periods; whereas
- all resulting foreign exchange differences are recognised as a distinct item of other comprehensive income.

Upon consolidation, foreign exchange differences arising from the conversion of net investments in companies operating abroad are recognised in other comprehensive income. Upon the disposal of a foreign operation, 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 for the Group for annual periods starting on 1 January 2012:

Standards and interpretations approved by the European Union:

- IFRS 1 (Amended), Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters, binding for annual periods beginning on or after 1 July 2011.
- IFRS 7 (Amended), Disclosures - Transfers of Financial Assets, binding for annual periods beginning on or after 1 July 2011.
- IAS 12 (Amended), Deferred Tax: Recovery of Underlying Assets, binding for annual periods beginning on or after 1 January 2012.

The Group is of the opinion that the application of the amended standards had no significant impact on the financial statements in the period of their initial application.

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:

- IFRS 10, Consolidated Financial Statements, binding for annual periods beginning on or after 1 January 2013.
- IFRS 11, Joint Arrangements, binding for annual periods beginning on or after 1 January 2013.

- IFRS 12, Disclosure of Interests in Other Entities, binding for annual periods beginning on or after 1 January 2013.
- IFRS 13, Fair Value Measurement, binding for annual periods beginning on or after 1 January 2013.
- IAS 19 (Amended), Employee Benefits, binding for annual periods beginning on or after 1 January 2013.
- IAS 27, Separate Financial Statements, binding for annual periods beginning on or after 1 January 2013.
- IAS 28, Investments in Associates and Joint Ventures, binding for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income, binding for annual periods beginning on or after 1 July 2012.
- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities, binding for annual periods beginning on or after 1 January 2014.
- Amendments to IFRS 7, Disclosures - Offsetting Financial Assets and Financial Liabilities, binding for annual periods beginning on or after 1 January 2013.

Standards and interpretations not yet approved by the European Union:

- IFRS 9, Financial Instruments Part 1: Recognition and Measurement, binding for annual periods beginning on or after 1 January 2015.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance, binding for annual periods starting on or after 1 January 2013.
- Improvements to IFRS 2009-2011, modifying 5 standards, in majority binding for annual periods starting on or after 1 January 2013.
- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities, binding for annual periods starting on or after 1 January 2014.
- Government Loans (Amendments to IFRS 1), binding for annual periods starting on or after 1 January 2013.

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 the other standards and interpretations will not have a significant effect on the financial statements in the period of their first application.

2.32. Comparative data

Comparative data has been adjusted so as to reflect for the changes in presentation introduced in the current year.

Beginning from the year 2012, changes were introduced in the presentation of the result on FX swaps as well as in the presentation of the result on IRS transactions concluded under fair value hedge were introduced. Following IFRS 7 Appendix B point 5E the Group decomposed the result on derivatives classified into banking book as well as the result on derivatives held for hedging and distinguished the interest component resulting from the current calculation of swap points and the remaining result from fair value measurement.

After changes described above, the measurement components of derivatives classified into banking book as well as the measurement components of derivatives concluded under the hedge accounting are presented as follows: the result of the current accrual of the interest component, including the swap points is presented in the interest results as Interest income / expense, and the remaining result from fair value measurement is presented in 'Net trading income'.

The change of presentation relates mainly to changes in the structure of obtaining the financing by BRE Bank Group. In Group's opinion the above presentation of the interest measurement component of the result on financial derivatives classified into banking book as well as the presentation of the interest measurement component of the result on derivatives concluded under the hedge accounting better reflects the economic nature of transactions concluded for the financing of assets in foreign currencies.

Moreover, beginning from the reporting period, the Group has introduced changes in the presentation of operating lease revenue and related depreciation cost of fixed assets provided by the Group under operating lease. As a result of this change, revenue and depreciation cost from operating lease transactions are presented in net amount as 'Other operating income'. To the end of the year 2011, revenue from lease activities was presented as interest income, while depreciation costs of assets provided by the Group under operating lease were presented as depreciation costs. This change has been introduced in order to present the Group's lease activity concerning operating lease in a better and more transparent way.

In the current reporting period, the Group ceased to present pledged assets in a separate line in the statement of financial position. Debt securities pledged as collaterals were presented within the items: 'Trading securities' or 'Investment securities', according to their classification before establishing the pledge. Information regarding debt securities pledged as collaterals is still available under notes 15 and 18.

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The restatement had no impact on the result and equity in the presented comparative data as at 30 September 2012 and as at 31 December 2011.

The following tables present the impact of the restatement introduced in 2012, on presented comparative data in the consolidated and stand-alone financial statements.

Changes in the BRE Bank Group consolidated statement of financial position as at 30 September 2012.

	30.09.2012 before adjustments	presentation adjustments	30.09.2012 after adjustments
Trading securities	812 139	1 303 396	2 115 535
Investments securities	13 970 331	3 887 501	17 857 832
Pledged assets	5 190 897	(5 190 897)	-
Total asstes	99 805 527	-	99 805 527

Changes in the BRE Bank Group consolidated statement of financial position as at 31 December 2011.

	31.12.2011/ 01.01.2012 before adjustments	presentation adjustments	31.12.2011/ 01.01.2012 after adjustments
Trading securities	991 559	485 463	1 477 022
Investments securities	16 697 212	3 854 060	20 551 272
Pledged assets	4 339 523	(4 339 523)	-
Total asstes	98 875 647	-	98 875 647

Changes in the BRE Bank Group consolidated income statement for the period from 1 January to 31 December 2011.

	31.12.2011 before adjustments	presentation adjustments	31.12.2011 after adjustments
Interest income	3 871 231	19 342	3 890 573
Interest expense	(1 722 629)	(736)	(1 723 365)
Net interest income	**2 148 602**	**18 606**	**2 167 208**
Net trading income, including:	424 091	(76 679)	347 412
Foreign exchange result	*393 943*	*(65 303)*	*328 640*
Other trading income and result on hedge accounting	*30 148*	*(11 376)*	*18 772*
Other operating income	301 930	15 425	317 355
Amortization and depreciation	(251 412)	42 648	(208 764)
Profit before income tax	1 467 127	-	1 467 127
Net profit	1 144 435	-	1 144 435

Changes in the BRE Bank statement of financial position as at 30 September 2012.

	30.09.2012 before adjustments	presentation adjustments	30.09.2012 after adjustments
Trading securities	993 209	1 303 617	2 296 826
Investments securities	14 216 015	3 886 464	18 102 479
Pledged assets	5 190 081	(5 190 081)	-
Total asstes	95 562 803	-	95 562 803

Changes in the BRE Bank statement of financial position as at 31 December 2011.

	31.12.2011/ 01.01.2012 before adjustments	presentation adjustments	31.12.2011/ 01.01.2012 after adjustments
Trading securities	1 191 335	485 463	1 676 798
Investments securities	17 077 797	3 852 869	20 930 666
Pledged assets	4 338 332	(4 338 332)	-
Total asstes	93 895 432	-	93 895 432

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Changes in the BRE Bank income statement for the period from 1 January to 31 December 2011.

	31.12.2011 before adjustments	presentation adjustments	31.12.2011 after adjustments
Interest income	3 419 176	65 303	3 484 479
Interest expense	(1 544 826)	(736)	(1 545 562)
Net interest income	**1 874 350**	**64 567**	**1 938 917**
Net trading income, including:	402 414	(64 567)	337 847
Foreign exchange result	*375 062*	*(65 303)*	*309 759*
Other trading income and result on hedge accounting	*27 352*	*736*	*28 088*
Profit before income tax	1 342 200	-	1 342 200
Net profit	1 066 012	-	1 066 012

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 recognized 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. The methodology and the assumptions (on the basis of which the estimated cash flow amounts and their anticipated timing are determined) are regularly verified.

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, observable market data originating from an active market are used in the models.

Technical-insurance provisions

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

As at 31 December 2012, provisions for claims incurred but not reported to the insurer (IBNR) were calculated using the actuarial methods (Naive Loss Ratio and Bornhuetter-Ferguson). The expected loss 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 its 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 (mortgage loans and non-mortgage loans such as cash loans, car loans, overdrafts, credit cards and other loan products), debit cards, insurance products, 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, BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o.

- The Corporates and Financial Markets segment, which is divided into two sub-segments:
  - *Corporates and Institutions* sub-segment (business line), 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 offer 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., BRE Faktoring SA, BRE Holding Sp. z o.o., Transfinance a.s., Garbary Sp. z o.o. as well as net profit of BRE Gold Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych up to the date of redemption of certificates issued by the fund. Starting from the fourth quarter of 2012, this sub-segment also includes subsidiary entity MLV 35 Sp. z o.o. spółka komandytowo-akcyjna. In 2011, this business line includes also the financial results achieved by Intermarket Bank AG and Magyar Factor zRt. till the date of sale of their shares held by the Group.
  - *The Trading and Investment* Activity sub-segment (business line) consists primarily of treasury and financial markets operations, 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. 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 Bank Hipoteczny SA, Dom Inwestycyjny BRE Banku SA and BRE Finance France SA.
- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment are reported under 'Other'. This segment includes the results of BRE.locum SA and BRE Centrum Operacji Sp. z o.o. (previously 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, is 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 to business segments (including consolidation adjustments).

At the beginning of 2012 certain activities that are presented in the segment Corporates and Markets were reassigned between its two sub-segments. The reassignment comprised a shift of Financial Institutions area from Trading and Investment Activity to Corporates and Institutions. The amendment was made in order to better reflect requirements of performance measurement.

According to above-mentioned change, the comparative data concerning business segments of the Group were restated to reflect changes in presentation made to the current financial year.

Presentation of segments' results changed also due to including, from the start of 2012, internal settlements regarding long-term funding costs in net interest income of segments.

Business line division is the primary basis. Additionally, the Group's activity is presented by geographical segment reporting broken down into Poland and foreign countries.

Business segment reporting on the activities of BRE Bank Group
for the period from 1 January 2012 to 31 December 2012
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment					
Net interest income	**727 168**	**202 427**	**1 316 659**	**(13 371)**	**749**	**2 233 632**	**2 233 632**
- sales to external clients	594 238	935 414	704 327	(347)	-	2 233 632	
- sales to other segments	132 930	(732 987)	612 332	(13 024)	749	-	
Net fee and commission income	**309 460**	**37 830**	**479 283**	**(2 739)**	**16 046**	**839 880**	**839 880**
- sales to external clients	287 611	55 161	499 847	(2 739)	-	839 880	
- sales to other segments	21 849	(17 331)	(20 564)	-	16 046	-	
Dividend income	**11 045**	**223**	**62**	**2 572**	**-**	**13 902**	**13 902**
Trading income	**184 315**	**41 072**	**131 671**	**(516)**	**-**	**356 542**	**356 542**
Gains less losses from investment securities, investments in subsidiaries and associates	**(974)**	**33 557**	**2 008**	**10 375**	**-**	**44 966**	**44 966**
Other operating income	**78 543**	**5 395**	**116 508**	**119 667**	**(44 392)**	**275 721**	**275 721**
Net impairment losses on loans and advances	**(166 661)**	**(41 643)**	**(236 324)**	**(7)**	**-**	**(444 635)**	**(444 635)**
Overhead costs	**(510 327)**	**(162 591)**	**(783 186)**	**(37 281)**	**27 597**	**(1 465 788)**	**(1 465 788)**
Amortization and depreciation	**(79 350)**	**(15 380)**	**(97 797)**	**(3 090)**	**-**	**(195 617)**	**(195 617)**
Other operating expenses	**(40 492)**	**(5 239)**	**(64 464)**	**(76 305)**	**-**	**(186 500)**	**(186 500)**
Gross profit of the segment	**512 727**	**95 651**	**864 420**	**(695)**	**-**	**1 472 103**	**1 472 103**
Income tax						(268 292)	(268 292)
Net profit attributable to Owners of BRE Bank SA						1 203 230	1 203 230
Net profit attributable to non-controlling interests						581	581
Assets of the segment	**30 231 135**	**42 864 351**	**38 064 586**	**1 065 414**	**(9 989 440)**	**102 236 046**	**102 236 046**
Liabilities of the segment	**25 549 157**	**39 455 841**	**34 825 520**	**987 204**	**(8 291 660)**	**92 526 062**	**92 526 062**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(112 233)	(24 152)	(86 477)	(1 834)	-	(224 696)	
Other costs/ income without cash outflows/ inflows*	6 137	59 832	5 934	133	(6 460)	65 576	
- other non-cash costs	*(877)*	*(2 236 978)*	*-*	*-*	*(6 460)*	*(2 244 315)*	
- other non-cash income	*7 014*	*2 296 810*	*5 934*	*133*	*-*	*2 309 891*	

* 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 1 January to 31 December 2011
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment					
Net interest income	604 166	311 286	1 266 027	(12 456)	(1 815)	2 167 208	2 167 208
- sales to external clients	932 540	408 936	825 919	(187)	-	2 167 208	
- sales to other segments	(328 374)	(97 650)	440 108	(12 269)	(1 815)	-	
Net fee and commission income	340 209	63 684	414 269	(1 317)	23 127	839 972	839 972
- sales to external clients	321 807	79 354	440 003	(1 192)	-	839 972	
- sales to other segments	18 402	(15 670)	(25 734)	(125)	23 127	-	
Dividend income	12 257	114	36	2 706	-	15 113	15 113
Trading income	152 156	46 078	148 055	1 123	-	347 412	347 412
Gains less losses from investment securities, investments in subsidiaries and associates	13 768	(1 923)	-	140	-	11 985	11 985
Other operating income	56 689	5 949	122 977	176 215	(44 475)	317 355	317 355
Net impairment losses on loans and advances	(209 327)	(6 142)	(157 998)	(3)	-	(373 470)	(373 470)
Overhead costs	(546 492)	(169 618)	(673 493)	(105 061)	23 163	(1 471 501)	(1 471 501)
Amortization and depreciation	(108 671)	(29 207)	(108 688)	37 802	-	(208 764)	(208 764)
Other operating expenses	(26 353)	(5 320)	(37 264)	(109 246)	-	(178 183)	(178 183)
Gross profit of the segment	288 402	214 901	973 921	(10 097)	-	1 467 127	1 467 127
Income tax						(322 692)	(322 692)
Net profit attributable to Owners of BRE Bank SA						1 134 972	1 134 972
Net profit attributable to non-controlling interests						9 463	9 463
Assets of the segment	29 415 149	36 199 274	38 963 556	958 640	(6 660 972)	98 875 647	98 875 647
Liabilities of the segment	28 426 171	39 555 893	27 461 286	783 474	(5 423 842)	90 802 982	90 802 982
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(224 359)	(27 390)	(103 745)	(3 753)	-	(359 247)	
Other costs/ income without cash outflows/ inflows*	1 469	19 523	3 922	(193)	(59)	24 662	
- other non-cash costs	*(2 210)*	*(1 858 655)*	*-*	*(193)*	*(4 732)*	*(1 865 790)*	
- other non-cash income	*3 679*	*1 878 178*	*3 922*	*-*	*4 673*	*1 890 452*	

* 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.

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The BRE Bank Group geographical segment reporting

Geographical segment reporting on the acivities of BRE Bank Group for the period from 1 January to 31 December 2012	Poland	Foreign Countries	Total
Net interest income	2 153 853	79 779	2 233 632
Net fee and commission income	820 318	19 562	839 880
Dividend income	13 902	-	13 902
Trading income	352 828	3 714	356 542
Gains less losses from investment securities, investments in subsidiaries and associates	44 966	-	44 966
Other operating income	270 590	5 131	275 721
Net impairment losses on loans and advances	(430 487)	(14 148)	(444 635)
Overhead costs	(1 387 658)	(78 130)	(1 465 788)
Amortization and depreciation	(190 779)	(4 838)	(195 617)
Other operating expenses	(177 385)	(9 115)	(186 500)
Gross profit of the segment	1 470 148	1 955	1 472 103
Income tax			(268 292)
Net profit attributable to Owners of BRE Bank SA			1 203 230
Net profit attributable to non-controlling interests			581
Assets of the segment, including:	100 024 122	2 211 924	102 236 046
- tangible assets	1 171 098	38 929	1 210 027
- deferred income tax assets	365 955	3 866	369 821
Liabilities of the segment	85 741 819	6 784 243	92 526 062

Geographical segment reporting on the acivities of BRE Bank Group for the period from 1 January to 31 December 2011	Poland	Foreign Countries	Total
Net interest income	2 084 127	83 081	2 167 208
Net fee and commission income	804 341	35 631	839 972
Dividend income	15 113	-	15 113
Trading income	348 347	(935)	347 412
Gains less losses from investment securities, investments in subsidiaries and associates	(15 450)	27 435	11 985
Other operating income	315 511	1 844	317 355
Net impairment losses on loans and advances	(359 405)	(14 065)	(373 470)
Overhead costs	(1 370 646)	(100 855)	(1 471 501)
Amortization and depreciation	(202 985)	(5 779)	(208 764)
Other operating expenses	(169 389)	(8 794)	(178 183)
Gross profit of the segment	1 449 564	17 563	1 467 127
Income tax			(322 692)
Net profit attributable to Owners of BRE Bank SA			1 134 972
Net profit attributable to non-controlling interests			9 463
Assets of the segment, including:	96 784 964	2 090 683	98 875 647
- tangible assets	1 263 923	5 301	1 269 224
- deferred income tax assets	302 965	4 087	307 052
Liabilities of the segment	86 792 697	4 010 285	90 802 982

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5. Net interest income

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Interest income		
Loans and advances including the unwind of the impairment provision discount	3 220 246	2 784 237
Investment securities	870 693	799 132
Cash and short-term placements	127 562	130 681
Trading debt securities	70 854	85 011
Interest income on derivatives classified into banking book	172 733	77 415
Other	14 712	14 097
Total interest income	**4 476 800**	**3 890 573**
Interest expense		
Arising from amounts due to banks	(353 037)	(457 194)
Arising from amounts due to customers	(1 612 014)	(1 094 080)
Arising from issue of debt securities	(182 356)	(84 886)
Other borrowed funds	(62 941)	(56 387)
Interest expense on derivatives concluded under the hedge accounting	(410)	(736)
Other	(32 410)	(30 082)
Total interest expense	**(2 243 168)**	**(1 723 365)**

Interest income related to impaired financial assets amounted to PLN 195 224 thousand (31 December 2011: PLN 197 176 thousand).

6. Net fee and commission income

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Fee and commission income		
Payment cards-related fees	393 837	351 819
Credit-related fees and commissions	216 304	230 017
Commissions from insurance activity	179 354	167 441
Fees from brokerage activity	76 654	114 515
Commissions from bank accounts	127 574	111 509
Commissions from money transfers	87 793	89 070
Commissions due to guarantees granted and trade finance commissions	36 879	39 739
Commission for agency service regarding sale of products of external financial entities	62 524	68 782
Commissions on trust and fiduciary activities	17 469	16 525
Fees from portfolio management services and other management-related fees	9 677	12 634
Other	65 888	77 121
Total fee and commission income	**1 273 953**	**1 279 172**
Fee and commission expense		
Payment cards-related fees	(182 739)	(176 594)
Commissions paid to external entities for sale of the Bank's products	(68 882)	(82 849)
Insurance activity-related fees	(10 471)	(17 741)
Discharged brokerage fees	(23 966)	(29 893)
Other discharged fees	(148 015)	(132 123)
Total fee and commision expense	**(434 073)**	**(439 200)**

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the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Fee and commission income from insurance contracts		
- Income from insurance intermediation	158 993	151 108
- Income from insurance policies administration	20 361	16 333
Total fee and commission income from insurance contracts	**179 354**	**167 441**

7. Dividend income

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Trading securities	162	85
Securities available for sale	13 740	15 028
Total dividend income	**13 902**	**15 113**

8. Net trading income

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Foreign exchange result	**324 006**	**328 640**
Net exchange differences on translation	218 907	361 154
Net transaction gains/(losses)	105 099	(32 514)
Other net trading income and result on hedge accounting	**32 536**	**18 772**
Interest-bearing instruments	24 002	20 730
Equity instruments	3 077	(4 090)
Market risk instruments	4 118	1 575
Result on hedge accounting, including:	1 339	557
- Net profit on hedged items	(3 705)	1 924
- Net profit on hedging instruments	5 044	(1 367)
Total net trading income	**356 542**	**347 412**

'Foreign exchange result' includes profit/(loss) on spot transactions and forward contracts, options, futures and translation of assets and liabilities denominated in foreign currencies. 'Interest-bearing instruments' include the profit/(loss) on money market instrument trading, swap contracts for interest rates, 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.

The Group applies fair value hedge accounting for part of the portfolio of fixed interest rate mortgage loans granted by foreign branches of the Bank in the Czech Republic. An Interest Rate Swap is the hedging instrument changing the fixed interest rate to a variable interest rate.

In addition, from October 2012 the Group applies fair value hedge accounting of Eurobonds issued by BRE Finance France SA, subsidiary of BRE Bank. An Interest Rate Swap is the hedging instrument changing the fixed interest rate to a variable interest rate.

In both cases described above, the risk of changes in interest rates is the only type of risk hedged within hedge accounting applied by the Group. The result of the valuation of hedged items and hedging instruments is presented in the above note.

Beginning from the year 2012, the interest component of the result on derivatives classified into banking book and derivatives concluded under the hedge accounting is presented in the interest results in the position Interest income/expense, while the remaining result from fair value measurement is presented in this note in the position Interest – bearing instruments. In connection with the above mentioned, the comparative data presented in these financial statements was respectively restated (Note 2.32).

Detailed information on the impact of changes in the presentation of the result on derivatives classified into banking book and on transactions concluded under the hedge accounting are included in Note 2.15 Derivative financial instruments and in Note 2.32 'Comparative data'.

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9. Gains and losses from investment securities, investments in subsidiaries and associates

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Sale/redemption of financial assets available for sale, investments in subsidiaries and associates	43 063	11 985
Impairment of investments in subsidiaries	1 903	-
Total gains and losses from investment securities	**44 966**	**11 985**

10. Other operating income

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	84 831	119 314
Income from insurance activity net	71 574	82 577
Income from services provided	32 553	24 544
Net income from operating lease	20 680	15 425
Income due to release of provisions for future commitments	11 393	24 209
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	96	1 710
Income from compensations, penalties and fines received	494	972
Income from the release of impairment provisions for tangible fixed assets and intangible assets	12 300	43
Other	41 800	48 561
Total other operating income	**275 721**	**317 355**

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 is earned on non-banking activities.

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.

Net income from operating lease consists of income from operating lease and related depreciation cost of fixed asset provided by the Group under operating lease, incurred to obtain revenue.

Net income from insurance activity generated for the four quarters of 2012 and the four quarters of 2011 is presented below.

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Income from premiums		
- Premiums attributable	174 414	140 862
- Change in provision for premiums	473	3 460
Premiums earned	**174 887**	**144 322**
Reinsurer's shares		
- Gross premiums written	(74 135)	(56 378)
- Change in unearned premiums reserve	5 910	12 291
Reinsurer's share in premiums earned	**(68 225)**	**(44 087)**
Net premiums earned	**106 662**	**100 235**

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Claims and benefits		
- Claims and benefits paid out in the current year including costs of liquidation before tax	(60 519)	(35 236)
- Change in provision for claims and benefits paid out in the current year including costs of liquidation before tax	(23 214)	(17 019)
- Reinsurer's share in claims and benefits paid out in the current year including costs of liquidation	40 334	29 429
- Change in provision for reinsurer's share of claims and benefits paid out in the current year including costs of liquidation	13 184	7 780
Claims and benefits net	(30 215)	(15 046)
- Other costs net of reinsurance	(4 515)	(2 276)
- Other operating income	(67)	75
- Costs of expertise and certificates concerning underwriting risk	(291)	(411)
Total net income from insurance activity	71 574	82 577

Net income from operating lease for the four quarters of 2012 and four quarters of 2011 is presented below.

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Net income from operating lease, including:		
- Income from operating lease	72 237	58 073
- Depreciation cost of fixed assets provided under operating lease	(51 557)	(42 648)
Total net income from operating lease	20 680	15 425

11. Net impairment losses on loans and advances

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Net impairment losses on amounts due from other banks	437	8 257
Net impairment losses on loans and advances to customers	(429 115)	(390 804)
Net impairment losses on off-balance sheet contingent liabilities due to customers	(15 957)	9 077
Total net impairment losses on loans and advances	(444 635)	(373 470)

12. Overhead costs

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Staff-related expenses	(808 499)	(810 253)
Material costs	(564 412)	(573 666)
Taxes and fees	(25 069)	(29 410)
Contributions and transfers to the Bank Guarantee Fund	(60 454)	(49 305)
Contributions to the Social Benefits Fund	(6 511)	(6 380)
Other	(843)	(2 487)
Total overhead costs	(1 465 788)	(1 471 501)

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Staff-related expenses for the four quarters of 2012 and four quarters of 2011 are presented below.

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Wages and salaries	(661 612)	(663 345)
Social security expenses	(94 790)	(92 899)
Pension fund expenses	(47)	(576)
Remuneration concerning share-based payments, including:	(12 376)	(13 021)
- share-based payments settled in BRE Bank SA shares	(11 365)	(11 323)
- cash-settled share-based payments	(1 011)	(1 698)
Other staff expenses	(39 674)	(40 412)
Staff-related expenses, total	**(808 499)**	**(810 253)**

13. Other operating expenses

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	(64 167)	(95 076)
Provisions for future commitments	(51 603)	(31 213)
Donations made	(2 764)	(3 296)
Compensation, penalties and fines paid	(1 303)	(616)
Costs arising from provisions created for other receivables (excluding loans and advances)	(6 491)	(10 736)
Costs of sale of services	(1 597)	(2 117)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(137)	(38)
Impairment losses on non-financial assets	-	(1 260)
Impairment provisions created for tangible fixed assets, intangible assets and other non-financial assets	(15 387)	(57)
Other operating costs	(43 051)	(33 774)
Total other operating expenses	**(186 500)**	**(178 183)**

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

Costs of sale of services concern non-banking services.

14. Earnings per share

Earnings per share for 12 months – BRE Bank Group consolidated data

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Basic:		
Net profit attributable to Owners of BRE Bank SA	1 203 230	1 134 972
Weighted average number of ordinary shares	42 118 904	42 093 950
Net basic profit per share (in PLN per share)	**28.57**	**26.96**
Diluted:		
Net profit attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	1 203 230	1 134 972
Weighted average number of ordinary shares	42 118 904	42 093 950
Adjustments for:		
- share options	39 728	39 997
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 158 632	42 133 947
Diluted earnings per share (in PLN per share)	**28.54**	**26.94**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2012 PLN (000's)

Earnings per share for 12 months – BRE Bank stand alone data

the period	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Basic:		
Net profit	1 199 484	1 066 012
Weighted average number of ordinary shares	42 118 904	42 093 950
Net basic profit per share (in PLN per share)	**28.48**	**25.32**
Diluted:		
Net profit applied for calculation of diluted earnings per share	1 199 484	1 066 012
Weighted average number of ordinary shares in issue	42 118 904	42 093 950
Adjustments for:		
- share options	39 728	39 997
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 158 632	42 133 947
Diluted earnings per share (in PLN per share)	**28.45**	**25.30**

15. Trading securities

	31.12.2012			30.09.2012			31.12.2011		
	Trading securities without pledge	Pledged trading securities	Total trading securities	Trading securities without pledge	Pledged trading securities	Total trading securities	Trading securities without pledge	Pledged trading securities	Total trading securities
Debt securities:	**550 040**	**559 644**	**1 109 684**	**780 278**	**1 303 396**	**2 083 674**	**977 796**	**485 463**	**1 463 259**
Issued by government	246 453	559 644	806 097	532 227	1 303 396	1 835 623	534 110	485 463	1 019 573
- government bonds	246 134	559 644	805 778	530 940	1 303 396	1 834 336	533 962	485 463	1 019 425
- treasury bills	319	-	319	1 287	-	1 287	148	-	148
Other debt securities	303 587	-	303 587	248 051	-	248 051	443 686	-	443 686
- bank's bonds	231 196	-	231 196	86 822	-	86 822	134 710	-	134 710
- deposit certificates	26 459	-	26 459	53 978	-	53 978	171 134	-	171 134
- corporate bonds	45 932	-	45 932	107 251	-	107 251	137 842	-	137 842
Equity securities:	**41 202**	**-**	**41 202**	**31 861**	**-**	**31 861**	**13 763**	**-**	**13 763**
- listed	10 986	-	10 986	8 719	-	8 719	3 479	-	3 479
- unlisted	30 216	-	30 216	23 142	-	23 142	10 284	-	10 284
Total debt and equity	**591 242**	**559 644**	**1 150 886**	**812 139**	**1 303 396**	**2 115 535**	**991 559**	**485 463**	**1 477 022**

The note above does not include pledged assets classified as investment securities (Note 18).

16. Derivative financial instruments

	31.12.2012		30.09.2012		31.12.2011	
	assets	liabilities	assets	liabilities	assets	liabilities
Held for trading derivative financial instruments classified into banking book	158 840	39 540	212 372	15 433	142 487	276 921
Held for trading derivative financial instruments classified into trading book	2 643 855	3 430 946	1 730 128	2 486 291	1 364 108	1 583 588
Derivative financial instruments held for hedging	-	6 198	-	2 644	-	2 238
Total derivative financial instruments assets/liabilities	**2 802 695**	**3 476 684**	**1 942 500**	**2 504 368**	**1 506 595**	**1 862 747**

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

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

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

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Due to the application of fair value hedge accounting for part of the portfolio of fixed interest rate mortgage loans granted by foreign branches of the Bank in the Czech Republic and fair value hedge accounting of Eurobonds issued by BRE Finance France SA within interest rate swaps, the Group distinguished instruments that hedge the risk of changes in interest rate. Result from valuation of the hedged item and hedging instruments is presented in this consolidated financial statement in item 'Net income from other trading operations and hedge accounting' in Note 8.

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

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

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

17. Loans and advances to customers

	31.12.2012	30.09.2012	31.12.2011
Loans and advances to individuals:	**37 816 509**	**37 930 619**	**38 688 979**
- current accounts	4 600 589	4 499 361	4 133 068
- term loans, including:	33 215 920	33 431 258	34 555 911
housing and mortgage loans	29 171 828	29 480 040	30 942 423
Loans and advances to corporate entities:	**28 405 402**	**30 727 195**	**27 890 298**
- current accounts	4 631 863	5 033 191	3 795 095
- term loans:	20 897 206	21 584 263	21 660 288
corporate & institutional enterprises	5 865 480	6 561 728	6 390 251
medium & small enterprises	15 031 726	15 022 535	15 270 037
- reverse repo / buy-sell-back transactions	2 024 380	2 763 871	1 153 508
- other	851 953	1 345 870	1 281 407
Loans and advances to public sector	**2 698 549**	**2 797 789**	**3 178 356**
Other receivables	667 327	371 305	482 167
Total (gross) loans and advances to customers	**69 587 787**	**71 826 908**	**70 239 800**
Provisions for loans and advances to customers (negative amount)	(2 528 533)	(2 630 290)	(2 388 284)
Total (net) loans and advances to customers	**67 059 254**	**69 196 618**	**67 851 516**
Short-term (up to 1 year)	22 895 700	24 325 460	22 756 309
Long-term (over 1 year)	44 163 554	44 871 158	45 095 207

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: 31 December 2012 – PLN 3 609 923 thousand, 30 September 2012 – PLN 3 570 000 thousand, 31 December 2011 – PLN 3 210 276 thousand.

Provisions for loans and advances

	31.12.2012	30.09.2012	31.12.2011
Incurred but not identified losses			
Gross balance sheet exposure	65 956 553	68 071 035	66 953 040
Impairment provisions for exposures analysed according to portfolio approach	(198 712)	(207 024)	(212 390)
Net balance sheet exposure	**65 757 841**	**67 864 011**	**66 740 650**
Receivables with impairment			
Gross balance sheet exposure	3 631 234	3 755 873	3 286 760
Provisions for receivables with impairment	(2 329 821)	(2 423 266)	(2 175 894)
Net balance sheet exposure	**1 301 413**	**1 332 607**	**1 110 866**

The table below presents the structure of concentration of BRE Bank SA Group's exposures in particular sectors.

No.	Sectors	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%
		31.12.2012		30.09.2012		31.12.2011	
1.	Household customers	37 816 509	54.34%	37 930 619	52.81%	38 688 979	55.08%
2.	Real estate management	4 663 685	6.70%	4 669 012	6.50%	4 279 605	6.09%
3.	Public Administration	2 174 278	3.12%	2 270 926	3.16%	2 508 575	3.57%
4.	Building industry	2 081 543	2.99%	2 117 181	2.95%	2 277 683	3.24%
5.	Transport and travel agencies	1 751 979	2.52%	1 858 629	2.59%	1 975 109	2.81%
6.	Power industry and heat engineering	1 470 096	2.11%	780 478	1.09%	716 907	1.02%
7.	Liquid fuels and natural gas	1 391 962	2.00%	1 954 996	2.72%	2 051 906	2.92%
8.	Metals	1 222 450	1.76%	1 281 966	1.78%	1 260 732	1.79%
9.	Wholesale trade	886 975	1.27%	1 196 271	1.67%	909 508	1.29%
10.	Motorization	880 223	1.26%	898 940	1.25%	809 103	1.15%
11.	Groceries	853 636	1.23%	735 562	1.02%	614 850	0.88%
12.	Building materials	741 614	1.07%	835 448	1.16%	706 057	1.01%
13.	Chemistry and plastic processing	719 061	1.03%	743 062	1.03%	851 016	1.21%
14.	Pharmaceuticals and health care	679 466	0.98%	743 926	1.04%	314 964	0.45%
15.	Wood and furniture	629 534	0.90%	663 065	0.92%	774 043	1.10%
16.	Telecomunication	612 095	0.88%	666 393	0.93%	525 987	0.75%
17.	Meat processing industry	592 621	0.85%	690 510	0.96%	528 178	0.75%
18.	Leasing and renting	427 966	0.62%	484 104	0.67%	745 406	1.06%
19.	Management, consulting, advertising	402 211	0.58%	885 752	1.23%	947 286	1.35%

As at 31 December 2012, the total exposure of the Group in the above sectors (excluding household customers) amounted to 31.87% of the credit portfolio (30 September 2012 – 32.67%, 31 December 2011 - 32.44%).

18. Investment securities

	31.12.2012			30.09.2012			31.12.2011		
	Investment securities without pledge	Pledged investment securities	Total investment securities	Investment securities without pledge	Pledged investment securities	Total investment securities	Investment securities without pledge	Pledged investment securities	Total investment securities
Debt securities	**17 174 158**	**2 546 282**	**19 720 440**	**13 736 827**	**3 887 501**	**17 624 328**	**16 519 445**	**3 854 060**	**20 373 505**
Issued by government	9 076 533	2 420 333	11 496 866	8 994 706	3 802 577	12 797 283	9 646 531	3 854 060	13 500 591
- government bonds	9 076 533	2 420 035	11 496 568	8 895 661	3 801 540	12 697 201	9 646 531	3 852 869	13 499 400
- treasury bills	-	298	298	99 045	1 037	100 082	-	1 191	1 191
Issued by central bank	7 855 805	125 949	7 981 754	4 356 177	84 924	4 441 101	6 511 488	-	6 511 488
Other debt securities	241 820	-	241 820	385 944	-	385 944	361 426	-	361 426
- bank's bonds	123 901	-	123 901	352 143	-	352 143	327 811	-	327 811
- corporate bonds	80 131	-	80 131	-	-	-	-	-	-
- communal bonds	37 788	-	37 788	33 801	-	33 801	33 615	-	33 615
Equity securities:	**272 948**	**-**	**272 948**	**233 504**	**-**	**233 504**	**177 767**	**-**	**177 767**
Listed	225 108	-	225 108	185 249	-	185 249	156 556	-	156 556
Unlisted	47 840	-	47 840	48 255	-	48 255	21 211	-	21 211
Total debt and equity	**17 447 106**	**2 546 282**	**19 993 388**	**13 970 331**	**3 887 501**	**17 857 832**	**16 697 212**	**3 854 060**	**20 551 272**
Short-term (up to 1 year)	8 794 515	156 185	8 950 700	6 308 368	701 257	7 009 625	9 954 397	586 954	10 541 351
Long-term (over 1 year)	8 652 591	2 390 097	11 042 688	7 661 963	3 186 244	10 848 207	6 742 815	3 267 106	10 009 921

The above includes government bonds and treasury bills under the Bank Guarantee Fund (BFG), investment government bonds pledged as sell-buy-back transactions, government bonds pledged as collateral for the loans received from the European Investment Bank and government bonds pledged as collateral for deposit placed by the client.

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As at 31 December 2012, presented above value of equity securities includes provisions for impairment of PLN 10 470 thousand (30 September 2012: PLN 10 854 thousand, 31 December 2011: PLN 13 257 thousand).

As at 31 December 2012, listed equity securities include fair value of PZU shares in amount of PLN 206 775 thousand, (30 September 2012 – PLN 170 341 thousand, 31 December 2011 – PLN 146 210 thousand).

19. Intangible assets

	31.12.2012	30.09.2012	31.12.2011
Development costs	490	556	789
Goodwill	4 728	4 728	4 728
Patents, licences and similar assets, including:	282 549	282 475	313 925
- computer software	225 916	222 789	247 070
Other intangible assets	7 968	8 224	9 231
Intangible assets under development	140 388	111 976	108 096
Total intangible assets	**436 123**	**407 959**	**436 769**

20. Tangible assets

	31.12.2012	30.09.2012	31.12.2011
Tangible fixed assets, including:	733 553	749 899	765 993
- land	1 175	1 175	1 875
- buildings and structures	219 772	221 303	228 823
- equipment	162 573	166 052	168 804
- vehicles	212 490	215 458	216 964
- other fixed assets	137 543	145 911	149 527
Fixed assets under construction	40 351	38 254	66 462
Total tangible fixed assets	**773 904**	**788 153**	**832 455**

21. Amounts due to customers

	31.12.2012	30.09.2012	31.12.2011
Individual customers:	**33 233 757**	**28 678 420**	**26 700 892**
Current accounts	21 059 319	19 991 899	16 961 125
Term deposits	12 121 656	8 641 064	9 698 858
Other liabilities:	52 782	45 457	40 909
- liabilities in respect of cash collaterals	32 763	33 037	33 215
- other	20 019	12 420	7 694
Corporate customers:	**24 248 650**	**27 936 607**	**27 015 436**
Current accounts	11 731 164	10 563 744	11 038 961
Term deposits	8 336 226	11 885 149	11 650 679
Loans and advances received	1 696 404	1 708 574	1 848 575
Repo transactions	1 883 368	3 216 738	1 818 532
Other liabilities:	601 488	562 402	658 689
- liabilities in respect of cash collaterals	408 776	409 418	479 749
- other	192 712	152 984	178 940
Public sector customers:	**501 193**	**613 745**	**528 060**
Current accounts	387 383	459 751	447 481
Term deposits	110 765	140 562	64 783
Other liabilities:	3 045	13 432	15 796
- liabilities in respect of cash collaterals	152	46	18
- other	2 893	13 386	15 778
Total amounts due to customers	**57 983 600**	**57 228 772**	**54 244 388**

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Short-term (up to 1 year)	53 744 407	55 024 615	51 677 581
Long-term (over 1 year)	4 239 193	2 204 157	2 566 807

The Group presents amounts due to micro enterprises provided by Retail Banking of BRE Bank (mBank and MultiBank) under 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: 31 December 2012 – PLN 3 299 478 thousand, 30 September 2012 - PLN 2 166 010 thousand, 31 December 2011 – PLN 1 982 622 thousand.

22. Provisions

	31.12.2012	30.09.2012	31.12.2011
For off-balance sheet granted contingent liabilities *	46 462	44 651	30 906
For legal proceedings	47 204	39 493	25 644
Technical-insurance provisions	84 512	82 657	80 864
Other	35 149	13 219	15 754
Total provisions	**213 327**	**180 020**	**153 168**

* includes valuation of financial guarantees

Movements in the provisions

	31.12.2012	30.09.2012	31.12.2011
As at the beginning of the period (by type)	**153 168**	**153 168**	**175 325**
For off-balance sheet granted contingent liabilities	30 906	30 906	49 674
For legal proceedings	25 644	25 644	19 193
Technical-insurance provisions	80 864	80 864	87 307
Other	15 754	15 754	19 151
Change in the period (due to)	**60 159**	**26 852**	**(22 157)**
- increase of provisions	220 747	159 599	171 334
- release of provisions	(160 168)	(129 006)	(168 892)
- write-offs	951	(2 685)	(9 722)
- utilization	-	-	(135)
- reclassification	-	-	(4 243)
- foreign exchange differences	(1 371)	(1 056)	1 482
- other	-	-	(11 981)
As at the end of the period (by type)	**213 327**	**180 020**	**153 168**
For off-balance sheet granted contingent liabilities	46 462	44 651	30 906
For legal proceedings	47 204	39 493	25 644
Technical-insurance provisions	84 512	82 657	80 864
Other	35 149	13 219	15 754

23. Assets and provisions for deferred income tax

Deferred income tax assets	31.12.2012	30.09.2012	31.12.2011
As at the beginning of the period	**646 760**	**646 760**	**570 093**
Changes recognized in the income statement	134 215	112 998	79 880
Changes recognized in other comprehensive income	(71 399)	(36 460)	(2 033)
Other changes	(378)	(759)	(1 180)
As at the end of the period	**709 198**	**722 539**	**646 760**

Provisions for deferred income tax	31.12.2012	30.09.2012	31.12.2011
As at the beginning of the period	**(339 966)**	**(339 966)**	**(254 350)**
Changes recognized in the income statement	(5 381)	(40 815)	(87 358)
Changes recognized in other comprehensive income	4 339	(3 827)	1 331
Other changes	(31)	624	411
As at the end of the period	**(341 039)**	**(383 984)**	**(339 966)**

24. Capital Adequacy Ratio

On 4 July 2012 Polish Financial Supervision Authority (KNF) and Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin) granted conditional consent to the application of the advanced internal rating based approach (A-IRB approach) by BRE Bank SA to the calculation of the capital requirement for credit risk for the corporate portfolio and the retail mortgage loan portfolio, with a provision that until the significant conditions laid down in the decision are met, the total capital requirement calculated with the application of the A-IRB approach must be maintained at the level based on 100% of the capital requirement for credit risk calculated under the standardized approach. Additionally, on 27 August 2012 KNF and BaFin granted consent to the application of internal rating based approach concerning the risk weighting for specialized lending exposures (IRB slotting approach) by BRE Bank Hipoteczny SA to the calculation of the capital requirement for credit risk.

In the previous reporting periods (including the period ended 30 June 2012) own funds and total capital requirement included in the calculation of the consolidated capital adequacy ratio of BRE Bank SA Group and in the calculation of capital adequacy ratio of BRE Bank SA were determined using standardized approach for credit risk in accordance with the annex No. 4 to the Resolution No. 76/2010 of KNF dated on 10 March 2010 (with further amendments).

The calculation of the capital adequacy ratio of BRE Bank SA Group and the calculation of capital adequacy ratio of BRE Bank SA as of 30 September 2012 took into account the total capital requirement as well as capital deductions calculated with the application of the A-IRB approach. However, in accordance with the conditions set out in the consent of KNF and BaFin to use A-IRB approach until high-significance conditions are met, the total capital requirement as of 30 September 2012 needed to remain at least equal to the total capital requirement assumed under the standardized approach for credit risk, whereas the amount of own funds needed to reflect the more restrictive rules applicable for banks using the A-IRB approach.

Since the Bank met all high-significance conditions set out in the consent of KNF and BaFin regarding A-IRB application, the calculation of the consolidated capital adequacy ratio of BRE Bank SA Group and capital adequacy ratio of BRE Bank SA as of 31 December 2012 took into account the total capital requirement determined under the A-IRB approach for credit risk pursuant to annex No. 5 to the Resolution No. 76/2010 of KNF dated on 10 March 2010 (with further amendments) and no longer includes additional capital charge resulting from the conditions set out in the consent of KNF and BaFin to use A-IRB approach. Additionally own funds were calculated with the application of the deduction derived from the A-IRB approach and stood above 80% of comparative total capital requirement as stipulated in article 14 of Resolution No. 76/2010 of KNF dated 10 March 2010 (with further amendments). As of 31 December 2012, the consolidated capital adequacy ratio of BRE Bank SA Group amounted to 18.73% and the capital adequacy ratio of BRE Bank SA amounted to 19.66%. Moreover, the consolidated Tier 1 capital adequacy ratio of BRE Bank SA Group amounted to 13.00% and the Tier 1 capital adequacy ratio of BRE Bank SA amounted to 13.63%.

Had in the calculations of capital adequacy ratios as of 31 December 2012 BRE Bank SA Group and BRE Bank SA still included own funds and total capital requirement according to the methodology applied in the capital ratios calculation as of 30 September 2012, then the consolidated capital adequacy ratio of BRE Bank SA Group as of 31 December 2012 would have amounted to 16.16% and the capital adequacy ratio of BRE Bank SA would have amounted to 16.65%. Moreover, the consolidated Tier 1 capital adequacy ratio of BRE Bank SA Group would have amounted to 11.21% and the Tier 1 capital adequacy ratio of BRE Bank SA would have amounted to 11.54%.

Had in the calculations of capital adequacy ratios as of 31 December 2012 BRE Bank SA Group and BRE Bank SA still included own funds and total capital requirement according to the methodology applied in the capital ratios calculation till 30 June 2012, then the consolidated capital adequacy ratio of BRE Bank SA Group as of 31 December 2012 would have amounted to 16.54% and the capital adequacy ratio of BRE Bank SA would have amounted to 16.98%. Moreover, the consolidated Tier 1 capital adequacy ratio of BRE Bank SA Group would have amounted to 11.40% and the Tier 1 capital adequacy ratio of BRE Bank SA would have amounted to 11.71%.

Selected explanatory information

1. Compliance with international financial reporting standards

The presented consolidated report for the fourth quarter of 2012 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 Condensed Consolidated Financial Statements for the fourth quarter of 2012. The accounting policies were applied consistently over all periods presented in the financial statements including restatement described under Note 2.32 'Comparative data'.

3. Seasonal or cyclical nature of the business

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

4. Nature and values of items affecting assets, liabilities, equity, net profit/(loss) or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact

On 4 October 2012, BRE Finance France - a subsidiary of BRE Bank (the Bank holds 99.98% of its shares) issued Eurobonds with a nominal value of EUR 500 000 thousand (PLN 2 046 650 thousand at the average exchange rate of the National Bank of Poland as at 4 October 2012) maturing on 12 October 2015. On 4 October 2012, BRE Bank guaranteed the payment of any amounts payable on debt securities issued under Euro Medium Term Note Programme. Guarantee was given for the duration of the Programme.

The funds comprising the security deposit signed on 4 October 2012 under the agreement between BRE Bank and the Company are used to back the guarantee issued by the Bank to secure the payment obligations from the Eurobonds. The amount of security deposit is EUR 497 770 thousand (PLN 2 037 522 thousand at the average exchange rate of the National Bank of Poland as at 4 October 2012).

The security deposit will be owned by the Bank until the Eurobonds are repaid on 12 October 2015.

5. Nature and amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period

In the fourth quarter of 2012, there were no significant changes in estimate values of items presented in previous reporting periods.

6. Issues, redemption and repayment of non-equity and equity securities

In the fourth quarter 2012, BRE Finance France, issued Eurobonds with a nominal value of EUR 500 000 thousand, which was described above under the point 4. Moreover, in the fourth quarter of 2012, BRE Bank issued deposit certificates and bonds in nominal value of respectively: PLN 206 900 thousand and PLN 450 000 thousand and redeemed deposit certificates in nominal value of PLN 900 000 thousand, and BRE Bank Hipoteczny issued bonds in amount of PLN 260 000 thousand and mortgage bonds in amount of PLN 141 034 thousand. In the same time, BRE Bank Hipoteczny redeemed bonds in amount of PLN 215 000 thousand.

7. Dividends paid (or declared) altogether or broken down by ordinary shares and other shares

Pursuant to the resolution on profit distribution for the year 2011, adopted on 30 March 2012 by the XXV Ordinary General Shareholders Meeting of BRE Bank SA, no dividend was paid for the year 2011.

On the basis of resolution dated 8 February 2013, the Management Board of BRE Bank SA decided to recommend to the XXVI Ordinary General Meeting of BRE Bank SA to pay a dividend for 2012 to the shareholders of BRE Bank SA.

The motion of the Management Board regarding payment of dividend for shareholders for 2012, together with an appropriate motion relating to a division of profit for 2012, including: amount of dividend per one share, suggested day of dividend and date of payment of dividend, shall be presented for the assessment of the Supervisory Board in accordance with art. 382 § 3 of the Commercial Companies Code, once the financial data for 2012 is finally verified by the auditor however the Management Board is going to propose a dividend pay-out ratio of approximately 33% of 2012 profits.

8. Significant events after the end of the fourth quarter of 2012, which are not reflected in the financial statements

Events as indicated above did not occur in the Group.

9. Effect of changes in the structure of the entity in the fourth quarter of 2012, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

In the fourth quarter of 2012, the Group redeemed certificates issued by BRE GOLD Fundusz Inwestycyjny Zamknięty Aktwów Niepublicznych. As at 31 December 2012, the Group did not have any certificates issued by BRE GOLD Fundusz Inwestycyjny Zamknięty Aktwów Niepublicznych, so the Group ceased to consolidate the fund.

10. Changes in contingent liabilities and commitments

In the fourth quarter of 2012, 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.

11. Write-offs of the value of inventories down to net realisable value and reversals of such write-offs

Events as indicated above did not occur in the Group.

12. Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets as well as reversals of such write-offs

In the fourth quarter of 2012, as a result of the analysis of tangible fixed assets the Group had made write-offs of investments in real estate and leasehold improvements and reversal of write-offs created in the previous reporting periods. The total impact of write-offs and reversal of write-offs in the fourth quarter 2012 was negative and amounted to PLN 3 087 thousand.

13. Revaluation write-offs on account of impairment of financial assets

Data regarding write-offs on account of impairment of financial assets are presented in Note 9 and 11 of these Condensed Consolidated Financial Statements.

14. Reversals of provisions against restructuring costs

Events as indicated above did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the fourth quarter of 2012, 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. Material liabilities assumed on account of acquisition of tangible fixed assets

Events as indicated above did not occur in the Group.

17. Information about changing the process (method) of measurement the fair value of financial instruments

In 4Q 2012, the Group had changed the valuation methodology of WIG20 options traded on Warsaw Stock Exchange (Giełda Papierów Wartościowych), switching from mark-to-market valuation to mark-to-model due to insufficient liquidity of the market on which these options are listed. The change of the valuation method had no material impact on the Group's financial result for 2012.

18. Changes in the classification of financial assets due to changes of purpose or use of these assets

Events as indicated above did not occur in the Group.

19. Corrections of errors from previous reporting periods

In the fourth quarter of 2012, there were no corrections of errors from previous reporting periods.

20. Default or infringement of a loan agreement or failure to initiate composition proceedings

Events as indicated above did not occur in the Group.

21. 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 2012. The description of the BRE Bank Group strategy for years 2010 – 2012, 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 with further amendments).

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22. Registered share capital

The total number of ordinary shares as at 31 December 2012 was 42 138 976 shares (31 December 2011: 42 102 746) at PLN 4 nominal value each (30 September 2011: PLN 4). All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 30 DECEMBER 2012						
Share type	Type of privilege	Type of limitation	Number of shares	Series / issue value	Paid up	Registered on
ordinary bearer*	-	-	9 980 500	39 922 000	fully paid in cash	1986
ordinary registered*	-	-	19 500	78 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
Total number of shares			42 138 976			
Total registered share capital				168 555 904		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

23. Material share packages

On 27 December 2012, Commerzbank AG announced of the acquisition of 29 352 897 shares of BRE Bank from Commerzbank AG Auslandbanken, a subsidiary of Commerzbank AG. These shares entitle to 29 352 897 votes at the General Meeting of BRE Bank and represent 69.66% of the share capital of BRE Bank and 69.66% of the total number of votes at the General Meeting. Before the transaction, Commerzbank held the stake in BRE Bank indirectly through Commerzbank Auslandsbanken AG. Sale of shares of BRE Bank was subject to an internal transfer of shares within the Commerzbank Group and did not change the ultimate parent company of the BRE Bank.

Pursuant to a notice dated 8 July 2011, the Bank informed in the current report No.46/2011, that ING Powszechny Fundusz Emerytalny (Fundusz) became the owner of BRE Bank shares representing more than 5% of the votes at the General Meeting of BRE Bank.

Prior to this acquisition of shares, Fundusz held 2 085 431 shares of BRE Bank, which constituted 4.96% of BRE Bank's share capital and entitled it to exercise 2 085 431 votes at the General Meeting of BRE Bank, which represented 4.96% of the total number of votes at the General Meeting of BRE Bank.

On 8 July 2011, there were 2 290 882 shares of BRE Bank at the Fund's securities account. It constitutes 5.44% of BRE Bank's share capital which entitles to exercise 2 290 882 votes at the General Meeting of BRE Bank, representing 5.44% of the total number of votes at the General Meeting of BRE Bank.

24. Change in Bank shares and rights to shares held by managers and supervisors

	Number of shares held as at the date of publishing the report for Q3 2012	Number of shares acquired from the date of publishing the report for Q3 2012 to the date of publishing the report for Q4 2012	Number of shares sold from the date of publishing the report for H1 2012 to the date of publishing the report for Q3 2012	Number of shares held as at the date of publishing the report for Q4 2012
Management Board				
1. Cezary Stypułkowski	-	-	-	-
2. Wiesław Thor	-	-	-	-
3. Przemysław Gdański	1 086	-	-	1 086
4. Joerg Hessenmueller	-	-	-	-
5. Hans-Dieter Kemler	-	-	-	-
6. Cezary Kocik	-	-	-	-
7. Jarosław Mastalerz	-	-	-	-

As at the date of publishing the report for the third quarter of 2012 and as at the date of publishing the report for the fourth quarter of 2012, the Members of the Management Board had no Bank rights to shares and they have no Bank rights to shares.

As at the date of publishing the report for the third quarter of 2012 and as at the date of publishing the report for the fourth quarter of 2012, the Members of the Supervisory Board of BRE Bank SA had neither Bank shares nor Bank rights to shares and they have neither Bank shares nor Bank rights to shares.

25. Proceedings before a court, arbitration body or public administration authority

As at 31 December 2012, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries, which represent at least 10% of the Bank's equity. Moreover, the total value of claims concerning liabilities of the Bank or its subsidiary in all proceedings before a court, an arbitration body or a public administration authority as at 31 December 2012 was also not higher than 10% of the Bank's equity.

Report on major proceedings brought against the Bank

1. Lawsuit initiated by Bank Leumi and Migdal Insurance Company against the Bank for indemnity

   Against BRE Bank was pending proceeding 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 41.8 million translated at the average exchange rate of the National Bank of Poland as at 31 December 2012). 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 claimed 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 was under recourse. On 23 January 2013, the parties entered into an out-of-court settlement, which was approved by the Court of Jerusalem, and consequently, the dispute over the said issue was brought to the end.

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. On 19 October 2010, BPH filed an appeal against the ruling in question. On 24 February 2011, the Court of Appeal made a decision on revoking the ruling and discontinuance of proceedings involving Bank Pekao S.A. (the Bank entered in the proceedings as successor of BPH) justified by lack of title to bring the action before the court on the side of the Bank. The case was returned to the court of the first instance where it will be continued with the participation of BPH as the claimant. Bank Pekao SA filed the last resort appeal against the aforesaid decision with the Supreme Court. On 25 April 2012, the Supreme Court revoked the aforesaid decision of the Court of Appeal and referred the case back.

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. On 26 January 2011, the court has decided to reinstate suspended proceedings due to the closing of the insolvency procedure. On 5 June 2012, the court once again decided to suspend the proceedings until the case filed by Bank BPH SA against Garbary Sp. z o.o. is finally settled.

4. Claims of clients of Interbrok

   Up to 16 January 2013, 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, up to 16 January 2013, 9 legal compensation suits have been delivered to the Bank. Eight of the nine suits where placed by former clients of Interbrok for 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 the Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. 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 4 March 2010, one of the judgments becomes final and valid. On 22 June 2011, the Supreme Court dismissed the plaintiff's cassation appeal in the said case. As far as the remaining cases are concerned, on 21 December 2010 and 17 January 2012, the Court of Appeals revoked the judgments of the District Court and remanded the cases to the District Court in Warsaw for re-examination. In the 9th case the value of the subject of litigation amounts to PLN 165 571 thousand together with statutory interest and legal costs. The amount set forth in the petition is to cover the 99 receivables, acquired by the Plaintiff by way of assignment, due to 97 parties aggrieved by Interbrok on account of the reduction (as a result of Interbrok's bankruptcy) of the receivables by a return of the deposits paid by the aggrieved for making investments on the forex market. The Plaintiff claims the Bank's liability on the grounds of the Bank's aiding to commit the illicit act of Interbrok involving the pursuit of brokerage activity without a permit. At present, the case is being heard by the court of first instance.

   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.

5. Class action against BRE Bank

   On 4 February 2011, BRE Bank SA received a class action brought to the District Court in Łódź on 20 December 2010 by the Municipal Ombudsman who represents a group of 835 persons – retail clients of BRE Bank. The petitioners demand that a responsibility of the Bank is determined for improper performance of mortgage credit agreements. In particular, it was indicated that the Bank improperly applied provisions of the agreements concerning interest rates adjustment, namely that the Bank did not reduce interest rates on loans, although, according to the petitioners, it should have. The Bank rejects the above reasoning. On 18 February 2011, the Bank submitted a formal answer to the court, in which it applied for a dismissal of the claim as a whole.

   On 6 May 2011, the District Court in Łódź decided to reject the application of BRE Bank SA for dismissing the claim and decided that the case will proceed as a class action. On 13 June 2011, BRE Bank SA lodged a complaint against this decision with the Court of Appeal in Łódź. On 28 September 2011, the Court of Appeal dismissed the complaint of BRE Bank SA. Currently, the case proceeds as a class action. The time for joining the class ended in March 2012. Presently, the class consists of 1 247 members; however, its composition is still subject to a revision and final approval of the court. At the end of June 2012, the period in which the Bank could express its reservations with respect to particular members of the group expired. The Bank expressed such reservations with respect to 51 persons ('Plaintiff'). At present, the Bank is waiting for the Plaintiff to take a stance on the aforementioned case and further actions of the Court. As at 17 October 2012, the approved class consisted of 1 247 members. Moreover, the District Court in Łódź ruled against setting up a cash deposit for BRE Bank SA requested by the Bank. The Bank lodged a complaint against this ruling and currently awaits the decision of the Court of Appeal in Łódź.

   On 29 November 2012, the Court of Appeal in Łódź dismissed the Bank's complaint about setting up the cash deposit. The ruling is valid and the Plaintiff is not obliged to pay the cash deposit. The final response to the petition was sent in January and the Bank awaits fixing the first date of the hearing.

As at 31 December 2012, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the Bank or its subsidiaries, which represent at least 10% of the Bank's equity. The total value of claims concerning receivables of the Bank or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2012 was also not higher than 10% of the Bank's equity.

Taxes

On 7 January 2013, Director of the Treasury Control Office in Warsaw (Urząd Kontroli Skarbowej w Warszawie) initiated audit proceedings in BRE Bank concerning reliability of declared tax bases and correctness of calculation and payment of corporate income tax for the year 2007.

Within the period from 24 August 2012 to 3 September 2012, officer of the First Mazovian Treasury Office in Warsaw (Pierwszy Mazowiecki Urzad Skarbowy w Warszawie) carried out audit proceedings and tax audit in BRE Bank Hipoteczny SA, concerning correctness of the settlement of the value added tax for June 2012. The audits did not identify any irregularities.

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Within the period from 20 June 2012 to 29 June 2012, officers of the Treasury Control Office in Warsaw (Urząd Kontroli Skarbowej w Warszawie) carried out tax audit at the company BRE Leasing, concerning correctness of the settlement of the value added tax for the months January – March 2007, May – December 2007. The audits did not identify any irregularities.

Within the period from 19 July 2010 to 6 October 2011, officers of the Treasury Control Office in Warsaw (Urząd Kontroli Skarbowej w Warszawie) carried out audit proceedings and tax audit in BRE Bank, concerning reliability of declared tax bases and correctness of calculation and payment of corporate income tax for the year 2006. The audits did not identify any relevant irregularities.

Within the period from 28 September to 10 October 2011, officers of the First Mazovian Treasury Office in Warsaw (Pierwszy Mazowiecki Urzad Skarbowy w Warszawie) carried out tax audits at the company BRE Hipoteczny concerning correctness of the settlement of the value added tax for the period from 1 to 31 July 2011. The audits did not identify any irregularities.

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.

26. Off-balance sheet liabilities

Off-balance sheet liabilities as at 31 December 2012, 30 September 2012 and 31 December 2011, were as follows:

BRE Bank Group consolidated data

	31.12.2012	30.09.2012	31.12.2011
1. Contingent liabilities granted and received	**18 327 283**	**19 184 508**	**18 360 547**
Commitments granted	**17 550 043**	**17 997 467**	**17 346 021**
- financing	14 585 184	14 872 660	14 375 193
- guarantees and other financial facilities	2 562 225	2 759 573	2 967 250
- other commitments	402 634	365 234	3 578
Commitments received	**777 240**	**1 187 041**	**1 014 526**
- financial commitments	-	259 000	430
- guarantees	777 240	928 041	1 014 096
2. Derivative financial instruments (nominal value of contracts)	**643 818 208**	**652 110 445**	**490 688 149**
Interest rate derivatives	604 007 736	604 765 232	442 303 961
Currency derivatives	38 923 605	41 788 011	47 130 794
Market risk derivatives	886 867	5 557 202	1 253 394
Total off-balance sheet items	**662 145 491**	**671 294 953**	**509 048 696**

BRE Bank stand-alone data

	31.12.2012	30.09.2012	31.12.2011
1. Contingent liabilities granted and received	**19 486 909**	**18 409 820**	**17 640 794**
Commitments granted	**18 711 412**	**17 224 522**	**16 627 040**
- financing	13 675 517	14 065 796	13 586 108
- guarantees and other financial facilities	4 633 495	2 793 726	3 037 588
- other commitments	402 400	365 000	3 344
Commitments received	**775 497**	**1 185 298**	**1 013 754**
- financial commitments received	-	259 000	430
- guarantees received	775 497	926 298	1 013 324
2. Derivative financial instruments (nominal value of contracts)	**644 321 065**	**652 531 439**	**490 860 815**
Interest rate derivatives	604 951 383	605 308 777	442 533 044
Currency derivatives	38 483 301	41 665 460	47 074 377
Market risk derivatives	886 381	5 557 202	1 253 394
Total off-balance sheet items	**663 807 974**	**670 941 259**	**508 501 609**

27. 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 as well as the direct parent of BRE Bank SA.

Up to 27 December 2012, the direct parent of BRE Bank SA was Commerzbank Auslandsbanken Holding AG, 100% subsidiary of Commerzbank AG. Transaction of purchase of BRE Bank's shares by Commerzbank AG from Commerzbank Auslandsbanken Holding AG is described in section 23 of 'Selected explanatory information'.

All transactions between the Bank and related entities were typical and routine transactions concluded on terms, which not differ from arm's length 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.

The amounts of transactions with related entities, i.e., balances of receivables and liabilities and related costs and income as at 31 December 2012, 30 September 2012 and 31 December 2011 were as follows.

PLN (000's)	BRE Bank's subsidiaries not consolidated by acquisition method			Commerzbank AG		
As at the end of the period	31.12.2012	30.09.2012	31.12.2011	31.12.2012	30.09.2012	31.12.2011
Statement of Financial Position						
Assets	60 645	54 226	55 406	927 505	907 113	1 386 035
Liabilities	994	1 017	2 274	21 441 573	21 540 760	26 989 260
Income Statement						
Interest income	3 623	2 692	3 178	114 886	71 555	11 123
Interest expense	(58)	(61)	(88)	(381 400)	(290 059)	(445 009)
Fee and commission income	83	21	34	-	-	-
Other operating inccome	-	2	-	113	87	137
Overhead costs, amortisation and other operating expenses	-	(87)	-	(12 309)	(8 943)	(9 764)
Contingent liabilities granted and received						
Liabilities granted	3 285	1 022	1 178	834 033	954 852	777 286
Liabilities received	-	-	-	511 959	519 953	707 467

28. Credit and loan guarantees, other guarantees granted in excess of 10% of the equity

As at 31 December 2012, the Bank's exposure under guarantees granted in excess of 10% of own funds related to the guarantee payment of all amounts to be paid in respect of debt securities issued under Euro Medium Term Note Programme by BRE Finance France SA, a 100% subsidiary of the BRE Bank. The guarantee was given on 4 October 2012, for the duration of the program.

Information regarding the Eurobond issue is contained in section 4 of 'Selected explanatory information'.

29. 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

Events as indicated above did not occur in the Group.

30. Factors affecting the results in the coming quarter

Apart from operating activity of the Bank and BRE Bank Group companies, there are no other events expected in the first quarter of 2013 that would have a significant impact on the profit of this period.