BRE Bank SA Group

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013

Contents

Selected Financial Data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000		in EUR'000	
		1st Quarter of 2013 the period from 01.01.2013 to 31.03.2013	1st Quarter of 2012 the period from 01.01.2012 to 31.03.2012	1st Quarter of 2013 the period from 01.01.2013 to 31.03.2013	1st Quarter of 2012 the period from 01.01.2012 to 31.03.2012
I.	Interest income	1 034 266	1 079 228	247 800	258 498
II.	Fee and commission income	308 896	324 725	74 008	77 778
III.	Net trading income	75 798	97 681	18 160	23 397
IV.	Operating profit	399 859	412 341	95 802	98 764
V.	Profit before income tax	399 859	412 341	95 802	98 764
VI.	Net profit attributable to Owners of BRE Bank SA	323 946	331 072	77 614	79 299
VII.	Net profit attributable to non-controlling interests	665	96	159	23
VIII.	Net cash flows from operating activities	(1 818 425)	(681 587)	(435 676)	(163 254)
IX.	Net cash flows from investing activities	(36 783)	(65 035)	(8 813)	(15 577)
X.	Net cash flows from financing activities	(668 004)	537 419	(160 047)	128 723
XI.	Net increase / decrease in cash and cash equivalents	(2 523 212)	(209 203)	(604 536)	(50 109)
XII.	Basic earnings per share (in PLN/EUR)	7.69	7.86	1.84	1.88
XIII.	Diluted earnings per share (in PLN/EUR)	7.68	7.85	1.84	1.88
XIV.	Declared or paid dividend per share (in PLN/EUR)	10.00	-	2.40	-

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000			in EUR'000		
		As at			As at		
		31.03.2013	31.12.2012	31.03.2012	31.03.2013	31.12.2012	31.03.2012
I.	Total assets	103 139 402	102 236 046	92 602 171	24 689 855	25 007 594	22 251 579
II.	Amounts due to the Central Bank	-	-	-	-	-	-
III.	Amounts due to other banks	21 688 068	21 110 939	24 955 986	5 191 762	5 163 871	5 996 729
IV.	Amounts due to customers	58 531 953	57 983 600	49 704 976	14 011 575	14 183 161	11 943 718
V.	Equity attributable to Owners of BRE Bank SA	9 953 145	9 685 493	8 463 370	2 382 617	2 369 134	2 033 682
VI.	Non-controlling interests	25 156	24 491	24 006	6 022	5 991	5 768
VII.	Share capital	168 565	168 556	168 411	40 352	41 230	40 468
VIII.	Number of shares	42 141 346	42 138 976	42 102 746	42 141 346	42 138 976	42 102 746
IX.	Book value per share (in PLN/EUR)	236.18	229.85	201.02	56.54	56.22	48.30
X.	Capital adequacy ratio	18.87	18.73	16.93	18.87	18.73	16.93

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		1st Quarter of 2013 the period from 01.01.2013 to 31.03.2013	1st Quarter of 2012 the period from 01.01.2012 to 31.03.2012	1st Quarter of 2013 the period from 01.01.2013 to 31.03.2013	1st Quarter of 2012 the period from 01.01.2012 to 31.03.2012
I.	Interest income	948 961	998 744	227 361	239 220
II.	Fee and commission income	260 060	266 775	62 308	63 898
III.	Net trading income	71 201	92 639	17 059	22 189
IV.	Operating profit	352 412	337 417	84 434	80 818
V.	Profit before income tax	352 412	337 417	84 434	80 818
VI.	Net profit	285 771	270 206	68 468	64 720
VII.	Net cash flows from operating activities	(2 199 646)	(504 392)	(527 013)	(120 812)
VIII.	Net cash flows from investing activities	(28 174)	(51 375)	(6 750)	(12 305)
IX.	Net cash flows from financing activities	(382 852)	567 763	(91 727)	135 991
X.	Net increase / decrease in cash and cash equivalents	(2 610 672)	11 996	(625 490)	2 873
XI.	Basic earnings per share (in PLN/EUR)	6.78	6.42	1.62	1.54
XII.	Diluted earnings per share (in PLN/EUR)	6.77	6.41	1.62	1.54
XIII.	Declared or paid dividend per share (in PLN/EUR)	10.00	-	2.40	-

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000			in EUR'000		
		As at			As at		
		31.03.2013	31.12.2012	31.03.2012	31.03.2013	31.12.2012	31.03.2012
I.	Total assets	99 283 671	98 148 976	87 708 494	23 766 858	24 007 870	21 075 667
II.	Amounts due to the Central Bank	-	-	-	-	-	-
III.	Amounts due to other banks	21 116 452	20 241 514	22 906 963	5 054 927	4 951 204	5 504 364
IV.	Amounts due to customers	60 505 649	59 881 918	49 574 960	14 484 045	14 647 502	11 912 476
V.	Own equity	9 394 595	9 163 857	7 963 882	2 248 910	2 241 538	1 913 659
VI.	Share capital	168 565	168 556	168 411	40 352	41 230	40 468
VII.	Number of shares	42 141 346	42 138 976	42 102 746	42 141 346	42 138 976	42 102 746
VIII.	Book value per share (in PLN/EUR)	222.93	217.47	189.15	53.37	53.19	45.45
IX.	Capital adequacy ratio	19.92	19.66	17.37	19.92	19.66	17.37

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 March 2013: EUR 1 = 4.1774, exchange rate as at 31 December 2012: EUR 1 = PLN 4.0882 and exchange rate as at 31 March 2012: EUR 1 = PLN 4.1616.
- 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 first quarter of 2013 and 2012: EUR 1 = PLN 4.1738 and EUR 1 = PLN 4.1750 respectively.

Introduction

BRE Bank Group generated a profit before income tax of PLN 399.9 million in Q1 2013, representing an increase of PLN 99.9 million (+33.3%) QoQ. Net profit attributable to the shareholders of BRE Bank stood at PLN 323.9 million in Q1 2013 (+PLN 51.4 million or +18.8% QoQ).

In 2013, the presentation of results by business lines of BRE Bank Group was changed. Since January 1, 2013, the result generated by BRE Bank Hipoteczny (BBH) contributes to the Retail Banking segment. This change was made in connection with the new strategy adopted by BBH, which assumes that the company will be in the future a source of funding for mortgages offered to retail customers. For comparability purposes, the 2012 segment results have been adjusted accordingly.

The results of the Group in Q1 2013 were predominantly driven by:

- **Stable revenues** of PLN 829.2 million (+0.8% QoQ) supported by an increase of net other operating income. Net interest income decreased by PLN 51.9 million or 9.3% QoQ, while net fee and commission income grew by PLN 2.2 million (+1.1% QoQ).
- **Decrease of operating expenses** (including depreciation and amortisation) by PLN 32.3 million or 7.5% QoQ to PLN 401.7 million driven mainly by lower personnel and material costs. Consequently, the effectiveness of BRE Bank Group measured by the cost/income ratio reached 48.4% after Q1 2013, compared to 52.7% in Q4 2012 (46.4% for the full 2012).
- **Decrease of risk costs** to 17 bps. Net impairment losses on loans and advances decreased by PLN 61.3 million or 68.9% QoQ. The reduction was mainly driven by the reversal of provisions for certain credit exposures in the Corporates and Institutions segment and by the continued sound financial standing of the Bank's retail and corporate clients.
- **Continued organic growth and business expansion** as demonstrated by:
  - **Growth in retail customer base**, which reached 4,227 thousand (+93 thousand customers compared to Q4 2012, +179 thousand YoY: representing an increase not recorded since Q2 2010);
  - **Increase in the number of corporate customers** to a record high of 15,296 clients (+201 compared to Q4 2012, +882 YoY).

Net loans and advances stood at PLN 66,683.6 million in Q1 2013 and were PLN 375.7 million lower (-0.6%) compared to Q4 2012. The reduction was driven by a decrease of the volume of corporate loans by PLN 483.8 million or 1.7% to PLN 27,921.6 million. In Q1 2013, loans to individuals rose by PLN 414.4 million or 1.1% to PLN 38,230.9 million.

Customer deposits grew by PLN 548.4 million (+0.9%) QoQ to PLN 58,532.0 million. Retail deposits grew by 5.6% to PLN 35,090.8 million, while the corporate deposits decreased by 6.6% to PLN 22,647.3 million.

Consequently, the loans to deposits ratio of the Group improved from 115.7% at the end of Q4 2012 to 113.9% at the end of Q1 2013.

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

- Gross ROE amounted for 16.8% compared to 17.9% at the end of Q4 2012;
- Net ROE amounted for 13.7% compared to 14.6% at the end of Q4 2012.

The Group's capital ratios remained at a safe level. The capital adequacy ratio stood at 18.87% at the end of March 2013, compared to 18.73% in the previous quarter. The Core Tier I ratio stood at 13.51%, compared to 13.00% in Q4 2012.

Major achievements of BRE Bank Group in Q1 2013

Changes in the Authorities of BRE Bank

New Members of the Supervisory Board - on April 11, 2013, the 26th General Meeting of BRE Bank appointed Martin Blessing and Wiesław Thor as Members of the Supervisory Board as of April 12, 2013.

Since May 15, 2008, Martin Blessing acts as the CEO of Commerzbank AG directly supervising the operations of Commerzbank Group in Central and Eastern Europe. Moreover, Mr Blessing served as Member of the Supervisory Board of BRE Bank from January 27, 2005 to September 4, 2008.

Wiesław Thor has been working for BRE Bank since 1990: from November 2, 2002 as Member of the Management Board of BRE Bank responsible for Risk Management, and from March 15, 2008 to April 11, 2013 as Vice-President of the Management Board of BRE Bank.

The appointment of new Members of the Supervisory Board increased the number of members of this authority from 10 to 12.

Owing to the expiry of the term of the Management Board of the Bank on the date of the Annual General Meeting in 2013 and due to the appointment of Wiesław Thor as Member of the Supervisory Board of BRE Bank, changes to the Management Board of the Bank have been introduced.

New Member of the Management Board responsible for Risk Management - on April 11, 2013, Lidia Jabłonowska-Luba was appointed to the position of Member of the Management Board of the Bank in charge of risk management. Furthermore, the Supervisory Board decided that from April 12, 2013 to the day on which the Polish Financial Supervision Authority grants consent to the appointment of Ms Jabłonowska-Luba as Vice-President of the Management Board and Chief Risk Officer, the responsibilities would be temporarily entrusted to Cezary Stypułkowski, President of the Management Board of BRE Bank.

On April 11, 2013, the Supervisory Board of BRE Bank elected the following Members of the Management Board of the Bank for a joint 5-year term:

1. Cezary Stypułkowski - President of the Management Board, Chief Executive Officer
2. Przemysław Gdański - Vice-President of the Management Board, Head of Corporate Banking
3. Jörg Hessenmüller - Vice-President of the Management Board, Chief Financial Officer
4. Lidia Jabłonowska-Luba - Vice-President of the Management Board
5. Hans-Dieter Kemler – Vice-President of the Management Board, Head of Investment Banking
6. Cezary Kocik - Vice-President of the Management Board, Head of Retail Banking
7. Jarosław Mastalerz - Vice-President of the Management Board, Chief Operations Officer.

The biographies of all the members of BRE Bank's corporate authorities are available at www.brebank.pl.

New mBank Project

In Q1 2012, BRE Bank commenced the work on developing a modern Internet banking platform under the New mBank project, which will respond to the changing needs of clients. New mBank will encompass, among others, a full transactional banking, personal finance management, merchant offers and discounts and will be made available not only from computers but also mobile devices such as smartphones and tablets.

In Q1 2013, the New mBank project team presented the new transactional system at a prestigious conference Finovate Europe. The presentation was considered one of the best in London and New mBank was awarded the Best of Show title.

Finovate Europe is a cyclical conference dedicated to financial innovations held annually in global financial centres. This year's event was the biggest Finovate Europe conference held so far.

Distinctions and awards

In Q1 2013, BRE Bank Group was appreciated by both the clients and external experts, which was reflected in a number of awards and distinctions:

- BRE Bank was named the Best Bank in Poland in the annual Best Emerging Market Banks in Central and Eastern Europe contest organised by Global Finance magazine. The prize was awarded to BRE Bank by international jury on the basis of questionnaire survey results as well as opinions and assessments of analysts and banking advisors. The jury assessed banks in terms of asset growth, profitability, customer service and competitive pricing. Innovative products were another major criterion.

- MultiBank won the Service Quality contest for the fifth time and came first in the "financial industry" category. The jury of this contest consists of users of the platform jakoscobslugi.pl. The winners of the contest form a TOP 100 group and are awarded the title of the most friendly company and a service quality symbol - Service Quality Star. Based on consumer ratings, a consumer satisfaction index is calculated for the entire market, individual industries and companies. In the financial category (banking, finance, insurance) the index stood at 69.0%. MultiBank scored 93.6%, which was the highest result among all financial institutions taking part in the contest.
- In the "Commercial Banks" category of the contest organised by Banking-Magazine, mBank's information service was named the best website of all the websites of Polish commercial banks. The jury reviewed 33 websites of commercial banks and 371 websites of cooperative banks not only in terms of aesthetics, but primarily in terms of usefulness, transparency and clarity of information. The usefulness of websites was measured by the effort needed to find basic information necessary for bank clients, such as extended product information. Moreover, attention was paid to the transparency of information presented on the home page and the manner in which the service helps clients browse for specific bank-related information. Additional points were awarded for graphic layout of the website and functionalities such as an option to chat with consultants.
- For the sixth time the private banking arm of BRE Bank was found the best in Poland by Euromoney Magazine, a prestigious British financial magazine. The assessment criteria included the quality of services provided, quality of customer service and product mix. Every year, Euromoney Magazine conducts a questionnaire among financial institutions offering specialist banking services to affluent clients. In Poland, BRE Wealth Management has been the winner of this ranking every year since 2007.

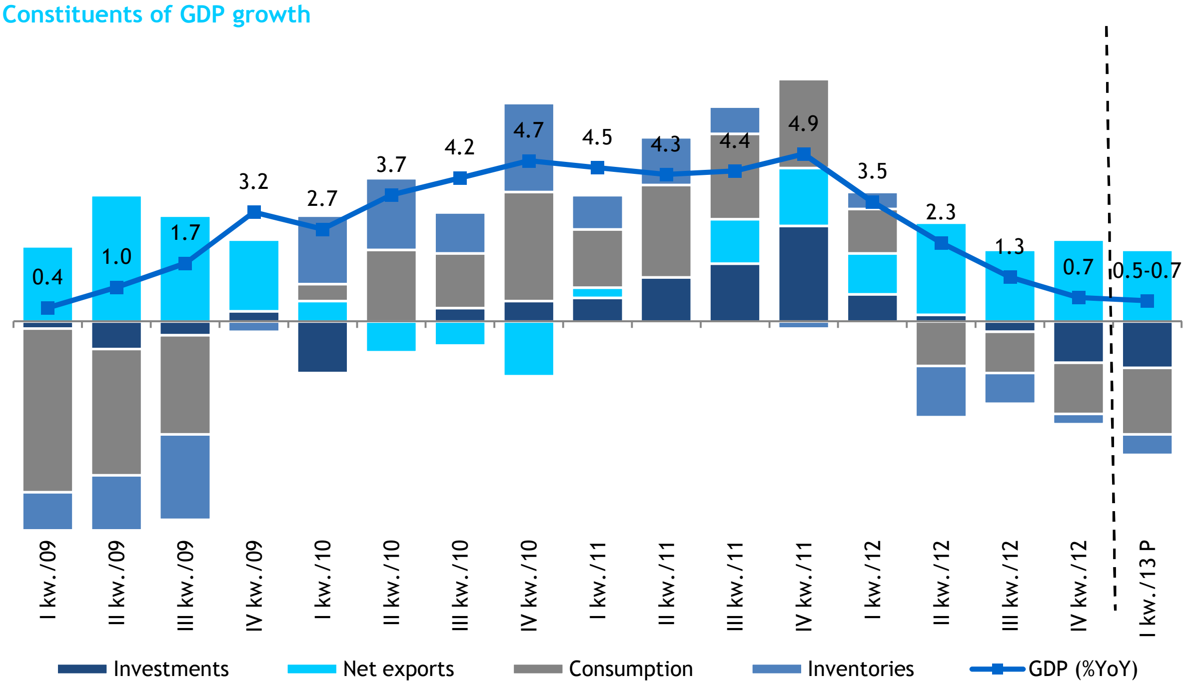
Economic environment in Q1 2013

The Polish economy continued to slow down in Q1 2013. BRE Bank expects that GDP grew by 0.5% v. 0.7% in Q4 2012 (revised data). At the same time, due to unfavourable external conditions (recession in the eurozone) and internal conditions (rebuilding of the savings rate by consumers, phasing out of public investments), there are no grounds to anticipate a strong, dynamic recovery in H2 2013. As a result, the Bank expects the Polish economy to grow by only 1% in 2013.

Based on available high frequency statistics and the private consumption path verified by the Chief Statistical Office (GUS), changes of private consumption can be correlated with changes of household incomes with much greater certainty. Following a 0.2% decrease in Q4 2012, private consumption most likely increased modestly in Q1 2013 but the growth was stimulated more by dynamic price reductions rather than growth of income in nominal terms as incomes are not growing at a high rate. Retail sales statistics confirm this analysis while consumer sentiment, which is still low, suggests that real growth of household incomes neither boosts consumer sentiment nor the tendency to buy. The dominant behaviour pattern is still to rebuild savings, as demonstrated by household deposit statistics. Moreover, negative trends on the labour market continued in Q1: unemployment grew to 14.4% in February and decreased only slightly in March, while reduction in employment deepened (to -0.9% in March), but remained rather moderate. As a result, consumer perception of the economy remains negative. Consequently, the Bank expects recovery of consumer demand in H2 to be fragile and derived from statistical effects and a low growth of consumer prices.

Revision of Q4 2012 national accounts has undermined the thesis of early recovery or even relative strength of private investments in the Polish economy. Decrease of investments observed at the end of 2012 (by 4.1% in Q4) most likely continued into the first months of 2013, as evidenced by a deeper crisis in all construction segments and the prevailing weak performance of those industries which produce investment goods, as well as low growth of corporate investment loans. As a result, the phasing out of public infrastructure programmes has coincided with sharp reductions of private corporates' investments plans. According to the most recent sentiment survey published by National Bank of Poland (NBP), corporate investments are suffering mainly due to strong uncertainty in the economy and its environment rather than due to low demand. The infrastructure gap should be bridged by railway investments in H2 and subsequently by infrastructure developments financed under the EU's new budget perspective.

Constituents of GDP growth

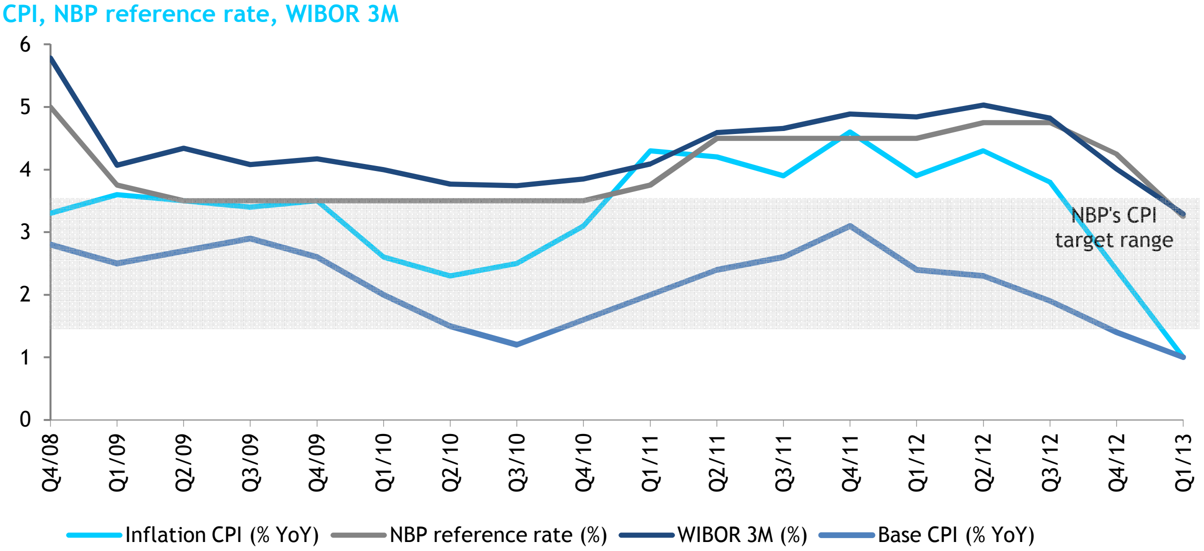


As a result, domestic demand remained subdued in Q1 2013. Furthermore, with low investment activity and low consumer propensity to buy, demand for imported goods and services continued to fall. For this reason (rather than due to stronger growth of exports), the Polish economy reported a foreign trade surplus in January and February 2013, while positive GDP growth was once again driven mainly by net exports.

Inflation and Interest Rates

Inflation continued to fall in Q1 2013 and remained within the acceptable band of oscillation around the NBP target early in the year and fell to only 1.0% YoY at the end of Q1, the lowest inflation in nearly 7 years. While deflation may be partly attributable to one-off factors (falling gas prices, reduction of mobile telephony fees stimulated by regulatory activity), yet the key was the low price pressure in the economy due to weak domestic demand, as reflected by the dynamically falling core inflation. The Bank expects inflation to fall to 0.4%-0.5% in June and reach ca. 1.0% for 2013.

CPI, NBP reference rate, WIBOR 3M



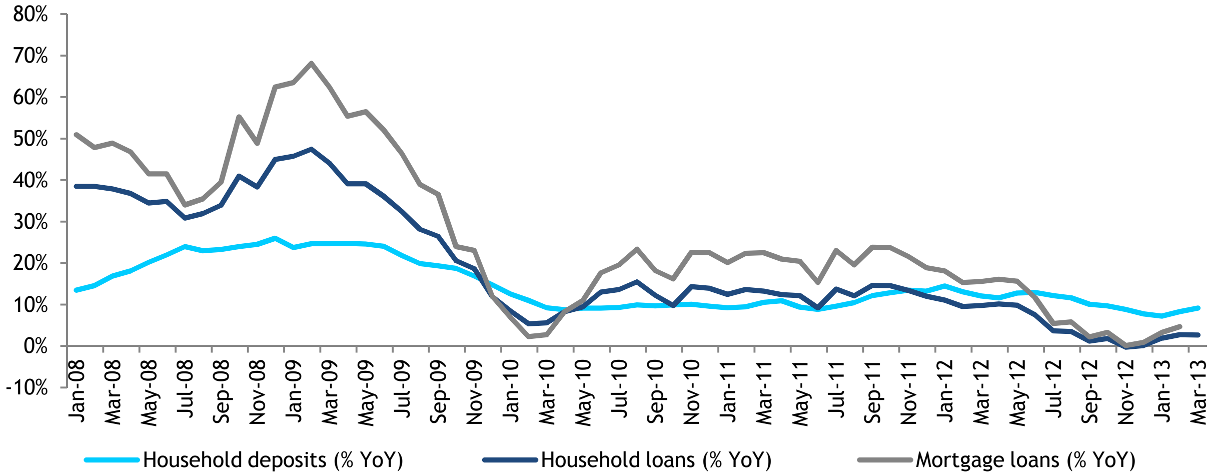
The monetary policy easing cycle continued in Q1 2013. The Monetary Policy Council decided to cut the interest rates by 50 basis points at the March meeting, bringing the basic rate to its historical low (3.25%). The tenor of the communiqué and the press conference clearly signalled then end of the cycle. However, given the weak market conditions, in the absence of clear signals of economic recovery and faced with continued deflation, the Bank expects monetary easing to reinitiate (which may happen as early as May or most certainly in June) and the interest rates to stand at 2.50% at the end of Q3 2013.

Money Supply and the Banking Sector

Growth of retail deposits rebounded from a downward trend in Q1 2013 to over 9% YoY in March. In nominal terms, deposits increased by nearly PLN 16 billion in Q1 2013. Due to lack of improvement on the labour market and, more surprisingly, growth of alternative savings such as investment funds, the conclusion is that households are rebuilding the savings rate and exercising more caution about bigger spending.

The growth rate of household loans increased to more than 2% in Q1 2013 (v. 0.1% at the end of 2012) but it was mainly driven by the statistical base and the FX rate effect. Net of those, the growth rate was stable at 2.8%-3.0% YoY. Stagnation of retail loans was caused by a significant reduction of new property lending (-20% YoY in 2012, -17% YoY in January-February 2013), augmented by the expiry of the *Rodzina na Swoim* (Family's Own Home) programme and a decrease of consumer credit volumes prevailing since Q4 2011. Given a strong decrease of the growth rate of salaries, deteriorating consumer sentiment and growing risk aversion, the trend is expected to continue in the coming quarters.

Household loans and deposits

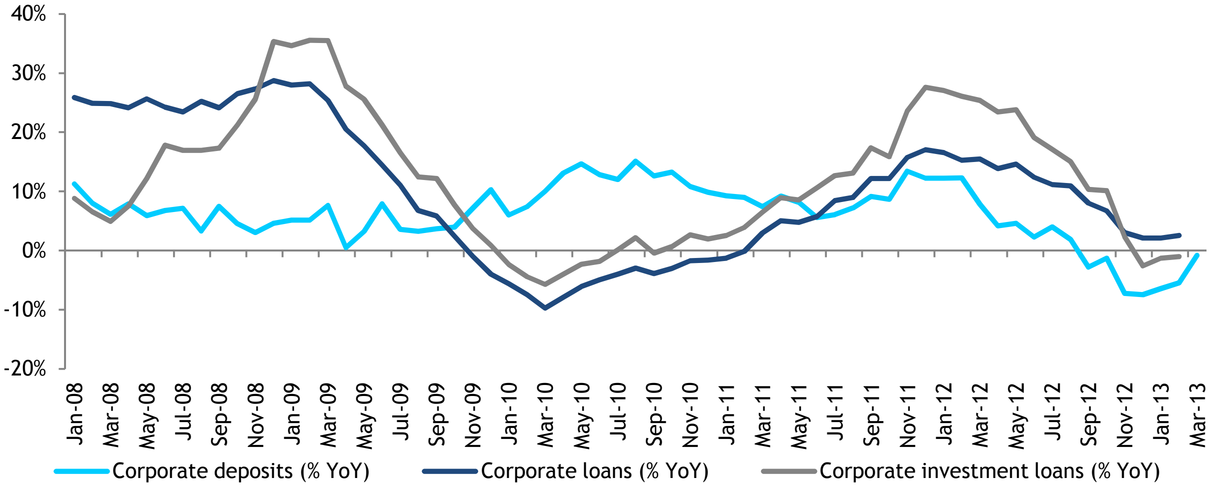


The year-on-year growth rate of housing loans was 4.9% net of the FX effect in February 2013 v. 9.2% in February 2012. The decrease of interest in real estate purchase was largely driven by the end of the *Rodzina na Swoim* (Family's Own Home) programme (more than 30% of new credit agreements signed in Q4 2012 were covered by the scheme). An alternative programme proposed by the government, *Mieszkanie dla Młodych* (Apartment for The Young), is expected to enter into force in early 2014, but the date has not been confirmed. In the Bank's opinion, the new programme will help to improve the overall condition of the economy and should be key to stimulate more lending, in contradistinction to the amendment of Recommendation S proposed by the Polish Financial Supervision Authority (PFSA). Considering the macroeconomic environment in 2013, the volume of real estate loans is likely to grow by 3-4% (net of the FX effect).

Growing uncertainty of consumers and their deteriorating financial standing are reflected in continued decrease of consumer credit volumes, down to PLN 126.8 billion in February 2013, which represents a negative growth rate of almost -4% (despite the positive statistical base effect). Prospects of improvement remain very limited as demand is falling (supply factors have changed very little in the last few quarters). The announced amendments to Recommendation T are unlikely to boost lending significantly, but they may cause a movement of some low-volume cash loans from quasi-banking institutions to banks. According to BRE Bank forecasts, consumer credit volumes may grow only modestly by the end of 2013; combined with a low statistical base of the end of 2012, this implies a growth rate of 2-3% YoY.

The growth rate of corporate deposits was back to around nil in Q1 2013 (-0.9% in March 2013 v. 6.2% in December 2012, net of the FX effect), mainly due to the statistical base effect. The monthly volatility of the aggregate is substantial but, on a quarterly basis, the decrease reported in 2012 (down by PLN 15.3 billion) should not recur. According to statistics, despite continued weak financial results and the trend to use own funds, reflected in credit aggregates, corporates are cutting spending so much that deposit volumes are no longer falling dramatically. In the Bank's opinion, even assuming low seasonal volatility, corporate deposits should increase by ca. 3-5% in 2013.

Corporate loans and deposits



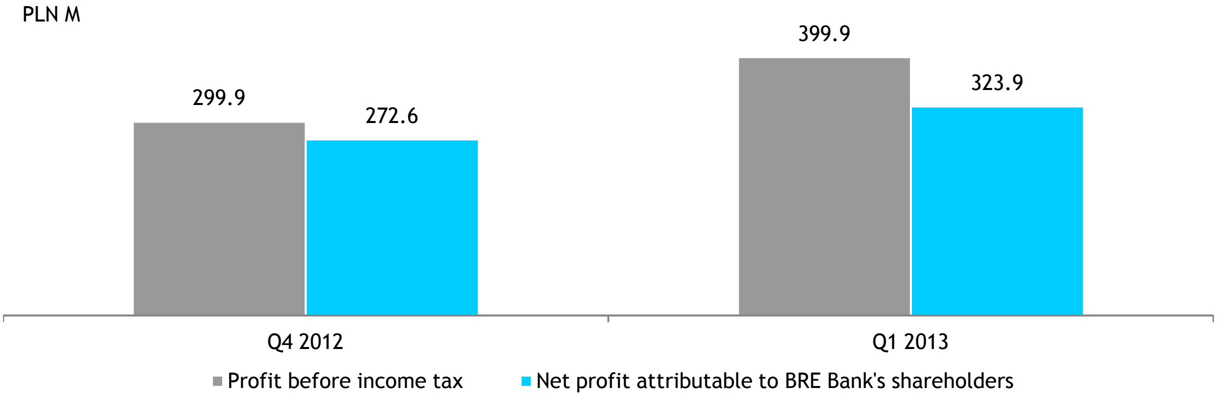
As for lending, the year-on-year growth rate of corporate loans continued to fall and stood at 0.1% in Q1 2013 (1.3% net of the FX effect). In nominal terms, the volume remains at ca. PLN 245 billion and there is little space for it to grow substantially in 2013 due to increasing investment aversion of corporates, reflected in sentiment surveys, as well as dwindling domestic demand. The statistical base effect may push the year-on-year growth rate of the aggregate below zero in Q2 2013 but, for the same reasons, it will close the year somewhat in the black at 1-2%. Investment loan volumes in Q1 decreased by around 2% YoY; the path of the change is similar to that in 2009 and has not reached yet its minimum (other than for the statistical base effect). It is relevant to mention a new government guarantee scheme launched by Bank Gospodarstwa Krajowego (BGK) in March 2013 in order to secure payment of working capital loans granted to SMEs. Agreements signed by BGK with seven banks (including BRE Bank) provide for more than PLN 5.5 billion of guarantees to secure PLN 9.2 billion of potential loans. In BRE Bank's opinion, the guarantee scheme will not impact lending volumes substantially but it will mitigate the uncertainty of small enterprises caused among others by payment bottlenecks and it may result in less radical investment or HR decisions.

Financial performance of BRE Bank Group in Q1 2013

Financial Results of BRE Bank Group

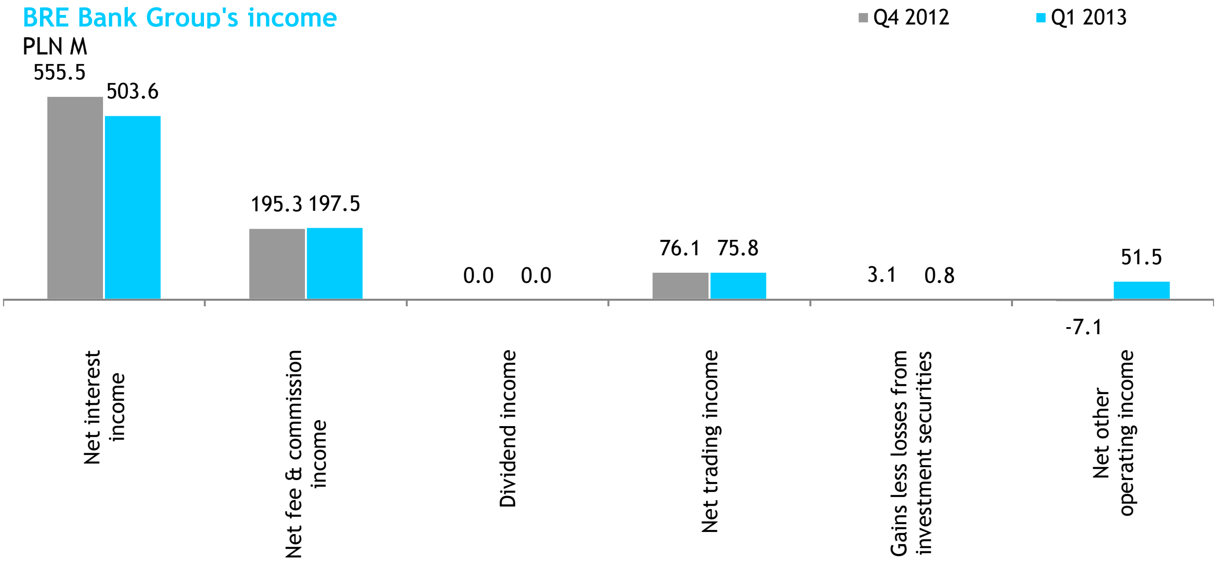
BRE Bank Group generated a profit before income tax of PLN 399.9 million in Q1 2013 (+33.3% QoQ). Net profit attributable to the shareholders of BRE Bank grew by 18.8% QoQ to PLN 323.9 million.

BRE Bank Group's profit



<u>Income of BRE Bank Group</u>

Total income of BRE Bank Group in Q1 2013 stood at PLN 829.2 million, which represents an increase by PLN 6.3 million or 0.8% QoQ.



Net interest income remained the Group's largest revenue source and reached PLN 503.6 million in Q1 2013, down by PLN 51.9 million or 9.3% QoQ.

Interest income decreased by PLN 125.4 million or 10.8% QoQ and reached PLN 1,034.3 million in Q1 2013. Loans and advances remained the main source of interest income (71.1%) decreasing by PLN 75.8 million or 9.3% QoQ and reached PLN 735.5 million following the interest rate cuts introduced by the Monetary Policy Council in Q1 2013. In addition, interest income from investment securities declined by PLN 12.9 million or 5.3% while interest income from debt securities held for trading decreased by PLN 6.2 million or 33.7% QoQ.

In Q1 2013, the cost of client deposits decreased by PLN 57.5 million or 12.8% supported by proactive cuts to the Bank's offered deposit rates. The second largest interest cost driver was once again the cost of bank deposits, which declined by PLN 6.5 million (-8.9%) QoQ. Interest cost of issued debt securities decreased by PLN 2.2 million (-3.9%).

BRE Bank Group's **net interest margin** declined to 2.1% at the end of Q1 2013 compared to 2.4% in the previous quarter.

Net fee and commission income in Q1 2013 stood at PLN 197.5 million, representing an increase by PLN 2.2 million or 1.1% QoQ, while its contribution to the Group's total income increased to 23.8%.

Fee and commission income in Q1 2013 was similar to the levels reported in Q4 2012 and stood at PLN 308.9 million (a decrease of PLN 1.4 million or -0.4%). Commissions for payment card services decreased by PLN 13.8 million or 13.2% QoQ mainly due to reduced interchange fees. The turnover volume increase at the Warsaw Stock Exchange resulted in higher net fee and commission income from brokerage activity in Q1 2013 by PLN 3.5 million or 21.9% QoQ. Credit related fees and commissions were up by PLN 3.8 million or 7.5%.

Fee and commission costs in Q1 2013 were lower and amounted to PLN 111.4 million compared to PLN 114.9 million in Q4 2012. The cost of payment card processing and insurance decreased by PLN 2.4 million or 4.8% QoQ. Commissions paid to third parties selling BRE Bank Group's products were up by PLN 1.4 million or 8.8% in Q1 2013.

BRE Bank Group reported no **dividend income** in Q1 2013.

Trading income stood at PLN 75.8 million in Q1 2013 and decreased by 0.4% QoQ. The Group's FX income decreased by PLN 12.0 million or 14.8% QoQ due to losses from FX swaps. Other trading income was positive at the level of PLN 6.8 million, compared to a loss of PLN 4.8 million in Q4 2012.

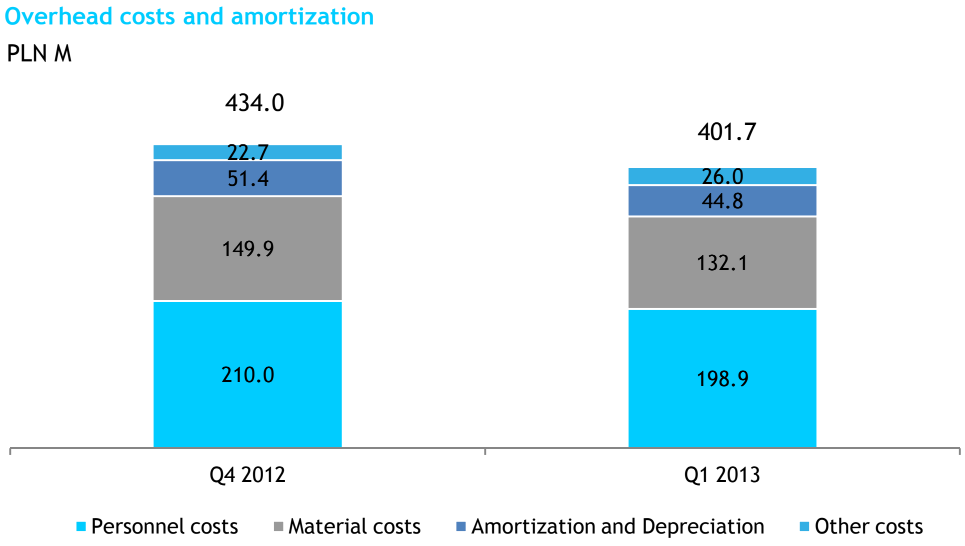
Gains less loses on investment securities and on investments in subsidiaries and affiliates reached PLN 0.8 million and decreased by PLN 2.3 million QoQ.

Net other operating income and costs (other operating income minus other operating expenses) stood at PLN 51.5 million in Q1 2013 compared to a loss of PLN 7.1 million in Q4 2012. The negative result reported in Q4 2012 was due to provisions set up against legal risks, unused employee holiday leave and office properties rental. The positive result in Q1 2013 was supported by the reversal of certain legal risk provisions in the Retail Banking segment as well as higher insurance revenues.

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

Overhead Costs of BRE Bank Group

Overhead costs of BRE Bank Group including amortisation and depreciation stood at PLN 401.7 million in Q1 2013, down by PLN 32.3 million or 7.5% QoQ.



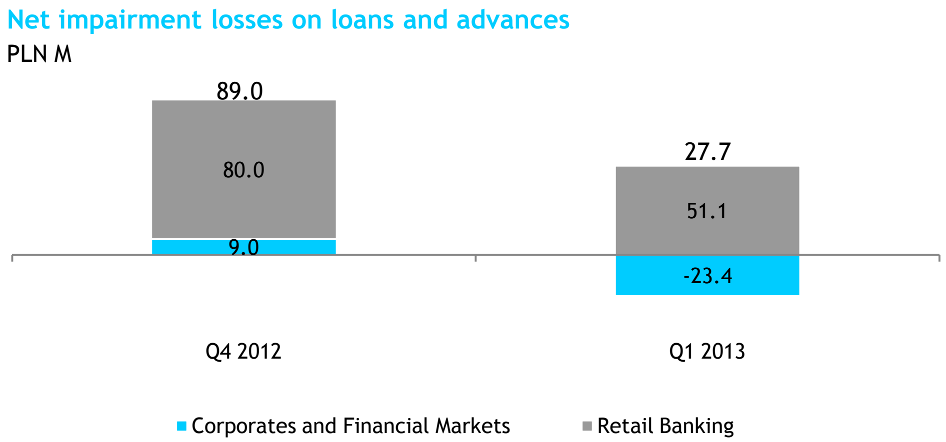
Personnel costs decreased by PLN 11.1 million or 5.3% in Q1 2013 mainly owing to lower payroll costs. The headcount of BRE Bank Group decreased by 9 FTEs in Q1 2013.

BRE Bank Group Headcount	31.03.2012	31.12.2012	% change QoQ
FTE	6,129	6,138	-0.1%

Moreover, the Group reported a decrease in material costs by PLN 17.9 million or 11.9%, mainly due to lower marketing and logistics costs.

Net impairment Losses on Loans and Advances

Net impairment losses on loans and advances of BRE Bank Group stood at PLN 27.7 million in Q1 2013, which represents a decrease of PLN 61.3 million QoQ.



Net impairment losses on loans and advances in Retail Banking stood at PLN 51.1 million in Q1 2013, compared to PLN 80.0 million reported in Q4 2012 (including a PLN 20.7 million of BBH's impairment losses on loans and advances). Net impairment losses on loans and advances in Corporates and Financial Markets were positive and amounted to PLN 23.4 million in Q1 2013, which was driven predominantly by the reversal of provisions for several corporate credit exposures in various industries. At the same time, the segment registered a limited amount of provisions for new exposures.

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

Consolidated Statement of Financial Position

Total assets of BRE Bank Group stood at PLN 103,139.4 million at the end of Q1 2013, which represents an increase of PLN 903.4 million or 0.9% QoQ. Excluding FX rate movements, total assets of BRE Bank Group decreased by 2.6%.

Assets of BRE Bank Group

Loans and advances to customers remained the largest asset category of the Group at the end of Q1 2013. Their share in total assets decreased modestly to 64.7% compared to 65.6% at the end of Q4 2012. Net loans and advances to customers stood at PLN 66,683.6 million in Q1 2013 and decreased by PLN 375.7 million or 0.6% QoQ (excluding reverse repo / buy sell back transactions and the FX effect, net loans decreased by ca. 1.1%).

Gross loans and advances to corporate clients decreased to PLN 27,921.6 million, i.e. by PLN 483.8 million or 1.7%, (reverse repo / buy sell back transactions and the FX effect had no impact on the portfolio decrease in Q1 2013). Loans and advances to retail clients increased by PLN 414.4 million or 1.1% QoQ and reached PLN 38,230.9 million, while excluding the FX effect, the portfolio increased by approximately 0.1%. Gross loans and advances to the public sector stood at PLN 2,574.5 million in Q1 2013, down by PLN 124.0 million or 4.6% QoQ.

Investment securities were the second largest asset category at the end of Q1 2013 and stood at PLN 23,544.2 million or 22.8% of total assets, increasing by PLN 3,550.8 million or 17.8% compared to Q4 2012. The change was driven by a reduction by PLN 2,325.8 million in balances with the central bank and an increase by PLN 1,954.0 million in government bonds portfolio.

Liabilities of BRE Bank Group

Amounts due to customers, which are the Group's principal source of funding, increased by PLN 548.4 million or 0.9% in Q1 2013 to PLN 58,532.0 million representing 62.8% of the Group's total liabilities.

Amounts due to corporate clients decreased by PLN 1,601.3 million or 6.6% to PLN 22,647.3 million in Q1 2013, while excluding repo transactions, amounts due to corporate clients decreased by 7.6% QoQ. Amounts due to retail clients increased by PLN 1,857.0 million or 5.6% to PLN 35,090.8 million. Amounts due to the public sector stood at PLN 793.8 million, representing an increase by PLN 292.6 million or 58.4%.

Amounts due to banks stood at PLN 21,688.1 million at the end of Q1 2013, representing 23.3% of total liabilities. Compared to Q4 2012, amounts due to banks grew by PLN 577.1 million or 2.7%.

The share of equity attributable to the shareholders of BRE Bank in the total liabilities of BRE Bank Group stood at 9.7% in March 2013, compared to 9.5% in December 2012. At the end of March 2013, equity attributable to the shareholders of BRE Bank amounted to PLN 9,953.1 million (+PLN 267.7 million or +2.8%).

Quality of the loan portfolio of BRE Bank Group

On March 31, 2013, the ratio of impaired loans to total loans remained stable. The decrease of gross loans and advances to clients translated into an increase in NPL ratio from 5.2% in Q4 2012 to 5.3% in Q1 2013.

Provisions for loans and advances to clients decreased by PLN 42.1 million QoQ to PLN 2,486.4 million, including PLN 2,286.3 million in provisions for impaired receivables (compared to PLN 2,329.8 million at the end of Q4 2012). Additionally, Incurred But Not Identified provisions (IBNI) increased from PLN 198.7 million at the end of Q4 2012 to PLN 200.1 million at the end of Q1 2013.

The ratio of provisions to impaired loans stood at 62.8% at the end of Q1 2013 compared to 64.1% in Q4 2012.

Performance Indicators

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

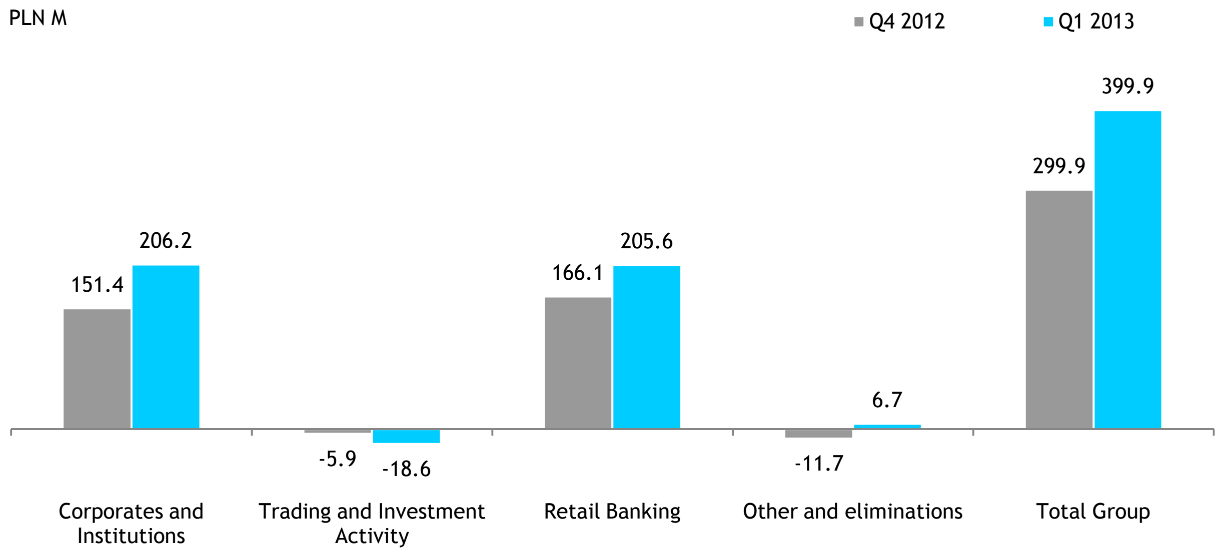
	31.03.2013	31.12.2012
ROA net	1.27%	1.23%
ROE pre-tax	16.8%	17.9%
ROE net	13.7%	14.6%
C / I	48.4%	46.4%
Capital Adequacy Ratio	18.87%	18.73%
Core Tier 1	13.51%	13.00%

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 contribution of the Retail Banking segment to the Group's profit before income tax in Q1 2013 decreased to 51.4%. from 55.4% in Q4 2012 The contribution of Corporates and Financial Markets stood at 46.9% and covered the result of Corporates and Institutions (51.6%) and Trading and Investment Activity (-4.7%).

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

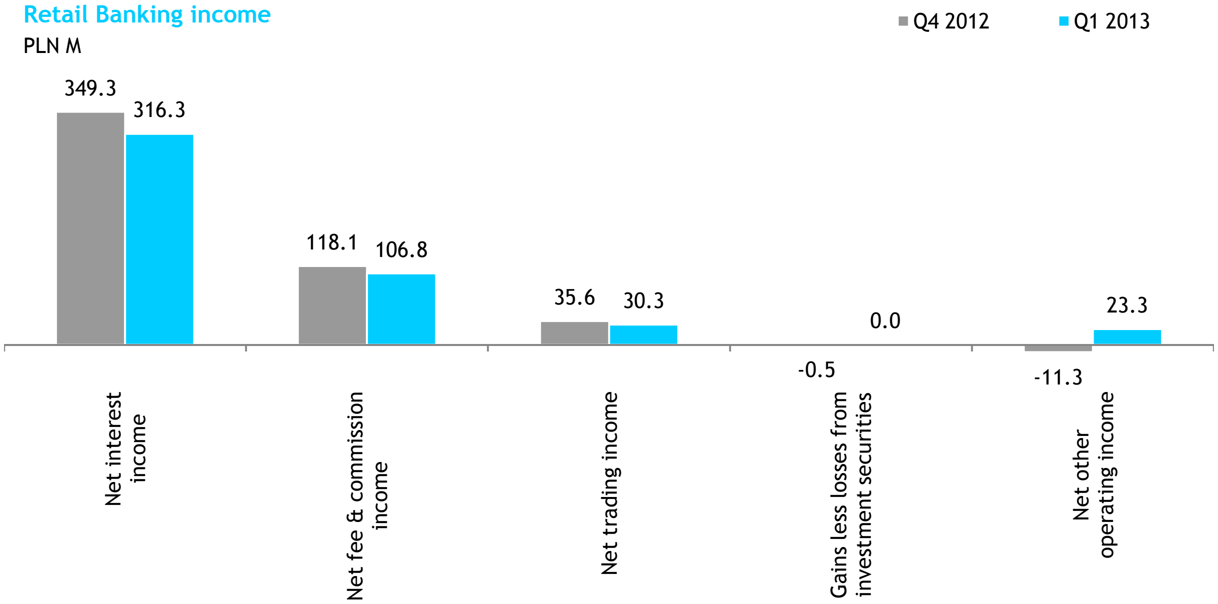


Retail Banking

<u>Summary of Segment Results</u>

In Q1 2013, the Retail Banking segment generated a profit before income tax of PLN 205.6 million, up by PLN 39.5 million or 23.8% QoQ.

Retail Banking income



The profit before income tax of Retail Banking in Q1 2013 was predominantly driven by:

- **Decrease of total income** by PLN 14.4 million or 2.9% QoQ to PLN 476.8 million. Net interest income decreased by PLN 33.0 million or 9.4%, while net fee and commission income was down by PLN 11.2 million or 9.5%.
- **Decrease of overhead costs** including amortisation and depreciation by PLN 25.0 million (-10.2%) QoQ to PLN 220.1 million, mainly due to lower personnel costs and amortization/depreciation costs.
- **Decrease of net impairment losses on loans and advances** compared to Q4 2012 (down by PLN 28.9 million or 36.1%).

Retail Operations in Poland (mBank and MultiBank)

Customers

BRE Bank's Retail Banking in Poland had 3,583.9 thousand customers at the end of Q1 2013. The number of new customers acquired in Q1 2013 reached 60.2 thousand (+1.7%) QoQ and 179.0 thousand (+5.3%) YoY.

Deposits and Investment Funds

Retail Banking deposits stood at PLN 29,018.4 million at the end of March 2013, which represents an increase of PLN 522.1 million or 1.8% QoQ and by 5,989.3 million or 26.0% YoY. The dynamic growth in the retail deposit base was mainly driven by the growing number of customers and increased balances on current accounts and accounts for transactional purposes.

The increase of the deposit base was accompanied by an the growth in assets under management of BRE Bank retail customers. These stood at PLN 1,788.3 million at the end of March 2013, up by PLN 73.7 million or 4.3% QoQ.

Loans

Net loans stood at PLN 35,316.7 million at the end of March 2013. In Q1 2013, loans decreased by PLN 312.0 million or 0.9% QoQ.

The structure of the loan portfolio was as follows:

- mortgage loans 83.1%,
- credit lines and overdrafts 7.3%,
- cash loans 5.1%,
- credit cards and charge cards 3.0%,
- other 1.5%.

Mortgage loans granted to retail customers stood at PLN 27,253.4 million at the end of Q1 2013. The main parameters of the portfolio are presented below:

Mortgage loans to households	Total
Balance-sheet value (PLN billion)	27.25
Average maturity (years)	21.36
Average value (PLN thousand)	282.53
Average LTV (%)	80.93
NPL (%)	1.75

Cards

The number of credit cards issued by the Bank until the end of Q1 2013 stood at 717.9 thousand. In Q1 2013, the number of new credit cards issued by BRE Bank reached 16.0 thousand.

The number of debit cards issued until the end of Q1 2013 stood at 5,014.0 thousand, increasing by 230.5 thousand QoQ.

Distribution Network

mBank

The distribution network of mBank comprised 90 locations (23 Financial Centres, 67 mKiosks) and 21 Agent Service Points.

Multibank

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

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

Customers

mBank in the Czech Republic and Slovakia had 639.1 thousand customers at the end of March 2013 (464.2 thousand at mBank CZ and 174.9 thousand at mBank SK). The number of customers of mBank's foreign operations grew by 33.2 thousand in Q1 2013.

Deposits

Deposits in the Czech Republic and Slovakia stood at EUR 1,168.6 million at the end of Q1 2013 (EUR 784.8 million at mBank CZ, EUR 383.8 million at mBank SK), which represents an increase by EUR 96.1 million or 9.0% QoQ.

Loans

Loans in the Czech Republic and Slovakia amounted to EUR 451.8 million at the end of Q1 2013 (EUR 377.3 million at mBank CZ, EUR 74.4 million at mBank SK), which constitutes an increase by EUR 21.6 million or 5.0% 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.

Retail Banking offer development and key highlights

- Introduction in January 2013 of a new product: Insurance for Revolving Loan Repayment dedicated to individual clients of mBank and MultiBank. Within 2 months, sales exceeded 3.2 thousand insurance policies. The insurance covers: accidental death, total and permanent or temporary incapacity to work as a result of an accident.
- Implementation of an application making it possible to transfer the history of operations from the client's main bank (the bank which maintains the client's main bank account) to mBank in order to be used by credit analysts to assess the client's credit risk.
- Change of credit limit from PLN 20 thousand to PLN 100 thousand available on-line to non-clients of mBank and MultiBank.
- Sales of Miles & More cards reached nearly 7 thousand cards in Q1 2013.

Subsidiaries of the Retail Banking area

BRE Ubezpieczenia TUiR SA Group

In Q1 2013, total premiums amounted to PLN 395.2 million, including PLN 277.7 million contributed by investment products. The direct area generated PLN 38.9 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 55.2 million.

In Q1 2013, BRE Ubezpieczenia Group generated a profit before income tax of PLN 12.2 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 Q1 2013, 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 Q1 2013, Aspiro reported a significant growth in the sales of car loans (+43.5% YoY), while the sales of cash loans increased by 38.9%. At the same time, Aspiro's sale of mortgage loans and investment products continued to fall (by 54.3% and 18.7% respectively),

In Q1 2013, the company reported a pre-tax loss amounting to PLN 0.7 million, mainly due to declining sales of mortgage loans and investment products.

BRE Wealth Management S.A. (BRE WM)

At the end of Q1 2013, BRE WM held assets under management worth PLN 4.1 billion, which represents and increase of PLN 419.1 million compared to Q4 2012.

In Q1 2013, the company's profit before income tax stood at PLN 2.1 million compared to PLN 3.5 million in Q4 2012. The Q4 2012 results were explained by the booking of a "success fee" for asset management only once a year, in December.

BRE Bank Hipoteczny SA (BBH)

Since January 1, 2013, the result generated by BRE Bank Hipoteczny contributes to the Retail Banking segment (previously was the result was ascribed to the Trading and Investment Activity segment). This change was made in connection with the new strategy adopted by BBH, which assumes that the company will be in the future a source of funding for mortgages offered to retail customers.

The loan portfolio of BBH stood at PLN 4,161 million at the end of Q1 2013 and increased by 1.3% QoQ. In Q1 2013, BBH sold PLN 121 million of mortgage loans compared to PLN 269 million in Q4 2012 and PLN 159 million a year earlier.

The company's profit before income tax in Q1 2013 reached PLN 7.6 million compared to pre-tax loss of PLN 10.0 million in Q4 2012. The improvement was driven by the absence of high impairment provisions which impacted on the Q4 2012 figure (PLN 2.4 million in Q1 2013 compared to PLN 20.7 million in Q4 2012).

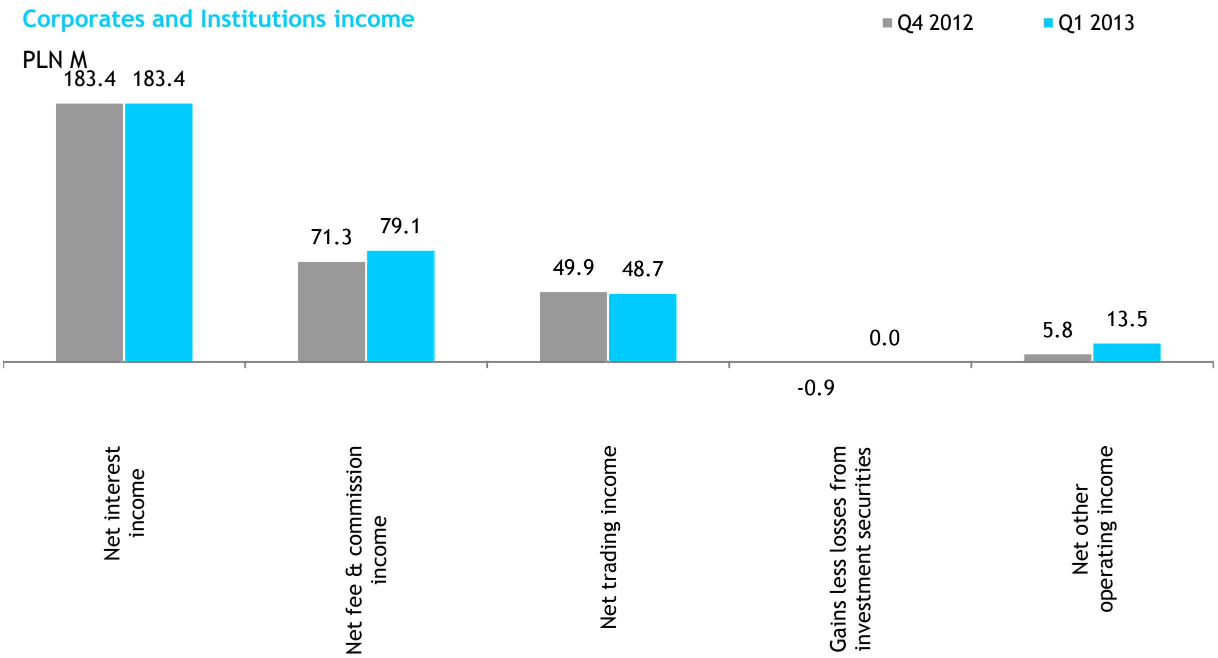
Corporates and Financial Markets

The Corporates and Financial Markets segment includes two business lines: Corporates and Institutions which covers the key area of customer relations, and Trading and Investment Activity connected with managing liquidity, risk management and relations with financial institutions.

<u>Corporates and Institutions</u>

Summary of Segment Results

In Q1 2013, Corporates and Institutions generated a profit before income tax of PLN 206.2 million, up by PLN 54.8 million or 36.2% QoQ.



The profit before income tax of Corporates and Institutions in Q1 2013 was predominantly driven by:

- **Increase of total income** by PLN 15.2 million or 4.9% QoQ to PLN 324.7 million. Net interest income remained flat, while net fee and commission income increased by PLN 7.8 million or 10.9% QoQ. Net trading income decreased by PLN 1.2 million or 2.4% in Q1 2013.

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

- **Decrease of overhead costs** including amortisation and depreciation by PLN 7.8 million or 5.2% QoQ to PLN 141.4 million, mainly due to lower personnel and material costs.
- **Positive balance of impairment losses on loans and advances** which stood at PLN 22.9 million. In Q1 2013, there were no major impairment losses on loans and advances, which was coupled with the reversal of certain credit exposures. Moreover, in Q1 2013 the financial standing of corporate clients remained at a satisfactory level.

Number of Corporate Customers

The total number of corporate customers stood at 15,296 at the end of March 2013, which constitutes an increase by 201 customers QoQ or by 882 customers YoY.

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

	31.12.2011	31.03.2012	31.12.2012	31.03.2013
K1*	1,185	1,207	1,228	1,243
K2*	4,246	4,260	4,583	4,701
K3*	8,546	8,947	9,284	9,352
Total	13,977	14,414	15,095	15,296

**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 21,925 million at the end of March 2013 and were down by 1.1% QoQ and up by 12.4% YoY.

Deposits placed by enterprises stood at PLN 16,983 million at the end of March 2013 and were down by 1.1% QoQ and up by 1.7% YoY. The reduction was lower than the market trend observed in corporate deposits (the deposit market decreased by 3.6% QoQ).

Corporate Customers' Loans

Loans granted to corporate clients by BRE Bank (excluding repo transactions) reached PLN 23,715 million at the end of March 2013 and were down by 0.2% QoQ and up by 1.8% YoY.

Loans to enterprises stood at PLN 16,429 million at the end of March 2013 and were comparable to the results in Q4 and Q1 2012 (-0.7% QoQ and 0.7% YoY*)*. The loan to deposit ratio for enterprises reached 96.7% and was lower compared to the market average (loan to deposit ratio for the market stood at 139.0%).

Loans granted to local governments totalled PLN 1,751 million at the end of Q1 2013 and were down by 4.3% QoQ.

Strategic Product Lines

Cash Management

In Q1 2013, the number of Direct Debit transactions reached 1,130.9 thousand and was up by 4.2% QoQ and by 18.4% YoY. In Q1 2013, the number of Trade Payment Identification transactions stood at above 2.4 million and was down by 3.8% QoQ and down by 12.8% YoY. In Q1 2013, the number of customers using the most advanced cash pooling solutions increased by 4.3% QoQ. At the end of March 2013, the Bank had 763 clients using Cash Pooling and Shared Balance products.

Corporate Network

At the end of March 2013, the corporate branch network of BRE Bank included 29 Branches and 18 Corporate Offices. In January 2013, the Corporate Office in Ostrołęka was closed down.

Corporate Banking offer development and key highlights

- Signing of a cooperation agreement with Bank Gospodarstwa Krajowego (BGK) concerning the **Portfolio Guarantee Line de minimis**, in March 2013. The agreement was signed within the framework of the government programme "Support for Entrepreneurship using BGK sureties and guarantees" financing guarantees for the repayment of revolving loans assumed by micro-enterprises as well as small and medium-sized enterprises. The limit of guarantees assigned to BRE Bank by BGK amounts to PLN 900 million, which allows BRE to grant about 1.5 billion of working capital loans backed by guarantees. The BGK credit guarantees were offered to BRE Bank clients at the beginning of April 2013.

- Launch of the **SCORE Service**. BRE Bank launched a new service based on SWIFT For Corporates. SCORE allows the Bank to satisfy the requirements of cross-corder capital groups or large corporations which use a centralised model for managing cash held by their subsidiaries located worlwide. SWIFT messages delivered directly to the client provide access to information on executed instructions and balances of accounts kept with BRE Bank.
- Introduction of **Private label cards.** Private label cards bear no logo of any payment organisation and allow the issuer to restrict their acceptance, e.g. to a specific retail chain or a single retailer. With no additional financial cost, companies may issue cards accepted only in their outlets, thus ensuring that funds will ultimately return to the company.

Subsidiaries of the Corporates and Institutions area

BRE Leasing Sp. z o.o.

The value of leasing contracts concluded by BRE Leasing in Q1 2013 stood at PLN 445.7 million, representing a decrease by 50.3% QoQ. The Q4 2012 result was mainly driven by one-off transaction of PLN 386.8 million in the real estate sector. The annual decrease by 2.7% reflects the general stagnation of the leasing market (in Q1 2013, the Polish leasing market grew by only 0.1% YoY). The value of leasing contracts concluded in the movables sector reached PLN 388.8 million and accounted for 87.2% of total sales, while the value of real estate leasing contracts amounted to PLN 57.0 million, representing 12.8% of total sales.

The profit before income tax of BRE Leasing in Q1 2013 stood at PLN 15.2 million compared to PLN 17.7 million in Q4 2012 (-14.0% QoQ), driven by declining sales.

BRE Faktoring SA

BRE Faktoring generated sales of PLN 1.7 billion in Q1 2013, which represents a decrease by 7.1% QoQ and 5.1% YoY. The decrease reflects the company's prudent risk management and limitation of exposure to clients with deteriorating financial standing. Later in the year, BRE Faktoring expects its sales growth to match the market rate again.

The profit before income tax of BRE Faktoring in Q1 2013 reached PLN 3.5 million compared to PLN 4.0 million in Q4 2012 (-19.2%), driven by declining sales.

Transfinance a.s.

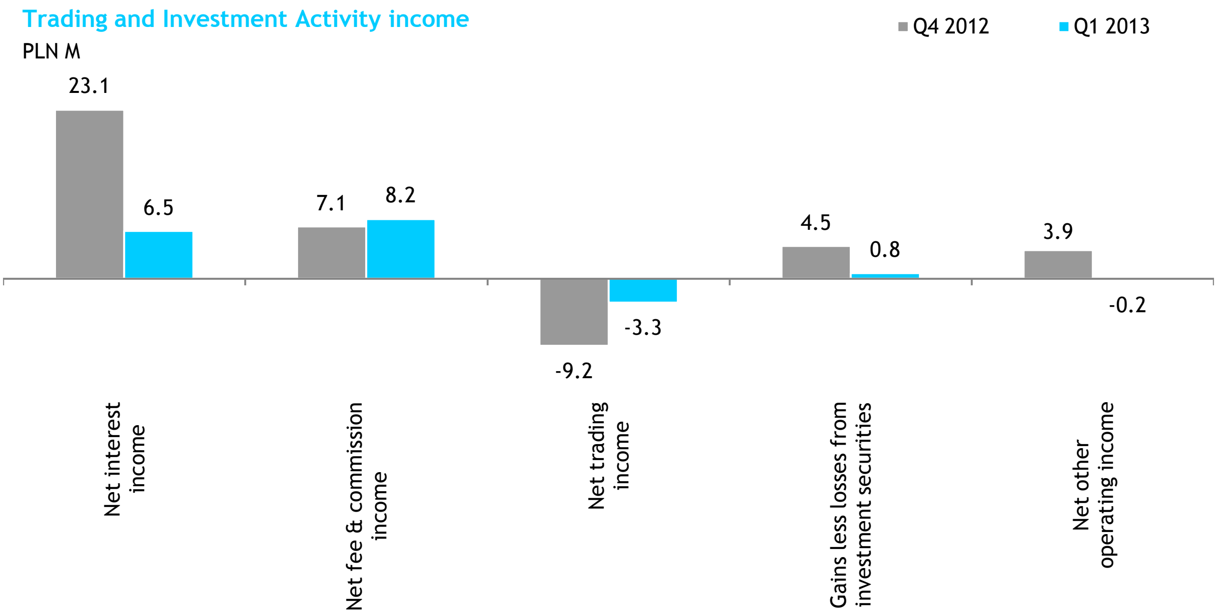
Transfinance generated sales increase to the level of PLN 0.8 billion in Q1 2013, representing an increase by 4.3% QoQ, due to sales growth in both, domestic and export factoring (8.4% and 13.3% respectively).

In Q1 2013, profit before income tax reached PLN 0.3 million, representing a decrease by 18.7% QoQ, mainly driven by higher impairment losses on loans and advances.

Trading and Investment Activity

Summary of Segment Results

In Q1 2013, Trading and Investment Activity segment generated a loss before income tax of PLN 18.6 million compared to a loss before income tax of PLN 5.9 million in Q4 2012.



The net result of Trading and Investment Activity in Q1 2013 was predominantly driven by:

- **Decrease of total income** by PLN 17.4 million or 59.2% QoQ to PLN 12.0 million. Net interest income decreased by PLN 16.6 million or 71.8% to PLN 6.5 million. Net fee and commission income was up by PLN 1.0 or 14.4% while the segment recognized a net trading loss of PLN 3.3 million driven by a negative result on interest rate instruments.
- **Decrease of overhead costs including amortisation and depreciation** by PLN 4.2 million or 11.8%, driven mainly by lower personnel and material costs.

Market position

BRE Bank ranked first in mid-term bank debt securities with a market share of 29.5%, second in mid-term corporate bonds with a market share of 16.1% and fourth in the market for arranging short-term debt securities with a market share of 11.6% (all data as at the end of March 2013).

The Bank remains very active in trading of financial instruments. Its market share stood at ca. 29.6% in interest rate derivatives, treasury bonds and bills trading stood at 9.9% and in trading in FX spot and forward instruments stood at 9.9% (data as at the end of February 2013).

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 4.6% in Q1 2013, equivalent to the position of the seventh biggest market participant, compared to the sixth position in Q4 2012. The activity of DI BRE in futures trading gave it the second position on the market and a market share of 16.7% in Q1 2013. In February, DI BRE completed the IPO of Polski Holding Nieruchomości SA worth PLN 238.6 million and acted as a consortium member - joint bookrunner. In March, DI BRE participated in an ABB transaction involving the shares of KRUK SA. The transaction totaled PLN 252 million.

DI BRE generated a profit before income tax of PLN 3.6 million in Q1 2013, compared to PLN 6.6 million in Q4 2012.

Other subsidiaries

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

BRE Centrum Operacji (BRE CO) cooperates with BRE Bank's corporate banking and retail banking as well as with BRE Group companies, providing them with mail room services as well as electronic and paper archive services. In Q1 2013, BRE CO generated a pre-tax loss of PLN 214 thousand, compared to a loss of PLN 144 thousand in Q4 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 first quarter of 2013 PLN (000's)

Consolidated income statement

	Note	1st Quarter (current year) period from 01.01.2013 to 31.03.2013	1st Quarter (previous year) period from 01.01.2012 to 31.03.2012
Interest income	5	1 034 266	1 079 228
Interest expense	5	(530 640)	(539 924)
Net interest income		**503 626**	**539 304**
Fee and commission income	6	308 896	324 725
Fee and commission expense	6	(111 360)	(102 457)
Net fee and commission income		**197 536**	**222 268**
Dividend income	7	26	20
Net trading income, including:	8	75 798	97 681
Foreign exchange result		*68 978*	*78 880*
Other trading income and result on hedge accounting		*6 820*	*18 801*
Gains less losses from investment securities, investments in subsidiaries and associates	9	774	16 026
Other operating income	10	93 029	75 776
Net impairment losses on loans and advances	11	(27 654)	(111 811)
Overhead costs	12	(356 928)	(343 766)
Amortization and depreciation		(44 774)	(48 341)
Other operating expenses	13	(41 574)	(34 816)
Operating profit		**399 859**	**412 341**
Profit before income tax		**399 859**	**412 341**
Income tax expense		(75 248)	(81 173)
Net profit		**324 611**	**331 168**
Net profit attributable to:			
- Owners of BRE Bank SA		323 946	331 072
- Non-controlling interests		665	96

Net profit attributable to Owners of BRE Bank SA		**323 946**	**331 072**
Weighted average number of ordinary shares	14	**42 140 918**	**42 102 746**
Basic earnings per share (in PLN)	14	**7.69**	**7.86**
Weighted average number of ordinary shares for diluted earnings	14	**42 181 191**	**42 156 837**
Diluted earnings per share (in PLN)	14	**7.68**	**7.85**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

Consolidated statement of comprehensive income

	1st Quarter (current year) period from 01.01.2013 to 31.03.2013	1st Quarter (previous year) period from 01.01.2012 to 31.03.2012
Net profit	**324 611**	**331 168**
Other comprehensive income net of tax	**(59 792)**	**81 458**
Exchange differences on translation of foreign operations (net)	(226)	(1 012)
Change in valuation of available for sale financial assets (net)	(59 566)	82 470
Total comprehensive income net of tax, total	**264 819**	**412 626**
Total comprehensive income (net), attributable to:		
- Owners of BRE Bank SA	264 154	412 530
- Non-controlling interests	665	96

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

Consolidated statement of financial position

ASSETS	Note	31.03.2013	31.12.2012	31.03.2012
Cash and balances with the Central Bank		2 493 404	4 819 203	1 680 525
Loans and advances to banks		3 778 497	3 944 578	3 367 006
Trading securities	15	1 429 069	1 150 886	1 795 975
Derivative financial instruments	16	2 726 519	2 802 695	1 349 410
Loans and advances to customers	17	66 683 562	67 059 254	65 232 807
Hedge accounting adjustments related to fair value of hedged items		1 944	2 439	1 188
Investment securities	18	23 544 201	19 993 388	16 690 609
Intangible assets	19	419 014	436 123	418 265
Tangible fixed assets	20	746 056	773 904	805 300
Current income tax assets		2 504	129	1 852
Deferred income tax assets	23	376 554	369 821	254 555
Other assets		938 078	883 626	1 004 679
Total assets		**103 139 402**	**102 236 046**	**92 602 171**
LIABILITIES AND EQUITY				
Liabilities				
Amounts due to the Central Bank		-	-	-
Amounts due to other banks		21 688 068	21 110 939	24 955 986
Derivative financial instruments	16	3 291 664	3 476 684	1 502 622
Amounts due to customers	21	58 531 953	57 983 600	49 704 976
Debt securities in issue		4 807 377	4 892 275	2 854 737
Hedge accounting adjustments related to fair value of hedged items		(2 898)	4 220	-
Subordinated liabilities		3 265 470	3 222 295	3 286 236
Other liabilities		1 344 053	1 394 845	1 407 748
Current income tax liabilities		39 265	226 215	246 314
Deferred income tax liabilities	23	1 703	1 662	884
Provisions	22	194 446	213 327	155 292
Total liabilities		**93 161 101**	**92 526 062**	**84 114 795**
Equity				
Equity attributable to Owners of BRE Bank SA		**9 953 145**	**9 685 493**	**8 463 370**
Share capital:		**3 502 233**	**3 501 633**	**3 493 812**
- Registered share capital		168 565	168 556	168 411
- Share premium		3 333 668	3 333 077	3 325 401
Retained earnings:		**6 026 920**	**5 700 076**	**4 826 314**
- Profit from the previous years		5 702 974	4 496 846	4 495 242
- Profit for the current year		323 946	1 203 230	331 072
Other components of equity		**423 992**	**483 784**	**143 244**
Non-controlling interests		**25 156**	**24 491**	**24 006**
Total equity		**9 978 301**	**9 709 984**	**8 487 376**
Total liabilities and equity		**103 139 402**	**102 236 046**	**92 602 171**
Capital adequacy ratio	24	**18.87**	**18.73**	**16.93**
Book value		**9 953 145**	**9 685 493**	**8 463 370**
Number of shares		**42 141 346**	**42 138 976**	**42 102 746**
Book value per share (in PLN)		**236.18**	**229.85**	**201.02**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

Consolidated statement of changes in equity

Changes from 1 January to 31 March 2013

	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 banking risk reserve	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 2013	168 556	3 333 077	3 353 504	94 863	945 953	1 305 756	-	106	483 678	9 685 493	24 491	9 709 984
Total comprehensive income							323 946	(226)	(59 566)	264 154	665	264 819
Issue of shares	9	-	-	-	-	-	-	-	-	9	-	9
Stock option program for employees	-	591	-	2 898	-	-	-	-	-	3 489	-	3 489
- value of services provided by the employees	-	-	-	*3 489*	-	-	-	-	-	*3 489*	-	*3 489*
- settlement of exercised options	-	*591*	-	*(591)*	-	-	-	-	-	-	-	-
Equity as at 31 March 2013	168 565	3 333 668	3 353 504	97 761	945 953	1 305 756	323 946	(120)	424 112	9 953 145	25 156	9 978 301

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 banking risk reserve	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 banking risk reserve	-	-	-	-	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 31 March 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 banking risk reserve	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							331 072	(1 012)	82 470	412 530	96	412 626
Transfer to general banking risk reserve	-	-	-	-	100 000	(100 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	966 012	-	-	(966 012)	-	-	-	-	-	-
Stock option program for employees	-	-	-	2 085	-	-	-	-	-	2 085	-	2 085
- value of services provided by the employees	-	-	-	*2 085*	-	-	-	-	-	*2 085*	-	*2 085*
Equity as at 31 March 2012	168 411	3 325 401	3 300 687	83 259	941 953	169 343	331 072	909	142 335	8 463 370	24 006	8 487 376

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

Consolidated statement of cash flows

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
A. Cash flows from operating activities	**(1 818 425)**	**(681 587)**
Profit before income tax	**399 859**	**412 341**
Adjustments:	***(2 218 284)***	***(1 093 928)***
Income taxes paid	(256 725)	(36 668)
Amortisation, including amortisation of fixed assets provided under operating lease	58 051	60 801
Foreign exchange (gains) losses related to financing activities	337 677	(1 340 649)
(Gains) losses on investing activities	(378)	(12 596)
Dividends received	(26)	(20)
Interest income (income statement)	(1 034 266)	(1 079 228)
Interest expense (income statement)	530 640	539 924
Interest received	1 087 148	1 165 786
Interest paid	(433 681)	(558 719)
Changes in loans and advances to banks	(398 514)	(913 890)
Changes in trading securities	62 181	377 040
Changes in assets and liabilities on derivative financial instruments	(107 931)	(175 412)
Changes in loans and advances to customers	354 802	2 615 019
Changes in investment securities	(3 577 764)	3 971 429
Changes in other assets	(61 078)	(145 573)
Changes in amounts due to other banks	500 180	(1 018 899)
Changes in amounts due to customers	655 081	(4 403 500)
Changes in debt securities in issue	132 021	127 847
Changes in provisions	(18 881)	2 124
Changes in other liabilities	(46 821)	(268 744)
Net cash generated from operating activities	**(1 818 425)**	**(681 587)**
B.Cash flows from investing activities	**(36 783)**	**(65 035)**
Investing activity inflows	**6 819**	**7 680**
Disposal of shares in subsidiaries, net of cash disposed	-	56
Disposal of intangible assets and tangible fixed assets	6 793	7 604
Dividends received	26	20
Investing activity outflows	**43 602**	**72 715**
Purchase of intangible assets and tangible fixed assets	43 602	72 715
Net cash used in investing activities	**(36 783)**	**(65 035)**
C. Cash flows from financing activities	**(668 004)**	**537 419**
Financing activity inflows	**331 786**	**1 296 421**
Proceeds from loans and advances from other banks	82 356	-
Issue of debt securities	249 421	1 296 421
Issue of ordinary shares	9	-
Financing activity outflows	**999 790**	**759 002**
Repayments of loans and advances from other banks	270 078	359 396
Repayments of other loans and advances	226 266	5 271
Redemption of debt securities	479 289	304 738
Acquisition of shares in subsidiaries	650	-
Payments of financial lease liabilities	114	87
Interest paid from loans and advances received from other banks and from subordinated liabilities	23 393	89 510
Net cash generated from financing activities	**(668 004)**	**537 419**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(2 523 212)**	**(209 203)**
Effects of exchange rate changes on cash and cash equivalents	5 592	4 734
Cash and cash equivalents at the beginning of the reporting period	7 578 317	4 675 211
Cash and cash equivalents at the end of the reporting period	**5 060 697**	**4 470 742**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

BRE Bank SA stand-alone financial information

Income statement

	Note	1st Quarter (current year) period from 01.01.2013 to 31.03.2013	1st Quarter (previous year) period from 01.01.2012 to 31.03.2012
Interest income		948 961	998 744
Interest expense		(495 804)	(511 642)
Net interest income		**453 157**	**487 102**
Fee and commission income		260 060	266 775
Fee and commission expense		(98 852)	(86 739)
Net fee and commission income		**161 208**	**180 036**
Dividend income		26	20
Net trading income, including:		71 201	92 639
Foreign exchange result		*65 723*	*78 311*
Other trading income and result on hedge accounting		*5 478*	*14 328*
Gains less losses from investment securities, investments in subsidiaries and associates		771	5 657
Other operating income		26 387	17 822
Net impairment losses on loans and advances		(17 389)	(109 864)
Overhead costs		(295 382)	(279 123)
Amortization and depreciation		(38 381)	(42 242)
Other operating expenses		(9 186)	(14 630)
Operating profit		**352 412**	**337 417**
Profit before income tax		**352 412**	**337 417**
Income tax expense		(66 641)	(67 211)
Net profit		**285 771**	**270 206**

Net profit		**285 771**	**270 206**
Weighted average number of ordinary shares	**14**	**42 140 918**	**42 102 746**
Basic earnings per share (in PLN)	**14**	**6.78**	**6.42**
Weighted average number of ordinary shares for diluted earnings	**14**	**42 181 191**	**42 156 837**
Diluted earnings per share (in PLN)	**14**	**6.77**	**6.41**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

BRE Bank SA stand-alone financial information

Statement of comprehensive income

	1st Quarter (current year) period from 01.01.2013 to 31.03.2013	1st Quarter (previous year) period from 01.01.2012 to 31.03.2012
Net profit	**285 771**	**270 206**
Other comprehensive income net of tax	**(58 531)**	**80 685**
Exchange differences on translation of foreign operations (net)	14	17
Change in valuation of available for sale financial assets (net)	(58 545)	80 668
Total comprehensive income net of tax, total	**227 240**	**350 891**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

BRE Bank SA stand-alone financial information

Statement of financial position

ASSETS	31.03.2013	31.12.2012	31.03.2012
Cash and balances with the Central Bank	2 489 177	4 816 095	1 676 999
Loans and advances to banks	4 911 742	5 052 629	4 559 074
Trading securities	1 641 260	1 528 994	1 874 486
Derivative financial instruments	2 725 626	2 796 542	1 327 736
Loans and advances to customers	62 023 702	62 100 314	59 411 241
Hedge accounting adjustments related to fair value of hedged items	1 944	2 439	1 188
Investment securities	23 314 455	19 740 852	17 040 046
Investments in subsidiaries	947 336	937 336	546 492
Intangible assets	372 686	389 325	371 768
Tangible fixed assets	463 806	480 647	520 667
Current income tax assets	1 601	-	-
Deferred income tax assets	134 955	127 505	13 986
Other assets	255 381	176 298	364 811
Total assets	99 283 671	98 148 976	87 708 494

LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the Central Bank	-	-	-
Amounts due to other banks	21 116 452	20 241 514	22 906 963
Derivative financial instruments	3 292 832	3 481 294	1 520 662
Amounts due to customers	60 505 649	59 881 918	49 574 960
Hedge accounting adjustments related to fair value of hedged items	(2 898)	4 220	-
Debt securities in issue	459 733	659 048	994 958
Subordinated liabilities	3 265 470	3 222 295	3 286 236
Other liabilities	1 111 329	1 147 996	1 147 837
Current income tax liabilities	30 094	217 940	233 541
Provisions for deferred income tax	81	79	80
Provisions	110 334	128 815	79 375
Total liabilities	89 889 076	88 985 119	79 744 612

Equity			
Share capital	3 502 233	3 501 633	3 493 812
- Registered share capital	168 565	168 556	168 411
- Share premium	3 333 668	3 333 077	3 325 401
Retained earnings:	5 464 553	5 175 884	4 245 002
- Profit for the previous year	5 178 782	3 976 400	3 974 796
- Net profit for the current year	285 771	1 199 484	270 206
Other components of equity	427 809	486 340	225 068
Total equity	9 394 595	9 163 857	7 963 882
Total liabilities and equity	99 283 671	98 148 976	87 708 494

Capital adequacy ratio	19.92	19.66	17.37
Book value	9 394 595	9 163 857	7 963 882
Number of shares	42 141 346	42 138 976	42 102 746
Book value per share (in PLN)	222.93	217.47	189.15

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

BRE Bank SA stand-alone financial information

Statement of changes in equity

Changes from 1 January to 31 March 2013

	Share capital		Retained earnings					Other components of equity		Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	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 2013	**168 556**	**3 333 077**	**3 027 390**	**23 867**	**925 143**	**1 199 484**	**-**	**(7 778)**	**494 118**	**9 163 857**
Total comprehensive income							**285 771**	**14**	**(58 545)**	**227 240**
Issue of shares	9	-	-	-	-	-	-	-	-	9
Stock option program for employees	-	591	-	2 898	-	-	-	-	-	3 489
- value of services provided by the employees	*-*	*-*	*-*	*3 489*	*-*	*-*	*-*	*-*	*-*	*3 489*
- settlement of exercised options	*-*	*591*	*-*	*(591)*	*-*	*-*	*-*	*-*	*-*	*-*
Equity as at 31 March 2013	**168 565**	**3 333 668**	**3 027 390**	**26 765**	**925 143**	**1 199 484**	**285 771**	**(7 764)**	**435 573**	**9 394 595**

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 banking risk reserve	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 banking risk reserve	-	-	-	-	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 31 March 2012

	Share capital		Retained earnings					Other components of equity		Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	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							**270 206**	**17**	**80 668**	**350 891**
Transfer to general banking risk reserve	-	-	-	-	100 000	(100 000)	-	-	-	-
Transfer to supplementary capital	-	-	966 012	-	-	(966 012)	-	-	-	-
Stock option program for employees	-	-	-	2 085	-	-	-	-	-	2 085
- value of services provided by the employees	*-*	*-*	*-*	*2 085*	*-*	*-*	*-*	*-*	*-*	*2 085*
Equity as at 31 March 2012	**168 411**	**3 325 401**	**3 027 390**	**22 263**	**925 143**	**-**	**270 206**	**(8 316)**	**233 384**	**7 963 882**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

BRE Bank SA stand-alone financial information

Statement of cash flows

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
A. Cash flows from operating activities	(2 199 646)	(504 392)
Profit before income tax	352 412	337 417
Adjustments:	*(2 552 058)*	*(841 809)*
Income taxes paid	(249 550)	(30 233)
Amortisation	38 381	42 242
Foreign exchange (gains) losses on financing activities	331 186	(1 343 580)
(Gains) losses on investing activities	(379)	(2 227)
Dividends received	(26)	(20)
Interest income (income statement)	(948 961)	(998 744)
Interest expenses (income statement)	495 804	511 642
Interest received	1 000 390	1 023 055
Interest paid	(396 900)	(508 436)
Changes in loans and advances to banks	(504 943)	(669 157)
Changes in trading securities	237 896	509 072
Changes in assets and liabilities on derivative financial instruments	(119 934)	(137 503)
Changes in loans and advances to customers	51 736	2 208 083
Changes in investment securities	(3 619 660)	3 989 191
Changes in other assets	(79 499)	(38 553)
Changes in amounts due to other banks	530 647	(906 956)
Changes in amounts due to customers	728 439	(4 328 983)
Changes in debt securities in issue	4 974	8 537
Changes in provisions	(18 481)	7 071
Changes in other liabilities	(33 178)	(176 310)
Net cash generated from operating activities	(2 199 646)	(504 392)
B.Cash flows from investing activities	(28 174)	(51 375)
Investing activity inflows	495	2 316
Disposal of shares in subsidiaries	-	56
Disposal of intangible assets and tangible fixed assets	469	2 240
Dividends received	26	20
Investing activity outflows	28 669	53 691
Purchase of intangible assets and tangible fixed assets	28 669	53 691
Net cash used in investing activities	(28 174)	(51 375)
C. Cash flows from financing activities	(382 852)	567 763
Financing activity inflows	82 365	986 421
Proceeds from loans and advances from other banks	82 356	-
Issue of debt securities	-	986 421
Issue of ordinary shares	9	-
Financing activity outflows	465 217	418 658
Repayments of loans and advances from other banks	2 079	321 212
Repayments of other loans and advances	226 266	5 271
Redemption of debt securities	204 289	-
Acquisition of shares in subsidiaries - increase of involvement	10 000	-
Payments of financial lease liabilities	2 416	2 665
Interest paid from loans and advances received from other banks and from subordinated liabilities	20 167	89 510
Net cash from financing activities	(382 852)	567 763
Net increase / decrease in cash and cash equivalents (A+B+C)	(2 610 672)	11 996
Effects of exchange rate changes on cash and cash equivalents	11 757	8 263
Cash and cash equivalents at the beginning of the reporting period	7 994 650	4 583 895
Cash and cash equivalents at the end of the reporting period	5 395 735	4 604 154

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 March 2013, BRE Bank 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 March 2013, the headcount of BRE Bank SA amounted to 4 734 FTEs (Full Time Equivalents) and of the Group to 6 129 FTEs (31 March 2012: Bank 4 728 FTEs, Group 6 211 FTEs).

As at 31 March 2013, the employment in BRE Bank SA was 5 689 persons and in the Group 7 875 persons (31 March 2012: Bank 5 680 persons, Group 8 209 persons).

The business activities of the Group are conducted in the following business segments presented in detail in Note 4.

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

Retail Banking Segment (including Private Banking)

- Aspiro SA, subsidiary
- BRE Bank Hipoteczny 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., subsidiary
- BRE.locum SA, subsidiary

Other information concerning companies of the Group

From the beginning of 2013, there was a change in the assignment to a segment of BRE Bank Hipoteczny. The company was assigned to the Retail Banking Segment (previously was part of Trading and Investment).

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 2012, published on 7 March 2013.

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 3-month period ended 31 March 2013.

The presented Condensed Consolidated Financial Statements for the first quarter of 2013 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).

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

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.

Consolidation does not cover those companies whose scale of business operations is immaterial in relation to the volume of business of the Group. 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	31.03.2013		31.03.2012	
	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	100%	full
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Centrum Operacji 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

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.

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.

Fee and commissions collected by the Group on account of issuance, renewal and change in the limit of credit and payment cards, guarantees granted as well as opening, extension and increase of letters of credit are accounted for a straight-line basis.

Fee and commissions collected by the Group on account of cash management operations, keeping of customer accounts, money transfers, brokerage business activities are recognised directly in the income statement.

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 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 and reduced by reinsurers' share in these positions. Costs of claims handling and costs of enforcement of recourses also comprise costs of legal proceedings. The item also comprises compensations and benefits due to co-insurance activity in the part related to the share of the Group. Compensations and benefits, net are recognised together with insurance premium revenue recognition under other operating income in the consolidated financial statements of the Group.

2.7 Segment reporting

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

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

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 Other 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/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 (Note 2.3), 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.

<u>Loans and receivables</u>

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 there with all the assets of this category are reclassified to the available for sale category.

In reporting periods presented in these 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.

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.

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.

Assets measured at fair value

At the end of the reporting period the Group estimates whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost resulting from higher credit risk is considered 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.

Renegotiated agreements

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 a gain or a 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). If 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, then the Group recognises the respective gains or losses from the first day in accordance with the principles described under Note 2.16.

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 recognised in Net trading income.

Fair value hedges

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

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

Cash flow hedges

The effective part of the fair value changes of derivative instruments designated and qualifying as cash flow hedges is recognised in 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.

Derivative instruments not fulfilling the criteria of hedge accounting

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

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

2.16 Gains and losses on initial recognition

The best evidence of fair value 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 amortised over the period of time.

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 amortization. Accumulated amortization is accrued by the straight line method taking into account the expected period of economic useful life of the respective intangible assets.

Goodwill

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

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units or groups of cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose and identified in accordance with IFRS 8.

Computer software

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

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

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

Development costs

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

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

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,
- 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 statement 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 recognised 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, amortization 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 taxable net difference is recognised in liabilities as 'Provisions for deferred income tax'. A deductible 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, amortization 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 to the extent it is probable that there will be sufficient taxable profits to allow them to recover. 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 liabilities 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 recognised as follows:

- Interests on finance lease

Revenue from finance lease is recognised on the accruals basis, based on the fixed rate of return calculated on the basis of all the cash flows related to the realisation 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 recognised in net amount as other operating income in the profit and loss account.

Revenue from operating lease is recognised 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.

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 Bank runs programmes of remuneration based on and settled in own shares as well as based on shares of the ultimate parent of the Bank 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 Bank. 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 Bank 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 programmes. In case of the part of the programme based on shares of the ultimate parent until the liability is settled, the Bank 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 banking risk reserve,
- undistributed profit for the previous year,
- net profit (loss) for the current year.

Other supplementary capital, other reserve capital and general banking risk reserve 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 in other components of equity.

Companies belonging to the Group

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

- assets and liabilities in each presented statement of financial position are converted at the average rate of exchange of the National Bank of Poland (NBP) in force at the end of this reporting period;
- revenues and expenses in each income statement are converted at the rate equal to the arithmetical mean of the average rates quoted by NBP on the last day of each of 3 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

Gains and losses on foreign exchange differences 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 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

These financial statements comply with all the International Accounting Standards and the International Financial Reporting Standards endorsed by the European Union, and the interpretations related to them, except for those standards and interpretations listed below which await endorsement of the European Union or which have been endorsed by the European Union but entered or will enter into force after the balance sheet date.

In the period covered by the financial statements, the Group did not decide for early application of the standards and interpretations which have been endorsed by the European Union, but entered or will enter into force after the balance sheet date.

Published Standards and Interpretations which have been issued and binding for the Group for annual periods starting on 1 January 2013:

Standards and interpretations approved by the European Union:

- IFRS 10, Consolidated Financial Statements (supersedes consolidation requirements of IAS 27), 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 (IAS 27 and IFRS 10 supersede IAS 27 Consolidated and Separate Financial Statements), binding for annual periods beginning on or after 1 January 2013.
- IAS 28, Investments in Associates and Joint Ventures (supersedes IAS 28 Investments in Associates), 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 IFRS 7, Disclosures - Offsetting Financial Assets and Financial Liabilities, binding for annual periods beginning on or after 1 January 2013.
- 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, binding for annual periods starting on or after 1 January 2013.
- Government Loans (Amendments to IFRS 1), binding for annual periods starting on or after 1 January 2013.

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:

- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities, binding for annual periods beginning on or after 1 January 2014.

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 12 and IAS 27, Investment Entities, binding for annual periods starting on or after 1 January 2014.

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.

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

2.32 Comparative data

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

In the fourth quarter of 2012, 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.

The change had no impact on the profit and equity in the presented comparative data as at 31 December 2012 and as at 31 March 2012.

The following tables present the impact of the restatement introduced in 2013 on presented comparative data in the consolidated and stand-alone financial statements.

Changes in BRE Bank Group consolidated statement of financial position as at 31 March 2012.

	31.03.2012 before adjustments	presentation adjustments	31.03.2012 after adjustments
Trading securities	1 234 846	561 129	1 795 975
Investments securities	14 160 314	2 530 295	16 690 609
Pledged assets	3 091 424	(3 091 424)	-
Total asstes	92 602 171	-	92 602 171

Changes in BRE Bank SA stand-alone statement of financial position as at 31 March 2012.

	31.03.2012 before adjustments	presentation adjustments	31.03.2012 after adjustments
Trading securities	1 313 357	561 129	1 874 486
Investments securities	14 511 224	2 528 822	17 040 046
Pledged assets	3 089 951	(3 089 951)	-
Total asstes	87 708 494	-	87 708 494

3. Major estimates and judgments made in connection with the application of accounting policy principles

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

Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. 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 March 2013, 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 adoption of '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 and which offers a full range of the Bank's banking products and services as well as specialized products offered by a number of subsidiaries belonging to the Retail Banking segment. The key products in this segment include current and savings accounts (including accounts in foreign currencies), term deposits, lending products (retail mortgage loans and non-mortgage loans such as 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 Bank Hipoteczny SA, 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. and MLV 35 Sp. z o.o. spółka komandytowo-akcyjna.

- *The Trading and Investment* sub-segment (business line) consists primarily of treasury, financial markets, and financial institutions 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 Finance France SA and Dom Inwestycyjny BRE Banku 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.

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).

From the beginning of 2013, there was a change in the assignment to a segment of BRE Bank Hipoteczny. The company was assigned to the Retail Banking segment (previously was part of Trading and Investment sub-segment). This change was made in connection with the new strategy adopted by BRE Bank Hipoteczny SA, which assumes that the company will be in the future a source of funding for mortgages offered to retail customers.

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.

The primary basis used by the Group in the segment reporting is business line division. Additionally, the Group's activity is presented by geographical areas reporting broken down into Poland and foreign countries. Foreign countries segment include activity of mBank's foreign branches in Czech Republic and Slovakia as well as activity of foreign subsidiaries Transfinance a.s. and BRE Finance France SA.

The BRE Bank Group business segment reporting

Business segment reporting on the activities of BRE Bank Group
for the period from 1 January to 31 March 2013
(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	183 437	6 528	316 291	(2 630)	-	503 626	503 626
- sales to external clients	162 401	206 423	136 435	(1 633)	-	503 626	
- sales to other segments	21 036	(199 895)	179 856	(997)	-	-	
Net fee and commission income	79 093	8 150	106 809	(1 802)	5 286	197 536	197 536
- sales to external clients	74 310	12 141	112 887	(1 802)	-	197 536	
- sales to other segments	4 783	(3 991)	(6 078)	-	5 286	-	
Dividend income	-	-	22	4	-	26	26
Trading income	48 698	(3 275)	30 332	43	-	75 798	75 798
Gains less losses from investment securities, investments in subsidiaries and associates	3	771	-	-	-	774	774
Other operating income	19 824	162	35 499	42 830	(5 286)	93 029	93 029
Net impairment losses on loans and advances	22 920	535	(51 106)	(3)	-	(27 654)	(27 654)
Overhead costs	(124 117)	(28 275)	(196 268)	(8 268)	-	(356 928)	(356 928)
Amortization and depreciation	(17 292)	(2 890)	(23 815)	(777)	-	(44 774)	(44 774)
Other operating expenses	(6 374)	(327)	(12 150)	(22 723)	-	(41 574)	(41 574)
Gross profit of the segment	206 192	(18 621)	205 614	6 674	-	399 859	399 859
Income tax						(75 248)	(75 248)
Net profit attributable to Owners of BRE Bank SA						323 946	323 946
Net profit attributable to non-controlling interests						665	665
Assets of the segment	24 596 470	34 929 513	42 755 312	858 107	-	103 139 402	103 139 402
Liabilities of the segment	19 941 592	33 714 928	38 551 875	952 706	-	93 161 101	93 161 101
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(14 834)	(1 570)	(9 192)	(25)	-	(25 621)	
Other costs/ income without cash outflows/ inflows*	569	(121 121)	3 268	-	-	(117 284)	
- other non-cash costs	*(316)*	*(595 686)*	*-*	-	-	*(596 002)*	
- other non-cash income	*885*	*474 565*	*3 268*	-	-	*478 718*	

* Other costs/income without cash outflows/inflows includes income and expenses arising from valuation of 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 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	133 281	1 385 805	(13 371)	749	2 233 632	2 233 632
- sales to external clients	594 238	854 850	784 891	(347)	-	2 233 632	
- sales to other segments	132 930	(721 569)	600 914	(13 024)	749	-	
Net fee and commission income	309 460	37 451	479 662	(2 739)	16 046	839 880	839 880
- sales to external clients	287 611	54 782	500 226	(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	37 958	134 785	(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	4 721	117 182	119 667	(44 392)	275 721	275 721
Net impairment losses on loans and advances	(166 661)	(15 383)	(262 584)	(7)	-	(444 635)	(444 635)
Overhead costs	(510 327)	(125 380)	(820 397)	(37 281)	27 597	(1 465 788)	(1 465 788)
Amortization and depreciation	(79 350)	(11 550)	(101 627)	(3 090)	-	(195 617)	(195 617)
Other operating expenses	(40 492)	(1 240)	(68 463)	(76 305)	-	(186 500)	(186 500)
Gross profit of the segment	512 727	93 638	866 433	(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	25 136 704	34 087 188	42 177 386	834 768	-	102 236 046	102 236 046
Liabilities of the segment	20 660 447	33 081 039	37 810 589	973 987	-	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	53 372	5 934	133	-	65 576	
- other non-cash costs	*(877)*	*(2 243 438)*	*-*	*-*	*-*	*(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 includes income and expenses arising from valuation of 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 March 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	173 601	46 892	321 639	(2 828)	-	539 304	539 304
- sales to external clients	124 472	210 076	205 309	(553)	-	539 304	
- sales to other segments	49 129	(163 184)	116 330	(2 275)	-	-	
Net fee and commission income	88 232	10 646	117 770	(286)	5 906	222 268	222 268
- sales to external clients	82 490	14 578	125 486	(286)	-	222 268	
- sales to other segments	5 742	(3 932)	(7 716)	-	5 906	-	
Dividend income	-	-	20	-	-	20	20
Trading income	44 724	19 221	33 708	28	-	97 681	97 681
Gains less losses from investment securities, investments in subsidiaries and associates	8	5 643	-	10 375	-	16 026	16 026
Other operating income	18 570	203	31 436	32 496	(6 929)	75 776	75 776
Net impairment losses on loans and advances	(55 151)	(14)	(56 644)	(2)	-	(111 811)	(111 811)
Overhead costs	(122 044)	(30 309)	(182 822)	(9 614)	1 023	(343 766)	(343 766)
Amortization and depreciation	(19 981)	(2 886)	(24 687)	(787)	-	(48 341)	(48 341)
Other operating expenses	(6 805)	(123)	(4 550)	(23 338)	-	(34 816)	(34 816)
Gross profit of the segment	121 154	49 273	235 870	6 044	-	412 341	412 341
Income tax						(81 173)	(81 173)
Net profit attributable to Owners of BRE Bank SA						331 072	331 072
Net profit attributable to non-controlling interests						96	96
Assets of the segment	24 977 636	24 925 291	41 854 228	845 016	-	92 602 171	92 602 171
Liabilities of the segment	20 514 965	31 526 016	30 874 726	1 199 088	-	84 114 795	84 114 795
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(19 059)	(3 200)	(5 070)	(113)	-	(27 442)	
Other costs/ income without cash outflows/ inflows*	910	193 930	(14 033)	121	-	180 928	
- other non-cash costs	*(704)*	*(310 371)*	*(16 890)*	*-*	-	*(327 965)*	
- other non-cash income	*1 614*	*504 301*	*2 857*	*121*	-	*508 893*	

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

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The BRE Bank Group geographical areas reporting

Geographical areas reporting on the acivities of BRE Bank Group for the period from	1 January to 31 March 2013			1 January to 31 December 2012			1 January to 31 March 2012		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	483 794	19 832	503 626	2 140 429	93 203	2 233 632	520 706	18 598	539 304
Net fee and commission income	193 841	3 695	197 536	820 318	19 562	839 880	217 741	4 527	222 268
Dividend income	26	-	26	13 902	-	13 902	20	-	20
Trading income	74 801	997	75 798	352 828	3 714	356 542	97 380	301	97 681
Gains less losses from investment securities, investments in subsidiaries and associates	774	-	774	44 966	-	44 966	16 026	-	16 026
Other operating income	92 831	198	93 029	270 590	5 131	275 721	75 735	41	75 776
Net impairment losses on loans and advances	(24 738)	(2 916)	(27 654)	(430 487)	(14 148)	(444 635)	(109 445)	(2 366)	(111 811)
Overhead costs	(331 842)	(25 086)	(356 928)	(1 387 658)	(78 130)	(1 465 788)	(327 121)	(16 645)	(343 766)
Amortization and depreciation	(43 533)	(1 241)	(44 774)	(190 779)	(4 838)	(195 617)	(47 078)	(1 263)	(48 341)
Other operating expenses	(40 923)	(651)	(41 574)	(177 385)	(9 115)	(186 500)	(34 244)	(572)	(34 816)
Gross profit of the segment	405 031	(5 172)	399 859	1 456 724	15 379	1 472 103	409 720	2 621	412 341
Income tax			(75 248)			(268 292)			(81 173)
Net profit attributable to Owners of BRE Bank SA			323 946			1 203 230			331 072
Net profit attributable to non-controlling interests			665			581			96
Assets of the segment, including:	100 697 824	2 441 578	103 139 402	100 024 122	2 211 924	102 236 046	90 517 299	2 084 872	92 602 171
- tangible assets	1 146 951	18 119	1 165 070	1 192 443	17 584	1 210 027	1 200 643	22 922	1 223 565
- deferred income tax assets	372 709	3 845	376 554	365 955	3 866	369 821	250 547	4 008	254 555
Liabilities of the segment	85 781 792	7 379 309	93 161 101	85 741 819	6 784 243	92 526 062	80 131 277	3 983 518	84 114 795

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5. Net interest income

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Interest income		
Loans and advances including the unwind of the impairment provision discount	735 451	769 383
Investment securities	228 931	215 690
Cash and short-term placements	26 111	34 312
Trading debt securities	12 166	17 698
Interest income on derivatives classified into banking book	28 327	39 130
Other	3 280	3 015
Total interest income	**1 034 266**	**1 079 228**
Interest expense		
Arising from amounts due to banks	(66 252)	(100 325)
Arising from amounts due to customers	(390 617)	(382 506)
Arising from issue of debt securities	(53 960)	(34 673)
Other borrowed funds	(14 887)	(14 687)
Interest expense on derivatives concluded under the hedge accounting	(102)	(267)
Other	(4 822)	(7 466)
Total interest expense	**(530 640)**	**(539 924)**

Interest income related to impaired financial assets amounted to PLN 47 652 thousand (31 March 2012: PLN 47 660 thousand).

6. Net fee and commission income

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Fee and commission income		
Payment cards-related fees	90 828	96 597
Credit-related fees and commissions	53 928	62 786
Commissions from insurance activity	35 483	42 384
Fees from brokerage activity	19 434	21 711
Commissions from bank accounts	39 217	30 019
Commissions from money transfers	20 844	23 448
Commissions due to guarantees granted and trade finance commissions	8 975	9 203
Commission for agency service regarding sale of products of external financial entities	16 447	15 799
Commissions on trust and fiduciary activities	4 745	4 018
Fees from portfolio management services and other management-related fees	2 530	484
Other	16 465	18 276
Total fee and commission income	**308 896**	**324 725**
Fee and commission expense		
Payment cards-related fees	(48 925)	(40 171)
Commissions paid to external entities for sale of the Bank's products	(17 726)	(16 873)
Insurance activity-related fees	(2 135)	(2 930)
Discharged brokerage fees	(7 372)	(7 793)
Other discharged fees	(35 202)	(34 690)
Total fee and commision expense	**(111 360)**	**(102 457)**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Fee and commission income from insurance activity		
- Income from insurance intermediation	30 500	37 756
- Income from insurance policies administration	4 983	4 628
Total fee and commission income from insurance activity	35 483	42 384

7. Dividend income

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Securities available for sale	26	20
Total dividend income	26	20

8. Net trading income

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Foreign exchange result	68 978	78 880
Net exchange differences on translation	163 386	(128 381)
Net transaction gains/(losses)	(94 408)	207 261
Other net trading income and result on hedge accounting	6 820	18 801
Interest-bearing instruments	6 096	16 106
Equity instruments	(1 351)	1 516
Market risk instruments	420	1 106
Result on hedge accounting, including:	1 655	73
- Net profit on hedged items	6 623	(736)
- Net profit on hedging instruments	(4 968)	809
Total net trading income	75 798	97 681

'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.

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

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

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Sale/redemption of financial assets available for sale, investments in subsidiaries and associates	774	16 026
Total gains and losses from investment securities	**774**	**16 026**

10. Other operating income

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	35 231	21 975
Income from insurance activity net	17 738	24 659
Income from services provided	7 728	6 255
Net income from operating lease	4 049	4 676
Income due to release of provisions for future commitments	13 993	3 419
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	165	18
Income from compensations, penalties and fines received	11	4
Other	14 114	14 770
Total other operating income	**93 029**	**75 776**

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 first quarter of 2013 and the first quarter of 2012 is presented below.

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Income from premiums		
- Premiums attributable	42 339	40 992
- Change in provision for premiums	2 421	1 511
Premiums earned	**44 760**	**42 503**
Reinsurer's shares		
- Gross premiums written	(17 925)	(17 501)
- Change in unearned premiums reserve	(579)	1 665
Reinsurer's share in premiums earned	**(18 504)**	**(15 836)**
Net premiums earned	**26 256**	**26 667**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

Claims and benefits		
- Claims and benefits paid out in the current year including costs of liquidation before tax	(21 439)	(13 730)
- Change in provision for claims and benefits paid out in the current year including costs of liquidation before tax	(5 190)	783
- Reinsurer's share in claims and benefits paid out in the current year including costs of liquidation	15 224	11 072
- Change in provision for reinsurer's share of claims and benefits paid out in the current year including costs of liquidation	3 937	1 008
Claims and benefits net	(7 468)	(867)
- Other costs net of reinsurance	(988)	(972)
- Other operating income	2	(69)
- Costs of expertise and certificates concerning underwriting risk	(64)	(100)
Total net income from insurance activity	17 738	24 659

Net income from operating lease for the first quarter of 2013 and the first quarter of 2012 is presented below.

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Net income from operating lease, including:		
- Income from operating lease	17 326	17 136
- Depreciation cost of fixed assets provided under operating lease	(13 277)	(12 460)
Total net income from operating lease	4 049	4 676

11. Net impairment losses on loans and advances

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Net impairment losses on amounts due from other banks	88	51
Net impairment losses on loans and advances to customers	(35 794)	(109 636)
Net impairment losses on off-balance sheet contingent liabilities due to customers	8 052	(2 226)
Total net impairment losses on loans and advances	(27 654)	(111 811)

12. Overhead costs

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Staff-related expenses	(198 912)	(189 335)
Material costs	(132 052)	(129 457)
Taxes and fees	(10 703)	(7 945)
Contributions and transfers to the Bank Guarantee Fund	(13 413)	(15 114)
Contributions to the Social Benefits Fund	(1 723)	(1 595)
Other	(125)	(320)
Total overhead costs	(356 928)	(343 766)

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

Staff-related expenses for the first quarter of 2013 and the first quarter of 2012 is presented below.

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Wages and salaries	(160 463)	(153 054)
Social security expenses	(29 104)	(27 039)
Remuneration concerning share-based payments, including:	(3 489)	(2 351)
- share-based payments settled in BRE Bank SA shares	(3 489)	(2 085)
- cash-settled share-based payments	-	(266)
Other staff expenses	(5 856)	(6 891)
Staff-related expenses, total	**(198 912)**	**(189 335)**

13. Other operating expenses

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	(25 662)	(15 850)
Provisions for future commitments	(702)	(7 447)
Donations made	(63)	(2 548)
Compensation, penalties and fines paid	(128)	(106)
Costs arising from provisions created for other receivables (excluding loans and advances)	(242)	(215)
Costs of sale of services	(816)	(416)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(1)	(5)
Impairment provisions created for tangible fixed assets, intangible assets and other non-financial assets	-	(16)
Other operating costs	(13 960)	(8 213)
Total other operating expenses	**(41 574)**	**(34 816)**

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 3 months – BRE Bank Group consolidated data

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Basic:		
Net profit attributable to Owners of BRE Bank SA	323 946	331 072
Weighted average number of ordinary shares	42 140 918	42 102 746
Net basic profit per share (in PLN per share)	**7.69**	**7.86**
Diluted:		
Net profit attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	323 946	331 072
Weighted average number of ordinary shares	42 140 918	42 102 746
Adjustments for:		
- share options	40 273	54 091
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 181 191	42 156 837
Diluted earnings per share (in PLN per share)	**7.68**	**7.85**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2013 PLN (000's)

Earnings per share for 3 months – BRE Bank stand alone data

the period	from 01.01.2013 to 31.03.2013	from 01.01.2012 to 31.03.2012
Basic:		
Net profit	285 771	270 206
Weighted average number of ordinary shares	42 140 918	42 102 746
Net basic profit per share (in PLN per share)	**6.78**	**6.42**
Diluted:		
Net profit applied for calculation of diluted earnings per share	285 771	270 206
Weighted average number of ordinary shares	42 140 918	42 102 746
Adjustments for:		
- share options	40 273	54 091
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 181 191	42 156 837
Diluted earnings per share (in PLN per share)	**6.77**	**6.41**

15. Trading securities

	31.03.2013			31.12.2012			31.03.2012		
	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:	605 004	788 996	1 394 000	550 040	559 644	1 109 684	1 210 092	561 129	1 771 221
Issued by government	389 875	788 996	1 178 871	246 453	559 644	806 097	1 166 223	561 129	1 727 352
- government bonds	388 812	788 996	1 177 808	246 134	559 644	805 778	1 137 517	492 013	1 629 530
- treasury bills	1 063	-	1 063	319	-	319	28 706	69 116	97 822
Other debt securities	215 129	-	215 129	303 587	-	303 587	43 869	-	43 869
- bank's bonds	47 141	-	47 141	231 196	-	231 196	19 942	-	19 942
- deposit certificates	94 042	-	94 042	26 459	-	26 459	14 473	-	14 473
- corporate bonds	73 946	-	73 946	45 932	-	45 932	9 454	-	9 454
Equity securities:	35 069	-	35 069	41 202	-	41 202	24 754	-	24 754
- listed	2 437	-	2 437	10 986	-	10 986	3 834	-	3 834
- unlisted	32 632	-	32 632	30 216	-	30 216	20 920	-	20 920
Total debt and equity	640 073	788 996	1 429 069	591 242	559 644	1 150 886	1 234 846	561 129	1 795 975

16. Derivative financial instruments

	31.03.2013		31.12.2012		31.03.2012	
	assets	liabilities	assets	liabilities	assets	liabilities
Held for trading derivative financial instruments classified into banking book	33 290	53 704	158 840	39 540	271 165	61 048
Held for trading derivative financial instruments classified into trading book	2 687 233	3 235 675	2 643 855	3 430 946	1 077 977	1 439 877
Derivative financial instruments held for hedging	5 996	2 285	-	6 198	268	1 697
Total derivative financial instruments	**2 726 519**	**3 291 664**	**2 802 695**	**3 476 684**	**1 349 410**	**1 502 622**

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

	31.03.2013	31.12.2012	31.03.2012
Loans and advances to individuals:	**38 230 868**	**37 816 508**	**37 535 301**
- current accounts	4 755 303	4 600 545	4 239 921
- term loans, including:	33 475 565	33 215 963	33 295 380
housing and mortgage loans	29 367 929	29 171 827	29 636 719
Loans and advances to corporate entities:	**27 921 566**	**28 405 403**	**26 766 245**
- current accounts	4 179 044	4 255 092	4 078 451
- term loans:	20 661 472	20 897 898	21 111 154
corporate & institutional enterprises	5 591 343	5 857 708	6 673 877
medium & small enterprises	15 070 129	15 040 190	14 437 277
- reverse repo / buy-sell-back transactions	1 765 649	2 024 380	285 646
- other	1 315 401	1 228 033	1 290 994
Loans and advances to public sector	**2 574 540**	**2 698 549**	**2 973 691**
Other receivables	443 015	667 327	411 938
Total (gross) loans and advances to customers	**69 169 989**	**69 587 787**	**67 687 175**
Provisions for loans and advances to customers (negative amount)	(2 486 427)	(2 528 533)	(2 454 368)
Total (net) loans and advances to customers	**66 683 562**	**67 059 254**	**65 232 807**

Short-term (up to 1 year)	22 333 010	22 895 700	21 658 987
Long-term (over 1 year)	44 350 552	44 163 554	43 573 820

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 March 2013 – PLN 3 761 704 thousand, 31 December 2012 – PLN 3 609 923 thousand, 31 March 2012 – PLN 3 324 983 thousand.

Provisions for loans and advances

	31.03.2013	31.12.2012	31.03.2012
Incurred but not identified losses			
Gross balance sheet exposure	65 529 462	65 955 528	64 285 283
Impairment provisions for exposures analysed according to portfolio approach	(200 113)	(198 712)	(204 387)
Net balance sheet exposure	**65 329 349**	**65 756 816**	**64 080 896**
Receivables with impairment			
Gross balance sheet exposure	3 640 527	3 632 259	3 401 892
Provisions for receivables with impairment	(2 286 314)	(2 329 821)	(2 249 981)
Net balance sheet exposure	**1 354 213**	**1 302 438**	**1 151 911**

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)	%
		31.03.2013		31.12.2012		31.03.2012	
1.	Household customers	38 230 867	55.27%	37 816 508	54.34%	37 544 425	55.47%
2.	Real estate management	4 047 605	5.85%	4 674 458	6.72%	4 094 626	6.05%
3.	Building industry	2 195 334	3.17%	2 084 143	2.99%	2 272 311	3.36%
4.	Public Administration	2 124 547	3.07%	2 177 125	3.13%	2 460 724	3.63%
5.	Liquid fuels and natural gas	1 990 049	2.88%	1 392 174	2.00%	2 049 515	3.03%
6.	Transport and travel agencies	1 714 799	2.48%	1 737 725	2.50%	1 799 490	2.66%
7.	Metals	1 152 274	1.67%	1 223 564	1.76%	1 147 861	1.69%
8.	Other wholesale trade	1 068 638	1.54%	888 033	1.28%	1 067 815	1.58%
9.	Management, consulting, advertising	970 712	1.40%	404 098	0.58%	959 732	1.42%
10.	Motorization	877 173	1.27%	880 978	1.27%	897 186	1.33%
11.	Pharmaceuticals and health care	773 880	1.12%	680 846	0.98%	789 104	1.16%
12.	Leasing and renting	745 352	1.08%	429 591	0.62%	454 899	0.67%
13.	Chemistry and plastic processing	704 909	1.02%	719 518	1.03%	741 877	1.10%
14.	Building materials	702 653	1.02%	742 360	1.07%	751 021	1.11%
15.	Wood and furniture	692 647	1.00%	632 047	0.91%	678 664	1.00%
16.	Power industry and heat engineering	642 150	0.93%	1 474 800	2.12%	698 768	1.03%
17.	Groceries	633 023	0.92%	855 409	1.23%	525 830	0.78%
18.	Telecomunication	576 847	0.83%	618 089	0.89%	600 578	0.89%
19.	Meat processing industry	539 806	0.78%	593 134	0.85%	578 373	0.85%

As at 31 March 2013, the total exposure of the Group in the above sectors (excluding household customers) amounted to 32.03% of the credit portfolio (31 December 2012 – 31.93%, 31 March 2012 - 33.34%).

18. Investment securities

	31.03.2013			31.12.2012			31.03.2012		
	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	**20 357 833**	**2 924 266**	**23 282 099**	**17 174 158**	**2 546 282**	**19 720 440**	**13 953 852**	**2 530 295**	**16 484 147**
Issued by government	11 470 674	2 923 166	14 393 840	9 076 533	2 420 333	11 496 866	10 888 881	2 530 295	13 419 176
- government bonds	10 527 400	2 923 166	13 450 566	9 076 533	2 420 035	11 496 568	10 668 944	2 528 822	13 197 766
- treasury bills	943 274	-	943 274	-	298	298	219 937	1 473	221 410
Issued by central bank	8 706 415	1 100	8 707 515	7 855 805	125 949	7 981 754	2 698 358	-	2 698 358
Other debt securities	180 744	-	180 744	241 820	-	241 820	366 613	-	366 613
- bank's bonds	93 748	-	93 748	123 901	-	123 901	332 102	-	332 102
- corporate bonds	48 648	-	48 648	80 131	-	80 131	-	-	-
- communal bonds	38 348	-	38 348	37 788	-	37 788	34 511	-	34 511
Equity securities:	**262 102**	-	**262 102**	**272 948**	-	**272 948**	**206 462**	-	**206 462**
Listed	210 081	-	210 081	225 108	-	225 108	171 227	-	171 227
Unlisted	52 021	-	52 021	47 840	-	47 840	35 235	-	35 235
Total debt and equity	**20 619 935**	**2 924 266**	**23 544 201**	**17 447 106**	**2 546 282**	**19 993 388**	**14 160 314**	**2 530 295**	**16 690 609**
Short-term (up to 1 year)	10 073 719	137 051	10 210 770	8 794 515	156 185	8 950 700	6 826 638	87 628	6 914 266
Long-term (over 1 year)	10 546 216	2 787 215	13 333 431	8 652 591	2 390 097	11 042 688	7 333 676	2 442 667	9 776 343

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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.

As at 31 March 2013, presented above value of equity securities includes provisions for impairment of PLN 10 470 thousand (31 December 2012: PLN 10 470 thousand, 31 March 2012: PLN 13 257 thousand).

As at 31 March 2013, listed equity securities include fair value of PZU shares in amount of PLN 191 161 thousand, (31 December 2012 – PLN 206 775 thousand, 31 March 2012 – PLN 153 780 thousand).

19. Intangible assets

	31.03.2013	31.12.2012	31.03.2012
Development costs	462	490	699
Goodwill	4 728	4 728	4 728
Patents, licences and similar assets, including:	270 917	282 619	295 927
- computer software	216 643	228 750	235 172
Other intangible assets	7 789	7 968	8 806
Intangible assets under development	135 118	140 318	108 105
Total intangible assets	**419 014**	**436 123**	**418 265**

20. Tangible assets

	31.03.2013	31.12.2012	31.03.2012
Tangible fixed assets, including:	708 257	733 553	756 041
- land	1 242	1 175	1 175
- buildings and structures	218 043	219 773	223 894
- equipment	157 519	162 573	165 450
- vehicles	201 625	212 490	213 018
- other fixed assets	129 828	137 542	152 504
Fixed assets under construction	37 799	40 351	49 259
Total tangible fixed assets	**746 056**	**773 904**	**805 300**

21. Amounts due to customers

	31.03.2013	31.12.2012	31.03.2012
Individual customers:	**35 090 765**	**33 233 757**	**27 977 492**
Current accounts	22 878 231	21 059 319	18 678 892
Term deposits	12 149 559	12 121 656	9 260 056
Other liabilities:	62 975	52 782	38 544
- liabilities in respect of cash collaterals	29 640	32 763	31 707
- other	33 335	20 019	6 837
Corporate customers:	**22 647 349**	**24 248 650**	**21 258 558**
Current accounts	10 322 978	11 731 164	10 121 204
Term deposits	8 291 636	8 336 226	8 342 316
Loans and advances received	1 504 876	1 696 404	1 733 702
Repo transactions	1 989 379	1 883 368	535 760
Other liabilities:	538 480	601 488	525 576
- liabilities in respect of cash collaterals	393 626	408 776	405 490
- other	144 854	192 712	120 086
Public sector customers:	**793 839**	**501 193**	**468 926**
Current accounts	421 284	387 383	314 991
Term deposits	339 459	110 765	132 461
Other liabilities:	33 096	3 045	21 474
- liabilities in respect of cash collaterals	979	152	1 105
- other	32 117	2 893	20 369
Total amounts due to customers	**58 531 953**	**57 983 600**	**49 704 976**

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Short-term (up to 1 year)	56 903 792	55 788 507	47 386 328
Long-term (over 1 year)	1 628 161	2 195 093	2 318 648

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 March 2013 – PLN 2 183 842 thousand, 31 December 2012 - PLN 3 299 478 thousand, 31 March 2012 – PLN 2 169 572 thousand.

22. Provisions

	31.03.2013	31.12.2012	31.03.2012
For off-balance sheet granted contingent liabilities *	38 625	46 462	33 019
For legal proceedings	38 099	47 204	32 041
Technical-insurance provisions	83 923	84 512	75 917
Other	33 799	35 149	14 315
Total provisions	**194 446**	**213 327**	**155 292**

* includes valuation of financial guarantees

Movements in the provisions

	31.03.2013	31.12.2012	31.03.2012
As at the beginning of the period (by type)	**213 327**	**153 168**	**153 168**
For off-balance sheet granted contingent liabilities	46 462	30 906	30 906
For legal proceedings	47 204	25 644	25 644
Technical-insurance provisions	84 512	80 864	80 864
Other	35 149	15 754	15 754
Change in the period (due to)	**(18 881)**	**60 159**	**2 124**
- increase of provisions	19 835	224 404	36 394
- release of provisions	(28 472)	(160 168)	(31 792)
- write-offs	(10 397)	(2 697)	(1 455)
- foreign exchange differences	153	(1 380)	(1 023)
As at the end of the period (by type)	**194 446**	**213 327**	**155 292**
For off-balance sheet granted contingent liabilities	38 625	46 462	33 019
For legal proceedings	38 099	47 204	32 041
Technical-insurance provisions	83 923	84 512	75 917
Other	33 799	35 149	14 315

23. Assets and provisions for deferred income tax

Deferred income tax assets	31.03.2013	31.12.2012	31.03.2012
As at the beginning of the period	**737 353**	**646 760**	**646 760**
Changes recognized in the income statement	4 974	95 463	6 395
Changes recognized in other comprehensive income	503	(4 492)	(2 892)
Other changes	(289)	(378)	246
As at the end of the period	**742 541**	**737 353**	**650 509**

Provisions for deferred income tax	31.03.2013	31.12.2012	31.03.2012
As at the beginning of the period	**(369 194)**	**(339 966)**	**(339 966)**
Changes recognized in the income statement	(12 027)	33 371	(40 772)
Changes recognized in other comprehensive income	13 531	(62 568)	(16 061)
Other changes	-	(31)	(39)
As at the end of the period	**(367 690)**	**(369 194)**	**(396 838)**

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 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 standardised 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.

Since the BRE Bank met all high-significance conditions set out in the consent of KNF and BaFin regarding A-IRB application, starting from 31 March 2013, the calculation of the consolidated capital adequacy ratio of BRE Bank Group takes 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 of 10 March 2010 (with further amendments). Additionally own funds are 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 of 10 March 2010 (with further amendments).

As at 31 March 2013, the consolidated capital adequacy ratio of BRE Bank Group SA amounted to 18.87% and capital adequacy ratio of BRE Bank SA amounted to 19.92%. Additionally the consolidated Tier 1 capital adequacy ratio of BRE Bank Group SA amounted to 13.51% and Tier 1 capital adequacy ratio of BRE Bank SA amounted to 14.33%.

Had in the calculations of consolidated capital adequacy ratios as of 31 March 2013 BRE Bank Group still included own funds and total capital requirement according to the methodology applied in the capital ratios calculation as of 31 March 2012, i.e. determined using standardised approach for credit risk in accordance with the annex No. 4 to the Resolution No. 76/2010 of KNF of 10 March 2010 (with further amendments), the consolidated capital adequacy ratio of BRE Bank Group SA as of 31 March 2013 would have amounted to 16.29% and BRE Bank SA would have amounted to 16.76%. Additionally the consolidated Tier 1 capital adequacy ratio of BRE Bank Group SA would have amounted to 11.58% and Tier 1 capital adequacy ratio of BRE Bank SA 11.98%.

Selected explanatory information

1. Compliance with international financial reporting standards

The presented consolidated report for the first quarter of 2013 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 first quarter of 2013. The accounting policies were applied consistently over all periods presented in the financial statements.

3. Seasonal or cyclical nature of the business

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

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

Events as indicated above did not occur in the Group.

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 first quarter of 2013, 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 first quarter 2013, BRE Bank redeemed deposit certificates in nominal value of PLN 206 900 thousand, and BRE Bank Hipoteczny issued bonds in amount of PLN 200 000 thousand and redeemed bonds in amount of PLN 225 000 thousand.

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

On 11 April 2013, the XXVI Ordinary General Meeting of BRE Bank SA adopted a resolution regarding the distribution of the profit with the decision to pay a dividend for the year 2012. The dividend to the shareholders will contribute an amount of PLN 421 419 860, wherein the amount of the dividend per one share will be PLN 10. Number of shares eligible for dividend is 42 141 986. The dividend date has been fixed for the 15th of May 2013, and the date of payment of dividend on 29 May 2013.

8. Significant events after the end of the first quarter of 2013, 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 first quarter of 2013, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

Events as indicated above did not occur in the Group.

10. Changes in contingent liabilities and commitments

In the first quarter of 2013, 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

Events as indicated above did not occur in the Group.

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 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 first quarter of 2013, 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 the first quarter of 2013, events as indicated above did not occur in the Group.

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 first quarter of 2013, 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 2013.

22. Registered share capital

The total number of ordinary shares as at 31 March 2013 was 42 141 346 shares (31 March 2012: 42 102 746) at PLN 4 nominal value each (31 March 2012: PLN 4). All issued shares were fully paid up.

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REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 MARCH 2013						
Share type	Type of privilege	Type of limitation	Number of shares	Series / face value of issue in PLN	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
ordinary bearer	-	-	2 370	9 480	fully paid in cash	2013
Total number of shares			42 141 346			
Total registered share capital				168 565 384		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

23. Material share packages

In the first quarter of 2013, there were no changes in the holding of material share packages of the Bank.

Commerzbank AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 March 2013 it held 69.65% of the share capital and votes at the General Meeting of BRE Bank SA.

In the first quarter of 2013, the National Depository of Securities has registered 2 370 shares of BRE Bank, which were issued as part of the conditional increase in the share capital of the Bank by issuance of shares with no subscription rights for the existing shareholders in order to enable beneficiaries of the incentive programmes to take up shares in BRE Bank SA. As a result of the above registration, in the first quarter of 2013 the Bank's share capital increased by PLN 9 480.

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 Q4 2012	Number of shares acquired from the date of publishing the report for Q4 2012 to the date of publishing the report for Q1 2013	Number of shares sold from the date of publishing the report for Q4 2012 to the date of publishing the report for Q1 2013	Number of shares held as at the date of publishing the report for Q1 2013
Management Board				
1. Cezary Stypułkowski	-	-	-	-
2. Przemysław Gdański	1 086	-	-	1 086
3. Joerg Hessenmueller	-	-	-	-
4. Lidia Jabłonowska-Luba	-	-	-	-
5. Hans-Dieter Kemler	-	-	-	-
6. Cezary Kocik	-	-	-	-
7. Jarosław Mastalerz	-	-	-	-

As at the date of publishing the report for the fourth quarter of 2012 and as at the date of publishing the report for the first quarter of 2013, 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 fourth quarter of 2012 and as at the date of publishing the report for the first quarter of 2013, 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 March 2013, 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 March 2013 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

   In the Court of Jerusalem was pending a proceeding against BRE Bank initiated by Bank Leumi and an insurance company of Bank Leumi, Migdal Insurance Company for indemnity in the amount of USD 13.5 million (PLN 44.0 million translated at the average exchange rate of the National Bank of Poland as at 31 March 2013). 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 18 April 2013, 169 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 384 461 thousand and via the District Court in Warsaw. In addition, up to 18 April 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 195 646 thousand together with statutory interest and legal costs. The amount set forth in the petition is to cover the 124 receivables, acquired by the Plaintiff by way of assignment, due to 122 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. 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. 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, while the Plaintiff replied to it in a pleading filed on 15 February 2013. By a decision dated 18 February 2013, the District Court in Łódź decided to refer the case to mediation. In a letter dated 26 February 2013, the Municipal Consumer Ombudsman raised an objection to the mediation. Currently, the Bank awaits fixing the first date of the hearing.

As at 31 March 2013, 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 March 2013 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.

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 March 2013, 31 December 2012 and 31 March 2012, were as follows:

BRE Bank Group consolidated data

	31.03.2013	31.12.2012	31.03.2012
1. Contingent liabilities granted and received	19 001 399	18 314 932	18 820 409
Commitments granted	18 026 710	17 537 692	17 868 524
- financing	15 093 680	14 585 184	14 775 178
- guarantees and other financial facilities	2 856 983	2 549 874	2 993 112
- other commitments	76 047	402 634	100 234
Commitments received	974 689	777 240	951 885
- financial commitments	206 372	-	200
- guarantees	768 317	777 240	951 685
2. Derivative financial instruments (nominal value of contracts)	729 794 036	643 818 208	475 021 222
Interest rate derivatives	682 059 578	604 007 736	438 186 629
Currency derivatives	46 443 824	38 923 265	34 163 022
Market risk derivatives	1 290 634	887 207	2 671 571
Total off-balance sheet items	748 795 435	662 133 140	493 841 631

BRE Bank stand-alone data

	31.03.2013	31.12.2012	31.03.2012
1. Contingent liabilities granted and received	20 217 323	19 486 909	18 052 268
Commitments granted	19 244 376	18 711 412	17 102 226
- financing	14 181 792	13 675 517	13 937 466
- guarantees and other financial facilities	4 986 771	4 633 495	3 064 760
- other commitments	75 813	402 400	100 000
Commitments received	972 947	775 497	950 042
- financial commitments received	206 372	-	200
- guarantees received	766 575	775 497	949 842
2. Derivative financial instruments (nominal value of contracts)	729 786 293	644 321 065	475 283 323
Interest rate derivatives	682 982 868	604 951 383	438 417 498
Currency derivatives	45 513 220	38 482 961	34 194 254
Market risk derivatives	1 290 205	886 721	2 671 571
Total off-balance sheet items	750 003 616	663 807 974	493 335 591

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.

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 March 2013, 31 December 2012 and 31 March 2012 were as follows.

PLN (000's)	BRE Bank's subsidiaries not consolidated by acquisition method			Commerzbank AG Group		
As at the end of the period	31.03.2013	31.12.2012	31.03.2012	31.03.2013	31.12.2012	31.03.2012
Statement of Financial Position						
Assets	64 269	60 645	53 075	808 674	927 505	383 598
Liabilities	788	994	2 172	21 486 576	21 441 573	24 908 939
Income Statement						
Interest income	907	3 623	900	31 706	114 886	23 158
Interest expense	(7)	(58)	(22)	(85 108)	(381 400)	(100 573)
Fee and commission income	19	83	8	-	-	-
Fee and commission expense	-	-	-	-	-	-
Other operating income	1	-	1	132	113	76
Overhead costs, amortisation and other operating expenses	(25)	-	(22)	(2 080)	(12 309)	(3 156)
Contingent liabilities granted and received						
Liabilities granted	1 507	3 285	1 178	686 300	834 033	750 909
Liabilities received	-	-	-	629 697	511 959	570 116

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

As at 31 March 2013, 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 subsidiary of the BRE Bank. On 4 October 2012, the subsidiary issued Eurobonds with a nominal value of EUR 500 000 thousand maturing on 12 October 2015. The guarantee was given on 4 October 2012 for the duration of the Programme, that is until 12 October 2015.

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

- On April 11, 2013, the Supervisory Board of BRE Bank SA has selected the Management Board of BRE Bank SA for a joint five-year term, with the following members:

  1. Cezary Stypułkowski - President of the Management Board, Director General of the Bank,
  2. Przemysław Gdański - Vice President of the Management Board, Head of Corporate Banking,
  3. Joerg Hessenmueller - Vice President of the Management Board, Chief Financial Officer,
  4. Lidia Jabłonowska-Luba - Vice President of the Management Board,
  5. Hans-Dieter Kemler - Vice President of the Management Board, Head of Investment Banking,
  6. Cezary Kocik - Vice President of the Management Board, Head of Retail Banking,
  7. Jarosław Mastalerz - Vice President or the Management Board, Chief Operating and IT Officer.

  In addition, the Supervisory Board decided that from 12 April 2013 to the date of approval by the Polish Financial Supervision Authority to appoint Mrs. Lidia Jabłonowska-Luba for the position of Vice President of the Management Board responsible for the risk management of the Bank and for the post of Chief Risk Officer, these duties are temporarily assigned to Mr. Cezary Stypułkowski, President of the Management Board of BRE Bank SA.

  On 11 April 2013, the XXVI Ordinary General Meeting of BRE Bank SA appointed with the effect from 12 April 2013, Mr. Wieslaw Thor and Mr. Martin Blessing for the post of Members of the Supervisory Board of BRE Bank SA for the joint term of office of the Supervisory Board of BRE Bank SA. Until 11 April 2013, Mr. Wieslaw Thor posted as Vice President of the Management Board, Chief Risk Officer.

- On 11 April 2013, the XXVI Ordinary General Meeting of BRE Bank SA, acting under section 11 letter. n) of the Articles of Association of the Bank, has elected Ernst & Young Audit Sp. z o.o. as an auditor to audit the financial statements of the Bank and the consolidated financial statements of BRE Bank SA Group for the years 2013 and 2014.

  In connection with the above-mentioned decision of the General Meeting, the Bank intends to sign an agreement with Ernst & Young Audit Sp. z o.o. for a period of two years, ie 2013 and 2014.

  Ernst & Young Audit Sp. z o.o. (located at Rondo ONZ 1, 00-124 Warsaw) is entered on the list of auditors authorized to audit financial statements under No. 130.

The Bank has not worked in recent years with Ernst & Young Audit Sp. z o.o. in the range of audit services.

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 second quarter of 2013 that would have a significant impact on the profit of this period.