

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's report of the above-mentioned Polish Company. In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland.

The accompanying translated report has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish language version is binding.

Independent Registered Auditor's Opinion

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

We have audited the accompanying consolidated financial statements of BRE Bank SA Group (hereinafter called "the Group"), of which BRE Bank SA is the parent company (hereinafter called "the Parent Company"), with its registered office in Warsaw, Senatorska 18 Street, which comprise the consolidated statement of financial position as at 31 December 2012, showing total assets and total equity and liabilities of PLN 102,236,046 thousand, the consolidated income statement for the financial year from 1 January to 31 December 2012, showing a net profit of PLN 1,203,811 thousand, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Parent Company's Management Board is responsible for preparing the consolidated financial statements and a Group Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. The Management Board and Members of the Supervisory Board of the Parent Company are obliged to ensure that the consolidated financial statements and the Group Director's Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" - Journal of Laws of 2009, No. 152, item 1223 as amended).

Our responsibility was to perform an audit of the accompanying consolidated financial statements and to express an opinion on whether the consolidated financial statements comply, in all material respects, with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Group's financial position and results.

We conducted our audit in accordance with:

- (a) the provisions of Chapter 7 of the Accounting Act;
- (b) national standards of auditing issued by the National Council of Registered Auditors.



Independent Registered Auditor's Opinion

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

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

In our opinion, the accompanying consolidated financial statements, in all material respects:

- (a) give a fair and clear view of the Group's financial position as at 31 December 2012 and of the results of its operations for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;
- (b) comply in terms of form and content with the applicable laws;
- (c) have been prepared on the basis of properly maintained consolidation documentation.

The information contained in the Group Directors' Report for the financial year ended 31 December 2012 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state ("*the Decree*" – Journal of Laws of 2009, No. 33, item 259, with further amendments) and is consistent with the information presented in the audited consolidated financial statements.

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

Agnieszka Accordi-Krawiec

Registered Auditor for the Group,
Key Registered Auditor
No. 11665

Warsaw, 7 March 2013

BRE Bank SA Group

**Registered Auditor's report on the audit of the consolidated
financial statements for the year ended 31 December 2012**



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Registered auditor's report on the audit of the consolidated financial statements for the financial year ended 31 December 2012

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

This report contains 17 consecutively numbered pages and consists of:

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BRE Bank SA Group
Report on the consolidated financial statements
for the financial year from 1 January to 31 December 2012

I. General information about the Group

- (a) BRE Bank SA ('the Bank', 'the Parent Company') with its seat in Warsaw, ul. Senatorska 18 is the parent company of the BRE Bank SA Group ('the Group').
- (b) The Parent Company was formed on the basis of Resolution No. 99 of the Council of Ministers dated 20 June 1986. The Bank began operating on 2 January 1987. The Memorandum of Association of the Bank was drawn up as a Notarial Deed at the State Notarial Office in Warsaw on 11 December 1986 and registered with Rep. No. A I 5919/86. On 11 July 2001, the Bank was entered in the Register of Businesses maintained by the District Court in Warsaw, 19th Business Department of the National Court Register, with the reference number KRS 0000025237.
- (c) On 24 June 1993, the Parent Company was assigned a tax identification number (NIP) 5260215088 for making tax settlements. For statistical purposes, the Parent Company was assigned a REGON number 001254524 on 2 June 1998.
- (d) As at 31 December 2012, the Parent Company's registered share capital amounted to PLN 168,555,904 and consisted of 42,138,976 shares with a nominal value of PLN 4.00 each.
- (e) As at 31 December 2012, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Commerzbank AG	29,352,897	117,411,588	ordinary	69.66
Other shareholders	12,786,079	51,144,316	ordinary	30.34
	42,138,976	168,555,904		100.00

As at 31 December 2011, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Commerzbank Auslandsbanken Holding AG	29,352,897	117,411,588	ordinary	69.72
Other shareholders	12,749,849	50,999,396	ordinary	30.28
	42,102,746	168,410,984		100.00

In 2012, Commerzbank AG acquired 29,352,897 shares of BRE Bank SA from Commerzbank Auslandsbanken AG (a subsidiary of Commerzbank AG) continued to be the main shareholder of BRE Bank SA. Purchase of shares of BRE Bank SA was a subject to an internal transfer within the Commerzbank Group and did not change the ultimate parent company of BRE Bank SA.

As at 31 December 2012, the interest of the other shareholders in the Bank's share capital amounted to 30.34%, among which one shareholder ING Powszechnie Towarzystwo Emerytalne SA held more than 5%.

BRE Bank SA Group
Report on the consolidated financial statements
for the financial year from 1 January to 31 December 2012

I. General information about the Group (cont.)

(f) In the audited year, the Group's operations comprised:

- accepting cash placements payable on demand or on maturity and maintaining accounts for these placements;
- maintaining other bank accounts;
- clearing cash transactions;
- granting loans and cash advances;
- granting and confirming bank guarantees and opening letters of credit;
- issuing bank and other securities;
- performing commissioned tasks related to issuing securities;
- conducting forward transactions;
- issuing payment cards and conducting transactions with the use of such cards;
- acting in the capacity of a depositary within the meaning of the provisions of the Act on the Organization and Operations of Pension Funds;
- taking up or purchasing shares and share-related rights, shares in other legal entities, and purchasing units and investment certificates in investment funds;
- soliciting customers for pensions funds;
- acting in the capacity of a depositary within the meaning of the provisions of the Act on Investments Funds, conducting activities which consist of accepting orders to purchase, repurchase and subscribe for units or investment certificates in investment funds;
- maintaining registers of pension fund members and registers of investment fund participants;
- performing tasks classified as insurance intermediation;
- trading in securities, providing custody services, including maintaining securities accounts, and performing tasks related to the provision of custody services;
- factoring services for domestic and export and import transactions;
- finance leasing;
- renting of transport vehicles, machinery, equipment and other tangible assets;
- conducting insurance activity within the scope of second division of underwriting – property and casualty insurance;
- providing services of an insurance agent and services within the scope of settlements due to insurance agreements of insured persons.

(g) During the audited year, the Management Board of the Parent Company comprised:

- | | | |
|-----------------------|-----------------|--------------------|
| • Cezary Stypułkowski | Chairman | |
| • Karin Katerbau | Deputy Chairman | to 15 April 2012 |
| • Wiesław Thor | Deputy Chairman | |
| • Przemysław Gdański | Board Member | |
| • Hans Dieter Kemler | Board Member | |
| • Jarosław Mastalerz | Board Member | |
| • Christian Rhino | Board Member | to 31 March 2012 |
| • Joerg Hessenmueller | Board Member | from 16 April 2012 |
| • Cezary Kocik | Board Member | from 1 April 2012 |

BRE Bank SA Group
Report on the consolidated financial statements
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I. General information about the Group (cont.)

(h) As at 31 December 2012, the BRE Bank SA Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
BRE Bank SA	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2012
Aspiro SA	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012
BRE Bank Hipoteczny SA	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2012
BRE Faktoring SA	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012
BRE Holding Sp. z o.o.	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012
BRE Leasing Sp. z o.o.	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012
BRE Ubezpieczenia Sp. z o.o.	Subsidiary (100%)	Acquisition	Ernst & Young Audit Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012
BRE Ubezpieczenia TUiR SA	Subsidiary (100%)	Acquisition	Ernst & Young Audit Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012
BRE Agent Ubezpieczeniowy Sp. z o.o.	Subsidiary (100%)	Acquisition	Ernst & Young Audit Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012
BRE Wealth Management SA	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012
BRE Centrum Operacji Sp. z o.o.	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012
Dom Inwestycyjny BRE Banku SA	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2012
Garbary Sp. z o.o.	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012
Transfinance a.s.	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Audit, s.r.o.	The opinion has not been issued until the date of signing this report	31 December 2012
MLV 35 Sp. z o.o. spółka komandytowo -akcyjna	Subsidiary (100%)	Acquisition	PricewaterhouseCoopers Audit, s.r.o.	The opinion has not been issued until the date of signing this report	31 December 2012
BRE Finance France SA	Subsidiary (99.98%)	Acquisition	PricewaterhouseCoopers Audit	The opinion has not been issued until the date of signing this report	31 December 2012
BRE.locum SA	Subsidiary (79.99%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	The opinion has not been issued until the date of signing this report	31 December 2012

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BRE Bank SA Group
Report on the consolidated financial statements
for the financial year from 1 January to 31 December 2012

- (i) In the audited year the following changes were made in the scope of consolidated entities.

In 2012, the Group started to consolidate the following entities:

- BRE Agent Ubezpieczeniowy Sp. z o.o.
- MLV 35 Sp. z o.o. spółka komandytowo-akcyjna

In 2012, the Group ceased to consolidate its subsidiary BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in connection with the redemption of certificates issued by the fund. As at 31 December 2012 the Group did not hold any certificates issued by BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

- (j) The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange and in accordance with the requirements of the Accounting Act, it prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

BRE Bank SA Group
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for the financial year from 1 January to 31 December 2012

II. Information about the audit

- (a) The audit of the consolidated financial statements for the year ended 31 December 2012 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Agnieszka Accordi-Krawiec (no. 11665).
- (b) PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 10 of the General Shareholders' Meeting dated 30 March 2012 in accordance with paragraph 11 of the Parent Company's Memorandum of Association.
- (c) PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws, No. 77, item 649, as amended).
- (d) The audit was conducted in accordance with an agreement dated 19 June 2012, in the period from 19 November 2012 to 7 March 2013.

BRE Bank SA Group
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III. The Group's results, financial position and significant items of consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2012

	31.12.2012	31.12.2011*	Change	Change	31.12.2012	31.12.2011*
	PLN'000	PLN'000	PLN'000	(%)	Structure (%)	Structure (%)
ASSETS						
Cash and balances with the Central Bank	4,819,203	1,038,356	3,780,847	364	5	1
Loans and advances to banks	3,944,578	4,008,874	(64,296)	(2)	4	4
Trading securities	1,150,886	1,477,022	(326,136)	(22)	1	1
Derivative financial instruments	2,802,695	1,506,595	1,296,100	86	3	2
Loans and advances to customers	67,059,254	67,851,516	(792,262)	(1)	65	69
Hedge accounting adjustments related to fair values of hedged items	2,439	1,924	515	27	-	-
Investment securities	19,993,388	20,551,272	(557,884)	(3)	20	21
Intangible assets	436,123	436,769	(646)	-	-	-
Tangible assets	773,904	832,455	(58,551)	(7)	1	1
Current income tax assets	129	4,728	(4,599)	(97)	-	-
Deferred income tax assets	369,821	307,052	62,769	20	-	-
Other assets	883,626	859,084	24,542	3	1	1
TOTAL ASSETS	102,236,046	98,875,647	3,360,399	3	100	100

* Adjusted data

BRE Bank SA Group
Report on the consolidated financial statements for the financial year from 1 January to 31 December 2012

III. The Group's results, financial position and significant items of consolidated financial statements (cont.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2012 (cont.)

	31.12.2012 PLN'000	31.12.2011* PLN'000	Change PLN'000	Change (%)	31.12.2012 Structure (%)	31.12.2011* Structure (%)
LIABILITIES AND EQUITY						
Liabilities						
Amounts due to other banks	21,110,939	27,390,809	(6,279,870)	(23)	21	28
Derivative financial instruments	3,476,684	1,862,747	1,613,937	87	4	2
Amounts due to customers	57,983,600	54,244,388	3,739,212	7	57	55
Debt securities in issue	4,892,275	1,735,988	3,156,287	182	5	2
Hedge accounting adjustments related to fair value of hedged items	4,220	-	4,220	-	-	-
Subordinated liabilities	3,222,295	3,456,200	(233,905)	(7)	3	3
Other liabilities	1,394,845	1,723,856	(329,011)	(19)	1	2
Current income tax liabilities	226,215	235,568	(9,353)	(4)	-	-
Deferred income tax liabilities	1,662	258	1,404	544	-	-
Provisions	213,327	153,168	60,159	39	-	-
	92,526,062	90,802,982	1,723,080	2	91	92
Equity						
Share capital	3,501,633	3,493,812	7,821	-	3	3
Retained earnings	5,700,076	4,493,157	1,206,919	27	6	5
Other components of equity	483,784	61,786	421,998	683	-	-
Non-controlling interests	24,491	23,910	581	2	-	-
	9,709,984	8,072,665	1,637,319	20	9	8
TOTAL EQUITY AND LIABILITIES	102,236,046	98,875,647	3,360,399	3	100	100

* Adjusted data

BRE Bank SA Group
Report on the consolidated financial statements for the financial year from 1 January to 31 December 2012

III. The Group's results, financial position and significant items of consolidated financial statements (cont.)

CONSOLIDATED INCOME STATEMENT

For the financial year from 1 January to 31 December 2012

	2012	2011*	Change	Change	2012	2011*
	PLN'000	PLN'000	PLN'000	(%)	Structure (%)	Structure (%)
Interest income	4,476,800	3,890,573	586,227	15	69	67
Interest expense	(2,243,168)	(1,723,365)	(519,803)	30	(45)	(39)
Net interest income	2,233,632	2,167,208	66,424	3		
Fee and commission income	1,273,953	1,279,172	(5,219)	-	20	22
Fee and commission expense	(434,073)	(439,200)	5,127	(1)	(9)	(10)
Net fee and commission income	839,880	839,972	(92)	-		
Dividend income	13,902	15,113	(1,211)	(8)	-	-
Net trading income	356,542	347,412	9,130	3	6	6
Gain less losses from investment securities, investments in subsidiaries and associates	44,966	11,985	32,981	275	1	-
Other operating income	275,721	317,355	(41,634)	(13)	4	5
Net impairment losses on loans and advances	(444,635)	(373,470)	(71,165)	19	(9)	(9)
Overhead costs	(1,465,788)	(1,471,501)	5,713	-	(29)	(33)
Amortization and depreciation	(195,617)	(208,764)	13,147	(6)	(4)	(5)
Other operating expenses	(186,500)	(178,183)	(8,317)	5	(4)	(4)
Profit before income tax	1,472,103	1,467,127	4,976	-		
Income tax expense	(268,292)	(322,692)	54,400	(17)		
Net profit	1,203,811	1,144,435	59,376	5		
Net profit attributable to Owners of BRE Bank SA	1,203,230	1,134,972	68,258	6		
Net profit attributable to non-controlling interests	581	9,463	(8,882)	(94)		
Total income	6,441,884	5,861,610	580,274	10	100	100
Total expenses	(4,969,781)	(4,394,483)	(575,298)	13	(100)	(100)
Profit before tax	1,472,103	1,467,127	4,976	-		

* Adjusted data

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III. The Group's results, financial position and significant items of consolidated financial statements (cont.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year from 1 January to 31 December 2012

	2012 PLN'000	2011 PLN'000	Change PLN'000	Change (%)	2012 Structure (%)	2011* Structure (%)
Net profit	1,203,811	1,144,435	59,376	5	74	100
Other comprehensive income net of tax	421,998	2,248	419,750	18,672	26	-
Total comprehensive income net of tax	1,625,809	1,146,683	479,126	42	100	100
Comprehensive income attributable to Owners of BRE Bank SA	1,625,228	1,135,612	489,616	43		
Comprehensive income attributable to non-controlling interests	581	11,071	(10,490)	(95)		

BRE Bank SA Group
Report on the consolidated financial statements for the financial year from 1 January to 31 December 2012

III. The Group's results, financial position and significant items of consolidated financial statements (cont.)

Selected ratios characterising the Group's financial position and results

The following ratios characterize the Group's business activities, its results of operations for the financial year and its financial position as at the balance sheet date compared with the previous period:

	31.12.2012 /2012	31.12.2011 /2011*	31.12.2010 /2010
Profitability ratios			
Return on equity (net profit for the financial period / average net assets)(1)	13.5%	15.1%	11.6%
Return on equity (net profit for the financial period / average net assets excluding the net profit for the period) (1)	15.6%	17.2%	12.4%
Return on assets (profit before tax for the financial period / average assets) (1)	1.5%	1.6%	1.0%
Interest margin (interest income/average working assets(3))-(interest expense/average interest-bearing liabilities)	2.1%	2.2%	2.1%
C/I ratio (Group's overheads / profit/loss on banking activities) (2)	46.4%	47.7%	51.8%
Portfolio quality ratios			
Impaired loans and advances to customers to gross loans and advances to customers	5.2%	4.7%	5.3%
Provision coverage of not impaired loans and advances	0.3%	0.3%	0.4%
Provision coverage of impaired loans and advances	64.1%	66.2%	68.0%
Capital market ratios			
Earnings per share	PLN 28.57	PLN 26.96	PLN 17.49
Book value per share	PLN 229.85	PLN 191.17	PLN 164.17
Capital adequacy ratios			
Equity in accordance with KNF (<i>Polish Financial Supervision Authority</i>) Resolution No. 325/2011	PLN 11,564,581 thousand	PLN 9,876,839 thousand	PLN 8,970,930 thousand
Total regulatory capital requirement in accordance with KNF Resolution No. 76/2010	PLN 4,938,371 thousand	PLN 5,282,127 thousand	PLN 4,513,324 thousand
Capital adequacy ratio in accordance with KNF Resolution No. 76/2010	18.7%	15.0%	15.9%
(1) The average balances of balance sheet items were calculated on the basis of the balances of the individual items as at the beginning and the end of the current financial period and the previous financial period..			
(2) The profit/loss on banking activities understood as the profit/loss before tax less the Group's overheads, amortization and depreciation and net impairment losses on loans and advances.			
(3) The interest-bearing receivables are included in working assets.			
(4) Gross loans and advances comprise loans and advances to customers only.			
* Adjusted data			

The above ratios have been calculated on the basis of the consolidated financial statements.

Ratios may differ from those presented in the Consolidated Financial Statements or in the Group Directors' Report as calculation patterns may be different.

It was not the purpose of the audit to present the Group in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Group's operations and its circumstances.

III. The Group's results, financial position and significant items of consolidated financial statements (cont.)

The consolidated financial statements do not take account of the effects of inflation. The consumer price index (from December to December) amounted to 2.4% in the audited year (4.6% in 2011).

The following comments are based on information obtained during the audit of the consolidated financial statements.

- In the financial year from 1 January to 31 December 2012, total assets increased by PLN 3,360,399 thousand (i.e. by 3%) to PLN 102,236,046 thousand. This increase was mainly due to net profit for the year of PLN 1,203,811 thousand, increase of liabilities to customers by PLN 3,739,212 thousand, increase of debt securities in issue by PLN 3,156,287 thousand and derivative financial instruments by PLN 1,613,937 thousand. At the same time amounts due to other banks decreased by PLN 6,279,870 thousand.
- The main assets comprised loans and advances to customers in the amount of PLN 67,059,254 thousand (representing 65% of total assets) and investment securities in the amount of PLN 19,993,388 thousand (representing 20% of total assets); whereas the largest items on the liabilities side were amounts due to customers in the amount of PLN 57,983,600 thousand (representing 57% of total liabilities and equity) and amounts due to other banks in the amount of PLN 21,110,939 thousand (representing 21% of total liabilities and equity).
- In the audited period, there was a decrease in loans and advances to customers of PLN 792,262 thousand compared to the previous year. The decrease was mainly driven by a decrease of loans and advances to individuals due to the depreciation of the Polish currency, lower growth rate of retail lending due to tightening the lending criteria and the deterioration of macroeconomic situation.
- The balance of impairment losses on loans and advances increased by PLN 140,249 thousand to PLN 2,528,533 thousand as at the end of the year. The quality of the portfolio of loans and advances to customers remained stable with share of impaired loans and advances to customers in the gross portfolio of 5.2% as at the balance sheet date compared to 4.7% as at 31 December 2011. As at the end of 2012, the amount of impairment losses on impaired loans and advances to customers amounted to PLN 2,329,821 thousand and increased by PLN 153,927 thousand compared to the previous year. At the same time, the provision coverage ratio of impaired loans and advances to customers dropped slightly by 2.1 percentage points to 64.1% as at the end of the audited period.
- The amounts due to customers amounted to PLN 57,983,600 thousand as at 31 December 2012, which represented an increase of PLN 3,739,212 thousand compared to the end of the previous financial year, which was mainly driven by increase of amounts due to individual customers' current accounts.
- In 2012, the Group through its subsidiary, BRE Finance France SA, issued Eurobonds with nominal value of EUR 500,000 thousand maturing on 12 October 2015. Due to the issue of the Eurobonds the debt securities in issue increased in 2012 by PLN 3,156,287 thousand and amounted to PLN 4,892,275 thousand.

III. The Group's results, financial position and significant items of consolidated financial statements (cont.)

- The amounts due to other banks amounted to PLN 21,110,939 thousand as at 31 December 2012, which represented a decrease of PLN 6,279,870 thousand compared with the previous year. The balance comprised mainly loans and advances received of PLN 18,333,571 thousand that decreased by PLN 4,483,194 thousand as compared to the previous year mainly due to repayment by the Group of tranches of the borrowings granted by the ultimate parent company.
- In the current financial period, interest income amounted to PLN 4,476,800 thousand, which represented an increase of PLN 586,227 thousand (i.e. of 15%) as compared to the previous year. In the audited period, interest income comprised mainly of interest income on loans and advances including the unwind of the impairment provision discount in the amount of PLN 3,220,247 thousand, representing 72% of total interest income. The interest income from loans and advances increased in the current financial period by PLN 377,937 thousand (i.e. of 13%) as compared to the previous year. Due to the changes in the structure of obtaining the financing, the Group changed in 2012 presentation of the current accrual of the interest component of derivatives (FX swaps) classified into banking book and included it as interest income or expense instead of net trading income. Interest income on derivatives classified into banking book amounted to PLN 172,733 thousand in current financial year and increased by PLN 153,391 thousand (i.e. of 793%) as compared to the previous year due to increased range of obtained financing in Polish currency and the increased volumes of FX swap instruments.
- In the current financial period, interest expense amounted to PLN 2,243,168 thousand and increased by PLN 519,803 thousand (i.e. by 30%) as compared to the previous year. Interest expense comprised mainly interest expenses on settlements with customers in the amount of PLN 1,611,479 thousand, that represents 72% of total interest expense. The amount of interest expenses on settlements with customers increased by PLN 517,399 thousand (i.e. by 47%) compared to the previous year.
- In the audited period, the Group's overhead costs amounted to PLN 1,465,788 thousand, which represented a decrease of PLN 5,713 thousand compared to the previous year. The main position in the Group's overhead costs was staff-related expenses of PLN 808,499 thousand (55% of total overheads).
- The profit before tax was higher than in 2011 by PLN 4,976 thousand. This increase was mainly due to an increase in net interest income of PLN 66,424 thousand and an increase in gains less losses on investment securities and investments in subsidiaries and associates of PLN 32,981 thousand. Additionally the increased was due to lower overhead costs of PLN 5,713 thousand and lower amortization and depreciation costs of PLN 13,147 thousand. The increase was partly offset by an increase in net impairment losses on loans and advances of PLN 71,165 thousand and by decrease of other operating income of PLN 41,634 thousand as compared to the previous year.

III. The Group's results, financial position and significant items of consolidated financial statements (cont.)

- In the audited year, the income tax expense amounted to PLN 268,292 thousand and decreased by PLN 54,400 thousand as compared to the previous year. The effective tax rate amounted to 18.23% as compared to 21.99% in 2011. The difference between the effective tax rate and the tax rate in force (19%) resulted mainly from the tax relief for the new technologies and realization of non-taxable income on restructuring of equity instruments.
- In 2012, consolidated net comprehensive income amounted to PLN 1,625,809 thousand and comprised the net profit of PLN 1,203,811 thousand, the valuation of available-for-sale financial assets in the amount of PLN 423,813 thousand and foreign exchange losses on the translation of foreign operations in the amount of PLN 1,815 thousand. The consolidated net comprehensive income increased in 2012 by PLN 479,126 thousand mainly due to an increase of the valuation of available-for-sale financial assets by PLN 425,016 thousand.
- Return on equity calculated as the ratio of the net profit for the financial period to average net assets (including the net profit for the period) amounted to 13.5% and was 1.6 percentage points lower than in the previous year.
- Decrease of total capital requirement by PLN 343,756 thousand to PLN 4,938,371 thousand in 2012 and at the same time an increase of capital adequacy ratio from 15.0% in 2011 to 18.7% in 2012 was mainly driven by the implementation of AIRB for a part of Group's exposure.

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IV. The independent registered auditor's statement

- (a) The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- (b) The scope of the audit was not limited.
- (c) The Group has up-to-date documentation of its accounting policies, approved by the Parent Company's Management Board. The Parent Company's accounting policies were tailored to the Group's needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. Changes to accounting policies were properly disclosed in notes to the financial statements.
- (d) The consolidation of equity items and the determination of non-controlling interests were carried out properly in all material respects.
- (e) The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- (f) The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- (g) The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects, in accordance with IFRS as adopted by the European Union.
- (h) The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.
- (i) The consolidated financial statements of the Group for the year ended 31 December 2011 were approved by Resolution No. 24 passed by the General Shareholders' Meeting on 30 March 2012, filed with the National Court Register in Warsaw on 5 April 2012 and published in *Monitor Polski B* No. 1043, item 1558 on 26 June 2012.
- (j) The consolidated financial statements for the previous financial year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued an unqualified opinion.
- (k) The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with IFRS as adopted by the European Union.
- (l) The information in the Group Directors' Report for the year ended 31 December 2012 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a Member State (Journal of Laws No. 33, item 259, as amended).

IV. The independent registered auditor's statement (cont.)

- (m) We have not indentified any misstatements in calculation of capital adequacy ratio as at 31 December 2012. In the audited year the Group complied with the applicable prudential measures in all material respects.

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V. Final information

This report has been prepared in connection with our audit of the consolidated financial statements of BRE Bank SA Group having BRE Bank SA, Senatorska 18 Street, Warsaw, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 7 March 2013.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to the General Shareholders' Meeting of BRE Bank SA dated 7 March 2013, concerning the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements.

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

Agnieszka Accordi-Krawiec

Registered Auditor for the Group,
Key Registered Auditor
No. 11665

Warsaw, 7 March 2013