BRE BANK SA

Our people make the difference.

# BRE Bank SA Group

## IFRS Consolidated Financial Statements for the first quarter of 2012

Contents

## Selected Financial Data

| SELECTED FINANCIAL DATA FOR THE GROUP | | in PLN'000 | | in EUR'000 | |
|---|---|---|---|---|---|
| | | I Quarter of 2012 the period from 01.01.2012 to 31.03.2012 | I Quarter of 2011 the period from 01.01.2011 to 31.03.2011 | I Quarter of 2012 the period from 01.01.2012 to 31.03.2012 | I Quarter of 2011 the period from 01.01.2011 to 31.03.2011 |
| I. | Interest income | 1 079 228 | 891 521 | 258 498 | 224 327 |
| II. | Fee and commission income | 324 725 | 306 663 | 77 778 | 77 163 |
| III. | Net trading income | 97 681 | 82 497 | 23 397 | 20 758 |
| IV. | Operating profit | 412 341 | 308 981 | 98 764 | 77 747 |
| V. | Profit before income tax | 412 341 | 308 981 | 98 764 | 77 747 |
| VI. | Net profit attributable to Owners of BRE Bank SA | 331 072 | 229 708 | 79 299 | 57 800 |
| VII. | Net profit attributable to non-controlling interests | 96 | 4 315 | 23 | 1 086 |
| VIII. | Net cash flows from operating activities | (681 587) | 482 754 | (163 254) | 121 472 |
| IX. | Net cash flows from investing activities | (65 035) | (42 587) | (15 577) | (10 716) |
| X. | Net cash flows from financing activities | 537 419 | (524 382) | 128 723 | (131 947) |
| XI. | Net increase / decrease in cash and cash equivalents | (209 203) | (84 215) | (50 109) | (21 190) |
| XII. | Earnings per ordinary share (in PLN/EUR) | 7.86 | 5.46 | 1.88 | 1.37 |
| XIII. | Diluted earnings per ordinary share (in PLN/EUR) | 7.85 | 5.45 | 1.88 | 1.37 |
| XIV. | Declared or paid dividend per share (in PLN/EUR) | - | - | - | - |

| SELECTED FINANCIAL DATA FOR THE GROUP | | in PLN'000 | | | in EUR'000 | | |
|---|---|---|---|---|---|---|---|
| | | As at | | | As at | | |
| | | 31.03.2012 | 31.12.2011 | 31.03.2011 | 31.03.2012 | 31.12.2011 | 31.03.2011 |
| I. | Total assets | 92 602 171 | 98 875 647 | 89 045 772 | 22 251 579 | 22 386 263 | 22 195 412 |
| II. | Amounts due to the Central Bank | - | - | - | - | - | - |
| III. | Amounts due to other banks | 24 955 986 | 27 390 809 | 27 891 927 | 5 996 729 | 6 201 505 | 6 952 299 |
| IV. | Amounts due to customers | 49 704 976 | 54 244 388 | 45 644 878 | 11 943 718 | 12 281 377 | 11 377 372 |
| V. | Equity attributable to Owners of BRE Bank SA | 8 463 370 | 8 048 755 | 7 108 844 | 2 033 682 | 1 822 305 | 1 771 939 |
| VI. | Non-controlling interests | 24 006 | 23 910 | 100 314 | 5 768 | 5 413 | 25 004 |
| VII. | Share capital | 168 411 | 168 411 | 168 347 | 40 468 | 38 130 | 41 962 |
| VIII. | Number of shares | 42 102 746 | 42 102 746 | 42 086 674 | 42 102 746 | 42 102 746 | 42 086 674 |
| IX. | Book value per share ( in PLN/EUR) | 201.02 | 191.17 | 168.91 | 48.30 | 43.28 | 42.10 |
| X. | Capital adequacy ratio | 16.93 | 14.96 | 16.20 | 16.93 | 14.96 | 16.20 |

| SELECTED FINANCIAL DATA FOR THE BANK | | in PLN'000 | | in EUR'000 | |
|---|---|---|---|---|---|
| | | I Quarter of 2012 the period from 01.01.2012 to 31.03.2012 | I Quarter of 2011 the period from 01.01.2011 to 31.03.2011 | I Quarter of 2012 the period from 01.01.2012 to 31.03.2012 | I Quarter of 2011 the period from 01.01.2011 to 31.03.2011 |
| I. | Interest income | 998 744 | 789 490 | 239 220 | 198 654 |
| II. | Fee and commission income | 266 775 | 239 403 | 63 898 | 60 239 |
| III. | Net trading income | 92 639 | 80 162 | 22 189 | 20 171 |
| IV. | Operating profit | 337 417 | 274 790 | 80 818 | 69 143 |
| V. | Profit before income tax | 337 417 | 274 790 | 80 818 | 69 143 |
| VI. | Net profit | 270 206 | 219 652 | 64 720 | 55 269 |
| VII. | Net cash flows from operating activities | (504 392) | 549 942 | (120 812) | 138 378 |
| VIII. | Net cash flows from investing activities | (51 375) | (16 077) | (12 305) | (4 045) |
| IX. | Net cash flows from financing activities | 567 763 | (469 520) | 135 991 | (118 142) |
| X. | Net increase / decrease in cash and cash equivalents | 11 996 | 64 345 | 2 873 | 16 191 |
| XI. | Earnings per ordinary share (in PLN/EUR) | 6.42 | 5.22 | 1.54 | 1.31 |
| XII. | Diluted earnings per ordinary share (in PLN/EUR) | 6.41 | 5.21 | 1.54 | 1.31 |
| XIII. | Declared or paid dividend per share (in PLN/EUR) | - | - | - | - |

| SELECTED FINANCIAL DATA FOR THE BANK | | in PLN'000 | | | in EUR'000 | | |
|---|---|---|---|---|---|---|---|
| | | As at | | | As at | | |
| | | 31.03.2012 | 31.12.2011 | 31.03.2011 | 31.03.2012 | 31.12.2011 | 31.03.2011 |
| I. | Total assets | 87 708 494 | 93 895 432 | 82 356 273 | 21 075 667 | 21 258 701 | 20 527 997 |
| II. | Amounts due to the Central Bank | - | - | - | - | - | - |
| III. | Amounts due to other banks | 22 906 963 | 25 281 169 | 24 668 650 | 5 504 364 | 5 723 865 | 6 148 870 |
| IV. | Amounts due to customers | 49 574 960 | 54 018 635 | 45 356 664 | 11 912 476 | 12 230 265 | 11 305 532 |
| V. | Own equity | 7 963 882 | 7 610 906 | 6 716 528 | 1 913 659 | 1 723 172 | 1 674 151 |
| VI. | Share capital | 168 411 | 168 411 | 168 347 | 40 468 | 38 130 | 41 962 |
| VII. | Number of shares | 42 102 746 | 42 102 746 | 42 086 674 | 42 102 746 | 42 102 746 | 42 086 674 |
| VIII. | Book value per share ( in PLN/EUR) | 189.15 | 180.77 | 159.59 | 45.45 | 40.93 | 39.78 |
| IX. | Capital adequacy ratio | 17.37 | 15.28 | 17.08 | 17.37 | 15.28 | 17.08 |

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 2012: EUR 1 = PLN 4.1616, exchange rate as at 31 December 2011: EUR 1 = PLN 4.4168 and exchange rate as at 31 March 2011: EUR 1 = PLN 4.0119.
- 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 2012 and 2011: EUR 1 = PLN 4.1750 and 1 EUR = PLN 3.9742 respectively.

# Introduction

## Major achievements of BRE Bank Group in Q1 2012

BRE Bank Group generated a profit before tax of PLN 412.3 million in Q1 2012, representing an increase of PLN 46.1 million or 12.6% QoQ. Net profit attributable to the shareholders of BRE Bank stood at PLN 331.1 million in Q1 2012 and was up by PLN 46.2 million or 16.2% QoQ.

The continued strong results of the Group in Q1 2012 were predominantly driven by:

- **Further growth of revenues,** as total income reached PLN 916.3 million increasing by PLN 25.0 million or 2.8% QoQ. A modest decrease of net interest income (down by 5.3% QoQ) was offset by much stronger net fee and commission income, which reached PLN 222.3 million (up by 8.4% QoQ) supported by, among others, growing sales of non-mortgage loans, insurance products and client transactions.

- **Strong cost discipline,** which helped reduce costs including depreciation and amortisation by PLN 43.4 million (-10.0%) to PLN 392.1 million. As a result, the effectiveness of the Group as measured by the cost/income ratio further improved markedly to 42.8% in Q1 2012 as compared to 47.7% at the end of 2011.

- **Continued organic growth and business expansion** as demonstrated by:

  - **Growing retail customer base,** which reached 3,948 thousand (an increase of 55 thousand customers QoQ and 213 thousand customers YoY).

  - **Growing number of corporate customers,** which reached 14,414 (an increase of 437 customers QoQ and 991 customers YoY) thanks to the expansion of the corporate branch network conducted in 2011.

Net loans and advances stood at PLN 65,232.8 million in Q1 2012 and decreased by PLN 2,618.7 million or 3.9% QoQ. However, when excluding reverse repo/sell buy back transactions and the effect of zloty appreciation, net loans and advances increased by 0.4%.

Customer deposits stood at PLN 49,705.0 million in Q1 2012 and decreased by PLN 4,539.4 million or 8.4% QoQ, mainly due to a decrease of corporate deposits, which is a cyclical trend in the first quarter of the year. Excluding repo transactions, corporate customer deposits decreased by 17.8%. At the same time, retail deposits increased by PLN 1,276.6 million or 4.8%.

The Group maintained its cautious risk management policy as demonstrated by a further decrease of costs of risk, down to 67 bps from 72 bps in 2011.

Positive financial performance translated into strong profitability ratios:

- Gross ROE stood at 20.3% (as compared to 21.0% at the end of Q4 2011 and 18.0% in Q1 2011);
- Net ROE stood at16.3% (as compared to 16.4% at the end of Q4 2011 and 13.6% in Q1 2011).

The Group's capital ratios remained strong. The capital adequacy ratio stood at 16.93% at the end of Q1 2012, as compared to 14.96% after Q4 2011 and 16.20% after Q1 2011. Core Tier I ratio stood at 11.62%, as compared to 9.59% after Q4 2011 and 11.01% after Q1 2011.

## Key Events of Q1 2012

### Changes in the Authorities of BRE Bank

**New Supervisory Board Member** – The 25th General Meeting of Shareholders of BRE Bank held on March 30, 2012 elected Mr Stephan Engels as Supervisory Board Member effective as of April 1, 2012 for a joint term of office of the BRE Bank Supervisory Board. Mr Engels replaced Mr Eric Strutz who resigned from his function with the effect from March 30, 2012.

**New Management Board Member, Bank Director for Finance** – Following the resignation of Ms Karin Katerbau from her function Mr Joerg Hessenmueller was appointed Management Board Member and Bank Director for Finance on the Management Board of BRE Bank effective as of April 16, 2012.

**New Bank Director for Operations and IT** – Mr Christian Rhino, Management Board Member and Bank Director for Operations and IT, resigned as of March 31, 2012. As of April 1, 2012, he was replaced by Mr Jarosław Mastalerz, Management Board Member and Bank Director for Retail Banking until that date.

**New Management Board Member, Bank Director for Retail Banking** – Following the above change, Mr Cezary Kocik, former Bank Director for Retail Banking Sales and Business Processes, was appointed Management Board Member and Bank Director for Retail Banking as of April 1, 2012.

The biographies of the new members of BRE Bank authorities are available on the bank's website (www.brebank.pl).

### Announcement of the Plan to Launch "New mBank"

A press conference was held on March 28, 2012 to announce a project to launch "New mBank" by the end of 2012. "New mBank" responds to the evolving retail client needs who have increasingly become active users of modern technology and aim to set new standards in domestic retail banking. "New mBank" will strive to become one of the most advanced retail banking platforms globally. It will be built independently of mBank, which has been in operation for 11 years. "New mBank" will offer, among others, a new intuitive transaction service together with a personal finance management system while interactive video-chats will eliminate the need to visit the Bank's branches. The project will ensure full mobility for users, who will have access to the entire product offering through computers and mobile devices like smartphones and tablets.

### The agreement for a Euro Medium Term Note Programme between BRE Finance France and BRE Bank

The Management Board of BRE Bank informed on April 12, 2012 that BRE Finance France (a subsidiary of BRE Bank, in which the Bank holds 99.98% of shares) as the Issuer and BRE Bank as the issue underwriter signed an agreement for a Euro Medium Term Note Programme (EMTN) for a total amount of up to EUR 2 billion (equivalent to PLN 8,348 billion according to the average NBP exchange rate as of April 12, 2012). Under the EMTN Programme, the Issuer will have a right to issue debt securities in multiple tranches, various currencies and with diverse interest structure. The Luxembourg Stock Exchange admitted the Programme to trading. The debt securities will be unconditionally and irrevocably guaranteed by BRE Bank. The Bank agreed to extend future guarantees of payment of any amounts payable on debt securities issued under the Programme.

On April 12, 2012, Fitch Ratings and Moody's Investors Service assigned ratings for the Euro Medium Term Note Programme. Fitch assigned a Long-term senior unsecured debt rating of 'A' and a Short-term senior unsecured debt rating of 'F1', which corresponds to BRE Bank's rating. Moody's assigned a provisional rating of (P) Baa2 (the rating is on review for possible downgrade) to the backed senior unsecured debt i.e. in accordance with the level and outlook of BRE Bank's long-term rating. Final ratings for debt securities issued under the Programme will be assigned at the time of issue of particular tranches. Receipts from the issue of debt securities will be remitted by the issuer to BRE Bank as issue underwriter in form of a cash deposit. The funds will be used to finance general banking operations of BRE Bank.

Decisions on a potential issuance of bonds under the Programme will depend on the prevailing market conditions. The Programme provides an additional source of long-term funding for the Bank.

## Economic environment in Q1 2012

Poland's GDP growth in Q1 2012 is expected to have slowed down to ca. 3.6%, compared to 4.3% reported in Q4 2011. The trend is likely to continue during 2012. GDP is expected to grow by 2.8% YoY in all of 2012.

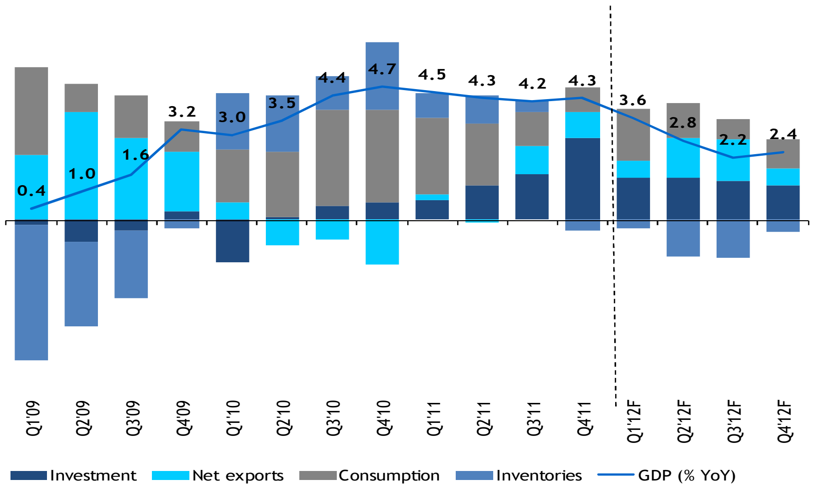
The lower GDP growth rate is mainly caused by weaker growth of consumption, which dropped to 2% already in Q4 2011. While retail sales remained high, employment decreased and so did consumer confidence. The scenario of lower consumption growth is supported by developments on the labour market, where the growth rate of employment dropped to less than 1% year on year and will probably be negative in some months of the year.

Decrease of employment was accompanied by an increase of the registered unemployment from 12.5% in 2011 to 13.5% in February 2012. The steady though moderate deterioration on the labour market conditions should effectively slow down growth of salaries but not much below the current annual rate of 4-5%. The low growth rate of public consumption is a result of fiscal tightening driven by the need to reduce the deficit of the central and local governments to no more than 3.0% of GDP.

Investments remained a significant contributor to GDP growth in Q1 2012. Growth of investments should remain at a level similar to the annual rate of 10.4% reported in Q4 2011. The contribution of private investments increased in 2012 compared to 2011, as demonstrated among others by the high growth rate of corporate investment loans. Public investments in Q1 2012 will continue to grow thanks to the continuation of Euro 2012 project. Public investments are expected to drop in H2 2012, and consequently their annual growth rate will be negative at ca. -1.5% YoY in 2012. Corporate investments are carried out in order to rebuild production capacity in the current short investment cycle and to improve the effectiveness of the production processes. Some corporate investments are still related to continued infrastructure investments in the economy and the absorption of EU funds, however, in the coming quarters, uncertainty about the economic situation in the euro zone and a decrease of private and public consumption will limit corporate investments in additional production capacity as indicated by the weakening growth of industrial output (4.6% YoY in February).

Companies most likely continued to reduce their inventories in Q1 2012 due to weaker economic activity, a trend that should continue throughout 2012. The change of inventories will slow down GDP growth in line with the procyclical nature of this aggregate.

Contributions of GDP growth

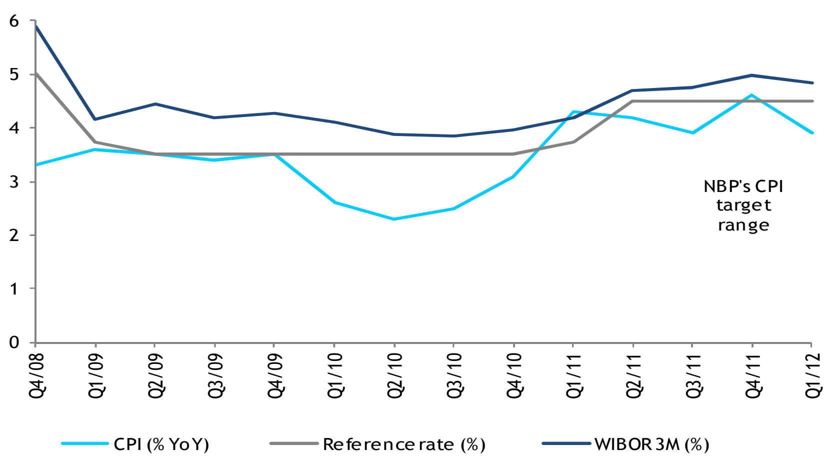



The contribution of net exports to GDP growth should decrease in Q1 2012 due to the appreciation of the zloty, which impedes the competitiveness of Polish exports. However, we expect that the growth of exports will continue to exceed the growth of imports (particularly strong in the time of economic slow-down), which should gradually reduce the current account gap.

## Inflation and Interest Rates

CPI slowed down in Q1 2012 to 3.9% YoY in March, as compared to 4.4% reported at 2011 year-end. The main reason for the drop of inflation in Q1 2012 was the 2011 statistical base effect (VAT rate increase) and the appreciation of the zloty. Core inflation (net of food and energy prices) decreased to 2.4% in Q1 2012, as compared to 3.1% YoY at 2011 year-end. The decrease of inflation in Q1 2012 was accompanied by a sharp decrease of inflation expectations of households to 4.2% in March.

CPI, NBP reference rate, WIBOR 3M



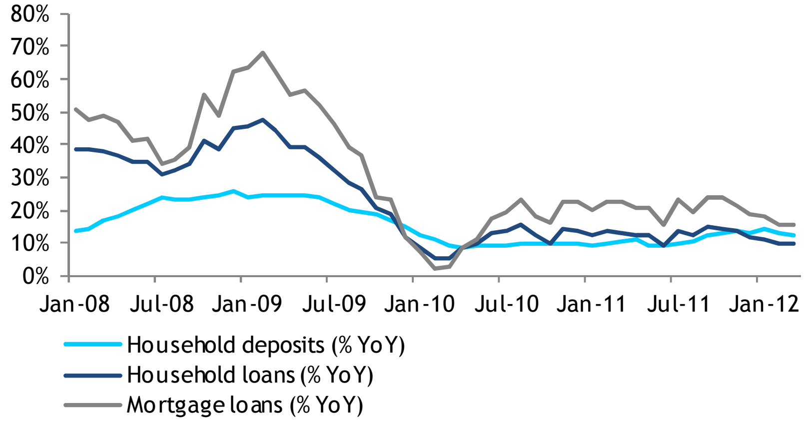

The reference rate remained unchanged at 4.5% in Q1 2012. However, the CPI has persisted above the upper threshold of NBP's inflation target band since early 2011, which has become the main concern of the Monetary

Policy Council (RPP). The interest rate hike planned by the Council in May will probably remain a one-off move (one or two rate hikes) in anticipation of higher inflation in the summer driven by the base effect and Euro 2012. Inflation should decrease towards the upper threshold of NBP's inflation target band by the end of 2012.

### Money Supply and the Banking Sector

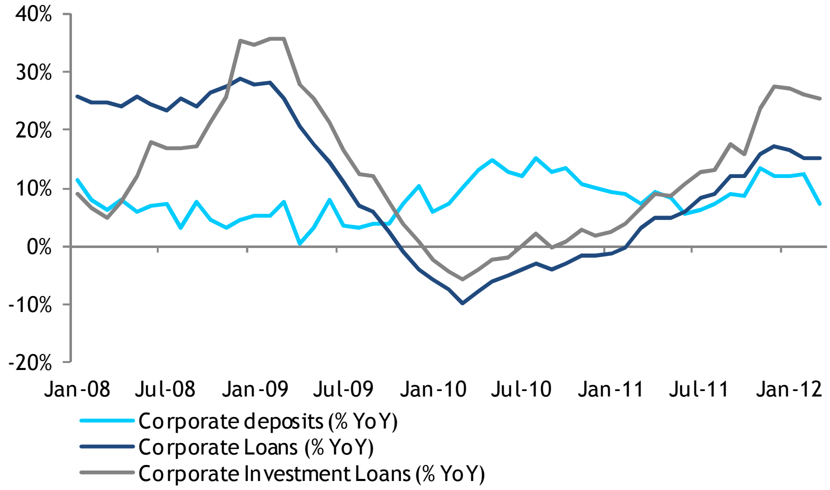
The growth rate of retail deposits in Q1 2012 decreased modestly to 12.3% YoY (compared to 13.5% YoY in Q4 2011). Household deposits increased by PLN 9.3 billion in Q1 2012, as compared to PLN 12.6 billion in Q1 2011. The growth was lower due to a reduction of interest rates on deposits following the adjustment of terms offered by banks, prompting some customers to invest instead in higher risk assets. Flows into investment funds were positive at PLN 6.7 billion in Q1 2012.

Household loans and deposits




The growth rate of household loans decreased below 10% and reached 9.8% YoY at the end of Q1 2012. The volumes of household loans decreased by more than PLN 8 billion, as compared to an increase of PLN 2.2 billion in Q1 2011. Net of the fx effect, the growth rate of household loans has been falling steadily month by month (to 6% YoY in March). These developments were mainly driven by a change of the volumes of real estate loans. The growth rate of housing loans was 15.4% YoY in February but only 9.7% YoY net of the fx effect. As of January 2012, banks use more restrictive terms for selling new housing loans (according to Recommendation SII); in addition, limits available under the "Rodzina na swoim" (Your Family's Own Place) Scheme have been gradually reduced; as a result, the volume of newly sold housing loans decreased by ca. 20% in Q1 2012. The growth rate of real estate loans is expected to drop even further down to ca. 6% at 2012 year-end (net of the fx effect). The volumes of consumer loans decreased by ca. 2.0% YoY in March 2012.

Corporate loans and deposits




The growth rate of corporate deposits dropped to 9.2% YoY at the end of March, as compared to 12.1% YoY at the end of December. The volumes of corporate deposits decreased by PLN 21.3 billion in Q1 2012, as compared to a decrease of PLN 12.1 billion in Q1 2011. The stronger decrease was driven by a one-off withdrawal of ca. PLN 9 billion by KGHM to acquire the Canadian company Quadra. At the same time, the year-on-year growth rate of corporate loans has increased since early 2011, reaching a high 19.5% YoY in January 2012 (16.5% YoY net of the fx effect) and a slightly lower 18.1% in March 2012. The volumes of corporate loans increased by PLN 2.8 billion in Q1 2012, as compared to an increase of PLN 5.9 billion in Q4 2011. The growth rate suggests a continuation of investments in the private sector. The growth rates of both corporate loans and deposits are expected to gradually decrease in the coming quarters, also due to the high 2011 statistical base.

## Financial Performance of BRE Bank Group in Q1 2012

### Changes in the Presentation of Results

The following changes were introduced in Q1 2012 in order to harmonise the presentation of results with that of Commerzbank Group:

- Net income on swap points was moved from net trading income to net interest income;
- Change in reporting of operating leases impacting net interest income, amortisation and depreciation, and net other operating income. Result on operating lease was moved from net interest income and amortisation and depreciation to other operating income.

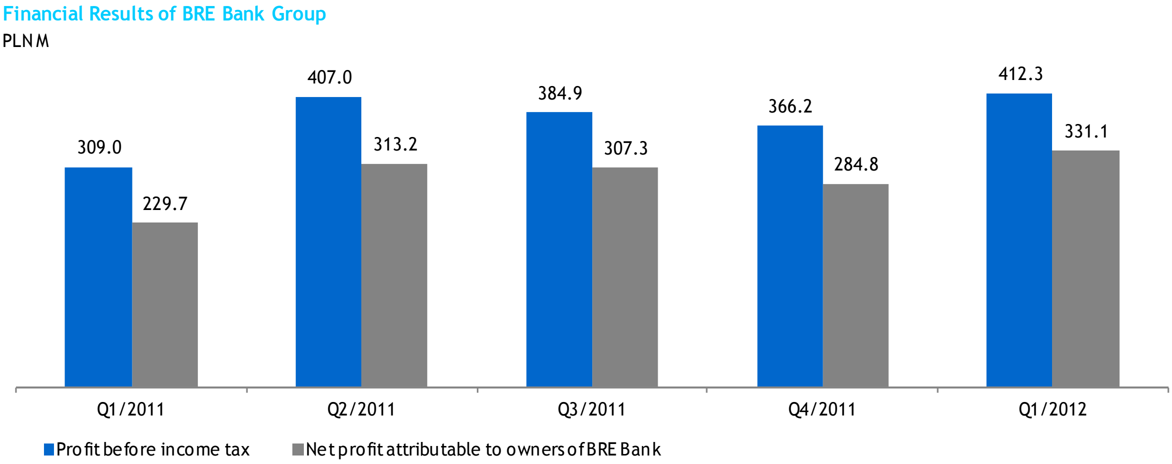
Above changes are presented in details in note 2.32 „Comparative Data" of this financial statement.

As a consequence of the above changes, the results of the quarters and the results of the business lines have been presented on a comparable basis. The table below presents the Group's quarterly results of 2011 compared to Q1 2012.

| PLN thousand | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 |
|---|---|---|---|---|---|
| **Net interest income** | **506 553** | **540 666** | **551 081** | **569 644** | **539 304** |
| **Net fee and commission income** | **207 388** | **208 208** | **219 297** | **205 079** | **222 268** |
| Dividend income | 9 | 2 652 | 12 424 | 28 | 20 |
| Net trading income | 82 497 | 94 158 | 93 519 | 76 502 | 97 681 |
| Gains less losses from investment securities | (4 294) | (2 511) | 20 040 | (1 250) | 16 026 |
| Other operating income | 62 277 | 75 386 | 66 525 | 113 167 | 75 776 |
| Net impairment losses on loans and advances | (114 110) | (58 620) | (111 191) | (89 549) | (111 811) |
| Overhead costs | (349 783) | (367 770) | (378 621) | (375 327) | (343 766) |
| Amortization and depreciation | (48 918) | (50 796) | (48 859) | (60 191) | (48 341) |
| Other operating expenses | (32 638) | (34 338) | (39 349) | (71 858) | (34 816) |
| **Operating profit** | **308 981** | **407 035** | **384 866** | **366 245** | **412 341** |
| **Profit before income tax** | **308 981** | **407 035** | **384 866** | **366 245** | **412 341** |
| Income tax expenses | (74 958) | (90 611) | (76 779) | (80 344) | (81 173) |
| **Net profit** | **234 023** | **316 424** | **308 087** | **285 901** | **331 168** |
| **Net profit attributable to:** | | | | | |
| - Owners of BRE Bank SA | 229 708 | 313 171 | 307 260 | 284 833 | 331 072 |
| - Non-controlling interests | 4 315 | 3 253 | 827 | 1 068 | 96 |

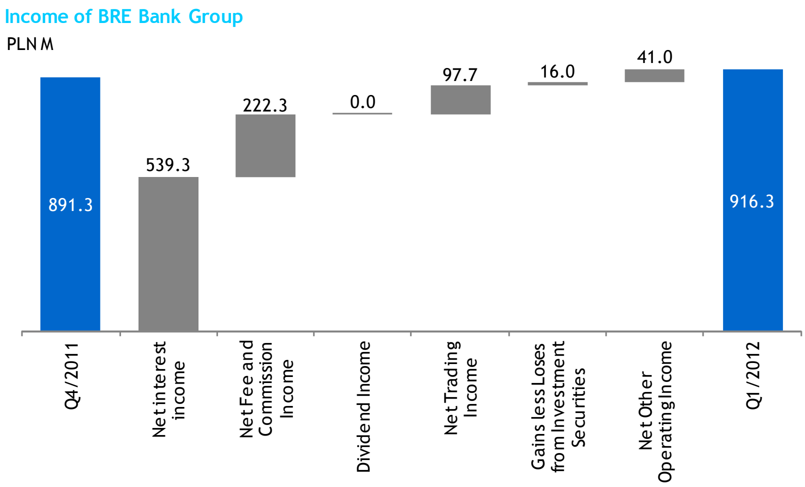
### Financial Results of BRE Bank Group

BRE Bank Group generated a profit before income tax of PLN 412.3 million in Q1 2012, up by 12.6% QoQ. Net profit attributable to the shareholders of BRE Bank grew by 16.2% QoQ and reached PLN 331.1 million.




## Income of BRE Bank Group

Total income of BRE Bank Group in Q1 2012 stood at PLN 916.3 million, an increase of 2.8% or PLN 25.0 million QoQ.




The share of net interest income in the total income of the Group in Q1 2012 decreased (58.9% vs. 63.9% in Q4 2011), but net interest income remained the Group's largest revenue source and reached PLN 539.3 million. Net interest income decreased by PLN 30.3 million or 5.3% QoQ impacted by zloty appreciation and higher interest costs on deposits, which were repaid during the quarter.

Loans and advances remained the main source of interest income (71.3%). Although the volume of loans and advances decreased, income on loans and advances remained stable (up by PLN 7.6 million or 1.0% QoQ) and reached PLN 769.4 million. Interest income from investment securities increased by PLN 7.6 million or 3.6% in Q1 2012, but the growth was offset by a decrease of income on cash and short-term placements by PLN 7.9 million or 18.8% QoQ.

Interest costs in Q1 2012 paid to banks and clients increased by PLN 27.2 million or 5.9% QoQ. The second largest interest cost item were costs of issues of debt securities, which increased by PLN 9.3 million or 36.4% QoQ.

Adjusting for the changes in interest income and cost items, BRE Bank Group's net interest margin stood at 2.4% at the end of Q1 2012, as compared to 2.5% at the end of 2011.

Net fee and commission income in Q1 2012 stood at PLN 222.3 million representing an increase of PLN 17.2 million or 8.4% QoQ. The share of net fee and commission income in the Group's total income grew to 24.3%. The high net fee and commission income was driven predominantly by growing income from the insurance activity (up by 24.4% QoQ) as well as an increase in credit-related fees and commissions (up by 13.5%), which was partly due to a fee related to the Bank Guarantee Fund, paid by corporate clients. Net fee and commission income from the brokerage activity was down QoQ due to less active trading by customers and continued weakness on the financial markets.

Trading income stood at PLN 97.7 million in Q1 2012 and increased by 27.7% QoQ. The Group reported a decrease in FX income by PLN 7.0 million or 8.2% as a result of lower sales of new FX mortgage loans. Other trading income reached PLN 18.8 million supported by improved result on interest-rate products.

Gains less losses on investment securities and on investments in affiliates and subsidiaries reached PLN 16.0 million and was largely driven by the transfer of operations and processes related to services provided to customers from outside BRE Bank Group from the company Centrum Rozliczeń i Informacji CERI Sp. z o.o. (CERI) to the company BRE

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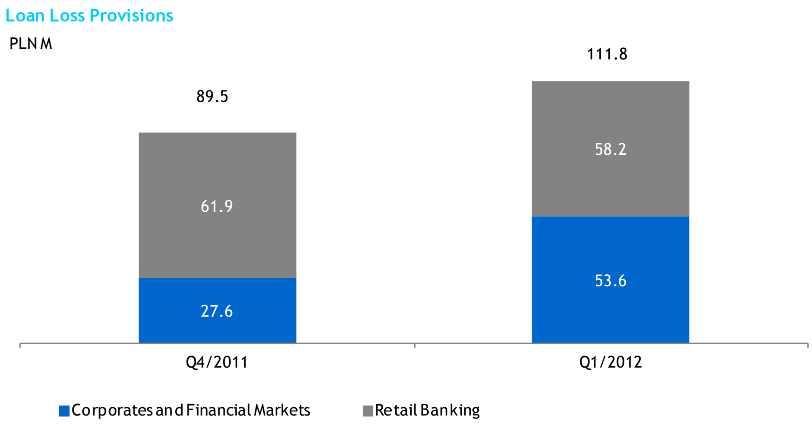
Systems Sp. z o.o. (later renamed to CERI International). An agreement concerning the sale of all shares of BRE Systems to Commerzbank AG for a total price of PLN 13.2 million was signed on February 29, 2012.

Other net operating income (other operating income minus other operating expenses) in Q1 2012 was stable at PLN 41.0 million.

## Net Impairment Losses on Loans and Advances

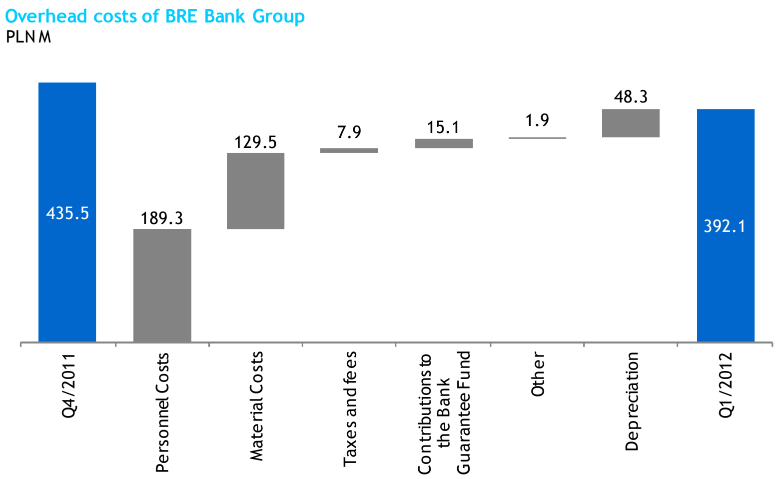
Net loan loss provisions of the Group stood at PLN 111.8 million at the end of Q1 2012, which represents an increase of provisions of PLN 22.3 million QoQ.




Net impairment losses on loans and advances in Retail Banking in Q1 2012 stood at PLN 58.2 million and were stable QoQ thanks to sustained strong quality of BRE Bank's retail loans portfolio. Net impairment losses on loans and advances in Corporates and Financial Markets stood at PLN 53.6 million in Q1 2012, as compared to PLN 27.6 million in Q4 2011, when several non-performing exposures were again serviced by clients.

## Overhead Costs of BRE Bank Group

Effective management of resources and cost discipline allowed the Group to reduce overhead administrative costs by PLN 43.4 million or 10.0% QoQ to PLN 392.1 million.




Staff-related expenses decreased by PLN 23.6 million or 11.1% in Q1 2012. Employment in BRE Bank Group decreased by 83 FTE in Q1 2012. The change was mainly driven by the disposal of CERI International.

| Employment in BRE Bank Group | 31.03.2012 | 31.12.2011 | % QoQ |
|---|---|---|---|
| FTE | 6 211 | 6 294 | -1.3% |

Material costs of the Group also decreased by PLN 14.6 million or 10.1% due to lower costs of marketing, IT and logistics. Amortisation and depreciation decreased by PLN 11.9 million or 19.7% QoQ as the Group had applied one-off write-offs of selected functionalities of IT systems in Q4 2011.

**IFRS Consolidated Financial Statements for the first quarter of 2012** **PLN (000's)**

## Consolidated Statement of Financial Position

BRE Bank Group's balance sheet total stood at PLN 92,602.2 million at the end of Q1 2012, down by 6.3% year to date.

### Assets of BRE Bank Group

Loans and advances to customers remained the largest asset category of BRE Bank Group at the end of Q1 2012. Their share in total assets increased modestly to 70.4% (as compared to 68.6% at the end of Q4 2011). Net loans and advances to customers stood at PLN 65,232.8 million in Q1 2012, a decrease by PLN 2,618.7 million or 3.9% year to date (excluding reverse repo / buy-sell-back transactions and FX effect net loans portfolio increased by 0.4%).

Gross loans and advances to corporate clients decreased to PLN 26,766.2 million, i.e., by PLN 1,124.1 million (4.0%); excluding repo / buy-sell-back transactions and FX effect, the portfolio increased by 1.5%. Loans and advances to retail clients decreased by PLN 1,153.7 million or 3.0% year to date and stood at PLN 37,535.3 million; excluding FX effect the retail portfolio increased by 0.8%. Gross loans and advances to the public sector stood at PLN 2,973.7 million in Q1 2012, down by PLN 204.7 million or 6.4% QoQ.

Investment securities were the second largest asset category at the end of Q1 2012 and stood at PLN 14,160.3 million or 15.3% of total assets decreasing by PLN 2,536.9 million or 15.2% during the quarter.

### Liabilities of BRE Bank Group

Amounts due to customers, which are the Group's principal source of funding, decreased by PLN 4,539.4 million or 8.4% in Q1 2012. Amounts due to customers stood at PLN 49,705.0 million representing 59.1% of total liabilities at the end of March 2012, as compared to 59.7% at the end of 2011. Amounts due to corporate clients stood at PLN 21,258.6 million at the end of Q1 2012, down by PLN 5,756.9 million or 21.3% year to date as the Bank applied a more selective deposit strategy in the segment as well as the typical seasonably pattern, Amounts due to retail clients continued to grow increasing by PLN 1,276.6 million or 4.8% year to date to reach PLN 27,977.5 million. Amounts due to the public sector stood at PLN 468.9 million, down by PLN 59.1 million or 11.2%.

Amounts due to banks decreased by PLN 2,434.8 million or 8.9% in Q1 2012 and stood at PLN 24,956.0 million, representing 29.7% of total liabilities.

The share of equity attributable to the Bank's shareholders in the liabilities of BRE Bank Group stood at 9.1% at the end of Q1 2012, as compared to 8.1% at the end of December 2011.

### Performance Indicators

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

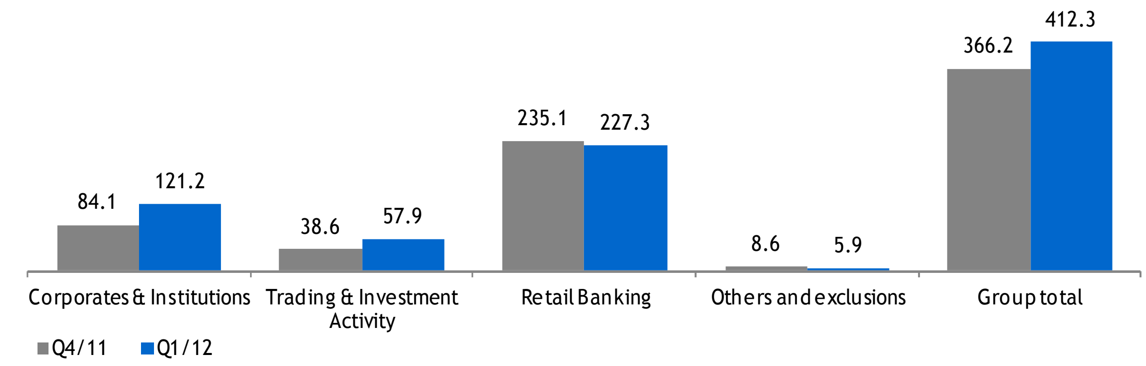
| | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|---|---|---|
| **Net ROA** | 1.37 % | 1.26 % | 1.07 % |
| **Gross ROE** | 20.3 % | 21.0 % | 18.0 % |
| **Net ROE** | 16.3 % | 16.4 % | 13.6 % |
| **C/I** | 42.8 % | 47.7 % | 48.5 % |
| **Capital Adequacy ratio** | 16.9 % | 15.0 % | 16.2 % |
| **Core Tier 1 ratio** | 11.6 % | 9.6 % | 11.0 % |

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

## Performance of the Business Segments and Business Lines

The Retail Banking segment was the largest contributor (55.1%) to the Group's profit before income tax. The contribution of Corporates and Financial Markets accounted for 43.4% of which Corporates and Institutions 29.4% and Trading and Investment Activity 14.0%.

Result before tax by business lines of BRE Bank Group
PLN M




## Retail Banking

Retail Banking includes mBank, MultiBank and Private Banking operations, while mBank operates also in the Czech Republic and Slovakia.

**Retail Operations in Poland (mBank and MultiBank)**

### Customers

BRE Bank's Retail Banking in Poland had 3,404.9 thousand customers at the end of Q1 2012. The number of customers grew by 43.4 thousand QoQ (1.3%) and by 166.1 thousand YoY (5.1%).

### Deposits and Investment Funds

Retail Banking deposits stood at PLN 23,029.1 million at the end of March 2012, up by PLN 1,855.9 million (8.8%) QoQ. The dynamic growth of the retail deposit base was mainly driven by the growing number of customers and the attractive offer of savings products.

The increase of the deposit base was accompanied by a growth of investment fund assets of BRE Bank retail customers. These stood at PLN 1,806.1 million at the end of March 2012, up by PLN 176.9 million (10.9%) QoQ.

### Loans

Net loans stood at PLN 34,672.4 million at the end of March 2012. Loans decreased by PLN 1,067.4 million or 3.0% in Q1 2012, mainly as a result of zloty appreciation. Net of the fx effect, the retail loans portfolio grew by 0.8%.

The structure of the loan portfolio was as follows:

- mortgage loans 85.4%
- credit lines and overdrafts 6.1%
- cash loans 4.4%
- credit cards and charge cards 2.8%
- other 1.3%.

Mortgage loans granted to retail customers stood at PLN 27,715.5 million at the end of Q1 2012. The main parameters of the portfolio are presented below:

| Mortgage loans to private individuals | Total |
|---|---|
| Balance-sheet value (PLN billion) | 27.72 |
| Average maturity (years) | 22.14 |
| Average value (PLN'000) | 290.40 |
| Average LTV (%) | 82.07 |
| NPL (%) | 1.43 |

**Cards**

The number of credit cards issued by the Bank until the end of Q1 2012 stood at 648.4 thousand. The number of credit cards grew by 17.9 thousand QoQ.

The number of debit cards issued until the end of Q1 2012 stood at 4,151.6 thousand. The number of debit cards grew by 163.3 thousand QoQ.

**Distribution Network**

**mBank**

The distribution network of mBank comprised 97 locations including 25 Financial Centres, 72 mKiosks and 30 Agent Service Points.

**MultiBank**

MultiBank's distribution network comprised 134 outlets including 73 Financial Services Centres and 61 Partner Outlets.

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

**Customers**

mBank in the Czech Republic and Slovakia had 538.8 thousand customers at the end of March 2012 (394.9 thousand at mBank CZ and 143.9 thousand at mBank SK). The number of customers of mBank's foreign operations grew by 11.8 thousand in Q1 2012.

**Deposits**

Deposits in the Czech Republic and Slovakia stood at EUR 866.1 million at the end of Q1 2012 (EUR 626.5 million at mBank CZ, EUR 239.6 million at mBank SK) increasing by EUR 37.0 million in the quarter.

**Loans**

Loans stood at EUR 392.8 million at the end of Q1 2012 (EUR 322.8 million at mBank CZ, EUR 70.0 million at mBank SK) increasing by EUR 16.7 million in the quarter.

**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.

**Private Banking (PB)**

**Customers**

Private Banking had 4,160 customers at the end of Q1 2012, down by ca. 6% QoQ. The decrease resulted from continued restructuring of the customer base with the aim to focus on servicing target customers with liquid assets of at least PLN 1 million.

**Loans**

The loans of Private Banking customers stood at PLN 658.6 million as of Q1 2012, down by PLN 37 million or 5.3% QoQ.

**Assets under Management**

Customers' assets under management invested via Private Banking & Wealth Management (BRE PB&WM) totaled PLN 6,857 million as of Q1 2011 and grew by 10.1% QoQ.

**Subsidiaries of the Retail Banking area**

**BRE TUiR SA, BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o.**

Gross written premiums generated by BRE Ubezpieczenia's internet platform in Q1 2012 totalled PLN 37.0 million constituting a decrease of 6.3% QoQ. Car insurance policies remained the main product distributed through the online sales channel followed by property insurance and travel insurance. In bancassurance, premiums written totalled PLN 55.9 million (excluding PLN 562 million of investment products), down by 1.7% QoQ.

The consolidated profit before income tax of the company (including BRE TUiR SA, BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o.) reached PLN 21.9 million in Q1 2012, as compared to PLN 11.0 million in Q1 2011.

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

### Aspiro SA

At the end of Q1 2012, Aspiro offered products of 23 different providers of financial services including mBank and MultiBank. The offering covered 50 products including mortgage loans, cash loans, insurance products, business products, leasing and factoring.

In Q1 2012, the total income on sales of the core product categories (mortgage loans, cash loans, business products) remained stable QoQ.

The company's profit before income tax in Q1 2012 reached PLN 4.9 million, as compared to PLN 4.4 million in Q4 2011.

### BRE Wealth Management SA

In Q1 2012, the company continued to develop a new business model of providing advisory services covering all assets, including both financial and non-financial assets. The offer was addressed to customers whose assets under management exceed PLN 2 million. The investment offer was extended to include investment certificates of closed-ended funds as well as products based on insurance capital funds. At the end of Q1 2012, assets under management stood at PLN 3.6 billion and were up by 25% QoQ.

## 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 Investments, the area of liquidity and risk management.

### Corporates and Institutions

### Number of Corporate Customers

The total number of corporate customers stood at 14,414 at the end of March 2012 constituting an increase of 437 customers QoQ.

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

| | 31.12.2010 | 31.03.2011 | 31.12.2011 | 31.03.2012 |
|---|---|---|---|---|
| K1* | 1 101 | 1 114 | 1 185 | 1 207 |
| K2* | 3 993 | 4 071 | 4 246 | 4 260 |
| K3* | 8 177 | 8 238 | 8 546 | 8 947 |
| Total | 13 271 | 13 423 | 13 977 | 14 414 |

**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) amounted to PLN 19,539 million at the end of March 2012 and were down by 18.0% compared to Q4 2011 and up by 12.3% compared to Q1 2011. The decrease in corporate deposits was due to the Bank's more restrictive margin policy and a seasonal decrease of corporate bank deposits in the first quarter of the year.

Deposits placed by enterprises stood at PLN 16,702 million at the end of March 2012 and were down by 20.3% compared to Q4 2011 and up by 8.8% compared to Q1 2011.

### Corporate Customers' Loans

Loans granted to corporate clients by BRE Bank (excluding reverse repo transactions) reached PLN 23,296 million at the end of March 2012 and were lower by 0.5% QoQ and higher by 37.4% year on year.

Loans to enterprises stood at PLN 16,310 million at the end of March 2012 increasing by 0.1% compared to Q4 2011 (according to the current NBP rules).

Loans granted to local governments totalled PLN 2,225 million at the end of Q1 2012 and were down by 4.5% QoQ (according to the current NBP rules).

**Strategic Product Lines**

**Cash Management**

The comprehensive cash management offer, which enhances long-term relationships with customers, is a growing contributor to the income of the Corporates and Institutions business line and has been characterised by steady overall increases in sales of both standard and most complex client solutions.

In Q1 2012, the number of executed Direct Debit transactions reached 955.5 thousand and was up by 3.6% compared to Q4 2011 and up by 8.6% compared to Q1 2011. The number of Trade Payment Identification transactions and related income also increased. In Q1 2012, almost 2.8 million transactions were executed, up by 3.7% compared to Q4 2011 and up by 16.5% compared to Q1 2011. The number of customers using the most advanced cash pooling solutions increased by 5.8% at the end of March 2012 year on year as 654 clients were using Cash Pooling and Shared Balance products at the end of March 2012.

**Structured and Mezzanine Finance**

The volume of Structured and Mezzanine Finance transactions at the end of Q1 2012 decreased modestly by 3.7% QoQ and increased by 53.7% year on year.

**Corporate Network**

At the end of March 2012, the corporate branch network of BRE Bank included 29 Branches and 19 Corporate Offices.

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

**BRE Leasing Sp. z o.o.**

Leasing contracts concluded by BRE Leasing in Q1 2012 totalled PLN 458 million and were down by 38.5% QoQ. All contracts were concluded in the movables sector and their value was down by 18.2% (compared to the decrease on the market by 17.1%). There were no new transactions on the real estate market concluded by BRE Leasing in Q1 2012 vs. PLN 185 million in Q4 2011. Real estate transactions on the market declined by 70.6% QoQ.

The company's profit before tax in Q1 2012 reached PLN 16.5 million, as compared to PLN 14.5 million in Q4 2011.

**BRE Faktoring SA (formerly Polfactor SA)**

BRE Faktoring generated sales of PLN 1.8 billion in Q1 2012 (a decrease of 6.7% QoQ). The company's sales increased by 62.6% year on year, more than the average growth in the sector, which was 31.5% (according to the Polish Factor Association). The sales grew most dynamically in export factoring (154.3%) and domestic factoring (+46.8%).

The profit before tax reached PLN 4.3 million in Q1 2012 (down by 32.6% QoQ). Although the profit decreased QoQ due to seasonal trends in the sector, the company's Q1 2012 profit improved for another consecutive year. This was driven by dynamic growth of sales and the resulting increase of both fees and commission income as well as interest income.

**Transfinance a.s.**

Transfinance generated sales of PLN 0.8 billion in Q1 2012 (an increase of 6.9% QoQ). The most dynamically growing segment was import factoring while the sales of domestic and export factoring grew at a stable rate.

The profit before tax reached PLN 1.4 million in Q1 2012 (up by 55.7% QoQ). The growth of profit was driven by higher sales and lower debt provisions.

## Trading and Investment Activity

**<u>Market Position</u>**

BRE Bank ranks first in the market for arranging short-term debt securities with a market share of 21.1%, second in mid-term bank debt securities with a market share of 22.5%, and second in mid-term corporate bonds with a market share of 17.7 % (all data as at the end of March 2012).

The Bank remains very active in trading of financial instruments. Its market share in interest rate derivatives and Treasury bonds and bills trading stood at ca. 21.1% and ca. 6.8%, respectively, while its market share in trading in fx spot and forward instruments stood at 8.0% (data as at the end of February 2012).

Investment Banking Subsidiaries of BRE Bank Group:

**Dom Inwestycyjny BRE Banku SA (DI BRE)**

The market share of DI BRE in equities trading stood at 5.0% in Q1 2012, equivalent to the position of the seventh biggest market participant, as compared to a market share of 5.3% and the eighth position in Q4 2011. The activity of DI BRE in futures trading gave it the first position on the market and a market share of 14.8% in Q1 2012 compared to the first position and a market share of 13.5% in Q4 2011. The number of customers of DI BRE stood at 293.5 thousand at the end of Q1 2012.

DI BRE generated a profit before income tax of PLN 5.9 million in Q1 2012 compared to PLN 6.5 million in Q4 2011.

**BRE Bank Hipoteczny SA (BBH)**

The loan portfolio of BBH stood at PLN 4,044 million at the end of Q1 2012 and decreased by 2.6% QoQ. In Q1 2012, BBH sold PLN 160 million of mortgage loans, mainly designated for financing of commercial properties (PLN 315 million in Q4 2011).

The profit before income tax generated by BBH in Q1 2012 reached PLN 11.8 million, compared to PLN 5.2 million in Q4 2011 and PLN 9.1 million in Q1 2011. The higher profit of Q1 2012 was driven by a net release of impairment losses on loan and advances of PLN 1.5 million.

## Other

**BRE Centrum Operacji Sp. z o.o. (formerly Centrum Rozliczeń i Informacji CERI Sp. z o.o.)**

BRE Centrum Operacji Sp. z o.o. was formed through the reorganisation of outsourcing services in BRE Bank Group, as described in detail in the Management Board Report on the Activity of BRE Bank Group in 2011. The existing company Centrum Rozliczeń i Informacji CERI Sp. z o.o. was split into two companies:

- BRE Centrum Operacji Sp. z o.o. (BRE CO) – provider of outsourced services to BRE Bank and BRE Bank Group companies, registered by the National Court Register on February 2, 2012; the company is consolidated in BRE Bank Group;
- CERI International Sp. z o. o. – provider of services to Commerzbank and non-BRE Bank Group companies. On 29 February 2012, an agreement was signed to sell all shares of CERI International Sp. z o.o. to Commerzbank AG for a price of PLN 13.2 million.

BRE CO co-operates with the Bank as well as BRE Group companies, mainly providing electronic and paper archive services and office services.

The profit before income tax of the company reached PLN 11.4 million in Q1 2012, mainly owing to the recognition of the profit on the sale of CERI International Sp. z o.o.

## Quality of the Loan Portfolio

As at the end of Q1 2012, the ratio of impaired loans to total loans increased to 5.0% compared to 4.7% as of the end of Q4 2011 and 5.6% at the end of Q1 2011. While the net value of new NPLs in Q1 2012 has remained in line with levels recorded in previous quarters of 2011, the NPL ratio was impacted by the strengthening of the zloty during the period. Provisions for loans and advances increased from PLN 2,388.3 million as at the end of Q4 2011 to PLN 2,454.4 million at the end of Q1 2012, out of which the Incurred But Not Identified provisions reached PLN 204.4 million compared to PLN 212.4 million in Q4 2011.

The ratio of provisions to impaired loans stood at 66.1% as at the end of Q1 2012 compared to 66.2% at the end of Q4 2011 and 67.6% at the end of Q1 2011.

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

## Consolidated Income Statement

| | Note | 1st Quarter (current year) period from 01.01.2012 to 31.03.2012 | 1st Quarter (previous year) period from 01.01.2011 to 31.03.2011 |
|---|---|---|---|
| Interest income | | 1 079 228 | 891 521 |
| Interest expense | | (539 924) | (384 968) |
| **Net interest income** | 5 | **539 304** | **506 553** |
| Fee and commission income | | 324 725 | 306 663 |
| Fee and commission expense | | (102 457) | (99 275) |
| **Net fee and commission income** | 6 | **222 268** | **207 388** |
| Dividend income | 7 | 20 | 9 |
| Net trading income, including: | 8 | 97 681 | 82 497 |
| *Foreign exchange result* | | *78 880* | *71 246* |
| *Other trading income and result on hedge accounting* | | *18 801* | *11 251* |
| Gains less losses from investment securities, investments in subsidiaries and associates | 9 | 16 026 | (4 294) |
| Other operating income | 10 | 75 776 | 62 277 |
| Net impairment losses on loans and advances | 11 | (111 811) | (114 110) |
| Overhead costs | 12 | (343 766) | (349 783) |
| Amortization and depreciation | | (48 341) | (48 918) |
| Other operating expenses | 13 | (34 816) | (32 638) |
| **Operating profit** | | **412 341** | **308 981** |
| **Profit before income tax** | | **412 341** | **308 981** |
| Income tax expense | | (81 173) | (74 958) |
| **Net profit** | | **331 168** | **234 023** |
| **Net profit attributable to:** | | | |
| - Owners of BRE Bank SA | | 331 072 | 229 708 |
| - Non-controlling interests | | 96 | 4 315 |

| | | | |
|---|---|---|---|
| **Net profit attributable to Owners of BRE Bank SA** | | **331 072** | **229 708** |
| **Weighted average number of ordinary shares** | 14 | **42 102 746** | **42 086 674** |
| **Earnings per ordinary share (in PLN)** | 14 | **7.86** | **5.46** |
| **Weighted average number of ordinary shares for diluted earnings** | 14 | **42 156 837** | **42 133 508** |
| **Diluted earnings per ordinary share (in PLN)** | 14 | **7.85** | **5.45** |

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

## Consolidated Statement of Comprehensive Income

| | 1st Quarter (current year) period from 01.01.2012 to 31.03.2012 | 1st Quarter (previous year) period from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **Net profit** | **331 168** | **234 023** |
| **Other comprehensive income net of tax** | **81 458** | **(30 053)** |
| Exchange differences on translation of foreign operations (net) | (1 012) | 4 806 |
| Change in valuation of available for sale financial assets (net) | 82 470 | (34 859) |
| **Total comprehensive income net of tax, total** | **412 626** | **203 970** |
| **Total comprehensive income (net), attributable to:** | | |
| - Owners of BRE Bank SA | 412 530 | 198 253 |
| - Non-controlling interests | 96 | 5 717 |

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

## Consolidated Statement of Financial Position

| ASSETS | Note | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|---|---|---|---|
| Cash and balances with the Central Bank | | 1 680 525 | 1 038 356 | 1 376 233 |
| Loans and advances to banks | | 3 367 006 | 4 008 874 | 4 340 518 |
| Trading securities | 15 | 1 234 846 | 991 559 | 1 784 556 |
| Derivative financial instruments | 16 | 1 349 410 | 1 506 595 | 1 026 236 |
| Loans and advances to customers | 17 | 65 232 807 | 67 851 516 | 58 199 202 |
| Hedge accounting adjustments related to fair value of hedged items | | 1 188 | 1 924 | - |
| Investment securities | 18 | 14 160 314 | 16 697 212 | 16 089 485 |
| Non-current assets held for sale | 22 | - | - | 1 251 367 |
| Pledged assets | 15, 18 | 3 091 424 | 4 339 523 | 2 562 080 |
| Intangible assets | 19 | 418 265 | 436 769 | 397 966 |
| Tangible fixed assets | 20 | 805 300 | 832 455 | 753 348 |
| Current income tax assets | | 1 852 | 4 728 | 2 855 |
| Deferred income tax assets | | 254 555 | 307 052 | 308 326 |
| Other assets | | 1 004 679 | 859 084 | 953 600 |
| **Total assets** | | **92 602 171** | **98 875 647** | **89 045 772** |
| **EQUITY AND LIABILITIES** | | | | |
| Amounts due to other banks | | 24 955 986 | 27 390 809 | 27 891 927 |
| Derivative financial instruments | 16 | 1 502 622 | 1 862 747 | 1 169 609 |
| Amounts due to customers | 21 | 49 704 976 | 54 244 388 | 45 644 878 |
| Debt securities in issue | | 2 854 737 | 1 735 988 | 1 471 415 |
| Subordinated liabilities | | 3 286 236 | 3 456 200 | 2 932 618 |
| Other liabilities | | 1 407 748 | 1 723 856 | 1 684 940 |
| Current income tax liabilities | | 246 314 | 235 568 | 52 135 |
| Deferred income tax liabilities | | 884 | 258 | 397 |
| Provisions | | 155 292 | 153 168 | 156 161 |
| Liabilities held for sale | 22 | - | - | 832 534 |
| **Total liabilities** | | **84 114 795** | **90 802 982** | **81 836 614** |
| **Equity** | | | | |
| **Equity attributable to Owners of BRE Bank SA** | | **8 463 370** | **8 048 755** | **7 108 844** |
| **Share capital:** | | **3 493 812** | **3 493 812** | **3 491 812** |
| - Registered share capital | | 168 411 | 168 411 | 168 347 |
| - Share premium | | 3 325 401 | 3 325 401 | 3 323 465 |
| **Retained earnings:** | | **4 826 314** | **4 493 157** | **3 587 341** |
| - Profit from the previous years | | 4 495 242 | 3 358 185 | 3 357 633 |
| - Profit for the current year | | 331 072 | 1 134 972 | 229 708 |
| **Other components of equity** | | **143 244** | **61 786** | **29 691** |
| **Non-controlling interests** | | **24 006** | **23 910** | **100 314** |
| **Total equity** | | **8 487 376** | **8 072 665** | **7 209 158** |
| **Total equity and liabilities** | | **92 602 171** | **98 875 647** | **89 045 772** |
| **Capital adequacy ratio** | | **16.93** | **14.96** | **16.20** |
| **Book value** | | **8 463 370** | **8 048 755** | **7 108 844** |
| **Number of shares** | | **42 102 746** | **42 102 746** | **42 086 674** |
| **Book value per share (in PLN)** | | **201.02** | **191.17** | **168.91** |

**IFRS Consolidated Financial Statements for the first quarter of 2012** **PLN (000's)**

## Consolidated Statement of Changes in Equity

### 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 risk fund | Profit from the previous years | Profit for the current year | Exchange differences on translation of foreign operations | Valuation of available for sale financial assets | | | |
| **Equity as at 1 January 2012** | **168 411** | **3 325 401** | **2 334 675** | **81 174** | **841 953** | **1 235 355** | **-** | **1 921** | **59 865** | **8 048 755** | **23 910** | **8 072 665** |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** | **331 072** | **(1 012)** | **82 470** | **412 530** | **96** | **412 626** |
| Transfer to General Risk Fund | - | - | - | - | 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** |

### Changes from 1 January to 31 December 2011

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

**IFRS Consolidated Financial Statements for the first quarter of 2012** **PLN (000's)**

## Changes from 1 January to 31 March 2011

| | Share capital | | Retained earnings | | | | | Other components of equity | | Equity attributable to Owners of BRE Bank SA, total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Registered share capital | Share premium | Other supplementary capital | Other reserve capital | General risk fund | Profit from the previous years | Profit for the current year | Exchange differences on translation of foreign operations | Valuation of available for sale financial assets | | | |
| **Equity as at 1 January 2011** | **168 347** | **3 323 465** | **1 814 954** | **55 300** | **778 953** | **707 138** | **-** | **50** | **61 096** | **6 909 303** | **167 982** | **7 077 285** |
| **Total comprehensive income** | | | | | | | **229 708** | **3 374** | **(34 829)** | **198 253** | **5 717** | **203 970** |
| Dividends paid | - | - | - | - | - | - | - | - | - | - | (7 022) | (7 022) |
| Transfer to General Risk Fund | - | - | - | - | 60 000 | (60 000) | - | - | - | - | - | - |
| Transfer to supplementary capital | - | - | 457 724 | - | - | (457 724) | - | - | - | - | - | - |
| Change in the scope of consolidation/increase of share in consolidated company | - | - | - | (513) | - | - | - | - | - | (513) | (66 363) | (66 876) |
| Stock option program for employees | - | - | - | 1 801 | - | - | - | - | - | 1 801 | - | 1 801 |
| *- value of services provided by the employees* | - | - | - | *1 801* | - | - | - | - | - | *1 801* | - | *1 801* |
| **Equity as at 31 March 2011** | **168 347** | **3 323 465** | **2 272 678** | **56 588** | **838 953** | **189 414** | **229 708** | **3 424** | **26 267** | **7 108 844** | **100 314** | **7 209 158** |

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

## Consolidated Statement of Cash Flows

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **A. Cash flow from operating activities** | **(681 587)** | **482 754** |
| **Profit before income tax** | **412 341** | **308 981** |
| ***Adjustments:*** | ***(1 093 928)*** | ***173 773*** |
| Income taxes paid | (36 668) | (13 951) |
| Amortisation, including amortisation of fixed assets provided under operating lease | 60 801 | 58 611 |
| Foreign exchange (gains) losses related to financing activities | (1 340 649) | (589 676) |
| (Gains) losses on investing activities | (12 596) | (58) |
| Dividends received | (20) | (9) |
| Interest received | (726 608) | (516 514) |
| Interest paid | 467 732 | 339 782 |
| Changes in loans and advances to banks | (842 241) | (675 130) |
| Changes in trading securities | 388 825 | (37 787) |
| Changes in assets and liabilities on derivative financial instruments | (202 940) | 6 518 |
| Changes in loans and advances to customers | 3 275 732 | 486 628 |
| Changes in investment securities | 3 971 420 | 1 446 241 |
| Changes in other assets | (134 355) | (96 017) |
| Changes in amounts due to other banks | (1 044 103) | 598 952 |
| Changes in amounts due to customers | (4 778 705) | (1 555 302) |
| Changes in debt securities in issue | 127 066 | 119 421 |
| Changes in provisions | 2 124 | (6 932) |
| Changes in other liabilities | (268 743) | 608 996 |
| **Net cash generated from operating activities** | **(681 587)** | **482 754** |
| **B.Cash flows from investing activities** | **(65 035)** | **(42 587)** |
| **Investing activity inflows** | **7 680** | **4 871** |
| Disposal of shares in subsidiaries, net of cash disposed | 56 | - |
| Disposal of intangible assets and tangible fixed assets | 7 604 | 4 622 |
| Dividends received | 20 | 9 |
| Other investing inflows | - | 240 |
| **Investing activity outflows** | **72 715** | **47 458** |
| Purchase of intangible assets and tangible fixed assets | 72 715 | 47 458 |
| **Net cash used in investing activities** | **(65 035)** | **(42 587)** |
| **C. Cash flows from financing activities** | **537 419** | **(524 382)** |
| **Financing activity inflows** | **1 296 421** | **307 255** |
| Proceeds from loans and advances from other banks | - | 43 077 |
| Issue of debt securities | 1 296 421 | 264 178 |
| **Financing activity outflows** | **759 002** | **831 637** |
| Repayments of loans and advances from other banks | 359 396 | 375 038 |
| Repayments of other loans and advances | 5 271 | 11 807 |
| Redemption of debt securities | 304 738 | 284 008 |
| Acquisition of shares in subsidiaries | - | 67 276 |
| Payments of financial lease liabilities | 87 | 145 |
| Interest paid from loans and advances received from other banks and subordinated liabilities | 89 510 | 93 363 |
| **Net cash generated from financing activities** | **537 419** | **(524 382)** |
| **Net increase / decrease in cash and cash equivalents (A+B+C)** | **(209 203)** | **(84 215)** |
| Effects of exchange rate changes on cash and cash equivalents | 4 734 | (1 192) |
| Cash and cash equivalents at the beginning of the reporting period | 4 675 211 | 5 805 816 |
| **Cash and cash equivalents at the end of the reporting period** | **4 470 742** | **5 720 409** |

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

## BRE Bank SA Stand-alone Financial Information

### Income Statement

| | Note | 1st Quarter (current year) period from 01.01.2012 to 31.03.2012 | 1st Quarter (previous year) period from 01.01.2011 to 31.03.2011 |
|---|---|---|---|
| Interest income | | 998 744 | 789 490 |
| Interest expense | | (511 642) | (342 075) |
| **Net interest income** | | **487 102** | **447 415** |
| Fee and commission income | | 266 775 | 239 403 |
| Fee and commission expense | | (86 739) | (79 437) |
| **Net fee and commission income** | | **180 036** | **159 966** |
| Dividend income | | 20 | 9 064 |
| Net trading income, including: | | 92 639 | 80 162 |
| *Foreign exchange result* | | *78 311* | *69 534* |
| *Other trading income and hedge accounting* | | *14 328* | *10 628* |
| Gains less losses from investment securities and investments in subsidiaries | | 5 657 | 18 |
| Other operating income | | 17 822 | 12 194 |
| Impairment losses on loans and advances | | (109 864) | (102 692) |
| Overhead costs | | (279 123) | (276 642) |
| Amortization and depreciation | | (42 242) | (43 006) |
| Other operating expenses | | (14 630) | (11 689) |
| **Operating profit** | | **337 417** | **274 790** |
| **Profit before income tax** | | **337 417** | **274 790** |
| Income tax expense | | (67 211) | (55 138) |
| **Net profit** | | **270 206** | **219 652** |

| | | | |
|---|---|---|---|
| **Net profit** | | **270 206** | **219 652** |
| **Weighted average number of ordinary shares** | 14 | **42 102 746** | **42 086 674** |
| **Earnings per ordinary share (in PLN)** | 14 | **6.42** | **5.22** |
| **Weighted average number of ordinary shares for diluted earnings** | 14 | **42 156 837** | **42 133 508** |
| **Diluted earnings per ordinary share (in PLN)** | 14 | **6.41** | **5.21** |

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

**BRE Bank SA Stand-alone Financial Information**

**Statement of Comprehensive Income**

| | 1st Quarter (current year) period from 01.01.2012 to 31.03.2012 | 1st Quarter (previous year) period from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **Net profit** | **270 206** | **219 652** |
| **Other comprehensive income net of tax** | **80 685** | **(35 883)** |
| Exchange differences on translation of foreign operations (net) | 17 | 1 576 |
| Change in valuation of available for sale financial assets (net) | 80 668 | (37 459) |
| **Total comprehensive income net of tax, total** | **350 891** | **183 769** |

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

## BRE Bank SA Stand-alone Financial Information

### Statement of Financial Position

| ASSETS | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|---|---|---|
| Cash and balances with the Central Bank | 1 676 999 | 1 032 081 | 1 369 473 |
| Loans and advances to banks | 4 559 074 | 5 222 678 | 5 662 394 |
| Trading securities | 1 313 357 | 1 191 335 | 1 804 290 |
| Derivative financial instruments | 1 327 736 | 1 504 020 | 1 027 835 |
| Loans and advances to customers | 59 411 241 | 61 663 992 | 51 475 475 |
| Hedge accounting adjustments related to fair value of hedged items | 1 188 | 1 924 | - |
| Investment securities | 14 511 224 | 17 077 797 | 16 549 667 |
| Non-current assets held for sale | - | - | 45 854 |
| Pledged assets | 3 089 951 | 4 338 332 | 2 560 586 |
| Investments in subsidiaries | 546 492 | 546 430 | 514 804 |
| Intangible assets | 371 768 | 389 807 | 358 260 |
| Tangible fixed assets | 520 667 | 542 410 | 514 411 |
| Deferred income tax assets | 13 986 | 63 194 | 63 816 |
| Other assets | 364 811 | 321 432 | 409 408 |
| **Total assets** | **87 708 494** | **93 895 432** | **82 356 273** |

| EQUITY AND LIABILITIES | | | |
|---|---|---|---|
| Amounts due to other banks | 22 906 963 | 25 281 169 | 24 668 650 |
| Derivative financial instruments | 1 520 662 | 1 857 371 | 1 165 261 |
| Amounts due to customers | 49 574 960 | 54 018 635 | 45 356 664 |
| Debt securities in issue | 994 958 | - | - |
| Subordinated liabilities | 3 286 236 | 3 456 200 | 2 932 618 |
| Other liabilities | 1 147 837 | 1 371 511 | 1 393 696 |
| Current income tax liabilities | 233 541 | 227 251 | 49 599 |
| Provisions for deferred income tax | 80 | 85 | 77 |
| Provisions | 79 375 | 72 304 | 73 180 |
| **Total liabilities** | **79 744 612** | **86 284 526** | **75 639 745** |

| Equity | | | |
|---|---|---|---|
| **Share capital** | **3 493 812** | **3 493 812** | **3 491 812** |
| - Registered share capital | 168 411 | 168 411 | 168 347 |
| - Share premium | 3 325 401 | 3 325 401 | 3 323 465 |
| **Retained earnings:** | **4 245 002** | **3 972 711** | **3 118 765** |
| - Profit for the previous year | 3 974 796 | 2 906 699 | 2 899 113 |
| - Net profit for the current year | 270 206 | 1 066 012 | 219 652 |
| **Other components of equity** | **225 068** | **144 383** | **105 951** |

| | | | |
|---|---|---|---|
| **Total equity** | **7 963 882** | **7 610 906** | **6 716 528** |
| **Total equity and liabilities** | **87 708 494** | **93 895 432** | **82 356 273** |

| | | | |
|---|---|---|---|
| **Capital adequacy ratio** | **17.37** | **15.28** | **17.08** |
| **Book value** | **7 963 882** | **7 610 906** | **6 716 528** |
| **Number of shares** | **42 102 746** | **42 102 746** | **42 086 674** |
| **Book value per share (in PLN)** | **189.15** | **180.77** | **159.59** |

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

## BRE Bank SA Stand-alone Financial Information

### Statement of Changes in Equity

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 Risk Fund | Profit from the previous years | Profit for the current year | Exchange differences on translation of foreign operations | Valuation of available for sale financial assets | |
| **Equity as at 1 January 2012** | **168 411** | **3 325 401** | **2 061 378** | **20 178** | **825 143** | **1 066 012** | **-** | **(8 333)** | **152 716** | **7 610 906** |
| **Total comprehensive income** | | | | | | | **270 206** | **17** | **80 668** | **350 891** |
| Transfer to General Risk Fund | - | - | - | - | 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** |

Changes from 1 January to 31 December 2011

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

**IFRS Consolidated Financial Statements for the first quarter of 2012** **PLN (000's)**

Changes from 1 January to 31 March 2011

| | Share capital | | Retained earnings | | | | | Other components of equity | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Registered share capital | Share premium | Other supplementary capital | Other reserve capital | General Risk Fund | Profit from the previous years | Profit for the current year | Exchange differences on translation of foreign operations | Valuation of available for sale financial assets | Total equity |
| **Equity as at 1 January 2011** | **168 347** | **3 323 465** | **1 603 654** | **10 791** | **765 143** | **517 724** | **-** | **(3 782)** | **145 616** | **6 530 958** |
| **Total comprehensive income** | | | | | | | **219 652** | **1 576** | **(37 459)** | **183 769** |
| Transfer to General Risk Fund | - | - | - | - | 60 000 | (60 000) | - | - | - | - |
| Transfer to supplementary capital | - | - | 457 724 | - | - | (457 724) | - | - | - | - |
| Stock option program for employees | - | - | - | 1 801 | - | - | - | - | - | 1 801 |
| *- value of services provided by the employees* | *-* | *-* | *-* | *1 801* | *-* | *-* | *-* | *-* | *-* | *1 801* |
| **Equity as at 31 March 2011** | **168 347** | **3 323 465** | **2 061 378** | **12 592** | **825 143** | **-** | **219 652** | **(2 206)** | **108 157** | **6 716 528** |

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

## BRE Bank SA Stand-alone Financial Information

### Statement of Cash Flows

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **A. Cash flow from operating activities** | **(504 392)** | **549 942** |
| **Profit before income tax** | **337 417** | **274 790** |
| ***Adjustments:*** | ***(841 809)*** | ***275 152*** |
| Income taxes paid | (30 233) | (3 110) |
| Amortisation | 42 242 | 43 006 |
| Foreign exchange (gains) losses | (1 343 580) | (589 656) |
| (Gains) losses on investing activities | (2 227) | 82 |
| Dividends received | (20) | (9 064) |
| Interest received | (767 515) | (549 091) |
| Interest paid | 475 731 | 342 167 |
| Changes in loans and advances to banks | (588 305) | (576 903) |
| Changes in trading securities | 509 072 | (88 943) |
| Changes in assets and liabilities on derivative financial instruments | (160 425) | 193 730 |
| Changes in loans and advances to customers | 2 941 478 | 714 297 |
| Changes in investment securities | 3 989 693 | 1 426 080 |
| Changes in other assets | (34 382) | (112 921) |
| Changes in amounts due to other banks | (1 025 068) | 594 822 |
| Changes in amounts due to customers | (4 687 569) | (1 678 120) |
| Changes in debt securities in issue | 8 537 | - |
| Changes in provisions | 7 071 | (2 878) |
| Changes in other liabilities | (176 309) | 571 654 |
| **Net cash generated from operating activities** | **(504 392)** | **549 942** |
| **B.Cash flows from investing activities** | **(51 375)** | **(16 077)** |
| **Investing activity inflows** | **2 316** | **9 069** |
| Disposal of shares in subsidiaries | 56 | - |
| Disposal of intangible assets and tangible fixed assets | 2 240 | 5 |
| Dividends received | 20 | 9 064 |
| **Investing activity outflows** | **53 691** | **25 146** |
| Purchase of intangible assets and tangible fixed assets | 53 691 | 25 146 |
| **Net cash used in investing activities** | **(51 375)** | **(16 077)** |
| **C. Cash flows from financing activities** | **567 763** | **(469 520)** |
| **Financing activity inflows** | **986 421** | **-** |
| Issue of debt securities | 986 421 | - |
| **Financing activity outflows** | **418 658** | **469 520** |
| Repayments of loans and advances from other banks | 321 212 | 302 378 |
| Repayments of other loans and advances | 5 271 | 4 866 |
| Acquisition of shares in subsidiaries | - | 67 276 |
| Payments of financial lease liabilities | 2 665 | 2 921 |
| Interest paid from loans and advances received from other banks and subordinated liabilities | 89 510 | 92 079 |
| **Net cash from financing activities** | **567 763** | **(469 520)** |
| **Net increase / decrease in cash and cash equivalents (A+B+C)** | **11 996** | **64 345** |
| Effects of exchange rate changes on cash and cash equivalents | 8 263 | (1 190) |
| Cash and cash equivalents at the beginning of the reporting period | 4 583 895 | 5 927 201 |
| **Cash and cash equivalents at the end of the reporting period** | **4 604 154** | **5 990 356** |

## 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 2012, the BRE Bank SA Group covered by the Consolidated Financial Statements comprised the following companies:

**BRE Bank SA, the parent entity**

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

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 2012 the headcount of BRE Bank SA amounted to 4 728 FTEs (Full Time Equivalents) and of the Group to 6 211 FTEs (31 March 2011: Bank 4 518 FTEs, Group 6 143 FTEs).

As at 31 March 2012 the employment in BRE Bank SA was 5 680 persons and in the Group 8 209 persons (31 March 2011: Bank 5 432 persons, Group 8 051 persons).

### Corporates and Financial Markets Segment, including:

### Corporates and Institutions

- BRE Holding Sp. z o.o., subsidiary
- BRE Leasing Sp. z o.o., subsidiary
- Garbary Sp. z o.o., subsidiary
- BRE Faktoring SA (previously Polfactor SA), subsidiary
- Transfinance a.s., subsidiary
- BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, subsidiary

### Trading and Investment

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

### Retail Banking Segment (including Private Banking)

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

### Other

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

### Other information concerning companies of the Group

From the first quarter of 2012, the Group started to consolidate BRE Agent Ubezpieczeniowy Sp. z o.o. its subsidiary entity. The core business of the company is to provide services as an insurance agent. Its direct parent entity is BRE Ubezpieczenia TuiR SA. The Bank holds 100% shares in the company indirectly, through BRE Ubezpieczenia TUiR SA.

A detailed description of the business of the companies of BRE Bank SA Group was presented in the Explanatory Notes to the Consolidated Financial Statements for 2011, published on 2 March 2012.

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

## 2. Description of Relevant Accounting Policies

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

### 2.1. Accounting Basis

These Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 3-month period ended 31 March 2012.

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

The preparation of the financial statements in compliance with IFRS requires the application of specific accounting estimates. It also requires the Management Board to use its own judgment when applying the accounting policies adopted by the Group. The issues in relation to which a greater degree of judgment is required, more complex issues, or such issues where estimates or judgments are material to the consolidated financial statements are disclosed in Note 3.

### 2.2. Consolidation

Subsidiaries

Subsidiaries comprise entities (including special purpose vehicles) over which the Group has the power to manage their financial and operating policies generally accompanying a shareholding of a majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement (see Note 2.18).

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

Intra-Group transactions, balances and unrealised gains on transactions between companies of the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The company also applies accounting policies in line with IFRS 3 Business Combinations to combinations of bussines under common control.

Consolidation does not cover those companies whose scale of business operations is immaterial in relation to the volume of business of the Group, as well as companies acquired for the purpose of their resale or liquidation. Those companies were recognised at cost less impairment.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are settled using the equity method of accounting and they are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on the acquisition date (see Note 2.18).

The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the Income Statement, whereas its share in changes in other comprehensive income since the date of acquisition – in other comprehensive income. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition. When the share of the Group in the losses of an associate becomes equal to or greater than the share of the Group in that associate, possibly covering receivables other than secured claims, the Group discontinues the recognition of any further losses, unless it has assumed obligations or has settled payments on behalf of the respective associate.

Unrealised gains on transactions between the Group and its associates are eliminated proportionally to the extent of the Group's interest in the respective associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies applied by associates have been adjusted, wherever necessary, to assure consistency with the accounting principles applied by the Group.

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

| Company | 31.03.2012 | | 31.03.2011 | |
|---|---|---|---|---|
| | Share in voting rights (directly and indirectly) | Consolidation method | Share in voting rights (directly and indirectly) | Consolidation method |
| Aspiro SA | 100% | full | 100% | full |
| BRE Bank Hipoteczny 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 Agent Ubezpieczeniowy Sp. z o.o. | 100% | full | - | - |
| BRE Wealth Management SA | 100% | full | 100% | full |
| BRE Centrum Operacji Sp. z o.o. (previously CERI Sp. z o.o.) | 100% | full | 100% | full |
| Dom Inwestycyjny BRE Banku SA | 100% | full | 100% | full |
| Garbary Sp. z o.o. | 100% | full | 100% | full |
| BRE Faktoring SA (previously Polfactor SA) | 100% | full | 78.12% | full |
| Transfinance a.s. | 100% | full | 78.12% | 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 | 100% of certificates | full |
| Intermarket Bank AG | - | - | 56.24% | full |
| Magyar Factor zRt. | - | - | 78.12% | full |

From the first quarter of 2012, the Group started to consolidate BRE Agent Ubezpieczeniowy Sp. z o.o. its subsidiary entity.

Starting from the end of July 2011, the Group stopped consolidation of its two subsidiaries, Intermarket Bank AG and Magyar Factor zRt. due to the completed sale of their shares.

### 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 Bank 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 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 position Interest income / expense on derivatives concluded under the hedge accounting.

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

### 2.4. Fee and Commission Income

Income on account of fees and commissions is basically 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. Fees on account of portfolio management and fees for management, consulting and other services are recorded on the basis of the respective contracts for the provision of services, usually on a time – apportionate basis. The same principle is applied in the case of management of client assets, financial planning and custody services, which are continuously provided over an extended period of time.

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

Additionally, fee and commission income on insurance activity comprises income on services provided by an insurance agent and income on account of payments for arranging instalments for a premium for insurance products sold through the Internet platform. Payment on account of arranging instalments for a premium is recognised entirely at the policy issue date.

Income on account of services provided as an insurance agent is recognised at the time of performance of the services in the net amount, after deduction of expenses (directly connected with the income) of services provided by the entities from outside of the Group.

### 2.5. Insurance premium revenue

Insurance premium revenue accomplished upon insurance activity is recognised at the policy issue date and calculated proportionally over the period of insurance cover. Insurance premium revenue is recognised under other operating income in the consolidated financial statements of the Group.

### 2.6. Compensations and benefits, net

Compensations and benefits, net relate to insurance activity. They comprise payoffs and charges made in the reporting period due to compensations and benefits for events arising in the current and previous periods, together with costs of claims handling and costs of enforcement of recourses, less received returns, recourses and any recoveries, including recoveries from sale of remains after claims and reduced by reinsurers' share in these positions. Costs of claims handling and costs of enforcement of recourses also comprise costs of legal proceedings. The item also comprises compensations and benefits due to co-insurance activity in the part related to the share of the Group. Compensations and benefits, net are recognised together with insurance premium revenue recognition under other operating income in the consolidated financial statements of the Group.

### 2.7. Segment Reporting

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

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

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

### 2.8. Financial Assets

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

Financial assets valued at fair value through the Income Statement

This category comprises two subcategories: financial assets held for trading and financial assets designated at fair value through the Income Statement upon initial recognition. A financial asset is classified in this category if it was acquired principally for the purpose of short-term resale or if it was classified in this category by the companies of the Group. Derivative instruments are also classified as 'held for trading', unless they were designated for hedging.

Disposals of debt and equity securities held for trading are accounted according to the weighted average method.

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

- assets/financial liabilities are classified as held for trading i.e. they are acquired or incurred principally for the purpose of selling or repurchasing them in the near term, they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making or they are derivatives (except for derivatives that are designated as and being effective hedging instruments),
- upon initial recognition, assets/liabilities are designated by the entity at fair value through the Income Statement.

If a contract contains one or more embedded derivatives, the Group designates the entire hybrid (combined) contract as a financial asset or financial liability at fair value through the Income Statement unless:

- the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
- it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

The Group also designates the financial assets/financial liabilities at fair value through the Income Statement when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is properly managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

Financial assets and financial liabilities classified to this category are valued at fair value upon initial recognition.

Interest income/expense on financial assets/financial liabilities designated at fair value, except for derivatives the recognition of which is discussed in Note 2.15, is recognised in net interest income. The valuation and result on disposal of financial assets/financial liabilities designated at fair value is recognised in trading income.

Loans and Receivables

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

Held to Maturity Investments

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

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

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

Available for Sale Investments

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

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

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

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

The fair value of quoted investments in active markets is based on current market prices. If the market for a given financial asset is not an active one, the Group determines the fair value by applying valuation techniques. These comprise recently conducted transactions concluded according to normal market principles, reference to other instruments, discounted cash flow analysis, as well as valuation models for options and other valuation methods generally applied by market participants.

If the application of valuation techniques does not ensure obtaining a reliable fair value of investments in equity instruments not quoted on an active market, they are stated at cost.

Investments in associates are initially recognised at cost and settled using the equity method of accounting.

### 2.9. Reinsurance assets

The Group transfers insurance risks to reinsurers in the course of typical operating activities in insurance activity. Reinsurance assets comprise primarily reinsurers' share in technical-insurance provisions.

The amounts of settlements with reinsurers are estimated according to relevant reinsured polices and reinsurance agreements.

Tests for impairment of reinsurance assets are carried out if there is objective evidence that the reinsurance asset is impaired. Impairment loss of reinsurance asset is calculated if either there is an objective evidence that the Group might not receive the receivable in accordance with the agreement or the value of such impairment can be reliably assessed.

If in a subsequent period the impairment loss is decreasing and the decrease can be objectively related to an event occurring after the recognition of impairment, then the previously recognised impairment loss is reversed as an adjustment of the impairment loss through the Consolidated Income Statement.

The reversal cannot cause an increase of the carrying amount of the financial asset more than the amount which would constitute the amortised cost of this asset on the reversal date if the recognition of the impairment did not occur at all.

### 2.10. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### 2.11. Impairment of Financial Assets

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

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

a) significant financial difficulties of an issuer or obligor;
b) a breach of contract, such as default or delinquency in interest or principal payments;
c) concessions granted by the Group to a borrower caused by the economic or legal aspects of such borrower's financial difficulties, which would not have been taken into account under different circumstances;
d) probability of bankruptcy or other financial reorganisation of the debtor;
e) disappearance of the active market for the respective financial asset caused by financial difficulties; or
f) noticeable data indicating a measurable decrease of estimated future cash flows attached to a group of financial assets since the time of their initial recognition, even if such reduction cannot yet be assigned to particular items of the respective group of financial assets, including:
   - adverse changes in the payment status of borrowers; or
   - economic situation of the country or on the local market causing the impairment of assets belonging to the respective group.

The Group first assesses whether objective indications exist individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that for the given financial asset assessed individually there are no objective indications of its impairment (regardless of whether that particular item is material or not), the given asset is included in a group of financial assets featuring similar credit risk characteristics, which is subsequently collectively assessed in terms of its possible impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is impairment indicator for impairment of loans and receivables or investments held to maturity and recognised at amortised cost, the impairment amount is calculated as the difference between the carrying value in the Statement of Financial Position of the respective asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the resulting impairment loss is charged to the Income Statement. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of collective evaluation of impairment, the credit exposures are grouped in order to ensure the uniformity of credit risk attached to the given portfolio. Many different parameters may be applied to the grouping into homogeneous portfolios, e.g., the type of counterparty, the type of exposure, estimated probability of default, the type of collateral provided, overdue status outstanding, maturities, and their combinations. Such features influence the estimation of the future cash flows attached to specific groups of assets as they indicate the capabilities of repayment on the part of debtors of their total liabilities in conformity with the terms and conditions of the contracts concerning the assessed assets.

Future cash flows concerning groups of financial assets assessed collectively in terms of their possible impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with credit risk characteristics similar to those in the Group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For the purpose of calculation of the amount to be provisioned against balance sheet exposures analysed collectively, the probability of default (PD) method has been applied. By proper calibration of PD values, taking into account characteristics of specific products and emerging periods for losses on those products, such PD values allow already arisen losses to be identified and cover only the period in which the losses arising at the date of establishment of impairment should crystallise.

When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the required procedures and to determine the amount of the loss. Subsequent recoveries of amounts previously written off reduce 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 the gain or loss included in trading income. The obligation to return them is recorded at fair value as trading liability.
Securities borrowed under 'buy-sell-back' transactions and then lent under 'sell-buy-back' transactions are not recognised as financial assets.

As a result of 'sell-buy-back' transactions concluded on securities held by the Group, financial assets are transferred in such way that they do not qualify for derecognition. Thus, the Group retains substantially all risks and rewards of ownership of the financial assets.

### 2.15. Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised at fair value from the date of transaction. Fair value is determined based on prices of instruments listed on active markets, including recent market transactions, and on the basis of valuation techniques, including models based on discounted cash flows and options pricing models, depending on which method is appropriate in the particular case. All derivative instruments with a positive fair value are recognised in the Statement of Financial Position as assets, those with a negative value as liabilities.

The best fair value indicator for a derivative instrument at the time of its initial recognition is the price of the transaction (i.e., the fair value of the paid or received consideration), unless the fair value of the particular instrument may be determined by comparison with other current market transactions concerning the same instrument (not modified) or relying on valuation techniques based exclusively on market data that are available for observation. If such a price is known, the Group recognises the respective gains or losses from the first day.

Embedded derivative instruments are treated as separate derivative instruments if the risks attached to them and their characteristics are not strictly linked to the risks and characteristics of the underlying contract and the underlying contract is not measured at fair value through the Income Statement. Embedded derivative instruments of this kind are measured at fair value and the changes in fair value are recognised in the Income Statement.

In accordance with IAS 39 AG 30: (i), there is no need to separate the prepayment option from the host debt instrument for the needs of consolidated financial statements, because the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument. If the value of prepayment option was not to be closely related to the underlying debt instrument, the option should be separated and fair valued in the consolidated financial statements of the Group; (ii), exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract. Lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the prepayment date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract.

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

The method of recognising the resulting fair value gain or loss depends on whether the given derivative instrument is designated as a hedging instrument, and if it is, it also depends on the nature of the hedged item. The Group designates some derivative instruments either as (1) fair value hedges against a recognised asset or liability or against a binding contractual obligation (fair value hedge), or as (2) hedges against highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Derivative instruments designated as hedges against positions maintained by the Group are recorded by means of hedge accounting, subject to the fulfilment of the criteria specified in IAS 39:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instruments effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
- The hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.
- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Group documents the objectives of risk management and the strategy of concluding hedging transactions, as well as at the time of concluding the respective transactions, the relationship between the hedging instrument and the hedged item. The Group also documents its own assessment of the effectiveness of fair value hedging and cash flow hedging transactions, measured both prospectively and retrospectively from the time of their designation and throughout the period of duration of the hedging relationship between the hedging instrument and the hedged item.

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

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

<u>Fair Value Hedges</u>

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

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

<u>Cash Flow Hedges</u>

The effective part of the fair value changes of derivative instruments designated and qualifying as cash flow hedges is recognised in other comprehensive income. The gain or loss concerning the ineffective part is recognised in the Income Statement of the current period.

The amounts recognised in other comprehensive income are transferred to the Income Statement and recognised as income or cost of the same period in which the hedged item will affect the Income Statement (e.g., at the time when the forecast sale that is hedged takes place).

In case the hedging instrument has expired or has been sold, or the hedge has ceased to fulfil the criteria of hedge accounting, any aggregate gains or losses recognised at such time in other comprehensive income remain in other comprehensive income until the time of recognition in the Income Statement of the forecast transaction. When a forecast transaction is no longer expected to occur, the aggregate gains or losses recorded in other comprehensive income are immediately transferred to the Income Statement.

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 not recognised immediately in the Income Statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable date, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the Income Statement without reversal of deferred day one profits and losses.

### 2.17. Borrowings and deposits taken

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

### 2.18. Intangible Assets

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

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.

Research and development expenditure comprises all expenditure that is directly attributable to research and development activities.

Intangible assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the Statement of Financial Position might not be possible to be recovered.

### 2.19. Tangible Fixed Assets

Tangible fixed assets are carried at historical cost reduced by depreciation. Historical cost takes into account the expenses directly attached to the acquisition of the respective assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Any other expenses incurred on repairs and maintenance are expensed to the Income Statement in the reporting period in which they were incurred.

Accounting principles concerning assets held for liquidation or withdrawal from usage are described under Note 2.21.

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

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

Land and buildings consist mainly of branch outlets and offices. Residual values and estimated useful life periods are verified at the end of the reporting period and adjusted accordingly as the need arises.

Depreciable fixed assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the Statement of Financial Position might not be possible to be recovered. The value of a fixed asset carried in the Statement of Financial Position is reduced to the level of its recoverable value if the carrying value in the 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 recognized as cost of the period in which the reversals took place. Inventory issues are valued through detailed identification of the individual purchase prices or costs of construction of the assets which relate to the realisation of the individual separate undertakings. In particular, inventories comprise land and rights to perpetual usufruct of land designated for use as part of construction projects carried out. They also comprise assets held for lease as well as assets taken over as a result of terminated lease agreements.

### 2.21. Non-Current Assets Held for Sale and Discontinued Operations

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

Non-current assets held for sale are priced at the lower of: carrying value and fair value less costs to sell. Assets classified in this category are not depreciated.

When criteria for classification to non-current assets held for sale are not met, the Group ceases to classify the assets as held for sale and reclassifies them into appropriate category of assets. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- its carrying amount at a date before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

Discontinued operations are a component of the Group that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation or is a subsidiary acquired exclusively with a view to resale.

The classification to this category takes places at the moment of sale or when the operation meets criteria of the operation classified as held for sale, if this moment took place previously. Disposal group which is to be taken out of usage may also be classified as discontinued operation.

### 2.22. Deferred Income Tax

The Group creates a deferred income tax on the temporary difference arising between the timing of recognition of income as earned and of costs as incurred according to accounting regulations and according to legal regulations concerning corporate income taxation. A positive net difference is recognised in liabilities as 'Provisions for deferred income tax'. A negative net difference is recognised under 'Deferred income tax assets'. Any change in the balance of the deferred tax assets and liabilities in relation to the previous accounting period is recorded under the item 'Income Tax'. The balance sheet method is applied for the calculation of the deferred corporate income tax.

Liabilities or assets for deferred corporate income tax are recognised in their full amount according to the balance sheet method in connection with the existence of temporary differences between the tax value of assets and liabilities and their carrying value. Such liabilities or assets are determined by application of the tax rates in force by virtue of law or of actual obligations at the end of the reporting period. According to expectations such tax rates applied will be in force at the time of realisation of the assets or settlement of the liabilities for deferred corporate income tax.

The main temporary differences arise on account of impairment write-offs recognised in relation to the loss of value of credits and granted guarantees of repayment of loans, amortisation of intangible assets, revaluation of certain financial assets and liabilities, including contracts concerning derivative instruments and forward transactions, provisions for retirement benefits and other benefits following the period of employment, and also deductible tax losses.

Deferred income tax assets are recognised at their realisable value. If the forecast amount of income determined for tax purposes does not allow the realisation of the asset for deferred income tax in full or in part, such an asset is recognised to the respective amount, accordingly. The above described principle also applies to tax losses recorded as part of the deferred tax asset.

The Group presents the deferred income tax assets and provisions netted in the Statement of Financial Position separately for each subsidiary undergoing consolidation. Such assets and provisions may be netted against each other if the Group possesses the legal rights allowing it to simultaneously account for them when calculating the amount of the tax liability.

In the case of the Bank, the deferred income tax assets and provisions are netted against each other separately for each country where the Bank conducts its business and is obliged to settle corporate income tax.

The Group discloses separately the amount of negative temporary differences (mainly on account of unused tax losses or unutilised tax allowances) in connection with which the deferred income tax asset was not recognised in the Statement of Financial Position, and also the amount of temporary differences attached to investments in subsidiaries and associates for which no deferred income tax provision has been formed.

Deferred income tax for the Group is provided on assets or liabilities due to temporary differences arising from investments in subsidiaries and associates, except where, on the basis of any evidence, the timing of the reversal of the temporary difference is controlled by the Group and it is possible that the difference will not reverse in the foreseeable future.

Deferred income tax on account of revaluation of available for sale investments and of revaluation of cash flow hedging transactions is accounted for in the same way as any revaluation, directly in Other Comprehensive Income, and it is subsequently transferred to the Income Statement when the respective investment or hedged item affects the Income Statement.

### 2.23. Assets Repossessed for Debt

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

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

### 2.24. Prepayments, Accruals and Deferred Income

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

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

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

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

### 2.25. Leasing

BRE Bank SA Group as a Lessor

In the case of assets in use on the basis of a finance lease agreement, the amount equal to the net investment in the lease is recognised as receivables. The difference between the gross receivable amount and the present value of the receivables is recognised as unrealised financial income.

Revenue from leasing agreements is recognized as follows:

- Interests on finance lease

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

- Net revenue from operating lease

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

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

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

BRE Bank SA Group as a Lessee

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

### 2.26. Provisions

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

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

Technical-insurance provisions for unpaid claims, benefits and premiums concern insurance activity.

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

Provision for unpaid claims and benefits which were notified to the insurer and in relation to which the information held does not enable to assess the value of claims and benefits is calculated using the lump sum method.

Provision for premiums is created individually for each insurance agreement as premium written, attributed to subsequent reporting periods, proportionally to the period for which the premium was written on the daily basis. However, in case of insurance agreements whose risk is not evenly apportioned over the period of duration of insurance, provision is created proportionally to the expected risk in subsequent reporting periods.

At each reporting date the Group tests for adequacy of technical-insurance provisions to ensure whether the provisions deducted by deferred acquisition costs are sufficient. The adequacy test is carried out using up-to-date estimates of future cash flows arising from insurance agreements, including costs of claims handling and policy-related costs.

If the assessment reveals that the technical-insurance provisions are insufficient in relation to estimated future cash flows, then the whole disparity is promptly recognised in the Consolidated Income Statement through impairment of deferred acquisition costs or/and supplementary provisions.

### 2.27. Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

### 2.28. Equity

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

Registered share capital

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

- Own Shares

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

Share premium

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

- Share Issue Costs

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

Retained earnings

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

Dividends for a given year, which have been approved by the General Meeting but not distributed at the end of the reporting period, are shown under the liabilities on account of dividends payable under the item 'Other liabilities'.

Other components of equity

Other components of equity result from:

- valuation of available for sale financial instruments,
- exchange differences on translation of foreign operations.

### 2.29. Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

The items contained in financial reports of particular entities of the Group, including foreign branches of the Bank, are valued in the currency of the basic economic environment in which the given entity conducts its business activities ('functional currency'). The financial statements are presented in the Polish zloty, which is the presentation currency of the Group and the functional currency of the Bank.

Transactions and Balances

Transactions denominated in foreign currencies are converted to the functional currency at the exchange rate in force at the transaction date. Foreign exchange gains and losses on such transactions as well as Balance Sheet revaluation of monetary assets and liabilities denominated in foreign currency are recognised in the Income Statement.

Foreign exchange differences arising on account of such non-monetary items as financial assets measured at fair value through the Income Statement are recognised under gains or losses arising in connection with changes of fair value. Foreign exchange differences on account of such non-monetary assets as equity instruments classified as available for sale financial assets are recognised under other comprehensive income.

Changes in fair value of monetary items available for sale cover foreign exchange differences arising from valuation at amortised cost, which are recognised in the Income Statement.

Items of the Statement of Financial Position of foreign branches are converted from functional currency to the presentation currency with the application of the average exchange rate as at the end of the reporting period. Income Statement items of these entities are converted to presentation currency with the application of the arithmetical mean of average exchange rates quoted by the National Bank of Poland on the last day of each month of the reporting period. Foreign exchange differences so arisen are recognised under other 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 company operating abroad, such foreign exchange differences are recognised in the Income Statement as part of the profit or loss arising upon disposal.

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

Leasing Business

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

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

### 2.30. Trust and Fiduciary Activities

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

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

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

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

### 2.31. New Standards, Interpretations and Amendments to Published Standards

Published Standards and Interpretations which have been issued and binding for the Group for annual periods starting on 1 January 2012:

**Standards and Interpretations approved by the European Union:**

- IFRS 7 (Revised), Disclosures - Transfers of financial assets, binding for annual periods starting on or after 1 July 2011.

The Group believes that the application of the standards and interpretations mentioned above did not have a significant effect on the financial statements in the period of their first application.

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

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

- IFRS 1 (Revised), Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, binding for annual periods starting on or after 1 July 2011.
- IFRS 9, Financial Instruments, binding for annual periods starting on or after 1 January 2013.
- IFRS 10, Consolidated Financial Statements (replaces the consolidation requirements in IAS 27), binding for annual periods starting on or after 1 January 2013.
- IFRS 11, Joint Arrangements, binding for annual periods starting on or after 1 January 2013.
- IFRS 12, Disclosure of Interests in Other Entities, binding for annual periods starting on or after 1 January 2013.
- IFRS 13, Fair Value Measurement, binding for annual periods starting on or after 1 January 2013.
- IAS 12 (Revised), Income Taxes: Recovery of Underlying Assets, binding for annual periods starting on or after 1 January 2012.
- IAS 19 (Revised), Employee Benefits, binding for annual periods starting on or after 1 January 2013.
- IAS 27, Separate Financial Statements (together with IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements), binding for annual periods starting on or after 1 January 2013.
- IAS 28, Investments in Associates and Joint Ventures (Supersedes IAS 28, Investments in Associates), binding for annual periods starting on or after 1 January 2013.
- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income, binding for annual periods starting on or after 1 July 2012.
- Amendments to IAS 32, Offsetting Financial Assets and Financial Libilities, binding for annual periods starting on or after 1 January 2014.
- Amendments to IFRS 7, Disclosure - Offsetting Financial Assets and Financial Libilities, 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.

### 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 first half of 2011, the Group has introduced modifications to the manner of reflecting liabilities arising from cash funds of the Bank's clients, which were subject to outgoing transfer orders submitted beyond hours enabling execution of the transfer the same day. This change has been introduced in order to reflect the economic nature of the funds in a better way.

Moreover, the Group has introduced changes to the way of presenting receivables and liabilities arising from the Social Benefits Fund (SBF). In accordance with the legal nature of the funds, receivables and liabilities arising from SBF, were removed from the report on the Group's Statement of Financial Position.

Additionally, the Group ceased to present debt securities eligible for rediscounting at the Central Bank in a separate line in the Statement of Financial Position and present them within the item 'Loans and advances to customers'.

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

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

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

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

The restatement had no impact on the profit and equity in presented comparative data as at 31 March 2011.

The following table presents the impact of the restatement on presented comparative data in the consolidated and stand-alone financial statements, which were introduced during the reporting years 2011 and 2012.

Changes in the BRE Bank Group Consolidated Statement of Financial Position as at 31 March 2011:

| | 31.03.2011 before adjustments | presentation adjustments | 31.03.2011 after adjustments |
|---|---|---|---|
| Debt securities eligible for rediscounting at the Central Bank | 5 316 | (5 316) | - |
| Loans and advances to banks | 4 344 590 | (4 072) | 4 340 518 |
| Loans and advances to customers | 58 193 886 | 5 316 | 58 199 202 |
| Amounts due to customers | 46 370 401 | (725 523) | 45 644 878 |
| Other liabilities | 963 489 | 721 451 | 1 684 940 |
| Total assets | 89 049 844 | (4 072) | 89 045 772 |
| Total liabilities | 81 840 686 | (4 072) | 81 836 614 |

Changes in the BRE Bank Group Consolidated Income Statement for the period from 1 January to 31 March 2011:

| | 31.03.2011 before adjustments | presentation adjustments | 31.03.2011 after adjustments |
|---|---|---|---|
| Interest income | 891 492 | 29 | 891 521 |
| Interest expense | (384 968) | - | (384 968) |
| **Net interest income** | **506 524** | **29** | **506 553** |
| Net trading income, including: | 95 579 | (13 082) | 82 497 |
| *Foreign exchange result* | *82 117* | *(10 871)* | *71 246* |
| *Other trading income and result on hedge accounting* | *13 462* | *(2 211)* | *11 251* |
| Other operating income | 58 917 | 3 360 | 62 277 |
| Amortization and depreciation | (58 611) | 9 693 | (48 918) |
| Profit before income tax | 308 981 | - | 308 981 |
| Net profit | 234 023 | - | 234 023 |

**IFRS Consolidated Financial Statements for the first quarter of 2012** **PLN (000's)**

Changes in the BRE Bank Stand-alone Statement of Financial Position as at 31 March 2011:

| | 31.03.2011 before adjustments | presentation adjustments | 31.03.2011 after adjustments |
|---|---|---|---|
| Debt securities eligible for rediscounting at the Central Bank | 5 316 | (5 316) | - |
| Loans and advances to banks | 5 664 331 | (1 937) | 5 662 394 |
| Loans and advances to customers | 51 470 159 | 5 316 | 51 475 475 |
| Amounts due to customers | 46 082 187 | (725 523) | 45 356 664 |
| Other liabilities | 670 110 | 723 586 | 1 393 696 |
| | | | |
| Total assets | 82 358 210 | (1 937) | 82 356 273 |
| Total liabilities | 75 641 682 | (1 937) | 75 639 745 |

Changes in the BRE Bank Stand-alone Income Statement for the period from 1 January to 31 March 2011:

| | 31.03.2011 before adjustments | presentation adjustments | 31.03.2011 after adjustments |
|---|---|---|---|
| Interest income | 778 619 | 10 871 | 789 490 |
| Interest expense | (342 075) | - | (342 075) |
| **Net interest income** | **436 544** | **10 871** | **447 415** |
| Net trading income, including: | 91 033 | (10 871) | 80 162 |
| *Foreign exchange result* | *80 405* | *(10 871)* | *69 534* |
| *Other trading income and result on hedge accounting* | *10 628* | - | *10 628* |
| | | | |
| Profit before income tax | 274 790 | - | 274 790 |
| Net profit | 219 652 | - | 219 652 |

## 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 2012, provisions for claims incurred but not reported to the insurer (IBNR) were calculated using the actuarial methods (Naive Loss Ratio and Bornhuetter-Ferguson). The expected loss ratios are composed on the basis of available market studies concerning loss arising from the given group of risks.

## 4. Business Segments

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

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

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

- The Retail Banking segment, which divides its customers into mBank customers, MultiBank customers and BRE Private Banking customers offers a full range of the Bank's banking products and services as well as specialized products offered by a number of subsidiaries belonging to the Retail Banking segment. The key products in this segment include current and savings accounts (including accounts in foreign currencies), term deposits, lending products (mortgage loans and non-mortgage loans such as cash loans, car loans, overdrafts, credit cards and other loan products), debit cards, insurance products, investment products and brokerage services offered to both individual customers and to micro-businesses. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of BRE Wealth Management SA, Aspiro SA as well as BRE Ubezpieczenia TUiR SA, BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o.
- The Corporates and Financial Markets segment, which is divided into two sub-segments:
  - *Corporates and Institutions* sub-segment (business line), which targets small, medium and large-sized companies and public sector entities. The key products offered to these customers include transactional banking products and services including current account products, multi-functional internet banking, tailor-made cash management and trade finance services, term deposits, foreign exchange transactions, a comprehensive offer of short-term financing and investment loans, cross-border credit, project finance, structured and mezzanine finance services, investment banking products including foreign exchange options, forward contracts, interest rate derivatives and commodity swaps and options, structured deposit products with embedded options (interest on structured deposit products are directly linked to the performance of certain underlying financial instruments such as foreign exchange options, interest rate options and stock options), debt origination for corporate clients, treasury bills and bonds, non-government debt, medium-term bonds, buy sell back and sell buy back transactions and repo transactions, as well as leasing and factoring services. The Corporates and Institutions sub-segment includes the results of the following subsidiaries:, BRE Leasing Sp. z o.o., BRE Faktoring SA (previously Polfactor SA), BRE Holding Sp. z o.o., Transfinance a.s., Garbary Sp. z o.o. as well as BRE Gold Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych. In 2011, this business line includes also the financial results achieved by Intermarket Bank AG and Magyar Factor zRt. till the date of sale of their shares held by the Group.
  - *The Trading and Investment* Activity sub-segment (business line) consists primarily of treasury and financial markets operations, manages the liquidity, interest rate and foreign exchange risks of the Bank, its trading and investment portfolios and conducts market making in PLN denominated cash and derivative instruments, debt origination for financial institutions. The Bank also maintains an extensive correspondent banking network and also develops relationships with other banks providing products such as current accounts, overdrafts, stand alone and syndicated loans and loans insured by KUKE to support the Polish export market. This sub-segment also includes the results of BRE Bank Hipoteczny SA, Dom Inwestycyjny BRE Banku SA and BRE Finance France SA.
- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment are reported under 'Other'. This segment includes the results of BRE.locum SA and BRE Centrum Operacji Sp. z o.o. (previously Centrum Rozliczeń i Informacji CERI Sp. z o.o.)

The principles of segment classification of the Group's activities are described below.

Transactions between the business segments are conducted on regular commercial terms.

Allocation of funds to the Group companies and assigning them to particular business segments results in funding cost transfers. Interest charged for these funds is based on the Group's weighted average cost of capital and presented in operating income.

Internal fund transfers between the Bank's units are calculated at transfer rates based on market rates. Transfer rates are determined on the same basis for all operating units of the Bank and their differentiation results only from currency and maturity structure of assets and liabilities. Internal settlements concerning internal valuation of funds transfers are reflected in the results of each segment.

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

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

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

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

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

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

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

**Business segment reporting on the activities of BRE Bank Group**
**for the period from 01.01.2012 to 31.03.2012**
**(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** | **63 714** | **304 817** | **(2 828)** | **-** | **539 304** | **539 304** |
| - sales to external clients | 124 472 | 229 655 | 187 052 | (1 875) | - | 539 304 | |
| - sales to other segments | 49 129 | (165 941) | 117 765 | (953) | - | - | |
| **Net fee and commission income** | **88 232** | **10 804** | **117 612** | **(286)** | **5 906** | **222 268** | **222 268** |
| - sales to external clients | 82 490 | 14 736 | 119 422 | (286) | 5 906 | 222 268 | |
| - sales to other segments | 5 742 | (3 932) | (1 810) | - | - | - | |
| **Trading income** | **44 724** | **19 449** | **33 480** | **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** |
| **Net impairment losses on loans and advances** | **(55 151)** | **1 530** | **(58 188)** | **(2)** | **-** | **(111 811)** | **(111 811)** |
| **Gross profit of the segment** | **121 154** | **57 866** | **227 278** | **5 397** | **646** | **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** | **29 209 783** | **31 466 827** | **37 730 887** | **901 190** | **(6 706 516)** | **92 602 171** | **92 602 171** |
| **Liabilities of the segment** | **24 532 407** | **35 757 046** | **28 199 577** | **1 121 562** | **(5 495 797)** | **84 114 795** | **84 114 795** |
| **Other items of the segment** | | | | | | | |
| Expenditures incurred on fixed assets and intangible assets | (19 059) | (4 373) | (3 897) | (113) | - | (27 442) | |
| Amortisation/depreciation | (19 988) | (3 877) | (23 693) | (783) | - | (48 341) | (48 341) |
| Other costs/ income without cash outflows/ inflows* | 910 | 177 720 | 2 623 | 121 | (446) | 180 928 | |
| *- other non-cash costs* | *(704)* | *(310 371)* | *(6)* | *-* | *(16 884)* | *(327 965)* | |
| *- other non-cash income* | *1 614* | *488 091* | *2 629* | *121* | *16 438* | *508 893* | |

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

**Business segment reporting on the activities of BRE Bank Group**
**for the period from 01.01.2011 to 31.12.2011**
**(PLN'000)**

| | Corporates & Financial Markets | | Retail Banking (including Private Banking) | Other | Eliminations | Total figure for the Group | Statement of financial position reconciliation/ income statement reconciliation |
|---|---|---|---|---|---|---|---|
| | Corporates & Institutions | Trading & Investment | | | | | |
| **Net interest income** | **604 166** | **312 022** | **1 266 027** | **(12 462)** | **(1 809)** | **2 167 944** | **2 167 944** |
| - sales to external clients | 932 540 | 409 672 | 835 267 | (7 726) | (1 809) | 2 167 944 | |
| - sales to other segments | (328 374) | (97 650) | 430 760 | (4 736) | - | - | |
| **Net fee and commission income** | **340 209** | **63 684** | **414 269** | **(1 317)** | **23 127** | **839 972** | **839 972** |
| - sales to external clients | 321 807 | 79 354 | 416 998 | (1 314) | 23 127 | 839 972 | |
| - sales to other segments | 18 402 | (15 670) | (2 729) | (3) | - | - | |
| **Trading income** | **152 156** | **45 342** | **148 055** | **1 123** | **-** | **346 676** | **346 676** |
| **Gains less losses from investment securities, investments in subsidiaries and associates** | **13 768** | **(1 923)** | **-** | **140** | **-** | **11 985** | **11 985** |
| **Net impairment losses on loans and advances** | **(209 327)** | **(6 142)** | **(157 998)** | **(3)** | **-** | **(373 470)** | **(373 470)** |
| **Gross profit of the segment** | **288 402** | **215 156** | **973 921** | **(16 101)** | **5 749** | **1 467 127** | **1 467 127** |
| Income tax | | | | | | (322 692) | (322 692) |
| Net profit attributable to Owners of BRE Bank SA | | | | | | 1 134 972 | 1 134 972 |
| Net profit attributable to non-controlling interests | | | | | | 9 463 | 9 463 |
| **Assets of the segment** | **29 415 149** | **36 199 274** | **38 963 556** | **958 640** | **(6 660 972)** | **98 875 647** | **98 875 647** |
| **Liabilities of the segment** | **28 426 171** | **39 555 893** | **27 461 286** | **783 474** | **(5 423 842)** | **90 802 982** | **90 802 982** |
| **Other items of the segment** | | | | | | | |
| Expenditures incurred on fixed assets and intangible assets | (224 359) | (27 390) | (103 745) | (3 753) | - | (359 247) | |
| Amortisation/depreciation | (108 671) | (29 207) | (108 688) | 37 802 | - | (208 764) | (208 764) |
| Other costs/ income without cash outflows/ inflows* | 1 469 | 19 523 | 3 922 | (193) | (59) | 24 662 | |
| *- other non-cash costs* | *(2 210)* | *(1 858 655)* | *-* | *(193)* | *(4 732)* | *(1 865 790)* | |
| *- other non-cash income* | *3 679* | *1 878 178* | *3 922* | *-* | *4 673* | *1 890 452* | |

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

**Business segment reporting on the activities of BRE Bank Group**
**for the period from 1 January to 31 March 2011**
**(PLN'000)**

| | Corporates & Financial Markets | | Retail Banking (including Private Banking) | Other | Eliminations | Total figure for the Group | Statement of financial position reconciliation/ income statement reconciliation |
|---|---|---|---|---|---|---|---|
| | Corporates & Institutions | Trading & Investment | | | | | |
| Net interest income | 156 867 | 72 504 | 279 830 | (980) | (1 668) | 506 553 | 506 553 |
| - sales to external clients | 213 536 | 115 763 | 178 876 | 46 | (1 668) | 506 553 | |
| - sales to other segments | (56 669) | (43 259) | 100 954 | (1 026) | - | - | |
| Net fee and commission income | 89 716 | 17 056 | 94 027 | (500) | 7 089 | 207 388 | 207 388 |
| - sales to external clients | 86 273 | 20 129 | 94 396 | (499) | 7 089 | 207 388 | |
| - sales to other segments | 3 443 | (3 073) | (369) | (1) | - | - | |
| Trading income | 35 403 | 14 754 | 32 686 | (315) | (31) | 82 497 | 82 497 |
| Gains less losses from investment securities, investments in subsidiaries and associates | (4 478) | 44 | - | 140 | - | (4 294) | (4 294) |
| Net impairment losses on loans and advances | (63 427) | 5 822 | (56 505) | - | - | (114 110) | (114 110) |
| Gross profit of the segment | 61 762 | 66 453 | 186 256 | (4 441) | (1 049) | 308 981 | 308 981 |
| Income tax | | | | | | (74 958) | (74 958) |
| Net profit attributable to Owners of BRE Bank SA | | | | | | 229 708 | 229 708 |
| Net profit attributable to non-controlling interests | | | | | | 4 315 | 4 315 |
| Assets of the segment | 23 845 790 | 36 407 271 | 33 560 988 | 1 093 913 | (5 862 190) | 89 045 772 | 89 045 772 |
| Liabilities of the segment | 22 708 045 | 36 718 817 | 26 150 723 | 845 142 | (4 586 113) | 81 836 614 | 81 836 614 |
| Other items of the segment | | | | | | | |
| Expenditures incurred on fixed assets and intangible assets | (19 892) | (3 489) | (5 269) | (1 582) | - | (30 232) | |
| Amortisation/depreciation | (21 303) | (5 000) | (21 675) | (940) | - | (48 918) | (48 918) |
| Other costs/ income without cash outflows/ inflows* | 963 | 5 885 | (213) | (40) | (31) | 6 564 | |
| *- other non-cash costs* | *(47)* | *(601 158)* | *(213)* | *(40)* | *(3 696)* | *(605 154)* | |
| *- other non-cash income* | *1 010* | *607 043* | *-* | *-* | *3 665* | *611 718* | |

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

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## The BRE Bank Group geographical segment reporting

| Geographical segment reporting on the acivities of BRE Bank Group for the period from 1 January to 31 March 2012 | Poland | Foreign Countries | Total |
|---|---|---|---|
| Net interest income | 520 706 | 18 598 | 539 304 |
| Net fee and commission income | 217 741 | 4 527 | 222 268 |
| Trading income | 97 380 | 301 | 97 681 |
| Gains less losses from investment securities, investments in subsidiaries and associates | 16 026 | - | 16 026 |
| Net impairment losses on loans and advances | (109 445) | (2 366) | (111 811) |
| Gross profit of the segment | 409 720 | 2 621 | 412 341 |
| Income tax | | | (81 173) |
| Net profit attributable to Owners of BRE Bank SA | | | 331 072 |
| Net profit attributable to non-controlling interests | | | 96 |
| Assets of the segment, including: | 90 517 299 | 2 084 872 | 92 602 171 |
| - tangible assets | 1 184 492 | 39 073 | 1 223 565 |
| - deferred income tax assets | 250 547 | 4 008 | 254 555 |
| Liabilities of the segment | 80 131 277 | 3 983 518 | 84 114 795 |

| Geographical segment reporting on the acivities of BRE Bank Group for the period from 1 January to 31 December 2011 | Poland | Foreign Countries | Total |
|---|---|---|---|
| Net interest income | 2 088 900 | 79 044 | 2 167 944 |
| Net fee and commission income | 804 341 | 35 631 | 839 972 |
| Trading income | 347 612 | (936) | 346 676 |
| Gains less losses from investment securities, investments in subsidiaries and associates | (15 450) | 27 435 | 11 985 |
| Net impairment losses on loans and advances | (359 405) | (14 065) | (373 470) |
| Gross profit of the segment | 1 449 564 | 17 563 | 1 467 127 |
| Income tax | | | (322 692) |
| Net profit attributable to Owners of BRE Bank SA | | | 1 134 972 |
| Net profit attributable to non-controlling interests | | | 9 463 |
| Assets of the segment, including: | 96 784 964 | 2 090 683 | 98 875 647 |
| - tangible assets | 1 263 923 | 5 301 | 1 269 224 |
| - deferred income tax assets | 302 965 | 4 087 | 307 052 |
| Liabilities of the segment | 86 792 697 | 4 010 285 | 90 802 982 |

| Geographical segment reporting on the acivities of BRE Bank Group for the period from 1 January to 31 March 2011 | Poland | Foreign Countries | Total |
|---|---|---|---|
| Net interest income | 485 219 | 21 334 | 506 553 |
| Net fee and commission income | 196 030 | 11 358 | 207 388 |
| Trading income | 81 959 | 538 | 82 497 |
| Gains less losses from investment securities, investments in subsidiaries and associates | (4 294) | - | (4 294) |
| Net impairment losses on loans and advances | (108 340) | (5 770) | (114 110) |
| Gross profit of the segment | 310 926 | (1 945) | 308 981 |
| Income tax | | | (74 958) |
| Net profit attributable to Owners of BRE Bank SA | | | 229 708 |
| Net profit attributable to non-controlling interests | | | 4 315 |
| Assets of the segment, including: | 85 811 846 | 3 233 926 | 89 045 772 |
| - tangible assets | 1 101 694 | 49 620 | 1 151 314 |
| - deferred income tax assets | 303 666 | 4 660 | 308 326 |
| Liabilities of the segment | 77 031 505 | 4 805 109 | 81 836 614 |

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## 5. Net Interest Income

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **Interest income** | | |
| Loans and advances including the unwind of the impairment provision discount | 769 383 | 618 173 |
| Investment securities | 215 690 | 200 163 |
| Cash and short-term placements | 34 312 | 33 111 |
| Trading debt securities | 17 698 | 20 215 |
| Interest income on derivatives classified into banking book | 39 130 | 13 082 |
| Other | 3 015 | 6 777 |
| **Total interest income** | **1 079 228** | **891 521** |
| | | |
| **Interest expense** | | |
| Arising from amounts due to banks and customers | (487 587) | (349 369) |
| Arising from issue of debt securities | (34 673) | (18 179) |
| Other borrowed funds | (14 687) | (13 044) |
| Interest expense on derivatives concluded under the hedge accounting | (267) | - |
| Other | (2 710) | (4 376) |
| **Total interest expense** | **(539 924)** | **(384 968)** |

Interest income related to impaired financial assets amounted to PLN 47 660 thousand (31 March 2011: PLN 57 196 thousand).

## 6. Net Fee and Commission Income

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **Fee and commission income** | | |
| Payment cards-related fees | 96 597 | 76 333 |
| Credit-related fees and commissions | 62 786 | 65 282 |
| Commissions from insurance activity | 42 384 | 34 304 |
| Fees from brokerage activity | 21 711 | 27 567 |
| Commissions from bank accounts | 30 019 | 29 042 |
| Commissions from money transfers | 23 448 | 20 055 |
| Commissions due to guarantees granted and trade finance commissions | 9 203 | 9 689 |
| Commission for agency service regarding sale of products of external financial entities | 15 799 | 19 481 |
| Commissions on trust and fiduciary activities | 4 018 | 3 830 |
| Fees from portfolio management services and other management-related fees | 484 | 2 916 |
| Other | 18 276 | 18 164 |
| **Total fee and commission income** | **324 725** | **306 663** |
| | | |
| **Fee and commission expense** | | |
| Payment cards-related fees | (40 171) | (40 332) |
| Commissions paid to external entities for sale of the Bank's products | (16 873) | (18 430) |
| Insurance activity-related fees | (2 930) | (6 057) |
| Discharged brokerage fees | (7 793) | (9 417) |
| Other discharged fees | (34 690) | (25 039) |
| **Total fee and commision expense** | **(102 457)** | **(99 275)** |

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

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **Fee and commission income from insurance contracts** | | |
| - Income from insurance intermediation | 37 756 | 30 720 |
| - Income from insurance policies administration | 4 628 | 3 584 |
| **Total fee and commission income from insurance contracts** | **42 384** | **34 304** |

## 7. Dividend Income

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| Securities available for sale | 20 | 9 |
| **Total dividend income** | **20** | **9** |

## 8. Net Trading Income

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **Foreign exchange result** | **78 880** | **71 246** |
| Net exchange differences on translation | (128 381) | 52 519 |
| Net transaction gains/(losses) | 207 261 | 18 727 |
| **Other net trading income and result on hedge accounting** | **18 801** | **11 251** |
| Interest-bearing instruments | 16 106 | 10 308 |
| Equity instruments | 1 516 | (91) |
| Market risk instruments | 1 106 | 1 034 |
| Result on hedge accounting, including: | 73 | - |
| - Net profit on hedged items | (736) | - |
| - Net profit on hedging instruments | 809 | - |
| **Total net trading income** | **97 681** | **82 497** |

'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.

Starting from 2011, 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. The risk of change in interest rates is the only type of risk hedged within hedge accounting. Result from valuation of the hedged item and hedging instruments is presented in the aforementioned 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 Interest income / expense, while the remaining result from fair value measurement is presented in this note in the position Interest – bearing instruments.

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

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

## 9. Gains and Losses from Investment Securities, Investments in Subsidiaries and Associates

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| Sale/redemption of financial assets available for sale, investments in subsidiaries and associates | 16 026 | 158 |
| Impairment of available for sale equity securities | - | (4 452) |
| **Total gains and losses from investment securities** | **16 026** | **(4 294)** |

In 2011, the impairment of available for sale equity securities amounting to PLN 4 452 thousand related to the decrease of valuation of Magyar Factor zRt. as a result of reclassification of this company to non – current assets (disposal groups) held for sale.

## 10. Other Operating Income

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories | 21 975 | 22 635 |
| Income from insurance activity net | 24 659 | 18 267 |
| Income from services provided | 6 255 | 11 425 |
| Net income from operating lease | 4 676 | 3 360 |
| Income due to release of provisions for future commitments | 3 419 | 596 |
| Income from recovering receivables designated previously as prescribed, remitted or uncollectible | 18 | 1 309 |
| Income from compensations, penalties and fines received | 4 | 133 |
| Other | 14 770 | 4 552 |
| **Total other operating income** | **75 776** | **62 277** |

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 are 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 2012 and the first quarter of 2011 is presented below:

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **Income from premiums** | | |
| - Premiums attributable | 40 992 | 27 153 |
| - Change in provision for premiums | 1 511 | 4 569 |
| **Premiums earned** | **42 503** | **31 722** |
| **Reinsurer's shares** | | |
| - Gross premiums written | (17 501) | (10 572) |
| - Change in unearned premiums reserve | 1 665 | 1 655 |
| **Reinsurer's share in premiums earned** | **(15 836)** | **(8 917)** |
| **Net premiums earned** | **26 667** | **22 805** |

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| Claims and benefits | | |
|---|---|---|
| - Claims and benefits paid out in the current year including costs of liquidation before tax | (13 730) | (8 497) |
| - Change in provision for claims and benefits paid out in the current year including costs of liquidation before tax | 783 | (2 156) |
| - Reinsurer's share in claims and benefits paid out in the current year including costs of liquidation | 11 072 | 6 219 |
| - Change in provision for reinsurer's share of claims and benefits paid out in the current year including costs of liquidation | 1 008 | 394 |
| **Claims and benefits net** | **(867)** | **(4 040)** |
| - Other costs net of reinsurance | (972) | (405) |
| - Other operating income | (69) | 15 |
| - Costs of expertise and certificates concerning underwriting risk | (100) | (108) |
| **Total net income from insurance activity** | **24 659** | **18 267** |

Net income from operating lease for the first quarter of 2012 and the first quarter of 2011 is presented below:

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **Net income from operating lease, including:** | | |
| - Income from operating lease | 17 136 | 13 053 |
| - Depreciation cost of fixed assets provided under operating lease | (12 460) | (9 693) |
| **Total net income from operating lease** | **4 676** | **3 360** |

## 11. Net Impairment Losses on Loans and Advances

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| Net impairment losses on amounts due from other banks | 51 | 8 007 |
| Net impairment losses on loans and advances to customers | (109 636) | (123 646) |
| Net impairment losses on off-balance sheet contingent liabilities due to customers | (2 226) | 1 529 |
| **Total net impairment losses on loans and advances** | **(111 811)** | **(114 110)** |

## 12. Overhead Costs

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| Staff-related expenses | (189 335) | (190 490) |
| Material costs | (129 457) | (136 505) |
| Taxes and fees | (7 945) | (8 275) |
| Contributions and transfers to the Bank Guarantee Fund | (15 114) | (12 696) |
| Contributions to the Social Benefits Fund | (1 595) | (1 108) |
| Other | (320) | (709) |
| **Total overhead costs** | **(343 766)** | **(349 783)** |

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Staff-related expenses in the first quarter of 2012 and the first quarter of 2011 are presented below:

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| Wages and salaries | (153 054) | (154 632) |
| Social security expenses | (27 039) | (26 593) |
| Pension fund expenses | - | (147) |
| Remuneration concerning share-based payments, including: | (2 351) | (2 105) |
| - share-based payments settled in BRE Bank SA shares | (2 085) | (1 800) |
| - cash-settled share-based payments | (266) | (305) |
| Other staff expenses | (6 891) | (7 013) |
| **Staff-related expenses, total** | **(189 335)** | **(190 490)** |

## 13. Other Operating Expenses

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories | (15 850) | (19 708) |
| Provisions for future commitments | (7 447) | (2 108) |
| Donations made | (2 548) | (3 062) |
| Compensation, penalties and fines paid | (106) | (168) |
| Costs arising from provisions created for other receivables (excluding loans and advances) | (215) | (369) |
| Costs of sale of services | (416) | (332) |
| Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible | (5) | (281) |
| Impairment provisions created for tangible fixed assets, intangible assets and other non-financial assets | (16) | - |
| Other operating costs | (8 213) | (6 610) |
| **Total other operating expenses** | **(34 816)** | **(32 638)** |

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 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **Basic:** | | |
| Net profit attributable to Owners of BRE Bank SA | 331 072 | 229 708 |
| Weighted average number of ordinary shares | 42 102 746 | 42 086 674 |
| **Net basic profit per share (in PLN per share)** | **7.86** | **5.46** |
| **Diluted:** | | |
| Net profit attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share | 331 072 | 229 708 |
| Weighted average number of ordinary shares | 42 102 746 | 42 086 674 |
| Adjustments for: | | |
| - share options | 54 091 | 46 834 |
| Weighted average number of ordinary shares for calculation of diluted earnings per share | 42 156 837 | 42 133 508 |
| **Diluted earnings per share (in PLN per share)** | **7.85** | **5.45** |

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

| the period | from 01.01.2012 to 31.03.2012 | from 01.01.2011 to 31.03.2011 |
|---|---|---|
| **Basic:** | | |
| Net profit | 270 206 | 219 652 |
| Weighted average number of ordinary shares | 42 102 746 | 42 086 674 |
| **Net basic profit per share (in PLN per share)** | **6.42** | **5.22** |
| **Diluted:** | | |
| Net profit applied for calculation of diluted earnings per share | 270 206 | 219 652 |
| Weighted average number of ordinary shares in issue | 42 102 746 | 42 086 674 |
| Adjustments for: | | |
| - share options | 54 091 | 46 834 |
| Weighted average number of ordinary shares for calculation of diluted earnings per share | 42 156 837 | 42 133 508 |
| **Diluted earnings per share (in PLN per share)** | **6.41** | **5.21** |

## 15. Trading Securities and Pledged Assets

| | 31.03.2012 | | | 31.12.2011 | | | 31.03.2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Trading securities | Pledged assets | Total | Trading securities | Pledged assets | Total | Trading securities | Pledged assets | Total |
| **Debt securities:** | **1 210 092** | **561 129** | **1 771 221** | **977 796** | **485 463** | **1 463 259** | **1 773 568** | **574 587** | **2 348 155** |
| Issued by government | 1 166 223 | 561 129 | 1 727 352 | 534 110 | 485 463 | 1 019 573 | 1 470 638 | 574 587 | 2 045 225 |
| - government bonds | 1 137 517 | 492 013 | 1 629 530 | 533 962 | 485 463 | 1 019 425 | 497 879 | 488 040 | 985 919 |
| - treasury bills | 28 706 | 69 116 | 97 822 | 148 | - | 148 | 972 759 | 86 547 | 1 059 306 |
| Other debt securities | 43 869 | - | 43 869 | 443 686 | - | 443 686 | 302 930 | - | 302 930 |
| - bank's bonds | 19 942 | - | 19 942 | 134 710 | - | 134 710 | 112 389 | - | 112 389 |
| - deposit certificates | 14 473 | - | 14 473 | 171 134 | - | 171 134 | 87 336 | - | 87 336 |
| - corporate bonds | 9 454 | - | 9 454 | 137 842 | - | 137 842 | 103 205 | - | 103 205 |
| **Equity securities:** | **24 754** | **-** | **24 754** | **13 763** | **-** | **13 763** | **10 988** | **-** | **10 988** |
| - listed | 3 834 | - | 3 834 | 3 479 | - | 3 479 | 4 389 | - | 4 389 |
| - unlisted | 20 920 | - | 20 920 | 10 284 | - | 10 284 | 6 599 | - | 6 599 |
| **Total debt and equity securities:** | **1 234 846** | **561 129** | **1 795 975** | **991 559** | **485 463** | **1 477 022** | **1 784 556** | **574 587** | **2 359 143** |

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

## 16. Derivative Financial Instruments

| | 31.03.2012 | | 31.12.2011 | | 31.03.2011 | |
|---|---|---|---|---|---|---|
| | assets | liabilities | assets | liabilities | assets | liabilities |
| Held for trading derivative financial instruments classified into banking book | 271 165 | 61 048 | 142 487 | 276 921 | 108 217 | 82 685 |
| Held for trading derivative financial instruments classified into trading book | 1 077 977 | 1 439 877 | 1 364 108 | 1 583 588 | 918 019 | 1 086 924 |
| Derivative financial instruments held for hedging | 268 | 1 697 | - | 2 238 | - | - |
| **Total derivative financial instruments assets/liabilities** | **1 349 410** | **1 502 622** | **1 506 595** | **1 862 747** | **1 026 236** | **1 169 609** |

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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Starting from 2011, 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, 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 the 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

| | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|---|---|---|
| Loans and advances to individuals | 37 535 301 | 38 688 979 | 33 534 755 |
| Loans and advances to corporate entities | 26 766 245 | 27 890 298 | 24 639 427 |
| Loans and advances to public sector | 2 973 691 | 3 178 356 | 1 936 222 |
| Other receivables | 411 938 | 482 167 | 620 018 |
| **Total (gross) loans and advances to customers** | **67 687 175** | **70 239 800** | **60 730 422** |
| Provisions for loans and advances to customers (negative amount) | (2 454 368) | (2 388 284) | (2 531 220) |
| **Total (net) loans and advances to customers** | **65 232 807** | **67 851 516** | **58 199 202** |

| | | | |
|---|---|---|---|
| Short-term (up to 1 year) | 21 658 987 | 22 756 309 | 20 992 420 |
| Long-term (over 1 year) | 43 573 820 | 45 095 207 | 37 206 782 |

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 2012 – PLN 3 324 983 thousand, 31 December 2011 – PLN 3 210 276 thousand, 31 March 2011 – PLN 3 018 300 thousand.

### Provisions for Loans and Advances

| | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|---|---|---|
| **Incurred but not identified losses** | | | |
| Gross balance sheet exposure | 64 285 283 | 66 953 040 | 57 314 922 |
| Impairment provisions for exposures analysed according to portfolio approach | (204 387) | (212 390) | (220 845) |
| **Net balance sheet exposure** | **64 080 896** | **66 740 650** | **57 094 077** |

| | | | |
|---|---|---|---|
| **Receivables with impairment** | | | |
| Gross balance sheet exposure | 3 401 892 | 3 286 760 | 3 415 500 |
| Provisions for receivables with impairment | (2 249 981) | (2 175 894) | (2 310 375) |
| **Net balance sheet exposure** | **1 151 911** | **1 110 866** | **1 105 125** |

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## 18. Investment Securities and Pledged Assets

| | 31.03.2012 | | | 31.12.2011 | | | 31.03.2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Investment securities | Pledged assets | Total | Investment securities | Pledged assets | Total | Investment securities | Pledged assets | Total |
| **Debt securities** | **13 953 852** | **2 530 295** | **16 484 147** | **16 519 445** | **3 854 060** | **20 373 505** | **15 894 503** | **1 987 493** | **17 881 996** |
| Listed, including: | 13 953 852 | 2 530 295 | 16 484 147 | 16 519 445 | 3 854 060 | 20 373 505 | 15 894 503 | 1 987 493 | 17 881 996 |
| Issued by government | 10 888 881 | 2 530 295 | 13 419 176 | 9 646 531 | 3 854 060 | 13 500 591 | 11 124 940 | 1 987 493 | 13 112 433 |
| - government bonds | 10 668 944 | 2 528 822 | 13 197 766 | 9 646 531 | 3 852 869 | 13 499 400 | 10 442 483 | 1 438 356 | 11 880 839 |
| - treasury bills | 219 937 | 1 473 | 221 410 | - | 1 191 | 1 191 | 682 457 | 549 137 | 1 231 594 |
| Issued by central bank | 2 698 358 | - | 2 698 358 | 6 511 488 | - | 6 511 488 | 4 499 515 | - | 4 499 515 |
| Other debt securities | 366 613 | - | 366 613 | 361 426 | - | 361 426 | 270 048 | - | 270 048 |
| - bank's bonds | 332 102 | - | 332 102 | 327 811 | - | 327 811 | 236 386 | - | 236 386 |
| - communal bonds | 34 511 | - | 34 511 | 33 615 | - | 33 615 | 33 662 | - | 33 662 |
| **Equity securities:** | **206 462** | **-** | **206 462** | **177 767** | **-** | **177 767** | **194 982** | **-** | **194 982** |
| Listed | 171 227 | - | 171 227 | 156 556 | - | 156 556 | 179 653 | - | 179 653 |
| Unlisted | 35 235 | - | 35 235 | 21 211 | - | 21 211 | 15 329 | - | 15 329 |
| **Total debt and equity securities:** | **14 160 314** | **2 530 295** | **16 690 609** | **16 697 212** | **3 854 060** | **20 551 272** | **16 089 485** | **1 987 493** | **18 076 978** |
| Short-term (up to 1 year) | 6 826 638 | 87 628 | 6 914 266 | 9 954 397 | 586 954 | 10 541 351 | 6 934 090 | 1 197 512 | 8 131 602 |
| Long-term (over 1 year) | 7 333 676 | 2 442 667 | 9 776 343 | 6 742 815 | 3 267 106 | 10 009 921 | 9 155 395 | 789 981 | 9 945 376 |

The above includes government bonds and treasury bills under the Bank Guarantee Fund (BFG), investment government bonds pledged as sell-buy-back transactions and government bonds pledged as collateral for the loans received from the European Investment Bank (EIB), which are presented in the Statement of Financial Position in a separate position 'Pledged assets'.

Presented above value of equity securities includes provisions for impairment of PLN 13 257 thousand (31 December 2011: PLN 13 257 thousand, 31 March 2011: PLN 13 257 thousand).

As at 31 March 2012, listed equity securities include fair value of PZU shares in amount of PLN 153 780 thousand (31 December 2011 – PLN 146 210 thousand, 31 March 2011 - PLN 168 449 thousand).

## 19. Intangible assets

| | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|---|---|---|
| Development costs | 699 | 789 | 966 |
| Goodwill | 4 728 | 4 728 | 4 728 |
| Patents, licences and similar assets, including: | 295 927 | 313 925 | 309 931 |
| - computer software | 235 172 | 247 070 | 257 014 |
| Other intangible assets | 8 806 | 9 231 | 9 847 |
| Intangible assets under development | 108 105 | 108 096 | 72 494 |
| **Total intangible assets** | **418 265** | **436 769** | **397 966** |

## 20. Tangible assets

| | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|---|---|---|
| Tangible fixed assets, including: | 756 041 | 765 993 | 713 092 |
| - land | 1 175 | 1 875 | 1 867 |
| - buildings and structures | 223 894 | 228 823 | 231 792 |
| - equipment | 165 450 | 168 804 | 128 107 |
| - vehicles | 213 018 | 216 964 | 191 741 |
| - other fixed assets | 152 504 | 149 527 | 159 585 |
| Fixed assets under construction | 49 259 | 66 462 | 40 256 |
| **Total tangible fixed assets** | **805 300** | **832 455** | **753 348** |

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## 21. Amounts due to Customers

| | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|---|---|---|
| Individual customers: | 27 977 492 | 26 700 892 | 24 792 410 |
| Current accounts | 18 678 892 | 16 961 125 | 15 808 085 |
| Term deposits | 9 260 056 | 9 698 858 | 8 940 454 |
| Other liabilities: | 38 544 | 40 909 | 43 871 |
| - liabilities in respect of cash collaterals | 31 707 | 33 215 | 28 084 |
| - other | 6 837 | 7 694 | 15 787 |
| Corporate customers: | 21 258 558 | 27 015 436 | 19 902 171 |
| Current accounts | 10 121 204 | 11 038 961 | 10 727 866 |
| Term deposits | 8 342 316 | 11 650 679 | 5 983 532 |
| Loans and advances received | 1 733 702 | 1 848 575 | 470 897 |
| Repo transactions | 535 760 | 1 818 532 | 2 280 366 |
| Other liabilities: | 525 576 | 658 689 | 439 510 |
| - liabilities in respect of cash collaterals | 405 490 | 479 749 | 339 873 |
| - other | 120 086 | 178 940 | 99 637 |
| Public sector customers: | 468 926 | 528 060 | 950 297 |
| Current accounts | 314 991 | 447 481 | 243 209 |
| Term deposits | 132 461 | 64 783 | 699 789 |
| Other liabilities: | 21 474 | 15 796 | 7 299 |
| - liabilities in respect of cash collaterals | 1 105 | 18 | - |
| - other | 20 369 | 15 778 | 7 299 |
| Total amounts due to customers | 49 704 976 | 54 244 388 | 45 644 878 |
| | | | |
| Short-term (up to 1 year) | 47 386 328 | 51 677 581 | 44 100 557 |
| Long-term (over 1 year) | 2 318 648 | 2 566 807 | 1 544 321 |

The Group presents amounts due to micro enterprises provided by Retail Banking of BRE Bank (mBank and MultiBank) under the item 'amounts due to individual customers'.

In the presented reporting periods the value of liabilities in respect of current accounts and term deposits accepted from micro enterprises amounted to respectively: 31 March 2012 – PLN 2 169 572 thousand, 31 December 2011 – PLN 1 982 622 thousand, 31 March 2011 – PLN 1 739 700 thousand.

## 22. Non-current Assets Held for Sale

As at 31 March 2012 and as at 31 December 2011, the Group had no assets classified as non-current assets (disposal group) held for sale.

As at 31 March 2011, the Group classified subsidiary entities Intermarket Bank AG and Magyar Factor zRt. as non-current assets (disposal group) held for sale. The shares of these entities were sold on 28 July 2011. Detailed information concerning the above transaction were presented in the Group's interim financial reports for the year 2011, starting from Q1 2011 (Note 21). The above transaction was described under Note 45 'Acquisitions and Disposals', of BRE Bank Group Consolidated Financial Statements for the Year 2011.

## Selected Explanatory Information

### 1. Compliance with International Financial Reporting Standards

The presented consolidated report for the first quarter of 2012 fulfils the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' relating to interim financial reports.

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

A detailed description of the accounting policy principles of the Group is presented under items 2 and 3 of the Notes to the Consolidated Financial Statements for the first quarter of 2012. 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

In Q1 2012, 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 Q1 2012, there were no significant changes in estimate values of items presented in previous reporting periods.

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

In Q1 2012, BRE Bank issued deposit certificates in nominal value of PLN 1 000 000 thousand. Moreover, BRE Bank Hipoteczny issued bonds in amount of PLN 310 000 thousand. In the same time, BRE Bank Hipoteczny redeemed bonds in amount of PLN 234 000 thousand.

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

Pursuant to the resolution on profit distribution for the year 2011, adopted on 30 March 2012 by the 25th Ordinary General Shareholders Meeting of BRE Bank SA, no dividend was paid for the year 2011.

### 8. Income and Profit by Business Segment

Income and profit by business segment within the Group are presented on the consolidated level in Note 4 of the Consolidated Financial Statements for the first quarter of 2012.

### 9. Significant Events after the End of Q1 2012, which are not Reflected in the Financial Statements

Events as indicated above did not occur in the Group.

### 10. Effect of Changes in the Structure of the Entity in Q1 2012, Including Business Combinations, Acquisitions or Disposal of Subsidiaries, Long-term Investments, Restructuring, and Discontinuation of Business Activities

In December 2011, a decision was made to reorganize the outsourcing services area of BRE Bank Group by means of transferring the operations and processes related to services provided to clients from outside BRE Bank Group from Centrum Rozliczeń i Informacji CERI Sp. z o.o. (CERI) to BRE Systems Sp. z o.o. (BRE Systems). On 29 February 2012, an agreement was signed on the sale of 100% of BRE Systems to Commerzbank AG. BRE Bank and CERI sold their respective shareholdings of 0.42% and 99.58% in BRE Systems for a total amount of PLN 13.2 million to Commerzbank AG. The sale transaction was finalized on 2 March 2012.

Moreover, in December 2011, the General Meetings of CERI and BRE Systems adopted resolutions on changing the registered business names of both companies. Consequently, following the registration of the aforesaid resolutions with the Commercial Court, Centrum Rozliczeń i Informacji Sp. z o.o. changed its registered business name to BRE Centrum Operacji Sp. z o.o. and BRE Systems Sp. z o.o. changed its registered business name to CERI International Sp. z o.o.

As a result of the changes, BRE Centrum Operacji (formerly – CERI) will be providing outsourcing services to BRE Bank and the subsidiaries of BRE Group, while CERI International Sp. z o.o.(formerly – BRE Systems) will be rendering its services to Commerzbank AG and entities from outside BRE Bank Group.

### 11. Changes in Contingent Liabilities and Commitments

In Q1 2012, there were no changes in contingent liabilities and commitments of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

### 12. 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.

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

Events as indicated above did not occur in the Group.

### 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 Q1 2012, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and property development operations that are performed by the companies of the Group.

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

Events as indicated above did not occur in the Group.

### 17. Corrections of Errors from Previous Reporting Periods

In Q1 2012, there were no corrections of errors from previous reporting periods.

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

Events as indicated above did not occur in the Group.

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

BRE Bank did not publish a performance forecast for the year 2012. The description of the BRE Bank Group strategy published in current report no. 8/2010 shall not be read as a forecast about financial results or their estimations with respect to the Bank and BRE Bank Group referred to in Article 5 item 1 point 25 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic reports published by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws from 2009, No. 33, item 259).

### 20. Registered Share Capital

The total number of ordinary shares as at 31 March 2012 was 42 102 746 shares (31 March 2011: 42 086 674) at PLN 4 nominal value each (31 March 2011: PLN 4). All issued shares were fully paid up.

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| REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 MARCH 2012 | | | | | | |
|---|---|---|---|---|---|---|
| Share type | Type of privilege | Type of limitation | Number of shares | Series / issue value | Paid up | Registered on |
| ordinary bearer* | - | - | 9 980 500 | 39 922 000 | fully paid in cash | 1986 |
| ordinary registered* | - | - | 19 500 | 78 000 | fully paid in cash | 1986 |
| ordinary bearer | - | - | 2 500 000 | 10 000 000 | fully paid in cash | 1994 |
| ordinary bearer | - | - | 2 000 000 | 8 000 000 | fully paid in cash | 1995 |
| ordinary bearer | - | - | 4 500 000 | 18 000 000 | fully paid in cash | 1997 |
| ordinary bearer | - | - | 3 800 000 | 15 200 000 | fully paid in cash | 1998 |
| ordinary bearer | - | - | 170 500 | 682 000 | fully paid in cash | 2000 |
| ordinary bearer | - | - | 5 742 625 | 22 970 500 | fully paid in cash | 2004 |
| ordinary bearer | - | - | 270 847 | 1 083 388 | fully paid in cash | 2005 |
| ordinary bearer | - | - | 532 063 | 2 128 252 | fully paid in cash | 2006 |
| ordinary bearer | - | - | 144 633 | 578 532 | fully paid in cash | 2007 |
| ordinary bearer | - | - | 30 214 | 120 856 | fully paid in cash | 2008 |
| ordinary bearer | - | - | 12 395 792 | 49 583 168 | fully paid in cash | 2010 |
| ordinary bearer | - | - | 16 072 | 64 288 | fully paid in cash | 2011 |
| Total number of shares | | | 42 102 746 | | | |
| Total registered share capital | | | | 168 410 984 | | |
| Nominal value per share | | 4 | | | | |

* As at the end of the reporting period

## 21. Material Share Packages

In Q1 2012, there were no changes in the holding of material share packages of the Bank.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 March 2012 it held 69.72% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2011 – 69.72%).

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.

## 22. 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 2011 | Number of shares acquired from the date of publishing the report for Q4 2011 to the date of publishing the report for Q1 2012 | Number of shares sold from the date of publishing the report for Q4 2011 to the date of publishing the report for Q1 2012 | Number of shares held as at the date of publishing the report for Q1 2012 |
|---|---|---|---|---|
| Management Board | | | | |
| 1. Cezary Stypułkowski | - | - | - | - |
| 2. Joerg Hessenmueller | - | - | - | - |
| 3. Wiesław Thor | 4 805 | - | - | 4 805 |
| 4. Przemysław Gdański | 156 | - | - | 156 |
| 5. Hans-Dieter Kemler | - | - | - | - |
| 6. Cezary Kocik | - | - | - | - |
| 7. Jarosław Mastalerz | 2 603 | - | - | 2 603 |

As at the date of publishing the report for the fourth quarter of 2011 and as at the date of publishing the report for the first quarter of 2012, the Members of the Management Board had no Bank rights to shares and they have no Bank rights to shares.

As at the date of publishing the report for the fourth quarter of 2011 and as at the date of publishing the report for the first quarter of 2012, Mr. Andre Carls, Member of the Supervisory Board of BRE Bank SA, had 3 269 shares of BRE Bank SA. The other Members of the Supervisory Board of BRE Bank SA had no Bank shares nor Bank rights to shares and they have no Bank shares nor Bank rights to shares.

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

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

**Report on major proceedings brought against the Bank**

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

   At present proceedings are pending against BRE Bank in the Court of Jerusalem initiated by Bank Leumi and an insurance company of Bank Leumi, Migdal Insurance Company. It is an action for indemnity in the amount of USD 13.5 million (PLN 42.1 million translated at the average exchange rate of the National Bank of Poland as at 31 march 2012). This action was originally initiated by Art-B Sp. z o.o. Eksport – Import with its registered office in Katowice, under liquidation ('Art-B') against the main defendant Bank Leumi, whereas BRE Bank was garnished by Bank Leumi. Considering a settlement concluded between Art-B and Bank Leumi, and Migdal Insurance Company, on the basis of which Art-B received from Bank Leumi and Migdal Insurance Company an amount of USD 13.5 million, Bank Leumi and Migdal Insurance Company claim from BRE Bank refund of the amount paid to Art-B that is USD 13.5 million. BRE Bank's liability towards Bank Leumi and Migdal Insurance Company is under recourse.

2. Lawsuit brought by Bank BPH SA ('BPH') against Garbary Sp. z o.o. ('Garbary')

   BPH brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 854 thousand. The purpose was to cancel actions related to the creation of Garbary and the contribution in kind. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that ZM Pozmeat SA contributed in kind to Garbary as payment for a stake in ZM Pozmeat SA share capital worth PLN 100 000 thousand. On 6 June 2006, the District Court in Poznań issued a verdict according to which the claims were dismissed in their entirety. The claimant filed an appeal against that verdict. On 6 February 2007, the Court of Appeal dismissed the claimant's appeal. The claimant filed the last resort appeal against the ruling of the Court of Appeal. On 2 October 2007, the Supreme Court revoked the ruling of the Court of Appeal and referred the case back. After re-examining the case, the Court of Appeal dismissed the ruling of the District Court in Poznań on 4 March 2008 and referred the case back. On 16 September 2010, the District Court in Poznań dismissed the claim in whole; the decision is not legally valid. 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.

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. The case is pending.

4. Claims of clients of Interbrok

   Up to 20 April 2012, 153 entities who were clients of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (hereinafter referred to as Interbrok) called the Bank for amicable settlement in the total amount of PLN 296 461 thousand and via the District Court in Warsaw. In addition, up to 20 April 2012, 8 legal suits have been delivered to the Bank where former clients of Interbrok claimed compensation in the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that the Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. In all court cases the Bank moves for dismissal of the claims in entirety and objects to charges raised in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the case. Therefore, BRE Bank Group did not create provisions for the above claims. The District Court in Warsaw settled the aforementioned court cases and dismissed actions in all cases. As a consequence of the Court of Appeal verdict on 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.

5. Class action against BRE Bank

   On 4 February 2011, BRE Bank SA received a class action brought to the District Court in Łódź on 20 December 2010 by the Municipal Ombudsman who represents a group of 835 persons – retail clients of BRE Bank.

   The petitioners demand that a responsibility of the Bank is determined for improper performance of mortgage credit agreements. In particular, it was indicated that the Bank improperly applied provisions of the agreements concerning interest rates adjustment, namely that the Bank did not reduce interest rates on loans, although, according to the petitioners, it should have.

   The Bank rejects the above reasoning. On 18 February 2011, the Bank submitted a formal answer to the court, in which it applied for a dismissal of the claim as a whole.

   On 6 May 2011, the District Court in Łódź decided to reject the application of BRE Bank SA for dismissing the claim and decided that the case will proceed as a class action.

   On 13 June 2011, BRE Bank SA lodged a complaint against this decision with the Court of Appeal in Łódź. On 28 September 2011, the Court of Appeal dismissed the complaint of BRE Bank SA. Currently, the case proceeds as a class action.

   The time for joining the class ended in March 2012. Presently, the class consists of 1 247 members; however, its composition is still subject to a revision and final approval of the court.

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

**Taxes**

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

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

Within the period from 27 June to 8 July 2011, officers of the Treasury Control Office in Warsaw (Urząd Kontroli Skarbowej w Warszawie) carried out tax audits at the company BRE Leasing concerning correctness of the settlement of the value added tax for the period from 1 January to 31 December 2006. The audits did not identify any irregularities.

Within the period from 27 April to 23 May 2011, officers of the First Mazovian Treasury Office in Warsaw (Pierwszy Mazowiecki Urzad Skarbowy w Warszawie) carried out tax audits at the company BRE Leasing concerning correctness of the settlement of the value added tax for the period from 1 July to 31 December 2010. The audits did not identify any relevant 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.

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### 24. Off-balance Sheet Liabilities

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

BRE Bank Group consolidated data

| | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|---|---|---|
| **1. Contingent liabilities granted and received** | **18 820 409** | **18 360 547** | **16 990 798** |
| **Commitments granted** | **17 868 524** | **17 346 021** | **15 573 885** |
| - financing | 14 775 178 | 14 375 193 | 12 852 188 |
| - guarantees and other financial facilities | 2 993 112 | 2 967 250 | 2 695 777 |
| - other commitments | 100 234 | 3 578 | 25 920 |
| **Commitments received** | **951 885** | **1 014 526** | **1 416 913** |
| - financial commitments received | 200 | 430 | 197 083 |
| - guarantees received | 951 685 | 1 014 096 | 1 219 830 |
| **2. Derivative financial instruments (nominal value of contracts)** | **475 021 222** | **490 688 149** | **382 774 944** |
| Interest rate derivatives | 438 186 629 | 442 303 961 | 334 978 931 |
| Currency derivatives | 34 163 022 | 47 130 794 | 42 697 218 |
| Market risk derivatives | 2 671 571 | 1 253 394 | 5 098 795 |
| **Total off-balance sheet items** | **493 841 631** | **509 048 696** | **399 765 742** |

BRE Bank stand-alone data

| | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|---|---|---|
| **1. Contingent liabilities granted and received** | **18 052 268** | **17 640 794** | **16 332 593** |
| **Commitments granted** | **17 102 226** | **16 627 040** | **14 941 506** |
| - financing | 13 937 466 | 13 586 108 | 12 209 193 |
| - guarantees and other financial facilities | 3 064 760 | 3 037 588 | 2 707 313 |
| - other commitments | 100 000 | 3 344 | 25 000 |
| **Commitments received** | **950 042** | **1 013 754** | **1 391 087** |
| - financial commitments received | 200 | 430 | 197 083 |
| - guarantees received | 949 842 | 1 013 324 | 1 194 004 |
| **2. Derivative financial instruments (nominal value of contracts)** | **475 283 323** | **490 860 815** | **382 826 886** |
| Interest rate derivatives | 438 417 498 | 442 533 044 | 335 131 710 |
| Currency derivatives | 34 194 254 | 47 074 377 | 42 596 381 |
| Market risk derivatives | 2 671 571 | 1 253 394 | 5 098 795 |
| **Total off-balance sheet items** | **493 335 591** | **508 501 609** | **399 159 479** |

### 25. Transactions with Related Entities

BRE Bank SA is the parent entity of the BRE Bank SA Group and Commerzbank AG is the ultimate parent of the Group. The direct parent entity of BRE Bank SA is Commerzbank Auslandsbanken Holding AG, which is 100% subsidiary of Commerzbank AG.

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

In all reporting periods, there were no related-party transactions with the direct parent entity of BRE Bank.

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

| PLN (000's) | Subsidiaries not included in consolidation due to immateriality | | | Commerzbank AG | | |
|---|---|---|---|---|---|---|
| As at the end of the period | 31.03.2012 | 31.12.2011 | 31.03.2011 | 31.03.2012 | 31.12.2011 | 31.03.2011 |
| Statement of Financial Position | | | | | | |
| Assets | 70 427 | 74 777 | 63 342 | 383 598 | 1 386 035 | 444 496 |
| Liabilities | 19 524 | 25 853 | 15 678 | 24 908 939 | 26 979 732 | 25 082 781 |
| Income Statement | | | | | | |
| Interest income | 900 | 3 181 | 1 545 | 23 158 | 11 123 | 650 |
| Interest expense | (22) | (184) | (116) | (100 573) | (445 009) | (103 870) |
| Fee and commission income | 8 | 36 | 12 | - | - | - |
| Fee and commission expense | - | - | - | - | - | - |
| Other operating inccome | 1 | - | 1 | 76 | 137 | 86 |
| Overhead costs, amortisation and other operating expenses | (22) | - | (100) | (3 156) | (9 764) | (5 025) |
| Contingent liabilities granted and received | | | | | | |
| Liabilities granted | 1 178 | 1 244 | 1 527 | 750 909 | 777 286 | 1 262 723 |
| Liabilities received | - | - | - | 570 116 | 707 467 | 761 303 |

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

As at 31 March 2012 no exposure under guarantees granted in excess of 10% of the equity occurred in the Group.

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

On 2 March 2012 Ms Karin Katerbau, Vice-President of the Management Board, Chief Financial Officer, resigned from her function with the effect from 15 April 2012. Ms Karin Katerbau will become a Member of the Management Board of Oldenburgische Landesbank. On 9 December 2011, the Bank made a public information concerning intention to resign of Ms Karin Katerbau.

On 30 March 2012, Mr. Christian Rhino, BRE Bank's Management Board Member and Chief Operation Officer, resigned from his function as of 31 March 2012. The reason for his resignation was transfer to a new function in Commerzbank AG. On 27 January 2012, BRE Bank made a public information concerning intention to resign of Mr. Christian Rhino.

Under the Resolution of 2 March 2012, with the effect from 16 April 2012, the Supervisory Board appointed Mr. Joerg Hessenmueller to the Management Board of BRE Bank SA and for the post of Chief Financial Officer, for the period until the end of the current term of the Management Board.

Under the Resolution of 30 March 2012, the Supervisory Board appointed Mr. Jarosław Mastalerz (until 31 March 2012, BRE Bank's Management Board Member and Head of Retail Banking) for the post of BRE Bank's Management Board Member and Chief Operation Officer with the effect from 1 April 2012, for the period until the end of the current term of the Management Board.

Under the Resolution of 30 March 2012, with the effect from 1 April 2012, the Supervisory Board appointed Mr. Cezary Kocik to the Management Board of BRE Bank SA and for the post of Head of Retail Banking, for the period until the end of the current term of the Management Board.

On 13 February 2012, Mr. Eric Strutz, Member of the Supervisory Board, resigned from his function with the effect from 30 March 2012.

On 30 March 2012, the 25$^{th}$ Ordinary General Meeting of Shareholders of BRE Bank SA appointed Mr. Stephan Engels as Member of the Supervisory Board of BRE Bank, effective as of 1 April 2012 the common term of the Supervisory Board.

## 28. Factors Affecting the Results in the Coming Quarter

Apart from operating activity of the Bank and BRE Bank Group companies, there are no other events expected in the second quarter of 2012 that would have a significant impact on the profit of this period.

## 29. Events after the Balance Sheet Date

The Management Board of BRE Bank informed on April 12, 2012 that BRE Finance France (a subsidiary of BRE Bank, in which the Bank holds 99.98% of shares) as the Issuer and BRE Bank as the issue underwriter signed an agreement for a Euro Medium Term Note Programme (EMTN) for a total amount of up to EUR 2 billion (equivalent to PLN 8,348 billion according to the average NBP exchange rate as of April 12, 2012). Under the EMTN Programme, the Issuer will have a right to issue debt securities in multiple tranches, various currencies and with diverse interest structure. The Luxembourg Stock Exchange admitted the Programme to trading. The debt securities will be unconditionally and irrevocably guaranteed by BRE Bank. The Bank agreed to extend future guarantees of payment of any amounts payable on debt securities issued under the Programme.

Decisions on a potential issuance of bonds under the Programme will depend on the prevailing market conditions. The Programme provides an additional source of long-term funding for the Bank.