BRE BANK SA

BRE Bank SA Group

IFRS Consolidated Financial Statements
for the fourth quarter of 2008

Contents

Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN '000		in EUR '000	
		IV quarters of 2008 from 01-01-2008 to 31-12-2008	IV quarters of 2007 from 01-01-2007 to 31-12-2007	IV quarters of 2008 from 01-01-2008 to 31-12-2008	IV quarters of 2007 from 01-01-2007 to 31-12-2007
I.	Interest income	3 639 652	2 358 686	1 030 450	624 520
II.	Fee and commission income	869 839	831 584	246 267	220 182
III.	Net trading income	483 854	486 464	136 988	128 803
IV.	Operating profit	1 000 115	954 545	283 150	252 739
V.	Profit before income tax	1 000 115	954 545	283 150	252 739
VI.	Net profit attributable to minority interest	31 885	37 523	9 027	9 935
VII.	Net profit	857 459	710 094	242 762	188 015
VIII.	Net cash flows from operating activities	(7 909 636)	(5 457 563)	(2 239 358)	(1 445 023)
IX.	Net cash flows from investing activities	395 836	(136 693)	112 068	(36 193)
X.	Net cash flows from financing activities	8 539 857	4 028 692	2 417 785	1 066 695
XI.	Net increase / decrease in cash and cash equivalents	1 026 057	(1 565 564)	290 495	(414 521)
XII.	Total assets	82 605 579	55 941 900	19 798 097	15 617 504
XIII.	Amounts due to the Central Bank	1 302 469	-	312 163	-
XIV.	Amounts due to other banks	27 488 807	12 245 867	6 588 248	3 418 723
XV.	Amounts due to customers	37 750 248	32 401 863	9 047 610	9 045 746
XVI.	Capital and reserves attributable to the Company's equity holders	3 894 453	3 324 511	933 384	928 116
XVII.	Minority interest	153 584	116 812	36 810	32 611
XVIII.	Share capital	118 764	118 643	28 464	33 122
XIX.	Number of shares	29 690 882	29 660 668	29 690 882	29 660 668
XX.	Book value per share (in PLN/EUR per share)	131.17	112.08	31.44	31.29
XXI.	Diluted book value per share (in PLN/EUR per share)	131.08	111.97	31.41	31.26
XXII.	Capital adequacy ratio	10.03	10.16	10.03	10.16
XXIII.	Earnings on continued operations per 1 ordinary share (in PLN/EUR per share)	24.49	21.08	6.93	5.58
XXIV.	Diluted earnings on continued operations per 1 ordinary share (in PLN/EUR per share)	24.47	21.06	6.93	5.58
XXV.	Declared or paid dividend per share (in PLN/EUR per share)	-	-	-	-

In the above selected financial data continued and discontinued operations are presented together in positions from I to VII

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		IV quarters of 2008 from 01-01-2008 to 31-12-2008	IV quarters of 2007 from 01-01-2007 to 31-12-2007	IV quarters of 2008 from 01-01-2008 to 31-12-2008	IV quarters of 2007 from 01-01-2007 to 31-12-2007
I.	Interest income	2 940 153	1 860 514	832 409	492 617
II.	Fee and commission income	704 842	566 875	199 553	150 094
III.	Net trading income	447 478	472 361	126 689	125 069
IV.	Operating profit	901 487	788 428	255 227	208 756
V.	Profit before income tax	901 487	788 428	255 227	208 756
VI.	Net profit	829 531	637 231	234 855	168 722
VII.	Net cash flows from operating activities	(6 892 496)	(4 502 515)	(1 951 388)	(1 192 151)
VIII.	Net cash flows from investing activities	577 299	(12 887)	163 444	(3 412)
IX.	Net cash flows from financing activities	7 165 940	3 073 570	2 028 804	813 803
X.	Net increase / decrease in cash and cash equivalents	850 743	(1 441 832)	240 860	(381 760)
XI.	Total assets	72 355 392	48 368 737	17 341 432	13 503 277
XII.	Amounts due to the Central Bank	1 302 469	-	312 163	-
XIII.	Amounts due to other banks	20 142 760	7 931 827	4 827 620	2 214 357
XIV.	Amounts due to customers	37 438 494	32 734 316	8 972 892	9 138 558
XV.	Equity	3 624 147	3 080 133	868 600	859 892
XVI.	Share capital	118 764	118 643	28 464	33 122
XVII.	Number of shares	29 690 882	29 660 668	29 690 882	29 660 668
XVIII.	Book value per share (in PLN/EUR per share)	122.06	103.85	29.25	28.99
XIX.	Diluted book value per share (in PLN/EUR per share)	121.98	103.74	29.23	28.96
XX.	Capital adequacy ratio	10.03	10.65	10.03	10.65
XXI.	Earnings per 1 ordinary share (in PLN/EUR per share)	27.95	21.54	7.91	5.70
XXII.	Diluted earnings per 1 ordinary share (in PLN/EUR per share)	27.93	21.52	7.91	5.70
XXIII.	Declared or paid dividend per share (in PLN/EUR per share)	-	-	-	-

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

- for balance sheet items – an exchange rate announced by the National Bank of Poland as at 31 December 2008 – 1 EUR = 4.1724 PLN and an exchange rate announced by the National Bank of Poland as at 31 December 2007 – 1 EUR = 3.582 PLN.

- for profit and loss account items – an exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of 2008 and 2007: 1 EUR = 3.5321 PLN and 1 EUR = 3.7768 PLN respectively.

Introduction

The profit attributable to the shareholders of the parent entity of the BRE Bank Group was PLN 857.5 million net (PLN 1,000.1 million before tax) at the end of 2008, compared to PLN 710.1 million (PLN 954.5 million before tax) in 2007.

The profit before tax was up by PLN 45.6 million, i.e., 4.8% year on year driven by the profit on continued operations, up by PLN 21.6 million (2.6%), and the profit on discontinued operations, up by PLN 24 million year on year (22%). The profit on discontinued operations in the amount of PLN 109 million in 2007 was largely driven by the profit on the sale of the subsidiary SAMH (PLN 89.5 million); whereas the profit on discontinued operations in the amount of PLN 133 million in 2008 mainly included the result of the Group on the merger of the subsidiary PTE Skarbiec-Emerytura with Aegon PTE and the sale of Aegon with the profit in the amount of PLN 121.3 million.

The net interest income grew steadily in Q4 2008 like in previous periods. In addition, the sale of the merged pension fund company was finalised at the end of 2008, contributing PLN 54.1 million to the Group's quarterly profit before tax.

Growth in the net commission income continued to decrease in Q4, just like in Q3. Deteriorating conditions on the financial market and the economic downturn resulted in lower growth in the trading income, relatively lower growth in other operating income (including income on the sale of real property by the subsidiary BRE.locum) and a higher risk cost charge. In addition, overhead costs increased, as it typically does in the last quarter of every year. As a result, the reported growth in the profit before tax was PLN 44.9 million, less than in the other quarters of the year.

Despite the lower profit of Q4, the very high profitability of the previous quarters allowed the annual profit to grow year on year in 2008 and ensured a high profitability of business as measured by satisfactory level of financial indicators. The BRE Bank Group's return on equity (the profit before tax on continued and discontinued operations to the average equity excluding the profit of the period) was 30.8% at the end of 2008 compared to 35.9% in 2007 (ROE before tax on continued operations was 26.7% and 31.8% respectively).

Capital transactions made a similar contribution to profits in 2008 and 2007. The profits of 2008 included the sale of Vectra SA with a profit in the amount of PLN 137.7 million in 2008 and the sale of Aegon PTE contributing PLN 121.3 million to the Group's consolidated profit before tax. The profits of 2007 included the sale of SAMH in the amount of PLN 89.5 million. The return on equity (before tax) net of the impact of one-off transactions in both periods was 22.8% in 2008 and 32.5% in 2007.

The high profitability of business was combined with cost discipline. The Group's cost/income ratio including discontinued operations (CIR measured as overhead costs and amortisation/depreciation to income including net other operating income and cost) was 55.1% as at the end of 2008, compared to 55.5% as at the end of 2007. The CIR net of the one-off transactions was 60.6% in 2008, 2.8 percentage points higher than in 2007 when a particularly high income was earned in the context of favourable economic conditions.

The main drivers of the financial results in 2008 included:

1. Continued growth of the portfolio of loans and advances – mainly of individual customers while corporate loans grew at a slightly lower rate which has a positive impact on the balance-sheet structure in terms of the profitability of the business. Growth of customers' deposits was a bit slower in the last quarter of the year. These trends were reflected in the steady growth of income on the core business. The loans portfolio grew by 54.8% (ca. PLN 18.5 billion) year on year, and its percentage share in the balance sheet total grew to 63.1% at the end of 2008.
2. Significant growth in fx trading with customers enabling to grow the fx income considerably.
3. Impact of deteriorating market conditions and market liquidity restricting the capacity of generating income, increasing the cost of funding, and affecting the valuation of liquidity instruments and derivative instruments.
4. Significant increase in credit provisions due to deteriorating market conditions affecting the standing of the Bank's customers.
5. Inclusion of BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. into consolidation, applying full consolidation method, subtracting PLN 40.4 million from the profit of the Group as a result of elimination of intra-group transactions.
6. Continued expansion of the network of retail and corporate branches, implementation of mBank's transborder expansion project.
7. Continued cost discipline, both at the Bank and at the subsidiaries.

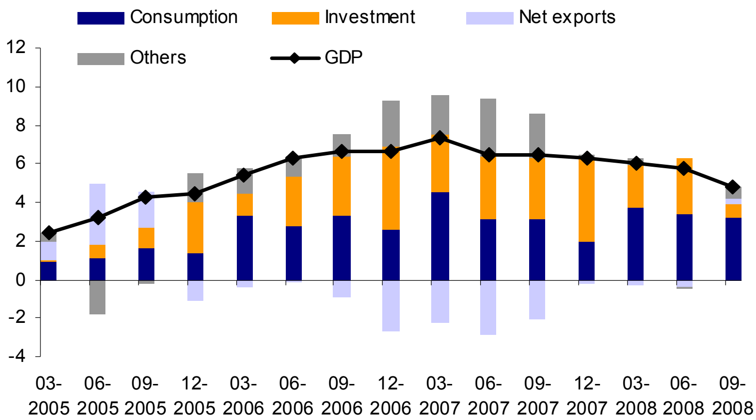
Macroeconomics in Q4 2008

Gross Domestic Product

Data published in Q4 2008 confirm that the Polish economy has started to slow down. GDP growth was down from 5.8% YoY in Q2 to 4.8% YoY in Q3. The fall was mainly driven by the sharp decline in the growth of investments, down from 15.2% YoY in Q2 to only 3.5%. Meanwhile, the growth of consumption remained relatively high (5.1% YoY). Despite declining market conditions in the economies of Poland's main trade partners, the growth rate of exports remained high (7.1% YoY).

As the growth of investment decreased, the growth of imports also fell (to 5.9% YoY); as a result, the contribution of the foreign trade balance to GDP growth was positive (0.3 percentage points) for the first time since 2005. It should be noted that the symptoms of economic slow-down recorded in Q3 occurred even before the liquidity of the Polish inter-bank market collapsed and a credit crunch ensued.

Structure of GDP Growth (percentage points)

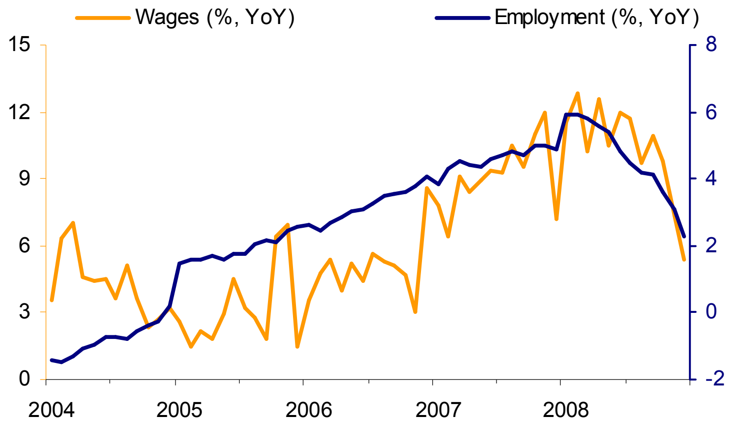


Current macroeconomic data indicate a fast decline of economic conditions. Industrial output was down by 5.3% YoY in Q4. New industrial orders also fell sharply. The growth of retail sales (in fixed prices) was down from 16% YoY in Q1 to 8% in Q3 and only 1.1% YoY in November 2008. According to preliminary estimates, GDP growth was not more than 3% in Q4 and could be below 1.5% in all of 2009.

Labour Market

The growth of wages and employment decreased strongly in Q4 2008. The average wages in the corporate sector were up by only 5.4% YoY in December, compared to a double-digit growth rate in H1. The growth of employment in the corporate sector was down to 2.3% YoY as at the end of 2008; employment was down MoM both in November and December.

Growth of average wages (LHS) and employment (RHS) in the enterprise sector



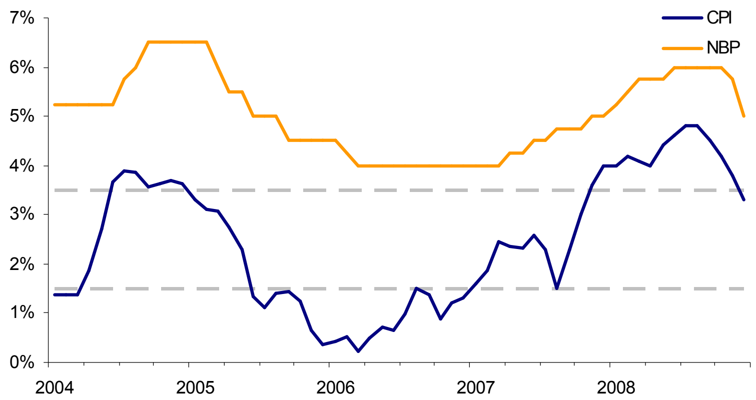
The scale of employment reduction is much in excess of typical seasonal change. This could suggest that companies are adjusting their headcount to the deteriorating macroeconomic environment.

The official unemployment rate was up from 8.9% at the end of Q3 to 9.5% at the end of December; by comparison, the unemployment rate was down (by 0.4 percentage points) in Q4 2007.

Inflation and NBP Interest Rates

Year-on-year inflation continued to fall in Q4 thanks to lower commodity prices and moderate growth of food prices. The opposite effect of depreciation of the Polish currency, zloty, was cushioned by dwindling demand which restricted potential increase of the prices of imported products. The CPI was down to 3.3% YoY in December (compared to 4.5% YoY as at the end of Q3); prices fell modestly MoM. The core inflation (net of food and energy prices) stabilised at 2.9% YoY and should also begin to fall. Year-on-year inflation was within the band of allowed deviation from the Monetary Policy Council (RPP) inflation target for the first time since November 2007. Continued trends of fuel and food prices and weakening wage rise pressures should bring inflation down to the NBP target.

CPI (% YoY), NBP Intervention Rate (%)



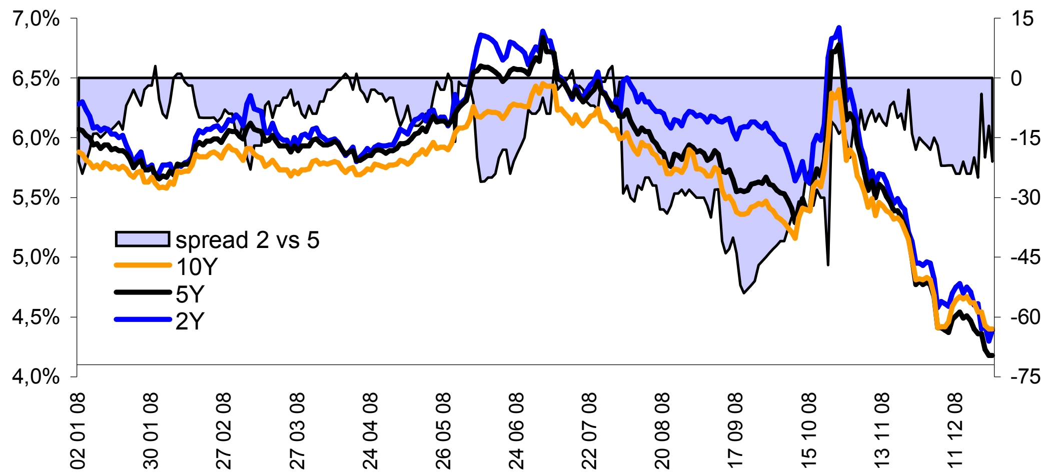
The prospect of falling inflation and mounting symptoms of economic slow-down enforced change of the monetary policy. The NBP interest rates were cut by 100 basis points to 5% in November and December 2008. Relaxation of the Polish monetary policy was additionally prompted by radical interest rates cuts made by many other central banks.

In order to prevent liquidity problems on the inter-bank market and bottlenecks in access to funding in foreign currencies, NBP offered support for PLN repos and EUR, USD and CHF swaps. In addition, collateral requirements on banks in transactions with the NBP were relaxed.

Situation on Financial Markets

The NBP interest rate cuts helped the Treasuries market as yields dropped along the curve. The rates on instruments with the shortest maturities fell the most and the yield curve slope grew steeper (the 10Y/2Y spread grew to almost 20 basis points at the end of December). IRS rates also fell sharply, reflecting the expectation of further strong interest rate cuts, just like FRAs.

2Y, 5Y, 10Y Bond Yields (%, LHS)
and 2Y/5Y Spread (bp, RHS)

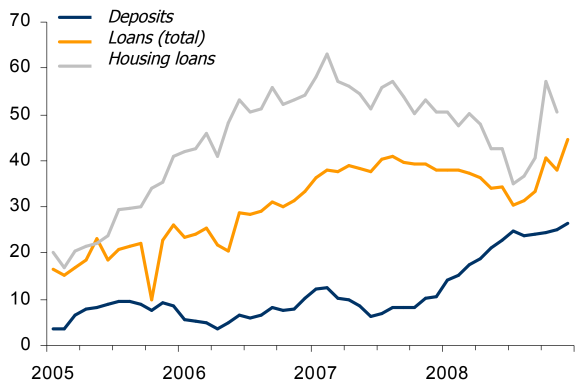


The zloty weakened further against the main currencies in Q4 2008. The Polish currency lost over 20% against the euro and the dollar and almost 30% against the Swiss franc in Q4. Like other currencies of the region, the zloty was weakening mainly due to growing global risk aversion as capital withdrew from the emerging markets. The weakening of the zloty was additionally augmented by local factors including demand for foreign currency necessary to fund fx loans and option payments by companies hedged against appreciation of the zloty.

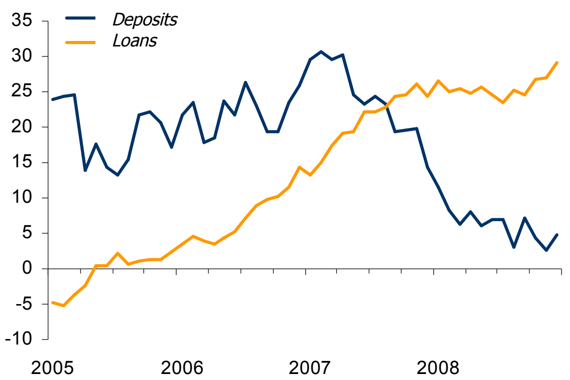
Banking Sector

Growth of receivables of the banking sector reached a record-high rate in Q4 (36.1% YoY as at the end of 2008). However, this was largely driven by strong depreciation of the zloty; as a result, the PLN value of fx loans grew as growth in PLN loans volumes continued to fall (down to modestly over 20% at the year's end). The PLN equivalent of household fx housing loans was up by over 100% in 2008 and up by nearly 40% in Q4 alone. The volume of total household loans was up by 45% in 2008. Corporate loans were up to 29% as at the end of 2008, the highest growth 10 years. Again, the PLN equivalent of the loans was partly driven by fx volatility. Growth in investment loans to enterprises was up sharply in Q4 (from ca. 17% at the end of Q3 to nearly 36%) while growth in real property loans was down.

Households
Growth of Deposits and Loans (%, YoY)



Corporates
Growth of Deposits and Loans (%, YoY)



Deposits and other liabilities of banks grew less fast than receivables but this growth was the highest since the end of 1999 at the end of 2008 (20.8% YoY). This was driven by fast growth in household deposits (26.8% YoY), up by nearly PLN 27 billion in Q4 and up by over PLN 17 billion in December alone. Growth in savings was driven by increasing competition among banks offering high interest on deposits and the propensity to save in view of declining macroeconomic conditions and a rising risk of losing a stable income. Growth in corporate deposits remained relatively low and falling in all of 2008 (4.9% YoY at the end of Q4), reflecting the lower growth of corporate profits and a rising share of own capital in funding current needs. In order to bridge the gap between the growth rate of loans and deposits, banks were largely forced to use foreign funding; consequently, foreign liabilities of banks rose by almost PLN 108 billion in 2008, a half of the total amount in Q4. Once again, the depreciation of the Polish currency contributed significantly to the strong growth in the PLN value of liabilities.

Key Drivers of the BRE Bank Group's Performance in Q4 2008

Balance Sheet

The BRE Bank Group's balance sheet total amounted to PLN 82.6 billion as at 31 December 2008, up by 47.7% year on year and up by 22% quarter on quarter.

Credits and loans grew the fastest in nominal terms, by PLN 18.5 billion, i.e., 54.8% year on year. A dynamic growth trend was reported in particular for portfolio of loans and advances to individual cutomers, up by 89.4%, i.e., PLN 12.4 billion year on year. Meanwhile, the corporate loans portfolio was up by 30.2%, i.e., PLN 5.9 billion.

The growth rate of loans was 20.1% (PLN 8.7 billion) in Q4 2008; this was only partly driven by business expansion as the increase was also attributable to depreciation of the zloty and translation of the old fx loans portfolio (mainly CHF loans) at the new, higher fx rate. As a result, loans and advances to individual customers grew by PLN 6.5 billion, i.e., 33% in Q4, the highest quarterly increase in 2008. Corporate loans grew by ca. PLN 2 billion, i.e., 9%, an average quarterly increase.

Advances and loans to banks remained high, like in the previous quarters. They grew almost two-fold year on year (up by ca. PLN 4 billion). However, advances and loans to banks decreased by ca. PLN 0.9 billion, i.e., 12% compared to last year's high reported in Q3. The portfolio of investment securities followed the opposite trend: it was down by ca. PLN 0.9 billion year on year and up by a similar proportion (PLN 0.9 billion) in Q4. Meanwhile, securities held for trading grew modestly, by ca. PLN 0.4 billion year on year and quarter on quarter. As a result, while the scale of business grew, liquid assets (cash with the central bank, advances and loans to banks, securities) remained adequate, ensuring high safety of business.

Amounts due to clients, the Group's major source of funding, were up by 16.5%, i.e., PLN 5.3 billion year on year, reaching PLN 37.7 billion as at the end of 2008, close to 48% of the total liabilities. Growth in amounts due to retail clients remained relatively high in Q4 2008 (up by PLN 2.1 billion, i.e., 11%) while amounts due to corporate clients were down by ca. 13% (PLN 2.5 billion); as a result, total amounts due to clients remained stable.

The decrease in corporate clients' deposits in Q4 was related to three trends followed by the largest deposit holders in the context of the financial crisis:

- funding current business with own funds due to contractors' payment delays;
- precautionary measures to diversify risks – placing the cash surplus with different banks;
- outflow of deposits to other banks due to attractive interest rates offered by banks seeking to obtain funding while market liquidity collapsed.

Credit lines, issues of bonds, and subordinated debt were supplementary sources used to finance the growth in assets in the reporting period.

Liabilities to other banks grew by PLN 15.2 billion (125%) year on year, mainly thanks to credit lines in the Swiss franc obtained by the Bank and used to finance the portfolio of housing loans granted in the Swiss franc. Credit lines grew by PLN 10.8 billion year on year at the Bank and by ca. PLN 3.6 billion in the subsidiaries (mainly BRE Bank Hipoteczny and BRE Leasing). The credit lines obtained by the Bank grew by ca. PLN 7 billion in Q4 2008, mainly including three-year Commerzbank loans in the amount CHF 2 billion drawn at the end of 2008. The increase in the PLN equivalent of fx loans was additionally driven by the significant increase in the fx rates.

The share of the Group's equity in the sources of funding was ca. 5% at the end of 2008, compared to 6% at the end of 2007, a modest decrease as the share of liabilities to other banks in the total liabilities grew.

The capital adequacy ratio was 10.03% as at the end of 2008, compared to 10.16% as at the end of 2007 and 10.51% as at the end of September 2008. The ratio decreased year on year despite a significant increase in equity due to high growth in the capital requirement, both for credit risk and operational risk. In addition to business expansion, the growth in the credit risk requirement was attributable to fx volatility impacting the value of advances and loans, particularly in Q4.

Equity increased due to both retained profits and increase in Tier I capital and supplementary capital through subordinated loans totalling CHF 180 million drawn in 2008. These include newly issued subordinated bonds with a total nominal value of CHF 90 million with undetermined maturity and CHF 90 million of subordinated loans with ten-year maturity.

As a result, the own funds of the Group were PLN 5.9 billion as at the end of 2008, up by PLN 1.9 billion year on year and up by ca. PLN 0.4 billion quarter on quarter. Meanwhile, the capital requirement grew from PLN 3.1 billion as at the end of 2007 to PLN 4.2 billion as at the end of Q3 2008 and PLN 4.7 billion as at the end of 2008.

Profit and Loss Account

The BRE Bank Group generated a profit before tax of PLN 1,000.1 million in 2008, up by 4.8% year on year.

As discontinued operations are shown separately under the pre-tax profit, the individual profit and loss account items are discussed below for the continued operations.

The consolidated profit before tax of the continued operations was PLN 867.1 million as at the end of 2008, compared to PLN 845.6 million as at the end of 2007, up by 2.5%, i.e., PLN 21.6 million. The BRE Bank Group's income was PLN 2,686.4 million in 2008, up by 22%, i.e., PLN 484 million year on year. Net of the one-off transaction of sale of Vectra SA, the income grew by 15.8% (around PLN 347 million). The relatively high growth in income was generated in the context of much worse market conditions due to the financial crisis and much worse standing of customers operating on the market of financial instruments. Particularly it affected the Group's results in the last quarter of 2008 and required additional credit provisions and a negative valuation of derivative instruments. The additional total charge to the Bank's P&L was estimated in the amount of ca. PLN 84 million.

Income on the core business grew year on year in 2008 thanks to both business expansion and retained profitability.

The net interest income grew by 35.5% year on year. It was PLN 1,392.4 million, compared to PLN 1,027.8 million in 2007. The higher net interest income was possible mainly thanks to growth at the Bank (43.2%) while the subsidiaries reported less growth (6.6%). The BRE Bank Group's interest margin (net interest income to average interest-earning assets) was 2.3% p.a. in 2008, stable year on year. The net interest income in 2008 was helped by changes in the balance sheet structure and growing interest margins on some banking products. A more effective balance sheet structure was possible through a higher contribution of Retail Banking to the Bank's assets and liabilities, the growing overall loans portfolio, and a better match of the currency structure of the balance sheet combined with an increase in own funds. The positive impact of the improved profitability of business was partly offset by negative trends of growing costs of funding and decreasing interest margins on deposits due to growing competition.

The net interest income of the Retail Banking Line, up by 57.6%, i.e., PLN 248.6 million, made the greatest contribution to the growth of the net interest income of the BRE Bank Group. Meanwhile, the net interest income of Corporates and Financial Markets grew by 20.3%, i.e., PLN 125.9 million.

The commission income grew by over 10% at the Bank but decreased modestly by 2.3% at the Group level. The commission income in 2008 was affected by the first in this year consolidation of the insurance companies, which subtracted PLN 40.4 million from the Group's commission income. The growth rate of the net commission income declined in 2008 mainly due to the falling commission income of Corporations Line subsidiaries (primarily DI BRE commissions, down by PLN 35.7 million) due to the weaker conditions on the money and capital markets. Nevertheless, Corporations and Financial Markets again made the largest contribution to the net commission income at 62.4% of the Group's income.

The trading income at PLN 483.8 million as at the end of 2008 was down modestly (by 0.5%) year on year. This was driven by the declining market climate and unfavourable change of fx rates and interbank market interest rates, resulting in a negative valuation of options (ca. PLN 56.6 million) and a loss on interest-rate instruments recognised in the Bank's P&L in Q4 2008.

The total trading income of the Group is comprised of the fx income, up by 18.9% (PLN 82.4 million) year on year, and a loss on other trading, compared to a profit reported in 2007.

Trading and Investment Activity reported the highest decrease in the trading income by 26.5%. Corporates and Institutions' trading income was down by ca. 6% year on year in 2008. Retail Banking reported a 58% increase in trading income; as a result, its share in the Group's income grew from 21% in 2007 to 34% in 2008.

The high income on investment securities in the amount of PLN 135.8 million in 2008 (v. PLN 3.8 million in 2007) was driven by the sale of Vectra (PLN 137.7 million).

The other operating income (net other operating income and cost) was stable year on year in 2008, driven mainly by the income of the real property subsidiary BRE.locum generated in H1. The income was realised thanks to maintained high prices and favourable market conditions which declined later in the year, preventing the subsidiary from reporting a net income comparable to 2007.

The 2008 results of the Group were largely driven by the net credit provisions of PLN 269.1 million, compared to PLN 76.8 million in 2007, including provisions set up at the Bank (PLN 155.2 million) and the subsidiaries (PLN 37.1 million). The high year-on-year growth in provisions was mainly due to the low comparative level of 2007 when large provisions were released as well as to increased portfolio provisions due to significant expansion of the retail loans portfolio and deteriorating financial standing of borrowers due to the crisis.

The additional provisions set up by the Bank in 2008 included ca. PLN 27.7 million of provisions against credit-related derivative transactions whose negative results also affected the trading income (see above). In addition, the methodology of calculation of retail loans portfolio provisions (the LIP factor) changed in 2008, adding ca. PLN 6 million to the provisions.

Provisions of the Group grew by PLN 130.5 million in Q4 2008, including PLN 99.3 million as at the Bank and PLN 31.2 million in the subsidiaries. As a result, the growth of the Bank's credit provisions in Q4 was ca. PLN 43.5 million higher than in Q3 due to growing provisions of Retail Banking (up by PLN 20.9 million) and Corporations and Financial Markets (up by PLN 22.6 million). The negative impact of the financial crisis reflected in higher provision costs was largely offset by the positive outcome of enforcement, credit repayment and released provisions influencing the growth of net provisions.

Overhead costs were up by ca. 21.1% (ca. PLN 270.4 million) year on year, mainly at the Bank (up by PLN 223.8 million) rather than in the subsidiaries. It should be noted that the increase in costs was much below the increase in the income of the Group at ca. PLN 484 million, or PLN 347 million net of the one-off transaction.

Administrative costs were up by 22%, i.e., PLN 243.3 million year on year in 2008. The highest growth occurred in maintenance costs, up by PLN 113.7 million, i.e., 25.4%. The growth in maintenance costs was mainly a result of the expansion of the branch network and the expansion of business operations including mBank and MultiBank branches. The payroll costs were up by PLN 110.7 million, i.e., 17.6%, mainly due to business expansion necessitating adequate headcount growth as well as created bonus provisions related to the overall performance of the Group.

Depreciation and amortisation costs were up by 15.4%, i.e., PLN 27.1 million in the reporting period.

Performance of the Business Lines

The BRE Bank Group's results discussed relate to the financial statements which present both continued and discontinued operations by particular categories of the result.

Retail Banking and Private Banking

Financial Results

The Retail Banking and Private Banking Line, which had grown the fastest in the previous periods, grew its profit before tax 6.2% and reached PLN 241.5 million in 2008, compared to PLN 227.5 million in 2007. The relatively low growth in profit in 2008 was due to the consolidation of the insurance companies, subtracting PLN 40.4 million from the profit of the Line.

The high profitability of the Line in 2008 was achieved in spite of a heavy cost of new retail branches, including transborder expansion, as well as higher credit provisions cost year on year.

The contribution of the Business Line to the Group's pre-tax profit remained stable at 24% over the past periods.

The Line's net interest income (up by 57.6%) grew the most in the entire Group in 2008. As a result, the Line's share in the net interest income of the Group grew by 7 percentage points to 48.8%. The high growth in the net interest income was mainly driven by the growth in the loans portfolio, primarily mortgage loans (up by 100% or PLN 10.7 billion year on year and up by 36% or PLN 5.7 billion quarter on quarter) thanks to both business expansion and rising fx rates.

The Line's net commission income was down by PLN 27 million year on year in 2008, mainly due to the negative contribution of the consolidation of the insurance companies and slow-down of lending.

As a result, the Business Line's contribution to the Group's total net commission income dropped from 32.1% in 2007 to 28.8% in 2008.

Due to dynamic expansion of the branch network, the Retail Banking Line reported a significant increase in overhead costs, up by 42.4%, i.e., PLN 197.8 million, more than the Group's average growth but much less than the growth rate of the Line's income, up by PLN 304.9 million.

The result dropped significantly in Q4 even though the income remained relatively high. This was due to higher level of overhead costs, typical of Q4, as well as above-average additional credit impairment provisions.

Unless indicated otherwise, the information below about mBank refers only to business in Poland.

Customers

BRE Bank's Retail Banking Line had 2,528.2 thousand customers as at the end of 2008 (including 2,035.1 thousand at mBank and 493.1 thousand at MultiBank). The number of customers grew by 490.2 thousand year to date (up by 24.1%; 406.5 thousand at mBank, 83.7 thousand at MultiBank). The number of customers grew by 113.3 thousand in Q4 alone.

The Bank had 312.0 thousand microenterprise customers (238.1 thousand at mBank, 73.9 thousand at MultiBank). The number of new microenterprise customers acquired year to date was 76.4 thousand (up by 32.4%; 64.8 thousand at mBank, 11.6 thousand at MultiBank). The number of new microenterprise customers acquired was 20.2 thousand in Q4 2008.

Number of Accounts

The Retail Banking Line had 3,163.9 thousand accounts as at 31 December 2008 (2,848.7 thousand at mBank, 315.2 thousand at MultiBank). The number of accounts grew by 739.0 thousand year to date (up by 30.5%; 676.7 thousand at mBank, 62.3 thousand at MultiBank). The number of accounts grew by 236.1 thousand in Q4 alone (up by 27.1% quarter on quarter).

There were 375.3 thousand microenterprise accounts (301.5 thousand at mBank, 73.8 thousand at MultiBank), up by 92.1 thousand year to date (up by 32.5%; 80.4 thousand at mBank, 11.7 thousand at MultiBank), and up by 23.8 thousand in Q4 alone.

Deposits

BRE Bank Retail Banking deposits were PLN 15,329.3 million as at the end of 2008 (PLN 10,895.8 million at mBank, PLN 4,433.5 million at MultiBank).

The balance-sheet deposits grew by PLN 4,966.1 million year to date (up by 47.9%; PLN 3,265.7 million at mBank, PLN 1,700.4 million at MultiBank). The deposits grew by PLN 1,307.1 million in Q4 alone.

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According to statistics at the end of December 2008, the market share of the BRE Bank Retail Banking Line deposits was 4.6%.

Investment Funds

Investment fund assets of BRE Bank retail customers were PLN 1,024.4 million as at the end of December 2008 (PLN 819.3 million at mBank, PLN 205.1 million at MultiBank).

Investment fund assets decreased by PLN 1,410.0 million in January-December 2008 (down by 57.9%; PLN 1,036.8 million at mBank, PLN 373.2 million at MultiBank).

The market share of the BRE Bank Retail Banking Line's investment funds was 1.4% as at the end of 2008.

Loans

Balance-sheet loans were PLN 24,997.2 million as at the end of December 2008 (PLN 10,903.0 million at mBank, PLN 14,094.2 million at MultiBank). Loans were up by PLN 11,859.9 million year to date (up by 90.3%; PLN 5,504.2 million at mBank, PLN 6,355.7 million at MultiBank). Balance-sheet loans were up by PLN 5,932.9 million in Q4 alone.

The BRE Bank Retail Banking Line's market share in retail loans was 6.8% at the end of December 2008.

All microenterprise loans were PLN 1,971.3 million at the end of December 2008 (PLN 449.1 million at mBank, PLN 1,522.2 million at MultiBank), of which 31.0% were mortgage loans (32.4% at mBank, 30.7% at MultiBank).

<u>Structure of the Credit Portfolio:</u>

- mBank: 84.0% mortgage loans, 4.5% credit lines, 3.6% credit cards, 7.9% other;
- MultiBank: 86.5% mortgage loans, 4.5% credit lines, 1.3% credit cards, 7.7% other.

The Retail Banking Line balance-sheet mortgage loans were PLN 21,347.3 million as at the end of December 2008 (PLN 9,160.4 million at mBank, PLN 12,186.9 million at MultiBank), including mortgage loans to retail customers at PLN 20,735.3 million (PLN 9,015.1 million at mBank, PLN 11,720.2 million at MultiBank). The balance-sheet mortgage loans were up by PLN 10,246.2 million in January-December 2008 (up by 92.3%; PLN 4,619.6 million at mBank, PLN 5,626.6 million at MultiBank). The balance-sheet mortgage loans were up by PLN 5,398.1 million in Q4 alone.

Mortgage Loans to Private Customers	*Total*	*PLN*	*FX*
Balance-sheet value (PLN B)	20.75	2.34	18.40
Average maturity (years)	23.58	20.73	24.04
Average value (PLN thou.)	254.09	208.55	261.35
Average LTV (%)	80.55%	55.11%	84.92%
NPL	0.31%	1.44%	0.16%

Cards

The number of credit cards issued by the end of December 2008 was 391.5 thousand (259.5 thousand at mBank, 132.0 thousand at MultiBank). The number of credit cards grew by 140.8 thousand year to date (up by 56.2%; 97.4 thousand at mBank, 43.4 thousand at MultiBank). The number of credit cards grew by 49.6 thousand in Q4 alone.

The number of debit cards issued by the end of December 2008 was 1,987.8 thousand (1,544.6 thousand at mBank, 443.2 thousand at MultiBank). The number of debit cards grew by 533.1 thousand in January-December 2008 (up by 36.6%; 434.6 thousand at mBank, 98.5 thousand at MultiBank). The number of debit cards issued grew by 138.9 thousand in Q4 alone.

According to data at the end of 2008, the market share of the BRE Bank Retail Banking Line in credit cards was 4.5% by the amount of debt under cards.

Expansion of the Distribution Network

<u>mBank</u>

mBank's distribution network had 161 locations (68 mKiosks, 16 Financial Centres, 77 Partner mKiosks).

<u>MultiBank</u>

MultiBank's distribution network had 131 outlets (79 Financial Services Centres and 52 Partner Outlets including 48 Branches of the Future, both Financial Services Centres and Partner Outlets).

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mBank in the Czech Republic and Slovakia

Customers

mBank in the Czech Republic and Slovakia had 244.1 thousand customers at the end of 2008 (including 185.5 thousand at mBank.cz and 58.6 thousand at mBank.sk). The number of customers grew by 218.3 thousand year to date (up by 848.5%; 167.9 thousand at mBank.cz, 50.4 thousand at mBank.sk).

Accounts

mBank in the Czech Republic and Slovakia had 389.3 thousand accounts at 31 December 2008 (299.0 thousand at mBank.cz, 90.3 thousand at mBank.sk). The number of accounts grew by 352.9 thousand year to date (up by 970%; 274.6 thousand at mBank.cz, 78.3 thousand at mBank.sk).

Deposits

mBank in the Czech Republic and Slovakia had deposits at EUR 796.0 million at the end of December 2008 (EUR 610.2 million at mBank.cz, EUR 185.8 million at mBank.sk). The balance-sheet deposits grew by EUR 787.5 million year to date (up by 9298%; EUR 605.9 million at mBank.cz, EUR 181.7 million at mBank.sk).

Loans

Balance-sheet loans were EUR 180.9 million as at the end of 2008 (EUR 108.8 million at mBank.cz, EUR 72.1 million at mBank.sk). Loans continued to grow dynamically month by month (up by EUR 22.2 million).

Corporates and Financial Markets

Financial Results

The profit before tax in the amount of PLN 355.7 million generated in 2008 was up by 20% or PLN 89.1 million year on year, mainly as a result of additional PLN 85.2 million of risk provisions, a lower net commission income of the subsidiaries (down by PLN 33 million) and a lower trading income of the Bank (down by PLN 35 million) due to the crisis on the financial markets. Overheads grew modestly by 6.7% in 2008 despite an additional cost of branch modernisation; this proves the strict cost discipline and high productivity of business.

Particularly high year-on-year growth was reported for the net interest income (up by PLN 97.3 million) due to strong growth in both lending and deposits.

The contribution of Corporates and Institutions to the profit before tax of Corporations and Financial Markets remained high at 58% including a one-off transaction and 74% excluding the one-off transaction, compared to 77% last year, as a result of the impact of the market downturn on the business of the Line. The impact was particularly strong in Q4 2008 when the segment reported a PLN 29.5 million loss due to a loss on trading and above-average cost of credit risk.

Number of Corporate Customers

The Bank's active customer acquisition produced positive results in 2008. BRE Bank acquired 2,433 new corporate customers in January-December, of which 76% were K3 customers and 19% were K2 customers. The number of corporate customers totalled 13,098 companies at the end of December 2008, up by 813 companies year to date.

Number of Corporate Banking Customers

	31.12.2007	*31.12.2008*	*Change 2008*
*K1**	963	968	+5
*K2**	3,721	3,896	+175
*K3**	7,601	8,234	+633
Total	12,285	13,098	+813

** K1 is the segment of the largest corporations with annual sales over PLN 1 billion; K2 is the segment of corporations with annual sales between PLN 30 million and PLN 1 billion; K3 is the segment of SMEs with annual sales between PLN 3 and 30 million.*

Corporate Customers' Deposits

BRE Bank's corporate customers' deposits (including deposits of enterprises) were PLN 15.9 billion as at the end of December 2008, down by 19% year on year.

Deposits of enterprises were PLN 13.65 billion as at the end of December 2008, up by 2.8% year on year. The market's total deposits of enterprises were up by 4.9% year on year. The market share of BRE Bank's corporate deposits was 9.1% as at the end of December 2008, compared to 9.3% in December 2007 and 10.9% as at the end of November 2008. The fall of deposits in the last days of the year was caused by aggressive quotations of deposits for the largest corporations offered by other banks, a price competition in which BRE Bank decided not to participate.

Corporate Customers' Loans

BRE Bank's corporate customers' loans (including loans to enterprises) were PLN 15.7 billion as at the end of December 2008, up by 23.5% year to date.

Loans to enterprises were PLN 14.6 billion at the end of December 2008, up by 27.2% year on year. The market's total loans to enterprises were up by 29.3% year on year. The market share of BRE Bank's corporate loans was 6.4% at the end of December 2008, compared to 6.5% at the end of 2007.

Strategic Product Lines

Cash management

Ongoing expansion of the cash management offer supports long-term customer relationships and helps to grow the volume of transactions involving the identification of payments and the number of customers using advanced cash management products. The number of *direct debits* processed in 2008 was 2,419 thousand, up by 35% year on year. The number of *identifications of trade payments* grew dynamically: in January-December 2008, there were over 6.5 million transactions, up by 51% year on year. The number of customers using the most advanced bank account consolidation facilities grew by 32% in 2008; 416 customers were using Cash Pooling and Shared Balances services at the end of December 2008.

Banking Products with EU Financing

The sales of products related to EU financing were up by 31% year on year in 2008.

Financial Instruments

The profit on the sales of financial instruments to corporate customers was almost PLN 207 million in 2008, up by 29.9% year on year.

Corporate Network Expansion

BRE Bank had 24 Corporate Branches and 21 Corporate Offices at the end of 2008, fully in line with the 2008 network expansion targets. The location of the Offices is complementary to the existing Branch network, supporting better cross-selling of products and services. The formation of the Corporate Offices also had a positive impact on the acquisition of new customers and on the significant increase in the number of customers shared with BRE Bank Group subsidiaries. 2009 will be the first year when the new network operates with a full organisational capacity.

Offer Expansion

The product offering was significantly expanded in 2008. The key implementations included:

- iBRE Invoice. Net – system combining the functions of electronic issuance and presentation of invoices, invoice acceptance and payment;
- iBRE Connect – unique solution, improves effective management of corporate finance, provides compatibility with the financial and accounting systems SAP and Symfonia Forte. The functionality for users of the financial and accounting system Symfonia Premium will be added in 2009;
- Automated quotation of deposits – the implementation supports automated quotations of deposits for clients based on standard or customised interest rates depending on the client's potential, the term of the deposit, the currency and the amount of the transaction. Product development will help to grow the deposit base and mitigate the Bank's operational risk;
- SEPA Transfer Order – a modern payment instrument governed by the SEPA Transfer Order Rules, used to make transfers in the euro within the Single Euro Payments Area;
- Own guarantees added to the functionality of the iBRE Trade Finance module. The modification supports instructions to extend a guarantee, change the amount of validity of an active guarantee, and otherinstructions for active guarantees.

BRE Leasing

Leasing contracts executed by BRE Leasing in Q4 2008 amounted to PLN 932 million (up by 65.5% year on year and up by 46.5% quarter on quarter). The high volume of contracts signed in Q4 2008 resulted from the fact that some customers postponed investments from Q3 to Q4. Leasing contracts executed by the company in 2008 totalled PLN 3,398 million, up by 23.0% year on year. BRE Leasing generated a profit before tax of PLN 34.1 million in 2008 (down by 31.7% year on year). The company's profit was down year on year although its sales grew in 2008; this was caused by debt revaluation provisions set up as a result of the overall macroeconomic environment.

Factoring – The Intermarket Group

The sales of the Intermarket Group companies amounted to EUR 6.0 billion in 2008, up by 8.2% year on year. The pre-tax profit of the companies of the Intermarket Group companies consolidated by BRE Bank was PLN 49.2 million, down by 5.4% year on year, mainly due to higher debt provisions. The Polish company Polfactor's sales were PLN 3.5 billion (up by 3% year on year). Its pre-tax profit was PLN 12.5 million in Q1-4 2008 (down by 1.0% year on year).

Dom Inwestycyjny BRE Banku (DI BRE)

Dom Inwestycyjny BRE Banku generated PLN 25.9 million of profit before tax in 2008. The figure corresponds to ROE at 73% p.a.

DI BRE's remains market leader in the options market with the market share of 28.5%. At the end of 2008, the company ranked third among the most active brokers on the future-contracts market with a share of 11.8%. DI BRE retained its high share in stocks trading. In 2008 DI BRE concluded 5.4% of all transactions on the stock market.

The slide in equity trading was caused by the significant decrease of market activities of retail clients and dynamic increase of activities from remote members of the Warsaw Stock Exchange (WSE) – ca. 9% in 2008. DI BRE does not run proprietary trading on the secondary market (dealing). Regardless of these trends, the share of trading for institutional clients in the overall WSE turnover follows an upward trend, which is crucial to stability of brokerage business.

The highly negative market conditions did not prevent DI BRE from successfully completing three primary market transactions (Optopol SA: PLN 66 million, Unibep SA: PLN 71 million, Komputronik: PLN 24.6 million) of a total value of nearly PLN 162 million.

BRE Corporate Finance

In the 4Q of 2008 financial markets experienced further decline and this situation was reflected in BRE Corporate Finance results. In the case of 6 M&A projects, including 3 acquired in the summer of 2007, 3 projects have been cancelled, 2 were suspended and 1 was postponed until 2009. In the 4Q of 2008 no public market transaction was executed - they have either been cancelled or postponed for execution in the future when the situation on financial markets stabilizes and improves.

Despite such adverse market conditions in the 4Q of 2008 BRE Corporate Finance managed to conclude several new contracts connected with consultancy in the process of sale of shares and/or searching for a financial investor, and one contract related to acquisition of a target company.

At the end of December 2008, as a result of a tender procedure held by Polish Pharmaceutical Holding (PHF), BRE CF has been selected as an advisor in the process of privatization of Warsaw Pharmaceutical Works Polfa. The execution of this project will begin in January 2009.

Furthermore, in the said period, works related to the issue prospectus of LW Bogdanka were continued as part of the process of preparation of its IPO. According to the plans of the Ministry of the State Treasury the company should have its debut on the Warsaw Stock Exchange by the end of 1Q 2009.

BRE Bank Hipoteczny (BBH)

BBH's total balance-sheet and off-balance-sheet loans portfolio was PLN 5.06 billion as at the end of 2008, up by 21.8 % year on year. The assets increased by 37.7 % reaching PLN 4.7 billion, whereas profit before tax was PLN 53.1 million (compared to PLN 42.4 million in 2007). ROE ratio equaled to 19.7% in comparison to 18.1% year on year. C/I ratio decreased from 44.8 % in 2007 to 40.5% in 2008.

In 2008 the Bank issued its covered bonds in the amount of PLN 900 million including PLN 800 million of mortgage covered bonds and PLN 100 million of public sector covered bonds.

In 2008 the first results of the crisis on the global financial markets were noticeable in BBH's activity – decrease of demand for covered bonds, higher costs of refinancing, stronger dependence on external sources of financing

– BRE Bank and Commerzbank AG and limited access to loans on interbank market as well as increase of the credit risk.

Due to difficult market situation and limited access to refinancing the Bank withheld granting new loans in 4Q 2008.

Despite difficult conditions ruling in the market, the Bank succeeded to meet business goals and financial results for 2008.

Trading and Investment Activity

Financial Results

The business area generated a profit before tax of PLN 261.7 million in 2008, including PLN 137.7 million on the one-off transaction of sale of Vectra SA, compared to PLN 131.9 million in 2007.

The structure of the segment's profit in 2008 was dominated by a very high income on investment securities at the cost of the contribution of the other income items: trading income and net interest income.

The Line's profit before tax was mainly generated by the Bank while the subsidiaries made a marginal contribution to the profit.

In Q4 2008, the net interest income was higher and the fx income was lower than in the previous quarters. At the same time, like in Q3 2008, a loss (ca. PLN 19 million) was reported on other trading transactions due to the above-mentioned deterioration of market conditions. However, the profit before tax generated in Q4 was around PLN 41 million, up by ca. PLN 7 million quarter on quarter.

Market Position

BRE Bank had the first position in the market of medium-term bank debt securities with a market share of 28% and the second position in the market of medium-term corporate bonds and fourth position in the market of short-term commercial papers with a market share of 19% and 12%, respectively (as of the end of December 2008).

The Bank has maintained its active presence on the financial markets, with a market share of ca. 23% in interest rate derivative instruments and ca. 14% in trading in Treasury bills and bonds. Its share in fx transactions (spot and forward) was ca. 6.2 % while its share in WIG20 index options was ca. 15% (as of the end of November 2008).

Treasury

The Treasury Department conducts the Asset-Liability Management and the money market operations of the Bank. It also manages the liquidity reserves portfolio of the Bank. The liquidity portfolio consists of Treasury bills and Treasury bonds (fixed and floating rate notes).

The average level of the liquidity reserves in Q4 2008 exceeded PLN 6 billion.

Proprietary Investments Portfolio

As at the end of Q4 2008, the proprietary investments portfolio managed by the Department of Financial Investments amounted to PLN 251 million at acquisition cost. Compared to the end of 2007, the value of the portfolio at acquisition cost was down by PLN 183 million, following the Bank's sale of shares of Vectra SA (PLN 125 million), the redemption of mezzanine finance instruments (PLN 80 million), the purchase of new mezzanine finance instruments (PLN 19 million) and the increase of the share capital of Garbary Sp. z o.o. (PLN 3 million). The result on the sale of Vectra's shares, after accounting for additional costs, closed at the level of PLN 137.7 million gross and net. Compared to the end of Q3 2008, the value of portfolio at cost was down by PLN 51 million.

Asset Management

Financial Results

In the presentation of the consolidated profit and loss account, this business is shown as discontinued operations at the pre-tax profit level and includes in 2008 mainly the result of the merger of the subsidiary PTE Skarbiec-Emerytura with PTE Aegon and the sale of the merged pension fund company.

The profit of this business segment in 2007 mainly included the profit on the sale of the subsidiary SAMH.

In segment reporting, this business is shown under individual P&L items, including intra-Group transactions, both in 2007 and 2008.

According to the internal reporting format, the segment reported a profit of PLN 109.8 million in 2008, more than in 2007 (PLN 91.3 million).

Quality of the Loans Portfolio

A major criterion of the evaluation of the quality of the credit risk portfolio is the portfolio structure and valuation based on the provisions of the International Accounting Standards (IAS) 39 and 37 concerning the identified impairment on portfolio exposure and relevant provisions.
The default ratio for the risk portfolio under IAS 39 and IAS 37 was 1.6% at the end of Q4 2008, compared to 1.4% at the end of Q3 2008 and 1.5% at the end of 2007.
The default ratio for the balance-sheet credit risk portfolio (credit receivables less interest) was 2.1% at the end of Q4 2008 (up from 1.9% at the end of Q3 2007, unchanged at 2.1% since the end of 2007).

The main driver of stable quality of the credit risk portfolio in Q4 was significant growth in the loans portfolio, especially in the Bank's retail business.

The absolute value of the portfolio grew significantly in Q4 2008 (from PLN 733 million in Q3 to PLN 992 million as at the end of 2008) due to the declining financial standing of customers and the resulting customer default rating.
The ratio of provisions to default credit exposure fell to 57.4% in Q4 2008 from 68.1% as at the end of Q3 2008 and 73.3% as at the end of 2007 for the whole credit risk portfolio. The ratio for the balance-sheet portfolio was down from 75.9% (end of 2007) to 71.6% (Q3 2008) to 62.0%. The main reason for the decrease in the ratio was a positive estimation of repayment of new default exposures.
As the credit risk portfolio grew significantly while its quality declined, the impaired but not reported loss (IBNR) reserve for the non-default portfolio grew and was PLN 211 million as at the end of 2008, compared to PLN 182 million as at the end of Q3 2008 and PLN 152 million as at the end of 2007.

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Consolidated Income Statement

	Note	IVrd Quarter (current year) from 01.10.2008 to 31.12.2008	IV Quarters cumulative (current year) from 01.01.2008 to 31.12.2008	IVrd Quarter (previous year) from 01.10.2007 to 31.12.2007	IV Quarters cumulative (previous year) from 01.01.2007 to 31.12.2007
Continued operations					
Interest income		1 084 830	3 637 222	686 264	2 355 279
Interest expense		(700 409)	(2 244 770)	(395 181)	(1 327 496)
Net interest income	5	**384 421**	**1 392 452**	**291 083**	**1 027 783**
Fee and commission income		216 409	844 463	207 533	785 237
Fee and commission expense		(87 709)	(292 997)	(71 747)	(220 959)
Net fee and commission income	6	**128 700**	**551 466**	**135 786**	**564 278**
Dividend income	7	5 686	9 429	90	2 327
Net trading income, including:	8	61 907	483 855	108 388	486 468
Foreign exchange result		*81 463*	*517 314*	*111 385*	*434 956*
Other trading income		*(19 556)*	*(33 459)*	*(2 997)*	*51 512*
Gains less losses from investment securities	9	(2 149)	135 765	(78)	3 834
Other operating income	10	48 281	266 505	137 284	249 661
Impairment losses on loans and advances	11	(130 468)	(269 144)	(36 152)	(76 810)
Overhead costs	12	(414 180)	(1 346 601)	(329 198)	(1 103 319)
Amortization and depreciation		(58 224)	(203 475)	(41 431)	(176 325)
Other operating expenses	13	(33 122)	(153 106)	(66 852)	(132 342)
Operating profit		**(9 148)**	**867 146**	**198 920**	**845 555**
Profit before income tax from continued operations		**(9 148)**	**867 146**	**198 920**	**845 555**
Income tax expense		(7 450)	(108 435)	(47 052)	(184 578)
Net profit from continued operations including minority interest		**(16 598)**	**758 711**	**151 868**	**660 977**
Discontinued operations	19				
Profit before income tax from discontinued operations		**54 061**	**132 969**	**5 792**	**108 990**
Income tax expense		-	(2 336)	(1 117)	(22 350)
Net profit from discontinued operations including minority interest		**54 061**	**130 633**	**4 675**	**86 640**
Net profit from continued and discontinued operations including minority interest, of which:		**37 463**	**889 344**	**156 543**	**747 617**
Net profit attributable to minority interest		2 273	31 885	14 565	37 523
Net profit		**35 190**	**857 459**	**141 978**	**710 094**
Net profit from continued operations attributable to the Bank's equity holders			**726 826**		**623 454**
Weighted average number of ordinary shares	14		**29 680 542**		**29 578 675**
Earnings on continued operations per 1 ordinary share (in PLN)	14		**24.49**		**21.08**
Weighted average number of ordinary shares for diluted earnings	14		**29 701 246**		**29 608 139**
Diluted earnings on continued operations per 1 ordinary share (in PLN)	14		**24.47**		**21.06**

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

Consolidated Balance Sheet

	Note	31.12.2008	31.12.2007
ASSETS			
Cash and balances with the Central Bank		2 512 333	2 003 535
Debt securities eligible for rediscounting at the Central Bank		9 238	23 259
Loans and advances to banks		6 104 092	2 089 936
Trading securities	15	4 624 621	4 257 982
Derivative financial instruments		5 632 872	2 272 638
Loans and advances to customers	16	52 143 198	33 682 665
Investment securities	17	5 502 312	6 386 574
- Available for sale		5 502 312	6 386 574
Non-current assets held for sale	19	-	336 078
Pledged assets	15, 17	3 445 281	2 812 277
Investments in associates		16 953	4 823
Intangible assets		438 130	404 967
Tangible fixed assets		814 469	670 213
Deferred income tax assets		327 536	116 290
Other assets		1 034 544	880 663
Total assets		**82 605 579**	**55 941 900**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank		1 302 469	-
Amounts due to other banks		27 488 807	12 245 867
Derivative financial instruments and other trading liabilities		6 174 491	2 164 214
Amounts due to customers	18	37 750 248	32 401 863
Debt securities in issue		1 790 745	2 928 414
Subordinated liabilities		2 669 453	1 661 785
Other liabilities		996 706	879 975
Current income tax liabilities		218 536	134 234
Deferred income tax liabilities		81	455
Provisions		166 006	71 227
Liabilities held for sale	19	-	12 543
Total liabilities		**78 557 542**	**52 500 577**
Equity			
Capital and reserves attributable to the Bank's equity holders		**3 894 453**	**3 324 511**
Share capital:		**1 521 683**	**1 517 432**
- Registered share capital		118 764	118 643
- Share premium		1 402 919	1 398 789
Revaluation reserve		**(214 367)**	**74 204**
Retained earnings:		**2 587 137**	**1 732 875**
- Profit from the previous years		1 729 678	1 022 781
- Profit for the current year		857 459	710 094
Minority interest		**153 584**	**116 812**
Total equity		**4 048 037**	**3 441 323**
Total equity and liabilities		**82 605 579**	**55 941 900**
Capital adequacy ratio		**10.03**	**10.16**
Book value		**3 894 453**	**3 324 511**
Number of shares		**29 690 882**	**29 660 668**
Book value per share (in PLN)		**131.17**	**112.08**
Diluted number of shares		**29 711 586**	**29 690 132**
Diluted book value per share (in PLN)		**131.08**	**111.97**

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

Consolidated Statements of Changes in Equity

Changes in equity from 1 January 2008 to 31 December 2008

	Share capital		Revaluation reserve	Retained earnings					Minority interest	Total equity
	Registered share capital	Share premium		Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year		
Equity as at 1 January 2008	**118 643**	**1 398 789**	**74 204**	**322 262**	**22 288**	**559 110**	**829 215**	**-**	**116 812**	**3 441 323**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- change in the scope of consolidation	-	-	-	-	-	-	(6 789)	-	-	
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**74 204**	**322 262**	**22 288**	**559 110**	**822 426**	**-**	**116 812**	**3 434 534**
Net change in investments available for sale, net of tax	-	-	(291 907)	-	-	-	-	-	-	(291 907)
Currency translation differences	-	-	3 336	-	-	-	-	-	10 129	13 465
Net profit/(loss) not recognised in the income statement	**-**	**-**	**(288 571)**	**-**	**-**	**-**	**-**	**-**	**10 129**	**(278 442)**
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**857 459**	**31 885**	**889 344**
Total profit recognised in the current year	**-**	**-**	**(288 571)**	**-**	**-**	**-**	**-**	**857 459**	**42 014**	**610 902**
Dividends paid	-	-	-	-	-	-	-	-	(12 419)	(12 419)
Transfer to General Risk Fund	-	-	-	-	-	54 200	(54 200)	-	-	-
Transfer to reserve capital	-	-	-	-	10 440	-	(10 440)	-	-	-
Transfer to supplementary capital	-	-	-	653 929	-	-	(653 929)	-	-	-
Loss coverage with supplementary capital	-	-	-	(2 731)	-	-	2 731	-	-	-
Issue of shares	121	2 784	-	-	-	-	-	-	-	2 905
Additional shareholder payments	-	-	-	-	-	-	-	-	2	2
Other changes	-	-	-	-	-	-	(7 175)	-	7 175	-
Stock option program for employees	-	1 346	-	-	10 767	-	-	-	-	12 113
- value of services provided by the employees	-	-	-	-	*12 113*	-	-	-	-	*12 113*
- settlement of exercised options	-	*1 346*	-	-	*(1 346)*	-	-	-	-	-
Equity as at 31 December 2008	**118 764**	**1 402 919**	**(214 367)**	**973 460**	**43 495**	**613 310**	**99 413**	**857 459**	**153 584**	**4 048 037**

Changes in equity from 1 January 2007 to 31 December 2007

	Share capital		Revaluation reserve	Retained earnings					Minority interest	Total equity
	Registered share capital	Share premium		Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year		
Equity as at 1 January 2007	**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**440 360**	**-**	**91 433**	**2 622 199**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2007	**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**440 360**	**-**	**91 433**	**2 622 199**
Net change in investments available for sale, net of tax	-	-	75 352	-	-	-	-	-	-	75 352
Currency translation differences	-	-	(6 258)	-	-	-	-	-	(3 366)	(9 624)
Net profit/(loss) not recognised in the income statement	**-**	**-**	**69 094**	**-**	**-**	**-**	**-**	**-**	**(3 366)**	**65 728**
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**710 094**	**37 523**	**747 617**
Total profit recognised in the current year	**-**	**-**	**69 094**	**-**	**-**	**-**	**-**	**710 094**	**34 157**	**813 345**
Dividends paid	-	-	-	-	-	-	-	-	(6 360)	(6 360)
Transfer to General Risk Fund	-	-	-	-	-	1 110	-	-	-	1 110
Transfer to reserve capital	-	-	-	-	7 318	-	(8 428)	-	-	(1 110)
Transfer to supplementary capital	-	-	-	312 811	-	-	(312 811)	-	-	-
Issue of shares	579	13 330	-	-	-	-	-	-	-	13 909
Additional shareholder payments	-	-	-	-	-	-	-	-	(2 418)	(2 418)
Stock option program for employees	-	6 577	-	-	(5 929)	-	-	-	-	648
- value of services provided by the employees	-	-	-	-	*648*	-	-	-	-	*648*
- settlement of exercised options	-	*6 577*	-	-	*(6 577)*	-	-	-	-	-
Equity as at 31 December 2007	**118 643**	**1 398 789**	**74 204**	**322 262**	**22 288**	**559 110**	**119 121**	**710 094**	**116 812**	**3 441 323**

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

Consolidated Cash Flow Statement

	Year ended 31 December	
	2008	**2007**
A. Cash flow from operating activities	**(7 909 636)**	**(5 457 563)**
Profit before income tax	**1 000 115**	**954 545**
Adjustments:	***(8 909 751)***	***(6 412 108)***
Income taxes paid (negative amount)	(187 586)	(118 959)
Amortisation	203 720	176 772
Foreign exchange (gains) losses	643 004	(180 467)
(Gains) losses on investing activities	(259 836)	(89 663)
Impairment of financial assets	-	63
Dividends received	(9 472)	(2 329)
Interest paid	1 674 979	1 160 263
Change in loans and advances to banks	(276 635)	(272 260)
Change in trading securities	(4 026 502)	337 641
Change in derivative financial instruments	(3 360 234)	(859 573)
Change in loans and advances to customers	(18 460 533)	(10 637 971)
Change in investment securities	439 566	(3 343 616)
Change in other assets	(239 868)	(258 404)
Change in amounts due to other banks	6 801 643	(212 475)
Change in other trading liabilities	4 010 277	910 314
Change in amounts due to customers	4 250 428	6 992 020
Change in debt securities in issue	(316 487)	(119 713)
Change in provisions	85 731	2 943
Change in other liabilities	118 054	103 306
Net cash from operating activities	**(7 909 636)**	**(5 457 563)**
B.Cash flows from investing activities	**395 836**	**(136 693)**
Investing activity inflows	**774 088**	**182 834**
Disposal of shares in associates	485 013	-
Disposal of shares in subsidiaries, net of cash disposed	-	154 705
Disposal of intangible assets and tangible fixed assets	13 748	5 562
Other investing inflows	275 327	22 567
Investing activity outflows	**378 252**	**319 527**
Acquisition of shares in subsidiaries, net of cash acquired	-	26 453
Purchase of intangible assets and tangible fixed assets	378 252	285 458
Other investing outflows	-	7 616
Net cash used in investing activities	**395 836**	**(136 693)**
C. Cash flows from financing activities	**8 539 857**	**4 028 692**
Financing activity inflows	**19 583 246**	**8 702 631**
Proceeds from loans and advances from other banks	14 452 081	6 153 223
Proceeds from other loans and advances	-	250
Issue of debt securities	4 381 408	1 305 066
Increase of subordinated liabilities	746 852	1 230 184
Issue of ordinary shares	2 905	13 908
Financing activity outflows	**11 043 389**	**4 673 939**
Repayments of loans and advances from other banks	4 876 718	1 652 481
Repayments of other loans and advances	148 734	18 849
Redemption of debt securities	5 202 590	1 646 498
Decrease of subordinated liabilities	359 500	969 100
Payments of financial lease liabilities	723	-
Dividends and other payments to shareholders	12 266	10 088
Other financing outflows	442 858	376 923
Net cash from financing activities	**8 539 857**	**4 028 692**
Net increase / decrease in cash and cash equivalents (A+B+C)	**1 026 057**	**(1 565 564)**
Increase / decrease in cash and cash equivalents in respect of foreign exchange gains and losses	154 367	(920)
Cash and cash equivalents at the beginning of the reporting period	7 516 362	9 082 846
Cash and cash equivalents at the end of the reporting period	**8 696 786**	**7 516 362**

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

BRE Bank SA Stand-Alone Financial Statements

Income Statement

	IVrd Quarter (current year) from 01.10.2008 to 31.12.2008	IV Quarters cumulative (current year) from 01.01.2008 to 31.12.2008	IVrd Quarter (previous year) from 01.10.2007 to 31.12.2007	IV Quarters cumulative (previous year) from 01.01.2007 to 31.12.2007
Interest income	884 584	2 940 153	543 246	1 860 514
Interest expense	(570 171)	(1 812 886)	(317 844)	(1 073 212)
Net interest income	**314 413**	**1 127 267**	**225 402**	**787 302**
Fee and commission income	176 680	704 842	151 455	566 875
Fee and commission expense	(84 209)	(280 876)	(58 559)	(182 770)
Net fee and commission income	**92 471**	**423 966**	**92 896**	**384 105**
Dividend income	5 686	68 681	90	37 726
Net trading income, including:	49 054	447 478	105 547	472 361
Foreign exchange result	*67 331*	*482 361*	*109 450*	*427 530*
Other trading income	*(18 277)*	*(34 883)*	*(3 903)*	*44 831*
Gains less losses from investment securities	1 023	265 457	(500)	132 038
Other operating income	16 005	43 742	26 758	59 266
Impairment losses on loans and advances	(99 303)	(218 747)	(28 776)	(58 222)
Overhead costs	(339 546)	(1 070 917)	(265 061)	(867 905)
Amortization and depreciation	(45 917)	(159 798)	(31 414)	(138 952)
Other operating expenses	(11 755)	(25 642)	(8 222)	(19 291)
Operating profit	**(17 869)**	**901 487**	**116 720**	**788 428**
Profit before income tax	**(17 869)**	**901 487**	**116 720**	**788 428**
Income tax expense	7 248	(71 956)	(29 141)	(151 197)
Net profit	**(10 621)**	**829 531**	**87 579**	**637 231**

Net profit		**829 531**		**637 231**
Weighted average number of ordinary shares		**29 680 542**		**29 578 675**
Earnings per 1 ordinary share (in PLN)		**27.95**		**21.54**
Weighted average number of ordinary shares for diluted earnings		**29 701 246**		**29 608 139**
Diluted earnings per 1 ordinary share (in PLN)		**27.93**		**21.52**

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

Balance Sheet

as at	31.12.2008	31.12.2007
ASSETS		
Cash and balances with the Central Bank	2 491 851	1 998 380
Debt securities eligible for rediscounting at the Central Bank	9 238	23 259
Loans and advances to banks	6 065 581	2 166 310
Trading securities	4 969 212	4 575 320
Derivative financial instruments	5 612 313	2 263 845
Loans and advances to customers	42 257 165	26 378 887
Investment securities	5 498 171	6 226 318
- Available for sale	5 498 171	6 226 318
Non-current assets held for sale	-	335 819
Pledged assets	3 443 989	2 812 277
Investments in subsidiaries	457 305	449 098
Intangible assets	406 360	379 504
Tangible fixed assets	601 649	532 175
Deferred income tax assets	156 747	2 824
Other assets	385 811	224 721
Total assets	**72 355 392**	**48 368 737**
EQUITY AND LIABILITIES		
Amounts due to the Central Bank	1 302 469	-
Amounts due to other banks	20 142 760	7 931 827
Derivative financial instruments and other trading liabilities	6 211 316	2 181 420
Amounts due to customers	37 438 494	32 734 316
Debt securities in issue	7 829	36 810
Subordinated liabilities	2 669 453	1 661 785
Other liabilities	654 676	552 894
Current income tax liabilities	214 145	120 659
Provisions for deferred income tax	81	62
Provisions	90 022	68 831
Total liabilities	**68 731 245**	**45 288 604**
Equity		
Share capital	**1 521 683**	**1 517 432**
- Registered share capital	118 764	118 643
- Share premium	1 402 919	1 398 789
Revaluation reserve	**(221 303)**	**79 231**
Retained earnings:	**2 323 767**	**1 483 470**
- Profit for the previous year	1 494 236	846 239
- Net profit for the current year	829 531	637 231
Total equity	**3 624 147**	**3 080 133**
Total equity and liabilities	**72 355 392**	**48 368 737**
Capital adequacy ratio	**10.03**	**10.65**
Book value	**3 624 147**	**3 080 133**
Number of shares	**29 690 882**	**29 660 668**
Book value per share (in PLN)	**122.06**	**103.85**
Diluted number of shares	**29 711 586**	**29 690 132**
Diluted book value per share (in PLN)	**121.98**	**103.74**

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

Statements of Changes in Equity

Changes in equity from 1 January 2008 to 31 December 2008

	Share capital		Revaluation reserve	Retained earnings					Total
	Registered share capital	Share premium		Supplementary capital	Other reserve capital	General risk fund	Profit from previous years	Profit for the current year	
Equity as at 1 January 2008	**118 643**	**1 398 789**	**79 231**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**3 080 133**
- reclassification to fair value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**79 231**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**3 080 133**
Net change in investments available for sale, net of tax	-	-	(292 476)	-	-	-	-	-	(292 476)
Currency translation differences	-	-	(8 058)	-	-	-	-	-	(8 058)
Net profit not recognised in income statement	**-**	**-**	**(300 534)**	**-**	**-**	**-**	**-**	**-**	**(300 534)**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**829 531**	**829 531**
Total profit recognised in the current year	**-**	**-**	**(300 534)**	**-**	**-**	**-**	**-**	**829 531**	**528 997**
Transfer to General Risk Fund	-	-	-	-	-	50 000	(50 000)	-	-
Transfer to supplementary capital	-	-	-	587 231	-	-	(587 231)	-	-
Issue of shares	121	2 784	-	-	-	-	-	-	2 905
Other changes	-	-	-	(1)	-	-	-	-	(1)
Stock option program for employees	-	1 346	-	-	10 767	-	-	-	12 113
- value of services provided by the employees	-	-	-	-	*12 113*	-	-	-	*12 113*
- settlement of exercised options	-	*1 346*	-	-	*(1 346)*	-	-	-	-
Equity as at 31 December 2008	**118 764**	**1 402 919**	**(221 303)**	**874 123**	**12 113**	**608 000**	**-**	**829 531**	**3 624 147**

Changes in equity from 1 January 2007 to 31 December 2007

	Share capital		Revaluation reserve	Retained earnings					Total
	Registered share capital	Share premium		Supplementary capital	Other reserve capital	General risk fund	Profit from previous years	Profit for the current year	
Equity as at 1 January 2007	**118 064**	**1 378 882**	**3 959**	**12 388**	**7 275**	**558 000**	**274 505**	**-**	**2 353 073**
- reclassification to fair value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2007	**118 064**	**1 378 882**	**3 959**	**12 388**	**7 275**	**558 000**	**274 505**	**-**	**2 353 073**
Net change in investments available for sale, net of tax	-	-	78 166	-	-	-	-	-	78 166
Currency translation differences	-	-	(2 894)	-	-	-	-	-	(2 894)
Net profit not recognised in income statement	**-**	**-**	**75 272**	**-**	**-**	**-**	**-**	**-**	**75 272**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**637 231**	**637 231**
Total profit recognised in the current year	**-**	**-**	**75 272**	**-**	**-**	**-**	**-**	**637 231**	**712 503**
Transfer to supplementary capital	-	-	-	274 505	-	-	(274 505)	-	-
Issue of shares	579	13 330	-	-	-	-	-	-	13 909
Stock option program for employees	-	6 577	-	-	(5 929)	-	-	-	648
- value of services provided by the employees	-	-	-	-	*648*	-	-	-	*648*
- settlement of exercised options	-	*6 577*	-	-	*(6 577)*	-	-	-	-
Equity as at 31 December 2007	**118 643**	**1 398 789**	**79 231**	**286 893**	**1 346**	**558 000**	**-**	**637 231**	**3 080 133**

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

Cash Flow Statement

	Year ended 31 December	
	2008	**2007**
A. Cash flow from operating activities	**(6 892 496)**	**(4 502 515)**
Profit before income tax	**901 487**	**788 428**
Adjustments:	***(7 793 983)***	***(5 290 943)***
Income taxes paid (negative amount)	(118 475)	(20 624)
Amortisation	159 798	138 951
Foreign exchange (gains) losses	642 363	(187 385)
(Gains) losses on investing activities	(271 122)	(93 263)
Impairment of financial assets	11 020	63
Dividends received	(68 681)	(37 726)
Interest paid	1 665 572	1 057 819
Change in loans and advances to banks	(284 959)	(157 750)
Change in trading securities	(4 114 256)	101 482
Change in derivative financial instruments	(3 348 468)	(852 815)
Change in loans and advances to customers	(15 878 278)	(8 689 131)
Change in investment securities	261 017	(3 243 823)
Change in other assets	(160 772)	(10 482)
Change in amounts due to other banks	6 030 738	(239 403)
Change in financial instruments and other trading liabilities	4 029 896	913 595
Change in amounts due to customers	3 522 914	5 967 770
Change in debt securities in issue	219	595
Change in provisions	21 191	1 457
Change in other liabilities	106 300	59 727
Net cash from operating activities	**(6 892 496)**	**(4 502 515)**
B.Cash flows from investing activities	**577 299**	**(12 887)**
Investing activity inflows	**818 121**	**214 101**
Disposal of shares in associates	485 013	-
Disposal of shares in subsidiaries	50	173 504
Disposal of intangible assets and tangible fixed assets	342	2 871
Other investing inflows	332 716	37 726
Investing activity outflows	**240 822**	**226 988**
Acquisition of shares in subsidiaries	5	29 153
Purchase of intangible assets and tangible fixed assets	240 817	197 835
Net cash used in investing activities	**577 299**	**(12 887)**
C. Cash flows from financing activities	**7 165 940**	**3 073 570**
Financing activity inflows	**11 704 517**	**4 368 750**
Proceeds from loans and advances from other banks	10 954 760	3 124 658
Proceeds from other loans and advances	-	1 230 184
Increase of subordinated liabilities	746 852	-
Issue of ordinary shares	2 905	13 908
Financing activity outflows	**4 538 577**	**1 295 180**
Repayments of loans and advances from other banks	3 640 500	124 927
Repayments of other loans and advances	106 718	18 849
Redemption of debt securities	29 200	-
Decrease of subordinated liabilities	359 500	969 100
Payments of financial lease liabilities	14 380	-
Other financing outflows	388 279	182 304
Net cash from financing activities	**7 165 940**	**3 073 570**
Net increase / decrease in cash and cash equivalents (A+B+C)	**850 743**	**(1 441 832)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	154 367	(1 023)
Cash and cash equivalents at the beginning of the reporting period	7 508 153	8 951 008
Cash and cash equivalents at the end of the reporting period	**8 513 263**	**7 508 153**

Explanatory Notes to the Consolidated Financial Statements

1. Information Concerning the Group of BRE Bank SA

The Group of the BRE Bank SA (the "Group") consists of entities under the control of BRE Bank SA (the "Bank") of the following nature:

- strategic: shares and equity interests in companies supporting particular business lines of BRE Bank SA (corporates and financial markets line, retail banking line, asset management line) with 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 being a part of Commerzbank AG Group.

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

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

As at 31 December 2008, 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 Ragistration Division on 23 December 1986 in the Business Register under the number RHB 14036. The 9th Extraordinary Meeting of Shareholders held on 4 March 1999 adopted the resolution changing the Bank's name to BRE Bank SA. The new name of the Bank was entered in the Business Register on 23 March 1999. On 11 July 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Registry (KRS) under number KRS 0000025237.

According to the Polish Classification of Business Activities, the business of the Bank was classified as "Other banking business" under number 6512A. According to the Stock Exchange Quotation, the Bank is classified as pertaining to the "Banks" sector of the "Finance" macro-sector.

According to the By-laws of the Bank, the scope of its business consists of providing banking services and consulting-advisory services in financial matters, as well as the conduct of business activities within the scope described in its By-laws. The Bank operates within the scope of corporate, institutional and retail banking (including private banking) throughout the whole country and operates trade and investment activity.

In November 2007, foreign branches of mBank in both the Czech Republic and Slovakia opened business under the retail banking umbrella of BRE Bank.

The Bank provides services to Polish and international corporations and individuals, both in the local currency (Polish Zloty, PLN) and in foreign currencies. In particular, the Bank supports all kinds of activities leading to the development of exports.

The Bank may open and maintain accounts with Polish and foreign banks, and can possess foreign exchange assets and trade in them.

The average employment in 2008 was: in BRE Bank SA 5 364 persons and in the Group 6 982 persons (2007: the Bank 4 374, the Group 5 826).

Corporates and Financial Markets, including:

Corporates and Institutions

- BRE Bank Hipoteczny SA, subsidiary
- BRE Corporate Finance SA, subsidiary
- BRE Holding Sp. z o.o., subsidiary
- BRE Leasing Sp. z o.o., subsidiary
- Dom Inwestycyjny BRE Banku SA, subsidiary
- Intermarket Bank AG, subsidiary
- Magyar Factor zRt., subsidiary

- Polfactor SA, subsidiary
- Transfinance a.s., subsidiary

Trading and Investments

- BRE Finance France SA, subsidiary
- Garbary Sp. z o.o., subsidiary
- Tele-Tech Investment Sp. z o.o., subsidiary

Retail Banking (including private banking)

- BRE Wealth Management SA, subsidiary
- emFinanse Sp. z o.o., subsidiary
- BRE Ubezpieczenia TU SA, subsidiary
- BRE Ubezpieczenia TU Sp. z o.o., subsidiary

Asset Management (discontinued operations Note 19)

As at 31 December 2008 the Group had no shares in the companies which activities were presented in previous periods as discontinued operations under asset management segment.

As at 30 December 2008, by virtue of the decision of the Polish Financial Supervision Authority concerning acquisition of Aegon PTE SA's shares by Aegon Woningen Nova BV from the Bank, the transfer of ownership of the company's shares took place.

After the sale of the aforementioned shares, the Bank had no shares of Aegon PTE SA.

Detailed information concerning discontinued operations was presented under the Note 19 of these financial statements.

Remaining business

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

Other information concerning companies of the Group

The detailed description of the business of the companies of BRE Bank SA Group was presented in the Explanatory Notes to the Consolidated Financial Statement for the first half of 2008, published on 10 September 2008.

Insurance companies

- **BRE Ubezpieczenia TU SA, subsidiary**

The company started its activity in January 2007. The core business of the company is insurance activity within the scope of the second division of underwriting – Other personal insurances and property insurances. The company sells its products both through the Internet platform produced in cooperation with retail branches of BRE Bank and typical products known as bancassurance for customers of BRE Bank by hand of an underwriter, the company BRE Ubezpieczenia Sp. z o.o. In 2008 the company has started ccoperation with BRE Leasing SA. The Bank holds 100% of the company's shares.

- **BRE Ubezpieczenia Sp. z o.o., subsidiary**

The company started its activity in the middle of 2006. The core business involves services provided as an underwriter and services within the scope of settlements due to insurance agreements of insured persons. Direct parent entity is BRE Ubezpieczenia TU SA. The Bank holds 100% shares in the company indirectly, through BRE Ubezpieczenia TU SA.

Beginning from the financial statements for the fourth quarter of 2008, the Bank included both insurance companies in consolidation applying full consolidation method.

Adjusted comparative data concerning both the balance sheet items and the items of the profit and loss account for particular quarters of 2008 were presented under the note 2.31.

2. Description of Relevant Accounting Policies

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

2.1 Accounting Basis

These Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 12 - month period ended 31 December 2008.

These Consolidated Financial Statements of BRE Bank SA Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union, according to the historical cost method, as modified by the revaluation of available for sale financial assets, financial assets and financial liabilities measured at fair value through the Profit and Loss Account as well as all derivative contracts.

Since 1 January 2007 the Group has applied the provisions of International Financial Reporting Standard 7, Financial Instruments: Disclosures, which has been binding as from the date and the amended provisions of International Accounting Standard 1. All disclosures in accordance with IFRS 7 were presented in the Consolidated Financial Statements for the year 2007 and in the Consolidated Financial Statements for the first half of 2008.

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

2.2 Consolidation

Subsidiaries

Subsidiaries comprise any entities (including special purpose vehicles) over which the Group has the power to govern the 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 purchase 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 recognized directly in the income statement (see Note 2.18).

Inter-company transactions, balances and unrealised gains on transactions between the 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.

Business Combination involving entities under common control is stated under the purchase method in accordance with IFRS 3 "Business Combination".

Such an accounting treatment 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.

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 recognized 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).

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

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

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

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

No.	Company	Share in voting rights (directly and indirectly)	Consolidation method
1.	BRE Bank Hipoteczny SA	100%	full
2.	BRE Corporate Finance SA	100%	full
3.	BRE Holding Sp. z o.o.	100%	full
4.	BRE Wealth Management SA	100%	full
5.	BRE Ubezpieczenia TU SA	100%	full
6.	BRE Ubezpieczenia Sp. z o.o.	100%	full
7.	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full
8.	Dom Inwestycyjny BRE Banku SA	100%	full
9.	emFinanse Sp. z o.o.	100%	full
10.	Garbary Sp. z o.o.	100%	full
11.	Tele-Tech Investment Sp. z o.o.	100%	full
12.	BRE Finance France SA	99.98%	full
13.	BRE.locum SA	79.99%	full
14.	Polfactor SA	78.12%	full
15.	Magyar Factor zRt.	78.12%	full
16.	Transfinance a.s.	78.11%	full
17.	Intermarket Bank AG	56.24%	full
18.	BRE Leasing Sp. z o.o.	50.004%	full

2.3 Interest Income and Expenses

All interest proceeds linked with financial instruments carried at amortised cost using the effective interest rate method are recognised in the Profit and Loss Account.

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

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

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

Interest income, including interest on loans, is recognised in the Profit and Loss Account, and on the other side in the Balance Sheet as receivables from banks or from other customers.

Interest income on impaired loans is recognised in interest income with the application of interest rates used to discount the future cash flows for the purpose of measuring impairment losses.

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

2.4 Fee and Commission Income

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

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

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

Income on account of services provided as an underwriter is recognised by reference to the stage of completion 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 Attribution of premium

Income on account of attribution of premium is recognised on the policy issue date and calculated proportionally over the period of insurance protection. Attribution of premium is recognised under other operating income in the Consolidated Financial Statements of the Group.

2.6 Compensations and benefits net

Compensations and benefits net concern insurance activity. They comprise payoffs and charges made in the reporting period due to compensations and benefits for events arisen in the current and previous periods, altogether with costs of liquidation of damages and costs of vindication of recourses, less received returns, recourses and any recoveries, including recoveries from sale of leavings after damages and deducted by reinsurers' share in these positions. Costs of liquidation of damages and costs of vindication 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 altogether with attribution of premium under other operating income in the Consolidated Financial Statements of the Group.

2.7 Segment Reporting

A business segment consists of a group of assets and operations engaged in the delivery of products and services which are subject to risks and rewards from the capital expenditure incurred other than the remaining business segments. A geographic segment supplies products and services in a specific economic environment, which is exposed to risks and returns other than in the case of segments functioning in other economic environments.

2.8 Financial Assets

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

<u>Financial assets valued at fair value</u>

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

Disposals of debt 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 Profit and Loss Account if they meet either of the following conditions:

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

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 Profit and Loss Account provided that:

a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
b) 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 Profit and Loss Account when making such classification get more relevant information, because either

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

The Group did not designate any financial assets/financial liabilities at fair value through the Profit and Loss Account.

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 Financial Assets

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 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 previous reporting periods presented in these financial statements, the only financial assets held to maturity occured in the company PTE and they were recognised in the Balance Sheet, under the item "Non-current assets held for sale".

Available for Sale Financial Assets

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 financial assets are presented in net interest income. Gains and losses from sale of available for sale financial assets are presented in gains and losses from investments securities.

Standardized purchases and sales of financial assets at fair value through the Profit and Loss Account, held to maturity and available for sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs, except for financial assets at fair value through the Profit and Loss Account. Financial assets are derecognised 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 Profit and Loss Account are valued at the Balance Sheet date 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. Profits and losses resulting from changes in the fair value of "financial assets measured at fair value through the Profit and Loss Account" are recognised in the Profit and Loss Account in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised directly in equity until the derecognition of the respective financial asset in the Balance Sheet or until its impairment: at such time the aggregate net gain or loss previously recognised in equity is now recognised in the Profit and Loss Account. However, interest calculated using the effective interest rate is recognised in the Profit and Loss Account. Dividends on available for sale equity instruments are recognised in the Profit and Loss Account when the entity's right to receive payment is established.

The fair value of quoted investments in active markets is based on current bid 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 recognized in the Balance Sheet at the purchase price reduced by impairment.

2.9 Reinsurance assets

The Group transfers insurance risks to reinsurers in course of typical operating activities. 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 on if there is an 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 all receivables in accordance with the conditions of agreements 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 recognision of impairment, then the previously recognised impairment loss is reversed by adjusting of the impairment loss in the Consolidated Profit and Loss Account.

The reversal cannot cause an increase of carrying amount of financial asset more than the amount which would constitute amortised cost of this asset on the reversal date if the recognition of 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 Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Impairment of Financial Assets

Assets Carried at Amortised Cost

At each Balance Sheet date, 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 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 Balance Sheet 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 Profit and Loss Account. 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 decrease (in accordance with IAS 39) the amount of the provision for loan impairment in the Profit and Loss Account.

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 Profit and Loss Account.

Assets Measured at Fair Value

At each Balance Sheet date the Bank 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 of acquisition resulting from higher credit risk is considered in determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value – is removed from equity and recognised in the Profit and Loss Account. The above indicated difference should be reduced by the impairment concerning given asset which was previously recognised in the Profit and Loss Account. Impairment losses concerning equity instruments recorded in the Profit and Loss Account are not reversed through the Profit and Loss Account, but through equity. If the fair value of a debt instrument classified as available for sale increases in a subsequent period, and such increase can be objectively related to an event occurring after the recording of the impairment loss in the Profit and Loss Account, then the respective impairment loss is reversed in the Profit and Loss Account.

Renegotiated agreements

The Group considers renegotiations on contractual terms of loans and advances as evidence of impairment unless the renegotiation was not due to the situation of the debtor but had been carried out on normal business terms. In such a case the Group makes an assessment whether the impairment should be recognised on either individual or group basis.

2.12 Financial Guarantee Contracts

In accordance with amendment to IAS 39, which came into force at 1 January 2006, the Group has an obligation to recognize financial guarantee contracts in its financial statements.

The financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

When a financial guarantee contract is recognized initially, it is measured at the fair value. After initial recognition, an issuer of such a contract, measures it at the higher of:

1. the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and
2. the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue.*

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise items with maturities of up to three months from the date of their acquisition, including: cash in hand and cash held at the Central Bank with unlimited availability for disposal, Treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, and short-term government securities.

Bills of exchange eligible for rediscounting with the Central Bank comprise PLN bills of exchange with maturities of up to three months.

2.14 Repo, Reverse Repo, Buy-sell-back and Sell-buy-back 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.

Securities sold with a repurchase clause (repos) are reclassified in the financial statements as pledged assets if the entity receiving them has the contractual or customary right to sell or pledge them as collateral security. The liability towards the counterparty is recognised as amounts due to other banks, deposits from other banks, other deposits or amounts due to customers, depending on its nature. Reverse repos (securities purchased together with a resale clause) are recognised as loans and advances to other banks or other customers, depending on their nature.

When concluding a repo or reverse repo transaction, the BRE Bank Group sells or buys securities with a repurchase or resale clause specifying a contractual date and price. Such transactions are presented in the Balance Sheet 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 recognized 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.

Neither securities borrowed under "buy-sell-back" transactions nor securities lent under "sell-buy-back" transactions are 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 Balance Sheet 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 Profit and Loss Account. Embedded derivative instruments of this kind are measured at fair value and the changes in fair value are recognised in the Profit and Loss Account.

In accordance with IAS 39 AG 30 (g), there is no need to separate the prepayment option from the host debt instrument for the needs of consolidated financial statements, because the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument. If the value of prepayment option was not to be closely linked to the underlying debt instrument, the option would be measured and recognised in the consolidated financial statements of the Group.

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

a) 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.
b) 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.
c) 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.
d) 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.
e) 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 efficiency of fair value hedging and cash flow hedging transactions, measured both prospectively and retrospectively from the time of their designation and throughout the period of duration of the hedging relationship between the hedging instrument and the hedged item.

Income and expense from interest rate derivative financial instruments and their valuation are presented in net trading income.

Fair Value Hedges

Changes in the fair value of derivative instruments designated and qualifying as fair value hedges are recognised in the Profit and Loss Account 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 Profit and Loss Account over the period to maturity. The adjustment to the carrying amount of the hedged equity security remains in the revaluation reserve until the disposal of the equity security.

Cash Flow Hedges

The effective part of the fair value changes of derivative instruments designated and qualifying as cash flow hedges is recognised in equity. The gain or loss concerning the ineffective part is recognised in the Profit and Loss Account of the current period.

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

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

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 Profit and Loss Account of the current period.

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

a) Futures contracts for bonds, index futures
b) Options for securities and for stock-market indices
c) Options for futures contracts
d) Forward transactions for securities
e) Commodity swaps

Interest rate risk instruments:

a) Forward Rate Agreement (FRA)
b) Interest Rate Swap (IRS), Cross Overnight Index Swap (OIS)
c) Interest Rate Options

Foreign exchange risk instruments:

a) Currency forwards, fx swap, fx forward,
b) Cross Currency Interest Rate Swap (CIRS),
c) Currency options.

2.16 Gains and Losses on Initial Recognition

The best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the payment given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The transaction for which the fair value determined using a valuation model (where inputs are both observable and non-observable data) and the transaction price differ, the initially recognition is at the transaction price. The Group assumes that the transaction price is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is not recognised immediately in the Profit and Loss Account.

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

2.17 Borrowings

Borrowings (including deposits) are initially recognised at fair value reduced by the incurred transaction costs. After the initial recognition, borrowings are recorded at adjusted cost of acquisition (amortised cost). Any differences between the amount received (reduced by transaction costs) and the redemption value are recognised in the Profit and Loss Account 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

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Balance Sheet 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 for the purpose of impairment testing. Each of those cash generating units is represented by the investments of the Group classified by basic reporting business segments.

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 fulfill 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 utilization. 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 Balance Sheet might not be possible to be recovered.

2.19 Tangible Fixed Assets

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

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

Fixed assets designated for liquidation or decommissioning are measured at net book value or at fair value less selling costs, depending on which value is lower: the difference arising on this account is recognised under "Other income/operating expenses".

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

- Buildings and constructed structures	25-40 years,
- Technical plant vehicles	5-15 years,
- Transport vehicles	5 years,
- Information technology hardware	3.33-5 years,
- Investments in the third party (leased) fixed assets	10-40 years or the period of the lease contract,
- Offiice 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 each Balance Sheet date 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 Balance Sheet might not be possible to be recovered. The value of a fixed asset carried in the Balance Sheet is reduced to the level of its recoverable value if the carrying value in the Balance Sheet exceeds the estimate recoverable amount. The recoverable value is the higher of two amounts: the fair value of the fixed asset reduced by its selling costs and the value in use.

If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs (cash-generating unit of given component 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 Balance Sheet and they are recognised in the Profit and Loss Account.

2.20 Non-Current Assets Held for Sale and Discontinued Operations

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

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, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations 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.

2.21 Deferred Income Tax

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

Liabilities or assets for deferred corporate income tax are recognised in their full amount according to the balance sheet method in connection with the existence of temporary differences between the tax value of assets and liabilities and their carrying value on the face of the Balance Sheet. Such liabilities or assets are determined by application of the tax rates in force by virtue of law or of actual obligations at the Balance Sheet date. 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 Balance Sheet separately for each subsidiary undergoing consolidation. Such assets and provisions may be netted against each other if the Group possesses the legal rights allowing it to simultaneously account for them when calculating the amount of the tax liability.

In the case of the Bank, the deferred income tax assets and deferred income tax provisions are netted against each other for each country separately where the Bank conducts its business and is obliged to settle up due to 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 Balance Sheet, 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 equity, and it is subsequently transferred to the Profit and Loss Account when the respective investment or hedged item affects the Profit and Loss Account.

2.22 Assets Repossessed for Debt

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

At subsequent measurement the initial amount is tested for impairment.

2.23 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 Balance Sheet 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 Balance Sheet under the item "Other liabilities".

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

Acquisition costs in the part falling on the future reporting periods subject to settlement, proportionally to the duration of the relevant agreements.

2.24 Leasing

BRE Bank SA Group as a Lessor

In the case of assets in use on the basis of a finance lease agreement, the current value of lease payments is recognised under receivables. The difference between the gross receivable amount and the present value of the receivables is recognised as unrealised financial income. Income on account of leasing is recorded over the period of the lease according to the net investment method (before tax), which reflects the fixed periodical rate of return on the lease.

BRE Bank SA Group as a Lessee

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

In the case of finance lease contracts, under which the Group holds leased assets, subject of such lease agreement is recognised as a fixed asset and a liability is recognised in the amount equal to present value of minimum lease payments as of the date of commencement of the lease. Lease payments are recognised as financial costs in the Profit and Loss Account and simultaneously they reduce the balance of the liability. Fixed assets which are the basis of the finance lease contract are depreciated in the manner defined for the Group's fixed assets.

2.25 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.

In relation to insurance activity, technical-insurance provisions are created for compensations and premiums.

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

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

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

In each reporting day the Group tests for adequacy of technical-insurance provisions to ensure whether the provisions deducted by deferred acquisition costs are sufficient enough.

The adequacy test is carried on using up-to date estimates of future cash flows arising from insurance agreements, including costs of liquidation of damages and polices-related costs.

If the assessment reveals that the value of technical-insurance provisions is insufficient in relation to estimated future cash flows, then the whole disparity is recognised promptly in the Consolidated Profit and Loss Account through impairment of deferred acquisition costs or/and creation of extra provisions.

2.26 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 Profit and Loss Account.

Benefits Based on Shares

The Group runs a program of remuneration based on and settled in own shares and shares of the ultimate parent of the Group. These benefits are accounted for in compliance with IFRS 2 *Share-based Payment*. The fair value of the work performed by employees in return for options and shares granted increases the costs of the respective period, corresponding to own equity in the case of own shares and commitments in the case of 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 each Balance Sheet date, 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 recognize the change in fair value of the share-based payment over the term of the program.

2.27 Equity

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

Registered share capital

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

a) Share Issue Costs

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

b) Dividends

Dividends for the given year, which have been approved by the Extraordinary General Meeting but not distributed at the Balance Sheet date, are shown under the liabilities on account of dividends payable under the item of "Other liabilities".

c) Own Shares

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

Share premium

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

Revaluation reserve

Revaluation reserve is formed as a result of:

- valuation of available for sale financial instruments,
- valuation of cash flow hedge financial assets,
- currency translation differences resulting from valuation of structural items.

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.

Hyperinflationary restatements of the equity

According to IAS 29 *Financial Reporting in Hyperinflationary Economies* paragraph 25, the components of equity (except retained earnings and any revaluation surplus) are restated by applying a general price index from the dates the components were contributed or otherwise arose for a period when the economy of the carrying business entity was recognised as according to IAS 29, a hyperinflationary economy.

The effect of restating the components of share capital by applying a general price index is recognised with a corresponding impact on retained earnings. The adoption of IAS 29 paragraph 25 results in an increase of the share capital and at the same time it reduces retained earnings by the same amount.

The Management Board has carried out an analysis to estimate the value of such adjustment, which would result in a growth of the share capital and growth of the share premium as well as in a corresponding decrease in the retained earnings by PLN 107 219 thousand.

Because the effect of the restatement:

- represents 2.75% of own equity of the Group (the effect of the restatement would constitute 7.05% of the item "Share capital");
- consists of reallocation of funds between various items of the own equity, which has no effect on the equity as a whole;
- has material effect on neither the presented financial data nor own funds, both as a whole and on line items;

the Management Board of the Bank believes that such restatement will have no material effect on the accuracy and fairness of the presentation of the Bank's financial position as at, and for the period ended 31 December 2008.

Hyperinflationary adjustments would also have no material effect for the period ended 31 December 2007 (the effect of the restatement would constitute 3.23% of the owners' equity of the Group and 7.07% of the item "Share capital").

2.28 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 Consolidated Financial Statements are presented in Polish zloty, which is the functional currency of the Bank.

Transactions and Balances

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

Foreign exchange differences arising on account of such non-monetary items such as financial assets measured at fair value through the Profit and Loss Account 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 revaluation reserve.

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 Profit and Loss Account, and foreign exchange differences relating to other changes in carrying amount, which are recognised under revaluation reserve.

Balance sheet items of foreign branches as well as foreign companies of the Group are converted from functional currency to the presentation currency with the application of mid exchange rate on the balance sheet date. Profit and Loss Account items of these entities are converted to presentation currency with the application of the arithmetical mean of mid 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 recognized under revaluation reserve.

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 do not differ from the presentation currency, are converted to the presentation currency as follows:

a) assets and liabilities in each presented Balance Sheet are converted at the mid rate of exchange of the National Bank of Poland (NBP) in force at the Balance Sheet date;

b) revenues and expenses in each Profit and Loss Account are converted at the rate equal to the arithmetical mean of the mid rates quoted by NBP on the last day of each of six months of each presented periods; whereas

c) all resulting foreign exchange differences are recognised as a distinct item of equity.

Upon consolidation, foreign exchange differences arising from the conversion of net investments in companies operating abroad, as well as loans, advances and other FX instruments designated as hedges attached to such investments are recognised in equity. Upon the disposal of a company operating abroad, such foreign exchange differences are recognised in the Profit and Loss Account 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 Profit and Loss Account. In the operating leasing agreements recognised in the Balance Sheet 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 Profit and Loss Account at the Balance Sheet date.

2.29 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.

2.30 New Standards, Interpretations and Amendments to Published Standards

Changes in the published Standards and Interpretations that have come into force since 1 January 2008:

- IFRIC 11, IFRS 2: Group and Treasury Share Transactions, binding for the annual periods starting after 1 March 2007
- IFRIC 12, Service Concession Agreements, binding for annual periods starting after 1 January 2008
- IFRIC 14 – IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, binding for annual periods starting after 1 January 2008

Changes in the published Standards and Interpretations that have come into force since 1 July 2008:

- Reclassification of Financial Assets, Amendments to IAS 39 and IFRS 7, binding since 1 July 2008.

Changes in the published Standards and Interpretations that have come into force since 1 January 2009:

- IFRIC 13, Customer Loyalty Programmes, binding for annual periods starting after 1 July 2008
- IFRS 1 (Revised), First-Time Adoption of International Accounting Standards and IAS 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting on or after 1 January 2009
- IFRS 2 (Revised), Share-based Payment, binding for annual periods starting on or after 1 January 2009
- IAS 1 (Revised), Presentation of Financial Statements, binding for annual periods starting on or after 1 January 2009
- IAS 23 (Revised), Borrowing Costs, binding for annual periods starting on or after 1 January 2009

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

- IFRIC 15, Agreements for the Construction of Real Estate, binding for annual periods starting on or after 1 January 2009
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, binding for annual periods starting on or after 1 October 2008
- IFRS 3 (Revised), Business Combinations, binding prospectively to business combinations for which the acquisition date is on or after 1 July 2009

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- IFRS 8, Operating Segments, binding for annual periods starting after 1 January 2009
- IAS 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting after 1 July 2009
- IAS 32 (Revised), Financial Instruments: Presentation and IAS 1 (Revised), Presentation of Financial Statements-Puttable Financial Instruments and Obligation arising on Liquidation, binding for annual periods starting after 1 July 2009
- IAS 39 (Revised), Financial Instruments: Recognition and Measurement – criteria of qualification as hedged item, binding for annual periods starting on or after 1 July 2009
- Improvements to International Financial Reporting Standards issued in 2008 revising 20 standards, binding mostly for annual periods starting on 1 January 2009.

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

2.31 Comparative Data

Comparative data have been adjusted so as to account for the changes in presentation introduced in the current rotary year.

Beginning from the financial statements for the first half of 2008 the Bank modified accounting for "buy-sell-back" and "sell-buy-back" transactions. The new accountancy consists in individual approach instead of collective one to each subportfolio of debt instruments subjected to these transactions as it better reflects the character of the transactions conducted by the Bank.

The restatement had no impact on the amounts of profit and equity in presented comparative data as at 31 December 2007.

The following combination presents the impact of the restatement on presented in the Consolidated Financial Statements comparative data for the Group and for the Bank.

Restatements in the Consolidated Balance Sheet as at 31 December 2007.

31.12.2007

	31.12.2007 before adjustments	presentation adjustments	31.12.2007 after adjustments
Trading securities	3 403 174	854 808	4 257 982
Pledged securities	3 708 158	(895 881)	2 812 277
Amounts due to banks	12 286 940	(41 073)	12 245 867
Total assets	55 982 973	(41 073)	55 941 900

Restatements in the Stand-Alone Balance Sheet as at 31 December 2007.

31.12.2007

	31.12.2007 before adjustments	presentation adjustments	31.12.2007 after adjustments
Trading securities	3 721 311	854 009	4 575 320
Pledged securities	3 707 359	(895 082)	2 812 277
Amounts due to banks	7 972 900	(41 073)	7 931 827
Total assets	48 409 810	(41 073)	48 368 737

Beginning from financial statements for the fourth quarter of 2008, the Group included two insurance companies: BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. in consolidation applying full consolidation method. Due to impracticability, comparative data for the year 2007 were not transformed. Simultaneously, the Group transformed financial data as at 30 September 2008, 30 June 2008, 31 March 2008 as well as transformed the opening Balance Sheet as at 1 January 2008 in order to provide comparability of financial data of the Group in particular quarters of 2008. The following combinations present the impact of the restatements.

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Detailed restatements of the Consolidated Profit and Loss Account prepared for the period from 1 January to 30 September 2008 in connection with consolidation of the insurance companies for the first time.

	III quarters cumulative the period from 01.01.2008 to 30.09.2008 before adjustments	the impact of consolidation of the insurance entities	III quarters cumulative the period from 01.01.2008 to 30.09.2008 after adjustments
Continued operations			
Interest income	2 550 561	1 831	2 552 392
Interest expense	(1 544 360)	(1)	(1 544 361)
Net interest income	**1 006 201**	**1 830**	**1 008 031**
Fee and commission income	657 918	(29 864)	628 054
Fee and commission expense	(205 254)	(34)	(205 288)
Net fee and commission income	**452 664**	**(29 898)**	**422 766**
Dividend income	3 743	-	3 743
Net trading income, including:	422 347	(399)	421 948
Foreign exchange result	*435 851*	-	*435 851*
Other trading income	*(13 504)*	*(399)*	*(13 903)*
Gains less losses from investment securities	137 914	-	137 914
Other operating income	205 877	12 347	218 224
Impairment losses on loans and advances	(138 676)	-	(138 676)
Overhead costs	(923 054)	(9 367)	(932 421)
Amortization and depreciation	(144 822)	(429)	(145 251)
Other operating expenses	(119 907)	(77)	(119 984)
Operating profit	**902 287**	**(25 993)**	**876 294**
Profit before income tax from continued operations	**902 287**	**(25 993)**	**876 294**
Income tax expense	(106 430)	5 445	(100 985)
Net profit from continued operations including minority interest	**795 857**	**(20 548)**	**775 309**
Discontinued operations			
Profit before income tax from discontinued operations	**78 908**	**-**	**78 908**
Income tax expense	(2 336)	-	(2 336)
Net profit from discontinued operations including minority interest	**76 572**	**-**	**76 572**
Net profit from continued and discontinued operations including minority interest, of which:	**872 429**	**(20 548)**	**851 881**
Net profit attributable to minority interest	29 612	-	29 612
Net profit	**842 817**	**(20 548)**	**822 269**

The impact of consolidation of the insurance companies for the first time on the profit before tax and the net profit as well as on the net assets as at the end of the first, the second and the third quarter of 2008 is presented in the following combination.

	Ist quarter the period from 01.01.2008 to 31.03.2008 before adjustments	the impact of consolidation of the insurance companies on the Ist quarter of 2008	Ist quarter the period from 01.01.2008 to 31.03.2008 after adjustments
Profit before tax	427 578	(7 865)	419 713
Net profit	350 826	(6 203)	344 623
Net assets attributable to the company's equity holders	3 523 987	(12 992)	3 510 995

	IInd quarter the period from 01.04.2008 to 30.06.2008 before adjustments	the impact of consolidation of the insurance companies on the IInd quarter of 2008	IInd quarter the period from 01.04.2008 to 30.06.2008 after adjustments	II quarters cumulative the period from 01.01.2008 to 30.06.2008 before adjustments	cumulative impact of consolidation of the insurance companies on II quarters of 2008	II quarters cumulative the period from 01.01.2008 to 30.06.2008 after adjustments
Profit before tax	293 423	(12 039)	281 384	721 001	(19 904)	701 097
Net profit	289 499	(10 313)	279 186	640 325	(16 516)	623 809
Net assets attributable to the company's equity holders				3 798 085	(23 305)	3 774 780

(000's)

	IIIrd quarter the period from 01.07.2008 to 30.09.2008 before adjustmnets	the impact of consolidation of the insurance companies on the IIIrd quarter of 2008	IIIrd quarter the period from 01.07.2008 to 30.09.2008 after adjustmnets	III quarters cumulative the period from 01.01.2008 to 30.09.2008 before adjustments	cumulative impact of consolidation of the insurance companies on III quarters of 2008	III quarters cumulative the period from 01.01.2008 to 30.09.2008 after adjustments
Profit before tax	260 194	(6 089)	254 105	981 195	(25 993)	955 202
Net profit	202 492	(4 032)	198 460	842 817	(20 548)	822 269
Net assets attributable to the company's equity holders				4 014 731	(27 337)	3 987 394

The impact of the first consolidation of insurance companies on the net assets of the BRE Bank Group on 1 January 2008.

	01.01.2008 before adjustments	the impact of consolidation of the insurance entities	01.01.2008 after adjustments
Net assets attributable to the company's equity holders	3 324 511	(6 789)	3 317 722

Detailed transformed financial data will be presented in relevant quarterly reports for the year 2009.

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

Fair value of derivative instruments

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

Impairment of equity securities available for sale

Impairment is regarded to occur if over a period of at least three months the listed price of the given security continues to be lower than the cost of its acquisition or the issuer incurs loss not covered by its equity within the period of one year, and in the case of the occurrence of other facts and circumstances providing indications of the impairment of value. In addition, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates which indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

Impairment of debt instruments available for sale

Impairment and increase in value of debt securities available for sale is determined at the date of valuation, i.e. the Balance Sheet date, separately for each category of debt security. Impairment is recognised, if over a period of at least three months the listed price of the given security persists at a level lower than its cost of acquisition as a result of higher credit risk, if the issuer incurs a loss not covered by his equity capital over a period of one year or in the event of other circumstances indicating impairment. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Profit and Loss Account.

Technical-insurance provisions

Provision for unpaid claims for damages which were raised to the insurer and in relation to which the information held does not enable to make an assessment of compensations 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 average value of loss arising from the given risk.

As at 31 December 2008 provision for losses arisen but not raised to the insurer (IBNR) yet, was calculated using Naive Loss Ratio ULR (Ultimate Loss Ratio) method which lies in establishing the value of loss on the only basis of expected loss-based ratio. The expected loss-based ratios are composed on the basis of available market studies concerning loss arising from given group of risks.

4. Business Segments

The classification by business segments is based on client groups and products 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 the presentation of financial results coupled with the business management model ensures constant focus on creating added value in relations with the Bank's and Group companies and should be seen as a primary division which serves best both managing and perceiving business within the Group.

The business activities of the Group are conducted in the following business segments:

1) Retail Banking, including private banking services, current accounts for retail customers, savings accounts, deposits, investment products, trust and fiduciary services, credit and debit cards, consumer and mortgage loans, term deposits for retail customers as well as microenterprises, financial settlements, operations on bills of exchange, checks and guarantees issue.

Since the beginning of the fourth quarter of 2007, the results of Retail Banking include the results of foreign branches of mBank: mBank Czech Republic and mBank Slovakia. Within the year 2008 the branches provided basic products such as current and savings accounts as well as cash loans and mortgage loans. The aim is to operate a full scope of services typical of retail banking.

Retail Banking also includes the results of BRE Wealth Management SA, emFinanse Sp. z o.o. as well as two insurance companies: BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. BRE Wealth Management SA provides corporate finance advisory and complex asset management services for wealthy private banking clients. Until the second half of 2008 the company emFinanse operated on the market of financial agents and advisors, selling bank products. In June 2008 the restructuring process began in order to strengthen the sales network of BRE Bank Retail Banking products through the change of emFinanse outlets into a sales network of BRE Bank Retail Banking products. The restructuring process was definitely completed and nowadays the company continues its activity but in a limited scope (mBank Mobile). The core business of BRE Ubezpieczenia TU SA is insurance activity within the scope of the second division of underwriting – Other personal insurances and property insurances. The company sells its products both through the Internet platform produced in cooperation with retail branches of BRE Bank and typical products known as bancassurance for customers of BRE Bank by hand of an underwriter, the company BRE Ubezpieczenia Sp. z o.o. Apart from services of an underwriter, the business of BRE Ubezpieczenia Sp. z o.o. includes services within the scope of settlements due to insurance agreements of insured persons.

2) Corporates and Markets - consists of two sub-segments:

2.1.) Corporates and Institutions, including current accounts, savings accounts and term deposits, trust and fiduciary activities, currency and derivative products, sell-buy-back and buy-sell-back transactions with the customers of the Bank, offering of investment products, credit cards and debit cards, business loans, as well as financial and operating leasing of vehicles, machines, office equipment, real estate as well as administration support in leasing of the above indicated fixed assets. Within that sub-segment, the Bank finances large projects with loans single-handedly and in syndicates with other banks.

The Bank's product offer within this business sub-segment, is targeted at large, medium-sized and small companies, as well as local governments. A significant part of the activities within the Corporates and Institutions segment consists of services supporting foreign trade transactions. The Bank's offer addressed to enterprises includes currency exchange, international transfers, checks, collection of payments, short-term loans, as well as a whole range of financial tools, such as purchasing of claims to receivables, forfaiting, letters of credit, bank guarantees, and others. Moreover, clients are offered financial instruments designed to hedge against foreign exchange risk exposure. The Bank also offers financial instruments used in interest rate risk management, including forward rate agreements (FRA), interest rate swaps (IRS), interest rate options, as well as cross-currency interest rate swaps (CIRS).

Within this sub-segment the Bank cooperates with domestic and foreign financial institutions (except transactions via nostro and loro accounts) in acquiring loans on the international inter-bank market. The Bank also administers overdrafts for import financing and refinancing investment loans for medium-sized and small companies, mainly from the with European Investment Bank.

The Corporates and Institutions sub-segment includes the results of the following subsidiaries: BRE Bank Hipoteczny SA, BRE Leasing Sp. z o.o., Dom Inwestycyjny BRE Banku SA, BRE Corporate Finance SA, Intermarket Bank AG, Polfactor SA, Transfinance a.s. and Magyar Factor zRt. The subsidiaries enrich the Bank's offer with commercial and municipal real estate financing, leasing, factoring, publicly traded stocks and securities, purchase and sales of securities on the account of client, merger and acquisition advisory, corporate restructuring consulting and privatization projects. The sub-segment has also comprised the results of BRE Holding Sp. z o.o. since the first quarter of 2008.

2.2.) Trading and Investment Activity, including financial instruments dealing, purchase and sale of stocks and securities on primary and secondary markets, i.e., transactions in Treasury Bills, Treasury Bonds, monetary bills of the National Bank of Poland, placements and deposits and FX swaps. The Bank also participates in the securities market, focusing on trading in securities on the primary and secondary markets, as well as repo and reverse repo transactions. Moreover the Bank is engaged in sell-buy-back and buy-sell-back transactions on the inter-bank market. The Bank also participates in money market inter-bank transactions.

Within the Trading and Investments sub-segment, the Bank underwrites issues of securities (bonds, investment bills and certificates of deposit) single-handedly and in syndicates with other banks.

The Bank also benefits from capital gains on its own investments portfolio, including direct and indirect stakes acquired with the objective of high long-term yields. Apart from the specialized organizational unit of the Bank managing the long-term investment portfolio, the segment also comprises the activities of Tele-Tech Investment Sp. z o.o., whose core business is to invest in securities, to trade in debt, to manage controlled companies and to provide advisory services. Proprietary investment also includes the results of Garbary Sp. z o.o. and BRE Finance France SA.

3) Asset Management (discontinued operations) includes the activity of PTE Skarbiec-Emerytura SA (PTE) for the first half of 2008. On 30 June 2008 PTE Skarbiec-Emerytura SA and Aegon PTE SA were merged together and on 30 December 2008 the Bank sold the shares of Aegon PTE SA, which were taken over as a result of the merger of the companies. Results of the transations of merger and sale were also included in the results of this area. Detailed information concerning the merger, sale and discontinued operations was presented under the Note 19 of these financial statements.

4) The remaining business of the Group includes the results on transactions not classified as strict business areas and the results of the companies BRE.locum SA and 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 funds transfers between the Bank's units are calculated on 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 term structure of assets and liabilities. Internal settlements concerning internal valuation of funds transfer have been reflected in the performance of each business.

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

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

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

The primary and unique basis used by the Group in the segment reporting is business line division. The Group does not distinguish geographic segments as reportable segments due to their immateriality.

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2008 to 31.12.2008
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**654 209**	**92 598**	**680 076**	**(18 910)**	**(13 091)**	**-**	**1 394 882**
- sales to external clients	757 570	250 845	394 932	2 430	(10 895)	-	1 394 882
- sales to other segments	(103 361)	(158 247)	285 144	(21 340)	(2 196)	-	-
Net fee and commission income	**375 728**	**(23 199)**	**163 040**	**13 795**	**(1 795)**	**37 690**	**565 259**
- sales to external clients	353 060	(4 527)	167 036	13 795	(1 795)	37 690	565 259
- sales to other segments	22 668	(18 672)	(3 996)	-	-	-	-
Unallocated costs	-	-	-	-	-	-	-
Gross profit / (loss) of the segment	**355 729**	**261 673**	**241 510**	**109 768**	**27 813**	**3 622**	**1 000 115**
Profit on operating acitivities	-	-	-	-	-	-	1 000 115
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit	-	-	-	-	-	-	1 000 115
Income tax	-	-	-	-	-	-	(110 771)
Net profit attributable to minority interest	-	-	-	-	-	-	31 885
Net profit	-	-	-	-	-	-	857 459
Assets of the segment	**28 784 735**	**28 055 818**	**27 262 452**	**183 470**	**962 760**	**(2 643 656)**	**82 605 579**
Total assets	-	-	-	-	-	-	82 605 579
Segment's liabilities	**44 519 580**	**13 530 755**	**21 980 929**	**119**	**531 853**	**(2 005 694)**	**78 557 542**
Total liabilities	-	-	-	-	-	-	78 557 542
Other items of the segment							-
Expenditures incurred on fixed assets and intangible assets	(202 478)	(11 826)	(144 386)	(764)	(18 798)	-	(378 252)
Amortisation/depreciation	(114 323)	(10 505)	(75 005)	(963)	(3 300)	376	(203 720)
Losses on credits and loans	(416 655)	(5 332)	(89 873)	-	(208)	-	(512 068)
Other costs/ income without cash outflows/ inflows*	-	(78 385)	4	-	-	-	(78 381)
- other non-cash costs	-	*(4 067 265)*	-	-	*(3)*	-	*(4 067 268)*
- other non-cash income	-	*3 988 880*	*4*	-	-	-	*3 988 884*

* Other costs/income without cash outflows/inflows include income and expenses arising from valuation of both trading financial instruments and foreign exchange result.

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2007 to 31.12.2007
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**556 947**	**63 964**	**431 516**	**(12 979)**	**(1 129)**	**(7 129)**	**1 031 190**
- sales to external clients	633 704	73 846	327 355	3 407	7	(7 129)	1 031 190
- sales to other segments	(76 757)	(9 882)	104 161	(16 386)	(1 136)	-	-
Net fee and commission income	**392 657**	**(17 400)**	**189 977**	**26 978**	**(712)**	**-**	**591 500**
- sales to external clients	374 336	(1 808)	192 706	26 978	(712)	-	591 500
- sales to other segments	18 321	(15 592)	(2 729)	-	-	-	-
Unallocated costs	-	-	-	-	-	-	-
Gross profit / (loss) of the segment	**444 811**	**131 930**	**227 507**	**91 285**	**80 808**	**(21 796)**	**954 545**
	-	-	-	-	-	-	-
Profit on operating acitivities	-	-	-	-	-	-	954 545
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**	**-**	**-**	954 545
Income tax	-	-	-	-	-	-	(206 928)
Net profit attributable to minority interest	-	-	-	-	-	-	37 523
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	710 094
Assets of the segment	**22 304 587**	**21 231 555**	**14 201 223**	**501 522**	**759 334**	**(3 056 321)**	**55 941 900**
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	55 941 900
Segment's liabilities	**31 534 832**	**9 870 498**	**12 927 618**	**12 543**	**632 240**	**(2 477 154)**	**52 500 577**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	52 500 577
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(170 508)	(12 094)	(91 711)	(1 853)	(9 292)	-	(285 458)
Amortisation/depreciation	(99 443)	(7 937)	(63 136)	(1 117)	(3 057)	(2 082)	(176 772)
Losses on credits and loans	(233 292)	(6 409)	(38 039)	-	(1 221)	-	(278 961)
Other costs/ income without cash outflows/ inflows*	-	(51 781)	(1)	-	-	-	(51 782)
- other non-cash costs	-	*(1 308 542)*	*(1)*	-	-	-	*(1 308 543)*
- other non-cash income	-	*1 256 761*	-	-	-	-	*1 256 761*

* Other costs/income without cash outflows/inflows include income and expenses arising from valuation of both trading financial instruments and foreign exchange result.

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

5. Net Interest Income

	Year ended 31 December	
	2008	**2007**
Interest income		
Loans and advances including the unwind of the impairment provision discount	2 676 897	1 713 284
Cash and short-term placements	370 352	268 495
Investment securities	317 532	184 481
Trading debt securities	236 785	154 418
Other	35 656	34 601
	3 637 222	**2 355 279**
Interest expense		
Arising from amounts due to banks and customers	(1 992 441)	(1 095 770)
Arising from issue of debt securities	(150 553)	(168 682)
Other borrowed funds	(82 086)	(58 460)
Other	(19 690)	(4 584)
	(2 244 770)	**(1 327 496)**

Interest income related to financial assets which have been impaired amounted to PLN 22 617 thousand (2007: PLN 12 555 thousand).

6. Net Fee and Commission Income

	Year ended 31 December	
	2008	**2007**
Fee and commission income		
Credit activity-related fees and commissions	178 997	201 515
Commissions from payment cards	206 445	152 787
Commissions from insurance activity	89 659	-
Fees from brokerage activity	73 491	138 611
Commissions from money transfers	72 718	76 074
Commissions from bank accounts	62 175	45 398
Commissions due to guarantees granted and trade finance commissions	39 257	39 182
Commissions on trust and fiduciary activities	10 164	10 997
Fees from portfolio management services and other management-related fees	8 385	10 755
Other	103 172	109 918
	844 463	**785 237**
Fee and commission expense		
Payment cards-related fees	(143 629)	(106 854)
Discharged brokerage fees	(20 713)	(24 094)
Other discharged fees	(128 655)	(90 011)
	(292 997)	**(220 959)**

The amount of other discharged fees comprises primarily commissions paid for sale of the Bank products.

7. Dividend Income

	Year ended 31 December	
	2008	**2007**
Trading securities	1 699	2
Securities available for sale	7 730	2 325
Dividend income, total	**9 429**	**2 327**

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

8. Net Trading Income

	Year ended 31 December	
	2008	**2007**
Foreign exchange result	**517 314**	**434 956**
Net foreign exchange differences from the translation	430 347	506 744
Net transaction gains and losses	86 967	(71 788)
Other net trading income	**(33 459)**	**51 512**
Interest-bearing instruments	(29 392)	18 522
Equities	(7 566)	23 444
Market risk instruments	3 499	9 546
Total net trading income	**483 855**	**486 468**

The "Foreign exchange result" includes profits and losses on spot transactions and forward contracts, options, futures and translated assets and liabilities denominated in foreign currencies. The "Interest-bearing instruments" include the profit/(loss) on money market instrument trading, swap contracts for interest rates and currencies (IRS), options and other derivative instruments. The "Equities" include the profit/(loss) on the global trade with equity securities and derivative equity instruments, such as swap contracts, options, futures and forward contracts. Market risk instruments result includes profits and losses on: bond futures, index futures, security options, stock exchange index options, and options on futures contracts as well as result from securities forward transactions and commodity swaps.

9. Gains less Losses from Investment Securities

	Year ended 31 December	
	2008	**2007**
Sale/redemption of the financial assets available for sale by the issuer	136 787	3 882
Impairment of available for sale equity securities	(1 022)	(48)
Total gains and losses from investment securities	**135 765**	**3 834**

The most impact on the value of sale/redemption of financial assets available for sale has had the result on the sale of shares of Vectra SA, which took place in the first quarter of 2008. The transaction of sale was described under item 4 of Selected Explanatory Information to the financial statements for the first quarter of 2008, published on 6 May 2008.

10. Other Operating Income

	Year ended 31 December	
	2008	**2007**
Income from sale or liquidation of tangible fixed assets and intangible assets and assets held for disposal	172 184	148 449
Income from services provided	44 350	49 417
Income from insurance activity net	20 513	-
Income due to release of provisions for future commitments	10 213	15 801
Income from recovering receivables designated previously as prescribed, remitted and uncollectible	5 048	2 553
Income from the release of impairment provisions for tangible fixed assets and intangible assets	-	1 830
Income from compensations, penalties and fines received	419	513
Other	13 778	31 098
Total other operating income	**266 505**	**249 661**

Income from sale or liquidation of tangible fixed assets, intangible assets as well as assets held for disposal comprises primarily income of the company BRE.locum from developer activity.

Income from services provided concerns non-banking services.

Income from insurance activity net comprises income from premiums, reinsurance and co-insurance activity, deducted by compensations disbursed and costs of liquidation and adjusted by the changes in provisions for compensations connected with insurance activity conducted within BRE Bank SA Group.

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

11. Impairment Losses on Loans and Advances

	Year ended 31 December	
	2008	**2007**
Impairment losses on amounts due from other banks	(21 895)	(631)
Impairemnt losses on off-balance sheet contingent liabilities due to other banks	(286)	(247)
Imapirment losses on loans and advances to customers	(233 747)	(71 213)
Impairment losses on off-balance sheet contingent liabilities due to customers	(13 216)	(4 719)
Total impairment losses on loans and advances	**(269 144)**	**(76 810)**

12. Overhead Costs

	Year ended 31 December	
	2008	**2007**
Staff-related expenses (Note 12A)	(739 256)	(628 586)
Material costs	(561 409)	(447 729)
Taxes and fees	(26 594)	(12 191)
Contributions and transfers to the Bank Guarantee Fund	(6 923)	(5 438)
Contributions to the Social Benefits Fund	(5 483)	(4 326)
Other	(6 936)	(5 049)
Total overhead costs	**(1 346 601)**	**(1 103 319)**

Staff-related Expenses (12A)

	Year ended 31 December	
	2008	**2007**
Wages and salaries	(593 944)	(521 439)
Social security expenses	(82 492)	(64 414)
Pension fund expenses	(981)	(3 433)
Salaries settled in the form of employee share options	(18 898)	(648)
Other staff expenses	(42 941)	(38 652)
Staff-related expenses, total	**(739 256)**	**(628 586)**

The average level of employment in the Group in four quarters of 2008 was 6 982 persons (v. 5 826 persons in four quarters of 2007).

13. Other Operating Expenses

	Year ended 31 December	
	2008	**2007**
Costs of sale or liquidation of tangible fixed assets, intangible assets and assets held for disposal	(114 627)	(89 775)
Impairment provisions created for other receivables (excluding loans and advances)	(8 604)	(1 111)
Receivables and liabilities recognised as prescribed, remitted and uncollectible	(4 466)	(3 698)
Donations made	(3 360)	(2 630)
Provisions for future commitments	(4 935)	(8 565)
Costs of sale of services	(1 968)	(3 957)
Impairment provisions created for tangible fixed assets and intangible assets under financial lease agreements and rentals	-	(1 367)
Compensation, penalties and fines paid	(788)	(402)
Impairment provisions created for tangible fixed assets and intangible assets	-	(367)
Other operating costs	(14 358)	(20 470)
Total other operating expenses	**(153 106)**	**(132 342)**

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

Costs of sale of services concern non-banking services.

IFRS Consolidated Financial Statements for the fourth quarter of 2008 PLN (000's)

14. Earnings per Share

Earnings per share for 12 months – continued operations

	Year ended 31 December	
	2008	**2007**
Basic:		
Net profit from continued operations attributable to the Bank's equity holders	726 826	623 454
Weighted average number of ordinary shares	29 680 542	29 578 675
Net basic profit per share (in PLN per share)	**24.49**	**21.08**
Diluted:		
Net profit from continued operations attributable to the Bank's equity holders, applied for calculation of diluted earnings per share	726 826	623 454
Weighted average number of ordinary shares	29 680 542	29 578 675
Adjustments for:		
- stock options for employees	20 704	29 464
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 701 246	29 608 139
Diluted earnings per share (in PLN per share)	**24.47**	**21.06**

Earnings per share for 12 months – together continued and discontinued operations

	Year ended 31 December	
	2008	**2007**
Basic:		
Net profit from continued and discontinued operations attributable to the Bank's equity holders	857 459	710 094
Weighted average number of ordinary shares	29 680 542	29 578 675
Net basic profit per share (in PLN per share)	**28.89**	**24.01**
Diluted:		
Net profit from continued and discontinued operations attributable to the Bank's equity holders, applied for calculation of diluted earnings per share	857 459	710 094
Weighted average number of ordinary shares	29 680 542	29 578 675
Adjustments for:		
- stock options for employees	20 704	29 464
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 701 246	29 608 139
Diluted earnings per share (in PLN per share)	**28.87**	**23.98**

15. Trading Securities and Pledged Assets

	31.12.2008	**31.12.2007**
Debt securities:	**5 713 217**	**6 985 554**
Government bonds included in cash equivalents and pledged government bonds (sell-buy-back transactions), including:	836 767	4 733 535
- pledged government bonds (sell-buy-back transactions)	716 356	2 717 473
Treasury bills included in cash equivalents and pledged treasury bills (sell-buy-back transactions), including:	874 579	25 623
- pledged treasury bills (sell-buy-back transactions)	380 428	14 362
Other debt securities:	4 001 871	2 226 396
Equity securities:	**8 188**	**4 263**
- listed	8 188	4 263
Debt and equity securities, including:	**5 721 405**	**6 989 817**
- Trading securities	*4 624 621*	*4 257 982*
- Pledged assets	*1 096 784*	*2 731 835*

The note above includes neither Treasury bills, government bonds pledged under the Bank Guarantee Fund in the amount of PLN 175 300 thousand (Treasury bills in 2007: PLN 80 442 thousand respectively) nor investment government bonds, pledged in sell-buy-back transactions, in the amount of PLN 2 173 197 thousand (2007: 0), which have been classified as investment securities (Note 17).

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16. Loans and Advances to Customers

	31.12.2008	31.12.2007
Loans and advances to individuals	26 288 839	13 876 425
Loans and advances to corporate entities	25 364 201	19 477 259
Loans and advances to public sector	680 898	599 155
Other receivables	669 035	412 529
Total (gross) loans and advances to customers	**53 002 973**	**34 365 368**
Provisions for loans and advances to customers (negative amount)	(859 775)	(682 703)
Total (net) loans and advances to customers	**52 143 198**	**33 682 665**
Short-term (up to 1 year)	16 241 845	13 824 483
Long-term (over 1 year)	35 901 353	19 858 182

The Group presents loans to microenterprises supported by retail banking of BRE Bank (mBank and MultiBank) under the item - loans and advances to individuals. Loans to microenterprises in presented reporting periods amount to respectively: 31 December 2008 – PLN 1 971 300 thousand, 31 December 2007 – PLN 1 147 600 thousand.

17. Investment Securities and Pledged Assets

	31.12.2008	31.12.2007
Debt securities	**7 754 415**	**6 078 433**
Listed, including:	7 702 443	6 014 425
- pledged government bonds (sell-buy-back transactions)	2 171 905	-
- government bonds pledged under the Bank Guarantee Fund	175 300	-
- Treasury bills pledged under the Bank Guarantee Fund	1 292	80 442
Unlisted	51 972	64 008
Equity securities	**96 394**	**388 583**
- listed	7 958	10 021
- unlisted	88 436	378 562
Total investment securities and pledged assets, including:	**7 850 809**	**6 467 016**
- Available for sale securities	*5 502 312*	*6 386 574*
- Pledged assets	*2 348 497*	*80 442*
Short-term (up to 1 year)	1 545 996	3 061 950
Long-term (over 1 year)	6 304 813	3 405 066

The presented above equity securities, valued at fair value, include provisions for impairment in the amount of PLN 20 941 thousand as at 31 December 2008 (31 December 2007: PLN 29 076 thousand respectively).

The above indicated note comprises government bonds pledged under the Bank Guarantee Fund and pledged investment government bonds (sell-buy-back transactions), which are presented in the Balance Sheet in a separate position "Pledged assets".

18. Amounts due to Customers

	31.12.2008	31.12.2007
Individual customers	20 815 167	12 932 340
Corporate customers	16 858 879	18 764 868
Public sector customers	76 202	704 655
Total amounts due to customers	**37 750 248**	**32 401 863**
Short-term (up to 1 year)	37 079 881	31 765 645
Long-term (over 1 year)	670 367	636 218

The Group presents amounts due to microenterprises supported by Retail Banking of BRE Bank (mBank and MultiBank) under the item – amounts due to individuals. The value of commitments due to current accounts as well as commitments due to term deposits taken from microenterprises in presented reporting periods amounts to: 31 December 2008 – PLN 1 550 900 thousand, 31 December 2007 – PLN 1 316 000 thousand respectively.

19. Non-current Assets and Liabilities Held for Sale and Discontinued Operations

On 29 June 2007, the Bank and Aegon Woningen Nova BV, a 100% shareholder of the company Powszechne Towarzystwo Emerytalne Ergo Hestia S.A. (PTE Ergo Hestia), signed the "PTE Ergo Hestia and PTE Skarbiec-Emerytura Merger Agreement" and the "Option Agreement". Details of these two Agreements were published by the Bank in financial statements prepared for previous reporting periods.

On 28 September 2007, the Bank was informed that the President of the Competition and Consumer Protection Office ("UOKiK") by decision of 27 September 2007 approved the concentration consisting in the merger of Aegon PTE SA and PTE Skarbiec-Emerytura SA. The UOKiK approval was one of the conditions necessary for the merger of these two pension fund companies.

On 7 November 2007, the two pension fund companies submitted merger applications to the Polish Financial Supervision Authority (KNF).

On 9 May 2008, KNF gave the approval of the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA together with other merger-related decisions.

On 30 June 2008, the registration court for the capital city of Warsaw registered the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA.

The merger consisted in the transfer of all assets of PTE Skarbiec–Emerytura SA, the acquired company, to Aegon PTE SA, the acquiring company.

In connection with the registration of the merger and with implementation of the above mentioned merger agreement, Aegon PTE SA transferred to the Bank 54 812 shares of Aegon PTE SA with a nominal value of PLN 1 000 per share. The shares represent 49.7% of the share capital of Aegon PTE SA and give 54 812 votes at the General Meeting of Aegon PTE SA, equivalent to 49.7% of the total number of votes at the General Meeting of the company.

Prior to the transaction, the Bank did not hold any shares of Aegon PTE SA.

Prior to the merger, the Bank held 8 516 181 shares of PTE Skarbiec-Emerytura SA representing 100% of the share capital and votes at the General Meeting of the company.

On 21 July 2008 BRE Bank and Aegon Woningen Nova BV entered into agreement on sale of shares of Aegon PTE, being the property of the Bank.

On 13 August 2008 Aegon PTE SA put a motion on behalf of Aegon Woningen Nova BV to the Polish Financial Supervision Authority concerning acquisition of 54 812 shares of Aegon PTE SA from BRE Bank which were obtained by BRE Bank in relation to the transaction of merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA.

On 17 December 2008 the Financial Supervision Authority issued its consent for Aegon Woningen BV to acquire 54 812 shares of Aegon PTE from the Bank, representing 49.7% of the share capital.

The KNF's decision, regarding purchase of the shares by Aegon Woningen BV from the Bank, is a final act of fulfilment of the suspending conditions arising from the agreement on the sale of the Aegon PTE's shares.

Ownership of the shares was transferred on 30 December 2008.

Following the sale of the aforesaid shares, the Bank has had no shares of Aegon PTE.

<u>Accounting for the merger and sale transaction:</u>

a) accounting for the merger and sale transaction in the stand-alone statements of BRE Bank

The value of the shares on the books of the Bank was PLN 335 819 thousand before the merger. On 30 June 2008, the Bank reversed revaluation of the shares of PTE Skarbiec-Emerytura on the books of the Bank to PLN 468 039 thousand. That value was calculated on the basis of the selling price in the amount of PLN 482 546 thousand less estimated transaction costs in the amount of PLN 14 507 thousand. Subsequently, the Bank booked the conversion of shares of PTE Skarbiec-Emerytura to shares of Aegon PTE SA.

The final sale price of the shares of Aegon PTE SA was upgraded to PLN 485 013 thousand in accordance with the price formula indicated in the agreement of sale.

The total profit before tax of BRE Bank on the reversed impairment and the conversion of shares of PTE Skarbiec-Emerytura SA to the shares of Aegon PTE SA and then the sale of the shares of Aegon PTE SA was PLN 134 392 thousand, net of the transaction costs, and it was recognised under "Gains less losses on investment securities" in the Profit and Loss Account. The profit before tax on the sale of shares of Aegon PTE SA was recognised in the fourth quarter of 2008 and it amounted to PLN 2 172 thousand.

b) accounting for the merger and sale transaction in the consolidated statements of the BRE Bank Group

The value of net assets and goodwill of PTE Skarbiec-Emerytura in the consolidated financial statements of the Group was PLN 348 952 thousand before the merger.

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The value of shares of Aegon PTE SA in the consolidated financial statements of the Group was PLN 416 150 thousand on the date of the merger and the sale and it was determined on the basis of the share conversion ratio and the fair value of the net assets of the merged companies pursuant to IFRS 3 "Business Combinations".

The BRE Bank Group's profit before tax on the merger of both companies as well as acquisition and sale of the shares of Aegon PTE SA in 2008 amounted to PLN 121 259 thousand of which the profit before tax on sale of the shares of Aegon PTE SA, recognised in the fourth quarter of 2008, amounted to PLN 54 061 thousand.

The profit of PTE Skarbiec-Emerytura SA generated in the first half of 2008 was presented under "Asset Management – Discontinued Operations" (Note 4) in the Group's business segment reporting.

Financial data presented below concern non-current assets (disposal groups) held for sale and discontinued operations as at 31 December 2008 and 31 December 2007.

Financial data concerning balance sheet positions connected with the assets held for sale as at 31 December 2008, 31 December 2007 are as follows:

	31.12.2008	31.12.2007
Assets held for sale, including:		
Loans and advances to banks	-	4 064
Investment securities	-	88 744
- held to maturity	-	88 744
Intangible assets (including goodwill)	-	221 012
Tangible fixed assets	-	1 336
Deferred income tax assets	-	1 307
Other assets	-	19 615
Total assets held for sale	**-**	**336 078**

	31.12.2008	31.12.2007
Liabilities held for sale, including:		
Other liabilities	-	10 596
Provisions	-	1 947
Total liabilities held for sale	**-**	**12 543**

Financial data concerning Profit and Loss Account items related to assets held for sale and discontinued operations for the period from 1 January to 31 December 2008 and the period from 1 January to 31 December 2007 are as follows:

	Year ended 31 December	
	2008	**2007**
Interest income	2 430	3 407
Net interest income	**2 430**	**3 407**
Fee and commission income	25 376	46 347
Fee and commission expense	(11 583)	(19 125)
Net fee and commission income	**13 793**	**27 222**
Net trading income, including:	(1)	(4)
Foreign exchange result	*(1)*	*(4)*
Gains less losses from investment securities	-	2 731
Other operating income	701	38
Overhead costs	(4 935)	(8 290)
Amortization and depreciation	(245)	(448)
Other operating expenses	(33)	(5 124)
Operating profit	**11 710**	**19 532**
Income from sale / income from merger of assets held for disposal*	121 259	89 458
Profit (loss) before income tax from discontinued operations	**132 969**	**108 990**
Income tax expense	(2 336)	(22 350)
Net profit (loss) from discontinued operations including minority interest	**130 633**	**86 640**
Net profit attributable to minority interest	-	-
Net profit (loss) from discontinued operations	**130 633**	**86 640**

* As at 31 December 2007, the amount of PLN 89 458 thousand is an income from sale of shares of Skarbiec Asset Management Holding SA. As at 31 December 2008, the amount 121 259 thousand is the Group's income from merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA and sale of the shares of Aegon PTE SA.

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Financial data concerning cash flows related to assets held for sale and discontinued operations for the period from 1 January to 31 December 2008 and the period from 1 January to 31 December 2007 are as follows:

	Year ended 31 December	
	2008	**2007**
Cash flow from operating activities	10 680	(5 404)
Cash flows from investing activities	485 013	153 915
including sale of assets held for sale	*485 013*	*154 705*

Earnings per share for 12 months – discontinued operations

	Year ended 31 December	
	2008	**2007**
Basic:		
Net profit from discontinued operations attributable to the Bank's equity holders	130 633	86 640
Weighted average number of ordinary shares	29 680 542	29 578 675
Net basic profit per share (in PLN per share)	**4.40**	**2.93**
Diluted:		
Net profit from discontinued operations attributable to the Bank's equity holders, applied for calculation of diluted earnings per share	130 633	86 640
Weighted average number of ordinary shares	29 680 542	29 578 675
Adjustments for:		
- stock options for employees	20 704	29 464
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 701 246	29 608 139
Diluted earnings per share (in PLN per share)	**4.40**	**2.93**

Selected explanatory information

1. Compliance with International Financial Reporting Standards

The presented concise report for the fourth quarter of 2008 fulfills the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to the interim financial reports.

2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial report

A detailed description of the accounting policy principles of the Group are presented under items 2 and 3 of the Notes to the Consolidated Financial Statements for the fourth quarter of 2008. The accounting policies were applied consistently over all of the periods presented in the financial statements.

3. Seasonal or cyclical nature of the business

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

4. The 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 accordance with the agreement as of 4 November 2008 between BRE Bank and Commerzbank the Bank received a loan in the amount of CHF 1 000 000 thousand (PLN 2 386 200 thousand at average NBP exchange rate of 4 November 2008) for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, interest rate is based on LIBOR 3M plus margin.
- In accordance with the agreement as of 5 December 2008 between BRE Bank and Commerzbank the Bank received a loan in the amount of CHF 1 000 000 thousand (PLN 2 535 900 thousand at average NBP exchange rate of 5 December 2008) for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, interest rate is based on LIBOR 3M plus margin.
- On 30 December 2008 Aegon PTE SA sold its shares which were taken over by the Bank as a result of the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA on 30 June 2008. The transactions of merger and sale were described in detail under the Note 19.

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

In the fourth quarter of 2008 there were no significant changes in estimate values of items presented in the previous rotary periods.

6. Issues, redemption and repayment of debt and equity securities

In the fourth quarter of 2008 BRE Bank redeemed deposit certificates in the amount of PLN 15 000 thousand. The company BRE Bank Hipoteczny issued bonds in the amount of PLN 258 000 thousand and mortgage bonds in the amount of PLN 150 000 thousand. In the same period the company redeemed bonds in the amount of PLN 532 000 thousand and mortgage bonds in the amount of PLN 200 000 thousand. Moreover, in the fourth quarter of 2008 BRE Leasing issued short-term bonds in the amount of PLN 31 300 thousand. In the same period, redemption in the amount of PLN 146 300 thousand took place at the company.

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 2007, adopted on 14 March 2008 by the 21st Ordinary General Shareholders Meeting of BRE Bank SA, no dividend for 2007 was paid.

8. Income and profit by business segment

Income and profit by business segment within the Group are presented on the consolidated level in item 4 of the Notes to the Consolidated Financial Statements.

9. Significant events after the end of the fourth quarter of 2008, which were not reflected in the financial statement

The above indicated events did not occur in the Group.

10. The effect of changes in the structure of the entity in the fourth quarter of 2008, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

Apart from changes described in the Note 19 of these financial statements concerning sale of the shares of Aegon PTE SA, the above indicated events had no significant impact on the Group in the fourth quarter of 2008.

11. Changes in contingent liabilities and commitments

In the fourth quarter of 2008 there were no changes in contingent liabilities and commitments of a credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

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

The above indicated events did not occur in the Group.

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

In the fourth quarter of 2008, no significant impairment write-offs were recorded in relation to any tangible fixed assets or intangible assets nor were any significant reversals on such account recorded in the Group.

14. Reversals of provisions against restructuring costs

The above indicated events did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the fourth quarter of 2008, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and developer operations that are performed by the companies of the Group.

16. Liabilities assumed on account of acquisition of tangible fixed assets

The above indicated events did not occur in the Group.

17. Corrections of errors from previous reporting periods

In the fourth quarter of 2008, there were no corrections of errors from previous reporting periods.

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

The above indicated events did not occur in the Group.

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Position of the Management on the probability of performance of previously published profit/loss forecasts for the year in the light of the results presented in the quarterly report compared to the forecast

BRE Bank did not publish a performance forecast for 2008. The description of the business strategy and goals of the Bank published in current report no. 25/2007 is not a performance forecast in the sense of § 5.1.25 of the Regulation of the Minister of Finance of 19 October 2005 on current and periodic reports published by issuers of securities (Journal of Laws from 2005, No. 209, item 1744).

20. Registered share capital

The total number of ordinary shares as at 31 December 2008 was 29 690 882 shares (v. 29 660 668 as at 31 December 2007) with PLN 4 nominal value each (PLN 4 in 2007). All issued shares were fully paid.

REGISTERED SHARE CAPITAL (THE STRUCTURE)								
Series / issue	**Share type**	**Type of privilege**	**Type of limitation**	**Number of shares**	**Series / issue value**	**Paid up**	**Registered on**	**Dividend right since**
11-12-86	ordinary bearer**	-	-	9 972 500	39 890 000	fully paid up in cash	23-12-86	01-01-89
11-12-86	ordinary registered**	-	-	27 500	110 000	fully paid up in cash	23-12-86	01-01-89
20-10-93	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	04-03-94	01-01-94
18-10-94	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	17-02-95	01-01-95
28-05-97	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	10-10-97	10-10-97
27-05-98	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	20-08-98	01-01-99
24-05-00	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	15-09-00	01-01-01
21-04-04	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	30-06-04	01-01-04
21-05-03	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	01-01-05
21-05-03	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	01-01-05
21-05-03	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-05*	01-01-05
21-05-03	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-05*	01-01-05
21-05-03	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-05*	01-01-05
21-05-03	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-05*	01-01-05
21-05-03	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-05*	01-01-05
21-05-03	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-05*	01-01-05
21-05-03	ordinary bearer	-	-	53 320	213 280	fully paid up in cash	10-01-06*	10-01-06*
21-05-03	ordinary bearer	-	-	3 040	12 160	fully paid up in cash	10-01-06*	10-01-06*
21-05-03	ordinary bearer	-	-	46 230	184 920	fully paid up in cash	08-02-06*	08-02-06*
21-05-03	ordinary bearer	-	-	19 700	78 800	fully paid up in cash	08-02-06*	08-02-06*
21-05-03	ordinary bearer	-	-	92 015	368 060	fully paid up in cash	09-03-06*	09-03-06*
21-05-03	ordinary bearer	-	-	19 159	76 636	fully paid up in cash	09-03-06*	09-03-06*
21-05-03	ordinary bearer	-	-	8 357	33 428	fully paid up in cash	11-04-06*	11-04-06*
21-05-03	ordinary bearer	-	-	800	3 200	fully paid up in cash	11-04-06*	11-04-06*
21-05-03	ordinary bearer	-	-	108 194	432 776	fully paid up in cash	16-05-06*	16-05-06*
21-05-03	ordinary bearer	-	-	20 541	82 164	fully paid up in cash	16-05-06*	16-05-06*
21-05-03	ordinary bearer	-	-	17 000	68 000	fully paid up in cash	09-06-06*	09-06-06*
21-05-03	ordinary bearer	-	-	2 619	10 476	fully paid up in cash	09-06-06*	09-06-06*
21-05-03	ordinary bearer	-	-	33 007	132 028	fully paid up in cash	10-07-06*	10-07-06*
21-05-03	ordinary bearer	-	-	2 730	10 920	fully paid up in cash	10-07-06*	10-07-06*
21-05-03	ordinary bearer	-	-	48 122	192 488	fully paid up in cash	09-08-06*	09-08-06*
21-05-03	ordinary bearer	-	-	700	2 800	fully paid up in cash	12-09-06*	12-09-06*
21-05-03	ordinary bearer	-	-	3 430	13 720	fully paid up in cash	11-10-06*	11-10-06*
21-05-03	ordinary bearer	-	-	38 094	152 376	fully paid up in cash	10-11-06*	10-11-06*
21-05-03	ordinary bearer	-	-	15 005	60 020	fully paid up in cash	08-12-06*	08-12-06*
21-05-03	ordinary bearer	-	-	800	3 200	fully paid up in cash	10-01-07*	10-01-07*
21-05-03	ordinary bearer	-	-	200	800	fully paid up in cash	16-02-07*	16-02-07*
21-05-03	ordinary bearer	-	-	1 150	4 600	fully paid up in cash	09-03-07*	09-03-07*
21-05-03	ordinary bearer	-	-	9 585	38 340	fully paid up in cash	09-03-07*	09-03-07*
21-05-03	ordinary bearer	-	-	600	2 400	fully paid up in cash	11-04-07*	11-04-07*
21-05-03	ordinary bearer	-	-	32 964	131 856	fully paid up in cash	17-05-07*	17-05-07*
21-05-03	ordinary bearer	-	-	2 700	10 800	fully paid up in cash	15-06-07*	15-06-07*
21-05-03	ordinary bearer	-	-	8 640	34 560	fully paid up in cash	12-07-07*	12-07-07*
21-05-03	ordinary bearer	-	-	41 898	167 592	fully paid up in cash	14-08-07*	14-08-07*
21-05-03	ordinary bearer	-	-	400	1 600	fully paid up in cash	14-09-07*	14-09-07*
21-05-03	ordinary bearer	-	-	2 540	10 160	fully paid up in cash	11-10-07*	11-10-07*
21-05-03	ordinary bearer	-	-	30 807	123 228	fully paid up in cash	15-11-07*	15-11-07*
21-05-03	ordinary bearer	-	-	12 349	49 396	fully paid up in cash	13-12-07*	13-12-07*
21-05-03	ordinary bearer	-	-	700	2 800	fully paid up in cash	13-02-08*	13-02-08*
21-05-03	ordinary bearer	-	-	2 410	9 640	fully paid up in cash	19-03-08*	19-03-08*
21-05-03	ordinary bearer	-	-	650	2 600	fully paid up in cash	15-04-08*	15-04-08*
21-05-03	ordinary bearer	-	-	18 609	74 436	fully paid up in cash	19-05-08*	19-05-08*
21-05-03	ordinary bearer	-	-	4 900	19 600	fully paid up in cash	13-06-08*	13-06-08*
21-05-03	ordinary bearer	-	-	2 945	11 780	fully paid up in cash	10-07-08*	10-07-08*
Total number of shares				**29 690 882**				
Total registered share capital					**118 763 528**			
Nominal value per share (in PLN)			**4**					

* date of registration of shares in National Securities Deposit (KDPW SA)
** as at the balance sheet date

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21. Material share packages

There was a change in the holding of material share packages of BRE Bank SA in the fourth quarter of 2008.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 December 2008 it held 69.7847% of the share capital and votes at the General Meeting of BRE Bank SA (as at 30 September 2008 – 69.7847%).

In accordance with the notification sent to BRE Bank, Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK held 1 498 598 shares of BRE Bank, which currently constitute 5.05% of the share capital of BRE Bank SA and authorize to exercise 1 498 598 votes at the General Meeting of BRE Bank SA, representing 5.05% of general number of votes at the General Meeting of BRE Bank SA.

22. Change in Bank shares and options held by Managers and Supervisors

	Number of shares held as at the date of publishing the report for Q3 2008	Number of shares acquired from the date of publishing the report for Q3 2008 to the date of publishing the report for Q4 2008	Number of shares sold from the date of publishing the report for Q3 2008 to the date of publishing the report for Q4 2008	Number of shares held as at the date of publishing the report for Q4 2008
Management Board				
1. Mariusz Grendowicz	-	-	-	-
2. Wiesław Thor	5 609	-	-	5 609
3. Przemysław Gdański	-	-	-	-
4. Karin Katerbau	-	-	-	-
5. Bernd Loewen	-	-	-	-
6. Jarosław Mastalerz	1 378	-	1 378	-
7. Christian Rhino	-	-	-	-

As at the date of publishing the report for the third quarter of 2008 and as at the date of publishing the report for the fourth quarter of 2008, the Members of the Management Board had no Bank share options and they have no Bank share options.

The Members of the Supervisory Board of BRE Bank SA had neither Bank shares nor Bank share options and they have neither Bank shares nor Bank share options.

23. Earnings per share (stand-alone data)

Earnings per share for 12 months

	Year ended 31 December 2008	2007
Basic:		
Net profit	829 531	637 231
Weighted average number of ordinary shares	29 680 542	29 578 675
Net basic profit per share (in PLN per share)	**27.95**	**21.54**
Diluted:		
Net profit attributable to the shareholders, applied for calculation of diluted earnings per share	829 531	637 231
Weighted average number of ordinary shares in issue	29 680 542	29 578 675
Adjustments for:		
- stock options for employees	20 704	29 464
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 701 246	29 608 139
Diluted earnings per share (in PLN per share)	**27.93**	**21.52**

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

As at 31 December 2008, BRE Bank SA ("Bank") was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries whose value would be equal to or greater than 10% of the Bank's equity. Moreover, the total value of claims concerning liabilities of the issuer or its subsidiary in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2008 also was not greater than 10% of the issuer's equity.

Report on major proceedings concerning contingent liabilities of the issuer

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

   At present proceedings against BRE Bank in the Court of Jerusalem takes place 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 40.0 million according to the average exchange rate of the National Bank of Poland of 31 December 2008). 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. The proceeding is at a pre-trial stage, i.e., prior to the first hearing. Parties of the lawsuit consider handing over a case to mediation in order to an independent specialist should examine legal status of the actual condition arisen.

2. Lawsuit brought by the Official Receiver of bankrupt Zakłady Mięsne POZMEAT SA with its registered office in Poznań ("Pozmeat") against the Bank and Tele-Tech Investment Sp. z o.o. ("TTI")

   The Official Receiver of bankrupt Pozmeat brought the case against the Bank and TTI to court on 29 July 2005. The value of the dispute amounted to PLN 100 000 thousand. The purpose was to cancel Pozmeat's agreements to sell shares of Garbary Sp. z o.o. ("Garbary") to TTI and then to the Bank. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings, representing the only assets of Garbary on the date of sale of Pozmeat's interest in Garbary (19 July 2001). The District Court in Warsaw has granted the receiver a security by forbidding BRE Bank to dispose of or to encumber the interests in Garbary.

   On 8 October 2008 the Court issued a verdict in which dismissed the bankrupt's complaint in its entirety. The verdict is not in force yet, the official receiver of bankrupt filed an appeal on 8 December 2008.

3. Lawsuit brought by Bank BPH SA ("BPH") against Garbary

   Bank BPH SA 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 recognize actions related to the creation of Garbary and the contribution in kind as ineffective. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that Zakłady Mięsne POZMEAT contributed in kind to Garbary as payment for Pozmeat's stake in the PLN 100 000 thousand share capital of Garbary. 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, IX Division of Economics, 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.

   The dispute focuses on determination of the value of the right to perpetual usufruct of real estate located at Garbary Street on the day (December 2000) of contribution in kind of the right to perpetual usufruct to Milenium Center Sp. z o.o. (now Garbary Sp. z o.o.). The claimant filed for hearing of over twenty witnesses. The Court has not yet made a decision on personal evidence. This might cause a risk of long hearing of evidence in the court of first instance.

   Legal counsellors of Garbary raised an objection that there are no grounds for accepting representation in proceedings at law of Pekao SA Bank in the place of BPH SA Bank. The Court should dismiss the claim against Garbary Sp. z o.o., if it agrees on the standpoint of Garbary.

4. Lawsuit brought by Bank BPH SA against BRE Bank SA and Tele-Tech Investment Sp. z o.o.

   Bank BPH SA on 17 November 2007 brought to court a case to pay damages in the amount of PLN 34 880 thousand with statutory interests from 20 November 2004 to the day of payment, due to alleged illegal actions such as the sale by ZM Pozmeat SA to Tele-Tech Investment Sp. z o.o. 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, when insolvency was a threat to the company.

   The case was filed with the District Court in Warsaw. The Court has not set the date of the first trial in this case. In the light of the action, the claimed amount of damages of PLN 34 880 thousand is equivalent to the claim of the creditor under a credit agreement between ZM Pozmeat SA and Bank BPH SA not paid to date in the bankruptcy proceeding of ZM Pozmeat SA.

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The defendants filed a reply to the claim, where they request for dismissal of the claim due to the lack of right of action on the part of the claimant. In case the District Court does not accept their arguments, the defendants refer to the merit of the claim, raising an objection that their actions were not illegal and that the claimant has not proven to have incurred losses.

5. Claims of the clients of Interbrok

As at 2 February 2009 the Bank was requested by 62 entities who were the client of Interbrok Investment E. Drożdż i Spółka Spółka jawna (further referred to as Interbrok) to pay compensation claims in a total amount of PLN 139 120 thousand. 57 entities called the Bank for settlement of the matter amicably via the District Court in Warsaw. Additionally, by 2 February 2009 8 legal suits have been delivered to the Bank where former clients of Interbrok claimed compensation in the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. In all court cases Bank moves for dismissal of the claims wholly and objects to charges included 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 discussed case. Therefore BRE Bank Group SA did not create provisions for the above claims.

As at 31 December 2008, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2008 did not go above 10% of the issuer's equity.

Taxes

Within the period from 14 May to 30 June 2008, the officers of the First Mazovian Treasury Office carried out tax audits, concerning correctness of the payment of the corporate income tax to the Treasury for the period from 1 January to 31 December 2005. The audits did not indicate any irregularities that would have material impact on the financial statements.

In the fourth quarter of 2007, tax audits concerning correctness of the payment of the corporate income tax to the Treasury for the year 2002 were carried out at the BRE Bank and the findings of the audits were presented in the report of 21 December 2007. The audits did not indicate essential irregularities and consequently BRE Bank did not make any reservations or explanations to the report.

There were no tax audits at the companies of the Group within four quarters of 2008 or within the year 2007.

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.

25. Off-balance sheet liabilities

Off-balance sheet liabilities as at 31 December 2008 and 31 December 2007.

Consolidated data

as at	31.12.2008	31.12.2007
Contingent liabilities granted and received	**20 735 831**	**19 594 648**
Commitments granted	**19 152 615**	**17 359 638**
- financing	15 940 051	14 101 941
- guarantees	3 027 249	2 739 787
- other commitments	185 315	517 910
Commitments received	**1 583 216**	**2 235 010**
- financing	956 208	1 317 021
- guarantees	627 008	635 627
- other commitments	-	282 362
Derivative financial instruments	**654 609 081**	**632 234 990**
- interest rate derivatives	561 929 698	536 404 414
- FX derivatives	91 281 575	93 879 246
- market risk derivatives	1 397 808	1 951 330
Total off-balance sheet items	**675 344 912**	**651 829 638**

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Stand-alone data

as at	31.12.2008	31.12.2007
Contingent liabilities granted and received	**18 976 682**	**17 350 717**
Commitments granted	**18 419 046**	**16 366 707**
- financing	14 963 786	12 409 672
- guarantees	3 020 853	3 439 125
- others	434 407	517 910
Commitments received	**557 636**	**984 010**
- financing	74 057	500 000
- guarantees	483 579	484 010
Derivative financial instruments	**656 809 303**	**631 437 785**
- interest rate derivatives	563 830 533	535 518 827
- FX derivatives	91 580 962	93 967 628
- market risk derivatives	1 397 808	1 951 330
Total off-balance sheet items	**675 785 985**	**648 788 502**

26. 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 in 100% controlled by Commerzbank AG.

All transactions between the Bank and related entities, exceeding the equivalent of EUR 500 000 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 accordance with the agreement as of 4 November 2008 between BRE Bank and Commerzbank the Bank received a loan in the amount of CHF 1 000 000 thousand (PLN 2 386 200 thousand at average NBP exchange rate of 4 November 2008) for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, interest rate is based on LIBOR 3M plus margin.
- In accordance with the agreement as of 5 December 2008 between BRE Bank and Commerzbank the Bank received a loan in the amount of CHF 1 000 000 thousand (PLN 2 535 900 thousand at average NBP exchange rate of 5 December 2008) for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, interest rate is based on LIBOR 3M plus margin.

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., receivable balances and commitment balances and related expenses and income as at 31 December 2008 and 31 December 2007 are as follows:

Numerical data concerning transactions with related entities (in PLN '000) as at 31 December 2008

No.	Company's name	Balance sheet		Profit and Loss Account				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	847	-	-	2	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	715	-	(1)	1	-	-	-
3	BRE Systems Sp. z o.o. (previously: ServicePoint Sp. z o.o.)	-	150	9	(6)	17	-	1 000	-
	Associates								
	Xtrade SA	-	34	-	(4)	7	-	-	-
	Ultimate Parent Group								
	Commerzbank AG Capital Group	1 834 878	24 587 002	38 424	(549 414)	-	-	580 504	557 636

Numerical data concerning transactions with related entities (in PLN '000) as at 31 December 2007

No.	Company's name	Balance sheet		Profit and Loss Account				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	354	-	-	2	-	-	-
2	BRE Holding Sp. z o.o.	-	98	-	-	-	-	-	-
3	BRE Ubezpieczenia TU SA	-	8 383	-	(121)	2	-	-	-
4	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	1	-	(8)	1	-	-	-
5	BREL-MAR Sp. z o.o.	-	1	-	-	1	-	-	-
6	ServicePoint Sp. z o.o.	155	74	1	(14)	10	-	345	-
	Associates								
	Xtrade SA	-	61	-	(4)	7	-	-	-
	Ultimate Parent Group								
	Commerzbank AG Capital Group	387 525	9 861 963	25 838	(246 096)	-	-	54 308	106 369

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

As at 31 December 2008 no exposure under extended guarantees in excess of 10% of the equity occurred in the Bank.

28. 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

- In the Resolution of 27 October 2008 the XVI Extraordinary General Meeting of BRE Bank SA approved the Bank Supervisory Board's appointment of Mr Andre Carls as a Member of the BRE Bank Supervisory Board.
- On 19 November 2008, in accordance with the Resolution of the Supervisory Board of BRE Bank SA as of 5 September 2008, Mr Przemysław Gdański was appointed as Member of the Management Board, Bank Executive Director for the period until the end of the current term of office of the Management Board.

29. Factors affecting the results in the coming quarter

Apart from operating activity of the Bank and the companies of the Group, in the first quarter of 2009 no other events which would have an impact on the profit of this period are expected.