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Management Board comments

on BRE Bank Group results

in Q1/2010

Introduction

Q4 2009 macroeconomic statistics demonstrated that the Polish economy moved past the period of the biggest slowdown. GDP growth in 2010 is estimated to reach 3.0% YoY however it is expected that the GDP rate decreased (only temporarily) in Q1 2010 impacted by among others unfavourable weather conditions.

Despite the challenging market conditions BRE Bank Group returned to profitable growth.

Net profit attributable to Owners of BRE Bank SA stood at PLN 115,416 thousand and profit before tax reached PLN 157,774 thousand in Q1 2010, up by 49.5% and 52.7% year on year and up by 183% and 92.6% QoQ respectively.

BRE Bank Group's income[1] was PLN 688,973 thousand in Q1 2010, up by 2.4% (PLN 16,488 thousand) year on year and down by 6.9% (PLN 50,871 thousand) quarter on quarter. Adjusting for non-recurring effects of Q4 2009, accumulating to PLN 59,371 thousand (PZU dividend for PLN 96,218 thousand, extraordinary write offs of PLN -24,426 thousand and provisions for future liabilities for PLN -12,421 thousand) total income was up 1.3% QoQ.

The Group reported an increase of income on its recurrent business, including in particular an increase of net commission income by 14.4% QoQ. This was achieved in combination with a decline of overhead costs (PLN -81,168 thousand QoQ), mainly thanks to initiatives of the strategic programme BREnova implemented in 2009 and which bear their fruits in 2010. Owing to cost-saving initiatives in BRE Bank Group, administrative costs in Q1 2010 were down year on year and significantly lower quarter on quarter.

Furthermore a continued decrease of newly built loan loss provisions was observed (-11.3% QoQ, -15.7% YoY).

As to the Group's net interest income the main drivers of a decrease reported in Q1 2010 (-6.5% QoQ) included slightly lower market interest rates on liquidity portfolio, less calendar days compared to previous quarter, lower lending volumes and appreciation of PLN, resulting in a reduction of the PLN value of fx loans. At the same time new clients continued to grow the Group's franchise and deposit volumes (up by 5% QoQ).

Thanks to the continuing high level of income and constant monitoring of incurred cost levels, productivity as measured by the cost/income ratio (CIR)[2] further improved, which should be emphasised considering that the annual level of this ratio in 2009 was the lowest in five years. The Group's CIR reached 51.4% at the end of Q1 2010, down by 2 percentage points from 53.4% at the end of Q1 2009.

BRE Bank Group's return on equity[3] was 14.7% p.a. in 2010, compared to 10.4% in the same period of 2009.

The main drivers of the financial results in Q1 2010 were as follows:

1. The deposit base continued to grow mainly as a result of successful client acquisition: amounts due to clients in Q1 2010 increased by PLN 2,140,060 thousand (+5%) QoQ and by PLN 9,631,627 thousand (+27.3%) year on year (including a 29.6% yearly increase in retail customers' deposits). As a result, BRE improved its market share in retail deposits (to 5.5%) and corporate deposits (to 9.3%). The loans to deposits ratio continued to improve, which in turn underlines that the liquidity of BRE Bank Group further improved thus creating opportunities for safe growth of sales of profitable credit products.
2. The decrease of Loans and advances to customers (gross balance sheet value down by 2.6% quarter on quarter) was mainly a result of appreciation of the zloty and sluggish clients' demand (partially as a result of the harsh winter). Also BRE corporate portfolio was subject to the accumulation of large maturities in Q1 2010.
3. The credit margin was maintained at a high level: it was stable after the strong increase reported in 2009. The margin had increased thanks to the new product pricing policy, both in retail and corporate banking, and a change in the structure of products in favour of loans granted to retail clients. As a result, the credit margin had grown in 2009 and the share of stable and regular income of the Group increased.
4. Significant increase of Loans and advances to banks and Investment securities as a result of a change in the liquid assets portfolio to more effective as well as new funding sources allocation.
5. BRE Bank Group's net interest margin[4] decreased to 2% p.a. (down from 2.3% in Q4 2009), mainly as a consequence of a decrease in the value of the loans portfolio and a decrease of the share of Loans and advances to customers in total interest-earning assets. Additional factors which impacted the net interest margin were the continued downward trend of market interest rates, less calendar days compared to the previous quarter as well as continued growth of the deposit base.

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[1] including: Net interest income, Net fee and commission income, Dividend income, Gains less losses from investment securities, Other operating income and Other operating costs

[2] CIR measured as overhead costs and depreciation to operating income including net interest income, net commission income, dividend income, trading income, income on investment securities, and net other operating income and cost

[3] profit before tax to the average equity excluding the profit of the period, including minority interests; the average equity is calculated in the basis of equity at the end of each month of the reporting period

[4] net interest income to average total interest-earning assets calculated on the basis of average interest-earning assets at the end of each month of the reporting period

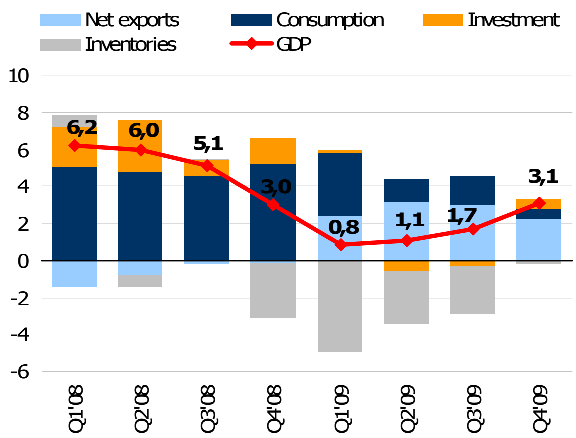
6. Strong increase of Net fee and commission income, up by 14.4% QoQ, mainly thanks to growth across all major commission sources including especially insurance activity, investment funds sales as well as credit related fees. At the same time net trading income increased QoQ due to a higher fx result and income on interest rate instruments (+16.1% QoQ).
7. Strict cost management was maintained as planned, both at the Bank and the subsidiaries, which allowed BRE Bank Group to achieve a cost/income ratio of 51.4% in Q1 2010 markedly down from 53.4% in Q1 2009. The total cost base in Q1 2010 (overhead costs and depreciation) was 22.7% lower compared to Q4 2009 (due to seasonal factors) and decreased by 1.4% YoY.
8. The loan loss provisions created in Q1 2010 were significantly lower quarter on quarter and year on year (-11.3% and -15.7% respectively). BRE Bank Group's NPLs ratio for the portfolio of loans and advances to customers was 4.9% in Q1 2010 vs 4.7% at the end of 2009.

Macroeconomic Situation in Q1 2010

GDP

Poland reported positive GDP growth in 2009 (at 1.7%) and stood out in this regard among all countries of the region and all EU member states. Starting in Q1 2009, the annual GDP rate gradually accelerated from 0.8% YoY in Q1 2009 to 3.1% YoY in Q4 2009. Q4 2009 statistics demonstrate that the Polish economy has moved past the period of the biggest slow-down. Like in all of 2009, the main contribution to the GDP rate of 3.1% YoY in Q4 2009 was that of net exports (2 percentage points). The volume of exports increased in Q4 2009 (by 0.6% YoY) for the first time since the beginning of the slow-down. The volume of imports decreased (down by only 4.9% YoY) less than in the previous three quarters.

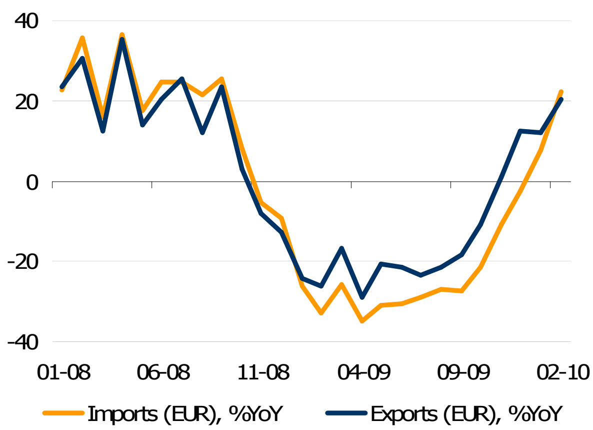
Contributions of main categories to real GDP growth (percentage points)



Symptoms of recovery in the economies of Poland's main trade partners and monthly balance of payments statistics for January and February suggest that the growth rate of exports and imports should be positive in Q1 2010. However, the foreign trade volume remains below that reported before the financial crisis.

Positive statistics of investment demand in Q1 2010 (up by 1.6% YoY; total investments decreased in Q2 and Q3 2009) were mainly driven by the high growth rate of public spending resulting from the inflow of structural funds. According to our estimates, unfavourable weather conditions in Q1 2010 affected the dynamics of infrastructure investments (output in construction fell by 15.2% YoY in Q1 2010). However, the impact of low temperatures was temporary and does not mark a reversal of the trend. Meanwhile, the dynamics of private investments remained negative.

Imports and exports growth rate (%YoY)

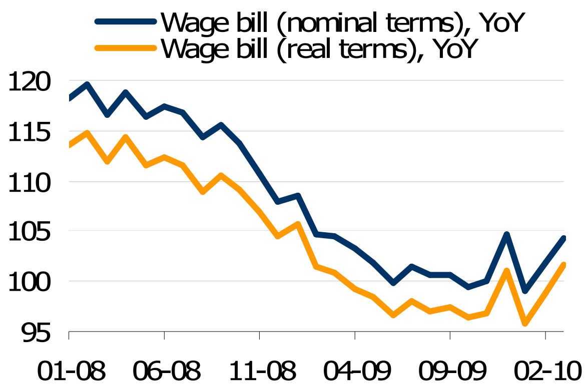


Private consumption proved to be a relatively stable factor in the slow-down period. Private consumption grew by 2.0% YoY in Q4 2009. The stable growth of consumption was driven by a relatively stable situation in the labour market. Some companies retained their employees despite the slow-down. In addition, thanks to the very flexible labour market, most wage and salary adjustments had taken place already in H1 2009.

According to recent statistics, industrial output grew by 9.4% YoY in Q1 2010. The sharp fall in the construction sector, especially in February 2010, resulted from the impact of unfavourable weather conditions. Based on recent statistics, GDP growth is estimated to reach 3.0% YoY 2010, but we expect that the GDP rate decreased only temporarily in Q1 2010.

Labour Market

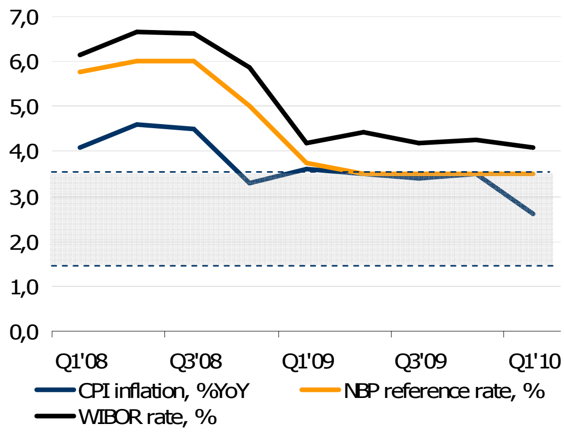
Wage bill growth rate in nominal and real terms (YoY)



The labour market was stabilising in Q4 2010 after the adjustments of H1 2009. The situation on the labour market continued to improve in Q1 2010, as indicated by monthly statistics. Employment in the enterprise sector fell by 1.3% YoY in Q1 2010 but it grew by ca. 18 thousand full time emplo9yees (FTEs) quarter on quarter. The registered unemployment rate increased to 12.9% in March. However, in our opinion, the increase was also driven by unfavourable weather conditions, which affected among others the performance of the construction sector and trade. In addition, some of the unemployed deferred their registration until the early months of 2010 when regulations governing the payment of unemployment benefits became more favourable. The growth rate of wages and salaries was stable at 2.8% YoY in Q1 2010. It was no worse than in Q4 2009 (3.6% YoY) because the YoY growth rate in December and January was distorted by the effect of changed salary payment dates at the turn of the year. The situation on the labour market is gradually adjusting to new conditions as the economy starts to pick up. As a result, the real total wages and salaries in the enterprise sector decreased less (down by 1.2% YoY) than in Q4 2009; combined with the improving consumer sentiment, this contributed to the stabilisation of the growth rate of private consumption.

Inflation and Interest Rates

CPI inflation (%YoY), NBP reference rate (%), WIBOR rate (%)



Consumer prices grew by 3.0% YoY in Q1 2010 but the rate of inflation is waning. The CPI decreased from 3.5% YoY in January 2010 to 2.6% YoY in March 2010. The decrease in inflation was mainly driven by a strong statistical base effect (including an increase of regulated prices in Q1 2009) which will continue throughout H1 2010. Core inflation fell to 2.0% YoY in March.

The third term of office of the Monetary Policy Council began in Q1 2010. The new Council in its first meetings maintained the main reference rate at 3.5%. The Council also maintained a neutral monetary policy bias and focused increasingly on the zloty exchange rate: as an excessively fast appreciation of the currency could hurt the economy in the current recovery stage. After the National Bank of Poland's verbal interventions on the fx market, NBP undertook for the first time since the introduction of the floating exchange rate a real intervention though on a limited scale. As the exchange rate is the Council's top priority, interest rates are not expected to increase in the short term. However, we expect that a rate hike cycle will begin in late 2010.

Money Supply and the Banking Sector

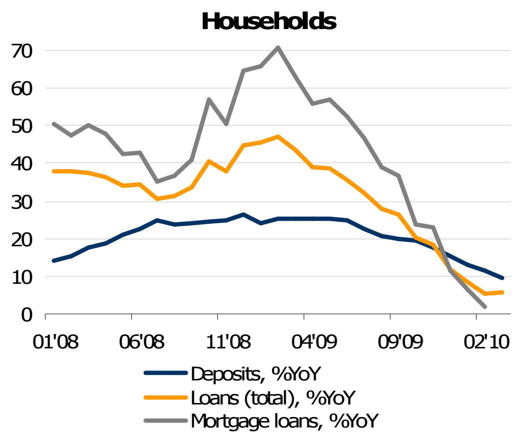
The growth rate of household deposits continued to fall in Q1 2010, from 15.3% YoY at the end of December 2009 to 9.5% YoY at the end of March 2010. Household deposits grew by PLN 7.7 billion in Q1 2010, compared to PLN 24.8 billion of growth in Q1 2009. The growth rate of household deposits was affected by a positive balance of payments and withdrawals in investment funds as well as the situation on the labour market which has stabilised but remains unfavourable (including among others a seasonal increase of the unemployment rate).

Corporate deposits grew by 10.3% YoY at the end of March 2010, compared to 10.4% YoY growth at the end of December 2009, which demonstrates that the financial results of companies continued to improve while companies' investments remained low in Q1 2010. The volume of corporate deposits fell by PLN 7.5 billion, compared to PLN 6.6 billion of decrease in Q1 2009.

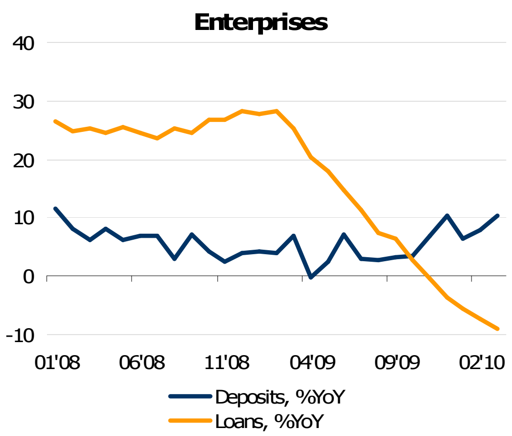
The growth rate of household loans continued to fall sharply from 12.0% YoY at the end of December 2009 to 5.8% YoY at the end of March 2010; meanwhile, the loan volumes grew by PLN 4.4 billion in Q1 2010 compared to PLN 26.2 billion of growth in Q1 2009. Net of the fx effect, the growth rate of household loans was around 11.0% YoY at the end of March 2010. The strong reduction of the growth rate of household loans resulting from stricter lending policies of banks reflected the situation on the labour market, which affects the disposable income of households.

In the context of higher uncertainty of business and tighter conditions of lending, the growth rate of corporate loans fell from -3.6% YoY at the end of December 2009 to -9.0% YoY at the end of March 2010. Net of the fx effect, the growth rate of corporate loans was around -4.0% YoY at the end of March 2010. Lower demand for corporate loans follows from fast growing corporate deposits and low corporate investments typical of the first stage of economic recovery.

Deposits and loans of households - growth rate (%YoY)



Deposits and loans of enterprises – growth rate (%YoY)



Key Factors Driving the Results of BRE Bank Group in Q1 2010

Statement of Financial Position

BRE Bank Group's balance sheet total was PLN 84,751.4 million at 31 March 2010, up by 4.3% year on year and up by 4.6% quarter on quarter.

Loans and advances to customers were the largest balance-sheet item at the end of Q1 2010 with a share of 60.1% as compared to 69.1% at the end of March 2009 and 64.8% at the end of December 2009. Loans and advances to customers were PLN 53,039.8 million gross at the end of March 2010, down by 7.4% year on year and down by 2.6% quarter on quarter. It is worth mentioning that the main reason of such Loans and advances decrease was the appreciation of the zloty – assuming stable fx exchange rates, loans would have decreased by only 0.9% versus the YE 2009 level and have grown compared to March 2009, when the zloty exchange rate had strongly depreciated.

The volume of loans fell both in the Bank and its subsidiaries, mainly in BRE Leasing and BRE Bank Hipoteczny.

Loans and advances to banks grew by PLN 4,465.5 million (+117.1%) year on year and by PLN 5,749.3 million (+227.2%) quarter on quarter. The portfolio of investment securities followed a similar trend: it grew by PLN 8,905.1 million (+138.6%) year on year and by PLN 2,211.8 million (+16.9%) quarter on quarter. Meanwhile, securities held for trading as well as cash in hand and with the central bank fell both year on year and quarter on quarter. As a result, the structure of short-term assets changed and their share in total assets grew to more than 30%. The overall safety and quality of financial assets create a strong liquidity basis for the Group's planned expansion.

Amounts due to customers, the Group's major source of funding, were up by 27.3% (over PLN 9,631.6 million) year on year and by 5% (PLN 2,140.1 million) quarter on quarter. They reached PLN 44,931.4 million or 56% of total liabilities at the end of March 2010, compared to 45.7% at the end of March 2009 and 55.8% at the end of 2009. The increase was a result of the effective policy of deposits collection pursued by the Bank resulting in growth of deposits in both sub-segments: Retail and Corporates and Institutions.

Amounts due to banks fell by 8.2% (PLN 2,341.4 million) year on year and grew by 4.4% (PLN 1,090.8 million) quarter on quarter. The Group's Amounts due to banks decreased at the end of 2009 mainly as a result of repayment by Group subsidiaries of part of their long-term debt and, in addition, due to the appreciation of the Polish currency. The increase in 2010 was mainly driven by additional credit lines taken by BRE Bank and a growing value of repo/sell-buy-back transactions with other banks, partly offset by continued appreciation of the PLN against foreign currencies, mainly the Swiss franc. In 2010, BRE Bank received three new loans from Commerzbank: two USD 100 million loans and one CHF 350 million loan for 2, 4 and 8 years respectively. The CHF loan is a source of funding of the portfolio of retail housing loans in CHF, USD loans mainly fund corporate lending activities.

The share of the Group's equity in the sources of funding was 5.3% at the end of March 2010, the same level as at the end of Q4 2009 and up by 0.3 percentage points since the end of March 2009.

The capital adequacy ratio increased to 12.2% at the end of March 2010, compared to 11.5% at the end of 2009 and 10.3% at the end of March 2009. The ratio rose as the equity was rising while the total capital requirement fell. The equity increased due to an increase in Tier 1 capital following the retention of profit and lower deductions.

As a result, the own funds of the Group were PLN 6,488.2 million at the end of March 2010, up by PLN 239,3 million year on year and by PLN 224.4 million quarter on quarter. Meanwhile, the capital requirement fell from PLN 4,872.9 million at the end of March 2009 to PLN 4.356.9 million at the end of 2009 to PLN 4,266.5 million at the end of March 2010. The capital requirement decreased largely due to the falling credit risk capital requirement following a change of the structure of assets and appreciation of the zloty.

Income Statement

BRE Bank Group generated a profit before tax of PLN 157.8 million in Q1 2010, fully achieved by continued operations, up by 52.7% (PLN 54.4 million) year on year and up by 92.6% (PLN 75.9 million) quarter on quarter.

BRE Bank Group's income[5] was PLN 689 million in Q1 2010, up by 2.4% (PLN 16.5 million) year on year and down by 6.9% (PLN 50.9 million) quarter on quarter. Adjusting for non-recurring effects of Q4 2009, accumulating to PLN 59.4 million (PZU dividend for PLN 96.2 million, extraordinary write offs of PLN -24.4 million and provisions for future liabilities for PLN -12.4 million) total income was up 1.3% QoQ.

The growth of recurring income was mainly driven by growing net commission income of the Bank and the subsidiaries while net interest income fell slightly. Trading income decreased year on year but grew quarter on quarter. Income from investment securities was practically null in Q1 2010, compared to a loss both in Q1 2009 and Q4 2009.

BRE Bank Group's net commission income was PLN 173.9 million in Q1 2010, up by 42.7% (PLN 52 million) year on year and by 14.4% (PLN 21.9 million) quarter on quarter.

Commission income increased by 26.8% year on year, much more than commission costs, which grew by 6.9%. Commission income grew for all commission-earning products, including in particular insurance, brokerage and investment funds, payment cards, and current account fees.

While commission income grew by 4.6% quarter on quarter, commission costs decreased by 8.4%, which improved the net income in Q1 2010. Commission income on insurance and credit products grew the most, followed by transfer fees and payment card fees where the cost of client acquisition and issue of credit and bank cards decreased more that proportionately.

In Q1 2010 net interest income amounted to PLN 390.5 million, down by 1.6% (PLN 6.6 million) in comparison with Q1 2009. The year-on-year decrease of net interest income was a result of a 13.3% (PLN 126 million) decrease of interest income combined with a 21.7% (PLN 119 million) decrease of interest costs, mainly following from the downward trend of market interest rates.

In quarter on quarter comparison, interest income in Q1 2010 fell by 1.5% (PLN 13 million) while interest costs increased by 3.5% (PLN 14 million). Consequently, net interest income decreased by 6.5% (PLN 27 million). This was mainly due to lower market interest rates that coincided with a rapid increase of our deposit base. At the same time our credit margins remained almost unchanged in Q1 2010 in comparison with Q4 2009.

[5] including: Net interest income, Net fee and commission income, Dividend income, Gains less losses frm investment securities,Other operating income and Other operating costs

BRE Bank Group's interest margin (net interest income to average interest-earning assets) was 2% p.a. in Q1 2010, compared to 2.3% p.a. in 2009. However, the net interest income to average RWA ratio remained stable at 2.9% versus 2.93% in 2009.

Trading income stood at PLN 96.2 million in Q1 2010, down by 21.8% (PLN 26.8 million) year on year. Trading income was mainly affected by fx income, down by 45.3% (PLN 68.9 million) year on year largely as a result of less elevated fx result as Q1 2009 was characterised by very high volatility in the markets and the closure of many leveraged fx derivatives transactions in the course of the financial crises. At the same time, FX income increased by 9.6% (PLN 7.3 million) quarter on quarter.

Other trading income in Q1 2010 increased year on year (by PLN 42 million) and quarter on quarter (by PLN 6 million) mainly due to the income on interest rate instruments.

There was no income from investment securities in 2010, compared to a loss on provisions created for a subsidiary of the Intermarket Group in Q1 2009 (PLN 16 million). This subsidiary, Compania de Factoring IFN SA was sold in October 2009.

Other operating income (net other operating income and cost) was PLN 28 million in Q1 2010, down year on year mainly due to lower income of BRE.locum which had reported above-average income in Q1 2009. The Q1 result is not comparable to the other operating income recorded Q4 2009 as the latter was negative due to extraordinary write-offs and provisions set up for future liabilities (PLN 37 million).

Net loan loss provisions stood at PLN 177.1 million in Q1 2010, down by ca. PLN 33 million year on year and by PLN 22.4 million quarter on quarter. The cost of credit risk decreased both in the Bank and the subsidiaries. Loan loss provisions created for clients holding liabilities under derivative transactions were PLN 2.4 million in Q1 2010, compared to PLN 70.2 million in Q1 2009. In Q4 2009 a release of this type of provisions was recorded for PLN 3.6 million. Thus, a continued decrease of LLPs in Q1 2010 could be observed in line with expectations. Provisions on the Corporates and Financial Markets Segment were significantly down to PLN 73.6 million (versus PLN 97.6 million in Q4 2009). In the Retail Segment provisions were slightly up by 1.6% QoQ to PLN 103.5 million. At the same time, decreasing but still high, provisions for mBank cash loans to clients with no prior history at the Bank were observed (PLN 33.5 million versus PLN 48.1 million in Q4 2009).

Loan loss provisions of Corporates and Financial Markets were down year on year (by PLN 54.3 million) while provisions in Retail Banking grew (by PLN 21.3 million).

Overhead costs were down by 1.9% (PLN 5.7 million) year on year owing to cost reductions in the Bank while the overhead costs of the subsidiaries increased modestly, mainly due to the business expansion of retail banking subsidiaries (ASPIRO, BRE Ubezpieczenia). The Group's personnel costs were down by 2.5% (PLN 4 million) year on year and maintenance costs were down by 1.1% (PLN 1.4 million) year on year.

The positive trend in the Group's costs is mainly a result of BRE Bank's strategic programme BREnova implemented in 2009, which focused on rationalisation of operating costs through cost-saving initiatives and optimisation of less cost-effective processes combined with a workforce reduction implemented in 2009. Positive structural effects of the Programme can now be observed.

Employment in BRE Bank Group (FTEs)	*31.03.2009*	*31.12.2009*	*31.03.2010*	*% annual change*
	5 840	5 566	5 754	-1.5%

A modest increase of the headcount in Q1 2010 was a result of another cost-optimization initiative of the Bank which changed the form of employment of IT officers: while they were previously employees of a non-consolidated company of the Group, they have become Bank employees in Q1 2010. As a result, the headcount increased by around 160 FTEs, at the same time this move will improve overall cost efficiency of the IT area.

Overhead costs in Q1 2010 were down by as much as 21.6% (PLN 81.2 million) quarter on quarter; however, Q4 2009 is not a good reference point due to seasonal cost items characteristical for the last months of a calendar year. Projects implemented in Q4 2009 involved significant operating costs, in particular costs of promotions, marketing, and third-party consulting.

Depreciation in Q1 2010 was fairly stable year on year and grew by only 1.1% (PLN 0.7 million). The relatively low growth was possible mainly thanks to cost initiatives introduced in Q4 2009, which resulted in accelerated depreciation of IT applications at the level of PLN 20.4 million relating to depreciation of some functionalities of selected IT systems.

The cost discipline and effective management of resources helped the Group to report further improved productivity as measured by the cost/income ratio which was 51.4% at the end of March 2010, compared to 53.4% at the end of March 2009 and 62% in Q4 2009 (54.2% in 2009).

Performance of the Business Lines

Retail Banking including Private Banking

Financial Results

The Retail Banking Segment, which had grown the fastest in the previous periods, reported a profit before tax of PLN 109 million in Q1 2010, up by 47.2% (PLN 35 million) year on year. Its profit resulted from a high YoY growth rate of income of 19.6% (PLN 60.1 million) while overhead costs (including administrative costs and depreciation) only grew by 2.5% (PLN 3.8 million).

Compared to Q4 2009, when the Segment's results were charged with above-average seasonal and one-off costs, profit before tax grew by as much as PLN 101 million thanks to an increase of income[6] by PLN 46 million and a decrease of costs[7] by PLN 56.8 million.

Loan loss provisions in Q1 2010 were up by PLN 21.3 million year on year but grew by only PLN 1.6 million quarter on quarter as a result of the growing credit portfolio of the segment (+1.4% QoQ excluding PLN appreciation).

Net commission income grew very dynamically year on year (up by 192.7%, i.e., PLN 44.3 million). As a result, the contribution of the Segment to the Group's net commission income increased by nearly 20 percentage points to 38.7%. Net commission income grew sharply in the Bank (by PLN 28 million) and in the subsidiaries where net commission income was more than PLN 13.6 million at 31 March 2010 compared to a negative PLN 3.5 million in Q1 2009. In the Bank, net commission income grew thanks to growth across major Net commission income sources i.e. credit card fees, investment funds, brokerage fees and car insurance fees (Insurance Supermarket), combined with a lower cost of customer acquisition and hence lower commission expenses.

Net interest income in Q1 2010 was down by 0.2% QoQ. Retail loans were nearly unchanged QoQ (-0.3%), excluding PLN appreciation they were up 1.4% QoQ (versus market : +1.8%). In the context of stable credit margins, this meant that the growing cost of deposit gathering initiatives could not be fully offset.

The Segment's assets decreased by 5.3% (PLN 1,605.3 million) while its liabilities increased by 28.3% (PLN 5,969.7 million) year on year.

The information on mBank presented below is shown separately for mBank's business in Poland and its operations in the Czech Republic and Slovakia.

mBank and MultiBank: Operations in Poland

Customers

BRE Bank's Retail Banking had 2,958.6 thousand customers at the end of Q1 2010 (including 2,370.5 thousand at mBank and 588.1 thousand at MultiBank). The number of customers grew by 92.4 thousand in Q1 2010 (up by 3.2%; 74.5 thousand at mBank, 17.9 thousand at MultiBank).

The Bank had 367.1 thousand microenterprise customers (273.1 thousand at mBank, 94.0 thousand at MultiBank). The number of new microenterprise customers acquired in Q1 2010 was 11.1 thousand (up by 3.1%; 7.9 thousand at mBank, 3.2 thousand at MultiBank).

Accounts

There were 4,095.7 thousand accounts at the end of March 2010 (3,709.0 thousand at mBank, 386.7 thousand at MultiBank). The number of accounts grew by 242.8 thousand in Q1 2010 (up by 6.3%; 229.0 thousand at mBank, 13.8 thousand at MultiBank).

There were 473.0 thousand microenterprise accounts (379.2 thousand at mBank, 93.8 thousand at MultiBank). The number of microenterprise accounts grew by 40.8 thousand in Q1 2010 (up by 9.5%; 37.7 thousand at mBank, 3.1 thousand at MultiBank).

Deposits

BRE Bank's Retail Banking deposits were PLN 19,449.3 million at the end of March 2010 (PLN 13,769.9 million at mBank, PLN 5,679.4 million at MultiBank).

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[6] including: Net interest income, Net fee and commission income, Dividend income, Gains less losses frm investment securities,Other operating income and Other operating costs

[7] including: Overhead costs and Amortization and depreciation

The balance-sheet deposits grew by PLN 1,491.7 million in Q1 2010 (up by 8.3%; PLN 1,061.3 million at mBank, PLN 430.4 million at MultiBank).

The balance-sheet microenterprise deposits were PLN 1,712.4 million at the end of March 2010 (PLN 808.2 million at mBank, PLN 904.2 million at MultiBank). The deposits decreased by PLN 243.7 million year to date (down by 12.5%; down by PLN 139.3 million at mBank, down by PLN 104.4 million at MultiBank).

According to statistics at the end of February 2010, the market share of BRE Bank's Retail Banking deposits was 5,0%.

Investment Funds

Investment fund assets of BRE Bank retail customers were PLN 1,841.1 million at the end of March 2010 (PLN 1,452.4 million at mBank, PLN 388.7 million at MultiBank).

Investment fund assets grew by PLN 200.2 million in Q1 2010 (up by 12.2%; PLN 153.4 million at mBank, PLN 46.8 million at MultiBank).

The market share of BRE Bank Retail Banking in investment funds was 1.8% at the end of Q1 2010.

Loans

Balance-sheet loans stood at PLN 26,630.3 million at the end of March 2010 (PLN 11,713.8 million at mBank, PLN 14,916.5 million at MultiBank). Loans were down by PLN 150.8 million in Q1 2010 (down by 0.6%; down by PLN 44.3 million at mBank, down by PLN 106.5 million at MultiBank).

BRE Bank Retail Banking's market share in retail loans was 6.5% at the end of February 2010.

All microenterprise loans were PLN 2,672.5 million at the end of March 2010 (PLN 773.3 million at mBank, PLN 1,899.2 million at MultiBank).

Structure of the Credit Portfolio:

- mBank: 80.9% mortgage loans, 6.2% credit lines, 5.1% credit cards, 7.8% other;
- MultiBank: 82.7% mortgage loans, 6.2% credit lines, 1.7% credit cards, 9.4% other.

The Retail Banking balance-sheet retail mortgage loans were PLN 21,060.3 million at the end of Q1 2010 (PLN 9,201.0 million at mBank, PLN 11,859.3 million at MultiBank). The balance-sheet mortgage loans were down by PLN 344.0 million in Q1 2010 (down by 1.6%; down by PLN 146.9 million at mBank, down by PLN 197.1 million at MultiBank); excluding PLN appreciation a loan growth was achieved (see section Financial results).

Mortgage loans to retail customers at 31 March 2010

Mortgage Loans to Retail Customers	Total	PLN	FX
Balance-sheet value (PLN B)	21.06	2.27	18.79
Average maturity (years)	23	20.01	23.44
Average value (PLN thou.)	245.49	207.31	251.07
Average LTV (%)	78.16%	54.79%	81.60%
NPL	0.66%	2.32%	0.46%

Cards

The number of credit cards issued by the end of March 2010 was 519.9 thousand (358.0 thousand at mBank, 161.9 thousand at MultiBank). The number of credit cards grew by 20.9 thousand in Q1 2010 (up by 4.2%; 16.1 thousand at mBank, 4.8 thousand at MultiBank).

The number of debit cards issued by the end of March 2010 was 2,636.5 thousand (2,070.0 thousand at mBank, 566.5 thousand at MultiBank). The number of debit cards grew by 130.6 thousand in Q1 2010 (up by 5.2%; 104.6 thousand at mBank, 26.0 thousand at MultiBank).

According to data at the end of February 2010, the market share of the BRE Bank Retail Banking in credit cards was 5.5% by the amount of debt under cards.

Distribution Network

mBank

The distribution network operated by Aspiro had 134 locations (65 mKiosks, 23 Financial Centres, 46 Partner mKiosks).

MultiBank

MultiBank's distribution network had 134 outlets (75 Financial Services Centres and 59 Partner Outlets including 51 Branches of the Future, which can be either Financial Services Centres or Partner Outlets).

mBank: Foreign Operations

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

Customers

mBank in the Czech Republic and Slovakia had 424.0 thousand customers at the end of Q1 2010 (including 312.7 thousand at mBank CZ and 111.3 thousand at mBank SK). The number of customers grew by 34.1 thousand in Q1 2010 (up by 8.8%; 23.8 thousand at mBank CZ, 10.3 thousand at mBank SK).

Accounts

mBank in the Czech Republic and Slovakia had 846.4 thousand accounts at 31 March 2010 (628.9 thousand at mBank CZ, 217.5 thousand at mBank SK). The number of accounts grew by 71.3 thousand in Q1 2010 (up by 9.2%; 44.3 thousand at mBank CZ, 27.0 thousand at mBank SK).

Deposits

mBank in the Czech Republic and Slovakia had deposits at EUR 1,149.1 million at the end of Q1 2010 (EUR 825.5 million at mBank CZ, EUR 323.6 million at mBank SK). Balance-sheet deposits grew by EUR 9.9 million in Q1 2010 (up by 0.9%; down by EUR 23.2 million at mBank CZ, up by EUR 33.1 million at mBank SK).

Loans

Balance-sheet loans were EUR 281.7 million at the end of March 2010 (EUR 195.4 million at mBank CZ, EUR 86.3 million at mBank SK). Loans grew by EUR 22.9 million in Q1 2010 (up by 8.9%; EUR 22.7 million at mBank CZ, EUR 0.2 million at mBank SK).

Distribution Network

The distribution network of mBank CZ had 27 locations (17 mKiosks, 10 Financial Centres).

The distribution network of mBank SK had 13 locations (6 mKiosks, 7 Financial Centres).

Private Banking (PB)

Customers

Private Banking had 5,385 customers at the end of March 2010, down by 3.6% (202 customers) QoQ.

The decrease resulted from continued re-focusing of the customer base. Combined with an increase of total assets, this means that average assets under management per customer grew considerably to PLN 1.11 million at the end of March (up by 8.3% QoQ).

Loans

The loans of Private Banking customers were PLN 603 million, up by 5.2% (almost PLN 30 million) QoQ.

Assets under Management

Customers' assets under management invested via BRE PB (including deposits, asset management products and financial market products) totalled PLN 5,981.2 million at the end of March 2010, up by more than PLN 250 million QoQ, representing a record-high level of assets under management.

Assets under management invested in mutual funds' shares grew particularly dynamically. An improved sentiment of retail investors translated into bolder investments on the capital market. As a result, customers' assets invested in mutual funds' shares grew by PLN 139 million QoQ.

Awards and Events

In February 2010, *Euromoney Magazine* named BRE Private Banking & Wealth Management the best private banking institution in Poland for the third time in history and for the second consecutive year. BRE Bank had the best score among Polish banks in several categories of the ranking. BRE Bank's private banking service and quality of customer relationship management received a particularly high score.

In Q1 2010, BRE Private Banking & Wealth Management initiated co-operation with a second art banking partner, the auction house Rempex Sp. z o.o. Thanks to the cooperation with Poland's two biggest auction houses, Desa Unicum and Rempex, BRE Private Banking & Wealth Management is able to offer services relating to works of art trade.

Retail Banking Subsidiaries

BRE Ubezpieczenia

BRE Ubezpieczenia companies were growing on the basis of three business lines: its internet platform (direct), classical bancassurance, and global services for a leasing provider.

On the internet platform, gross premiums written by BRE Ubezpieczenia in Q1 2010 totalled PLN 20.3 million, up by 30% year on year. Sales in this channel mainly include car insurance products, accounting for 90% of premiums written. The remaining products are property insurance and travel insurance. In bancassurance, premiums written totalled PLN 162.6 million, up by 116% year on year. The increase was driven by sales of investment policies which grew by nearly 200%. The number of mBank and MultiBank mortgage loans covered by insurance in March 2010 was more than 25% higher than the 2009 average. Income from the relations with BRE Leasing remained stable. BRE Ubezpieczenia focused on systemic support for the process of offering products, executing contracts, as well as post-sale service and monitoring of claims handling.

The consolidated profit before tax of the company (including BRE Ubezpieczenia Sp. z o.o.) was PLN 10 million in Q1 2010, up by 21% year on year. Income from insurance and auxiliary activities totalled PLN 42 million. Overhead costs including, in particular ,personnel costs, marketing spendings, IT maintenance, other office expenses totalled PLN 4.8 million, up by 40% year on year.

Aspiro

Aspiro is a financial intermediary established in July 2005 as emFinanse. The name of the company was changed to Aspiro in 2009. Aspiro enters into distribution agreements with the Bank and other banks operating in the Polish market in order to sell retail banking products in its distribution network. Most of the products sold by Aspiro are sourced from BRE Bank.

Since July 2009, Aspiro operates a distribution network comprising 23 Financial Centres, 65 mKiosks, and 46 Partner Kiosks across Poland as well as 270 mobile agents (at 31 March 2010). Financial Centres are situated in major cities, including the top 10 cities; 7 Financial Centres are situated in Warsaw. Financial Centres offer all products of the Bank as well as products of other banks. mKiosks are situated in shopping malls in Poland's main cities. They offer products and services of the Bank and other banks except mortgage loans. Partner Kiosks are mainly situated in mid-sized cities (population up to 100 thousand) and in Warsaw. They offer the same range of products and services as mKiosks. Mobile agents offer credit products (mainly mortgage loans) to customers of the Bank acquired by financial intermediaries and property agents co-operating with the Bank.

BRE Wealth Management

In Q1 2010, BRE Wealth Management focused on expansion of its business consisting in management of clients' securities portfolios and provision of wealth management advisory services. The company established a team responsible for customer relationships, allocation of assets, building the clients' balance sheet and investment strategy. Assets under management totalled PLN 908 million at the end of March 2010 (PLN 871 million at the end of 2009). The company offers 18 investment strategies.

In Q1 2010, the company generated a profit before tax of PLN 2 million, almost triple the profit of Q1 2009. BRE WM's commission income was nearly PLN 4 million, compared to PLN 2 million last year. Overhead costs (PLN 1.8 million) including personnel costs, IT system maintenance, office expenses and third-party services grew by 22% year on year.

Corporates and Financial Markets

Financial Results

The Segment generated a profit before tax of PLN 49.1 million in 2010, up by PLN 35.1 million (250.6%) year on year. The profit was mainly driven by a strong decrease in loan loss provisions, higher net commission income, and improved productivity.

However, its total income was down by nearly PLN 24 million year on year, mainly due to lower trading income (down by over PLN 28 million) resulting from less active trading by customers and a lower volume of transactions on the fx market. It has to be noted that Q1 2009 was a quarter of high FX rate volatility and trading income was also largely driven by the closure of asymmetric derivatives contracts as a result of the financial crisis.

The Segment's profit before tax was down by PLN 37.5 million quarter on quarter as the Q4 2009 profit included PLN 96.2 million of dividend income from PZU. Net of dividend income, the remaining profit was at a level similar to Q4 2009 but its structure was slightly different: the contribution of trading income was higher while net interest income and net commission income were lower.

The assets of Corporates and Financial Markets increased by 12.7% (PLN 6,635.9 million) while its liabilities decreased by 2.2% (PLN 1,243 million) year on year.

The contribution of the subsidiaries to the profit of the Segment was PLN 38.9 million in Q1 2010, compared to PLN 6.2 million in Q1 2009. This was mainly due to higher profit of Intermarket Group (profit before tax up by PLN 18.4 million), which posted a loss in 2009. BRE Leasing also reported a high growth of profit (profit before tax up by PLN 9.1 million, mainly due to lower loan loss provisions), and so did DI BRE thanks to high commission income (profit before tax up by PLN 3.8 million).

The Corporates and Financial Markets segment includes 2 sub-segments (business lines): Corporates and Institutions which covers the key area of customer relations, and Trading and Investments, the area of liquidity and risk management.

Corporates and Institutions

Financial Results

The Business Line reported a profit before tax of PLN 23 million in Q1 2010, compared to a loss of PLN 42.4 million in Q1 2009. Its profit improved by PLN 65.4 million mainly due to lower loan loss provisions (down by PLN 57.4 million) and lower overhead costs (down by PLN 7.7 million) combined with a comparable level of income.

The Business Line's profit before tax was down by PLN 37.8 million quarter on quarter, mainly as a result of the PZU dividend reported in Q4 2009 which added PLN 96.2 million to Q4 2009 income. The remaining income was down by ca. PLN 15 million quarter on quarter. Overhead costs were down considerably (by PLN 47.1 million), and so were loan loss provisions (down by PLN 26.2 million).

The Business Line's main sources of income in Q1 2010 included interest and commission income. Net interest income grew by 9.5% (PLN 15.5 million) year on year while net commission income grew by 6.9% (PLN 6.4 million) year on year. Trading income was down by 27.2% (PLN 12.4 million).

The assets of Corporates and Institutions decreased by 6.9% (PLN 2,152.1 million) while its liabilities increased by 3.5% (PLN 1,692.5 million) year on year at the end of March 2010.

Corporate Customers

The number of corporate customers totalled 12,783 companies at the end of March 2010, down modestly (0.4%) QoQ. This was mainly due to the Bank's strategy focus on customers for which BRE Bank is an important business partner.

Corporate Banking Customers

	31.12.2009	*31.03.2010*
*K1**	898	993
*K2**	3 810	3 679
*K3**	8 128	8 111
Total	12 836	12 783

**K1 – K1 is the segment of the largest corporations with annual sales over PLN 500 million; K2 is the segment of corporations with annual sales between PLN 30 million and PLN 500 million; K3 is the segment of SMEs with annual sales between PLN 3 and 30 million*

Corporate Customers' Deposits

BRE Bank's corporate customer deposits (including deposits of enterprises) were PLN 17.1 billion at the end of March 2010, comparable to the level at the end of 2009 (up by 0.1%) and up by 23.8% year on year.

Deposits of enterprises were PLN 14.6 billion at the end of March 2010, comparable to the level at the end of 2009 (up by 0.1%) and up by 19.5% year on year. The total deposits of enterprises in the sector in Q1 2010 were up by 10.2% year on year and down by ca. 4.5% quarter on quarter. The market share of BRE Bank's deposits of enterprises was 9.3% at the end of March 2010 compared to 8.9% at the end of December 2009 and 8.6% at the end of March 2009.

Corporate Customers' Loans

BRE Bank's corporate customer loans (including loans to enterprises) were PLN 15.6 billion at the end of March 2010, down by 4.6% quarter on quarter and down by 3.8% year on year.

Loans to enterprises (on the standalone base) were PLN 13.6 billion at the end of March 2010, down by 3.4% quarter on quarter and down by 12.6% year on year. The total loans to enterprises in the sector were down by almost 9.0% year on year in March 2010. The market share of BRE Bank's loans to enterprises was stable at 6.3% at the end of March 2010, compared to 6.4% in December 2009.

Strategic Product Lines

Cash Management

The constantly developed cash management offer is an anchor products as it supports long-term customer relationships, increases customer loyalty and improve BRE's share of valet in its customer overall business. It 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 Q1 2010 was 630.7 thousand, up by 2.3% quarter on quarter. The number of identifications of trade payments and income from such services also grew. Close to 2.0 million transactions were processed in January-March 2010, up by 2.7% quarter on quarter. Income from these services grew by 2.3% quarter on quarter. The number of customers using the most advanced bank account consolidation facilities grew by 2.4% quarter on quarter in Q1 2010; 508 customers were using Cash Pooling and Shared Balances services at the end of March 2010.

Banking Products with EU Financing

Sales of products related to EU financing fell by ca. 6.3% in Q1 2010 compared to the quarterly average in 2009 as the sales of commitments decreased in the absence of new application rounds in 2010. Income from loans used to co-finance projects with EU financing grew by almost 47% QoQ.

Financial Instruments

The profit on the sales of financial instruments stood at PLN 40.3 million in Q1 2010, down modestly (by 0.8%) compared to the quarterly average income from these products in 2009.

Corporate Network

The BRE Bank corporate branch network included 24 Branches and 21 Corporate Offices at the end of March 2010.

Expansion of the Offering

The product offering was largely expanded in Q1 2010 including one major implementation:

iBRE FX online currency exchange platform

- The iBRE FX transaction platform offers online currency exchange functionalities as an additional access channel to financial market transactions, The platform supports quick and effective currency exchange transactions at the best exchange rate currently offered on the interbank market. The Info FX tab is a new and unique solution: it tracks current exchange rates for different pairs of currencies in order to make the best currency buy or sell decisions at any given time.

Corporate Banking Subsidiaries:

Dom Inwestycyjny BRE Banku (DI BRE)

DI BRE strengthened its market position in Q1 2010. DI BRE's share in equities trading was 6.7%, the fourth market position. DI BRE's market share in bonds trading was 6%, the third market position. DI BRE was active in futures transactions with a market share of 14% and the second market position. DI BRE was the leader of options trading with a market share of over 38%. The number of securities accounts operated by DI BRE continues to grow and exceeded 200 thousand at the end of March. Most new accounts were opened via mBank.

DI BRE generated a profit before tax of ca. PLN 9 million in Q1 2010, up by more than 150% year on year. Commission income (PLN 28 million) grew by one-third year on year. Overhead costs stood at PLN 12.5 million and grew by 15% year on year.

BRE Corporate Finance (BRE CF)

Q1 2010 brought improvement of investor sentiment, interest in privatisation projects of the State Treasury and access to funding for growth strategies. As a result of these positive changes on the market, BRE Corporate Finance concluded several new contracts in the Q1 2010.

The results of Q1 2010 were much better than in Q1 2009. BRE CF's service fees totalled PLN 1.6 million, compared to PLN 1 million in Q1 2009. Thanks to much lower overhead costs, BRE CF closed Q1 2010 at a notional profit (compared to a loss before tax of PLN 0.6 million in Q1 2009).

BRE Bank Hipoteczny (BBH)

BBH's credit portfolio stood at PLN 3.9 billion at the end of Q1 2010, compared to PLN 4.1 billion at the end of Q4 2009 and PLN 4.5 billion at the end of Q1 2009. BBH's profit before tax was PLN 11.5 million in Q1 2010 (compared to PLN 6.0 million in Q4 2009 and PLN 10.3 million in Q1 2009). BBH's ROE before tax stood at 14.7% at the end of Q1 2010, compared to 10.4% at the end of Q4 2009. BBH's C/I ratio was down to 41.7% at the end of Q1 2010, compared to 48.3% at the end of 2009 and 44.1% at the end of Q1 2009.

The Bank issued no mortgage bonds in Q1 2010. The Bank issued mortgage bonds totalling PLN 360 million in 2009.

BRE Leasing

Leasing contracts executed by BRE Leasing in Q1 2010 totalled PLN 297 million, down by 22.2% quarter on quarter and down by 26.1% year on year as a result of diminished demand for leasing services. BRE Leasing made a profit before tax of PLN 13.9 million in Q1 2010, up by a factor of 8 compared to Q4 2009 and up by a factor of 3 compared to Q1 2009. The profit before tax was driven by a strong decrease in loan loss provisions.

Factoring – The Intermarket Group

The sales of Intermarket Group subsidiaries totalled EUR 1.25 billion in Q1 2010, up by 8.3% year on year. The sales of the Austrian subsidiary (up by 8% YoY) and the Polish subsidiary (up by 26% YoY) grew the most in value, but the Hungarian subsidiary and the Czech subsidiary, which had suffered the most during the crisis last year, also reported growth (by 9% and 3% YoY respectively).

The pre-tax profit of Intermarket Group subsidiaries consolidated by BRE Bank was PLN 5.7 million in Q1 2010, compared to a loss of PLN 13.1 million in Q1 2009 due to one-off events (provisions for its Romanian subsidiary, sold in Q4 2009). Provisions against factoring debt went down considerably (by 34% YoY and by 60% QoQ), and so did overhead costs (down by 20% and 9% respectively).

Polfactor, the subsidiary operating in Poland, maintained a dynamic growth of sales at PLN 985 million in Q1 2010 (up by 26% YoY). Due to much lower loan loss provisions and stable costs, profit before tax was PLN 2.1 million in Q1 2010, compared to a loss of PLN 1.4 million in Q4 2009.

Proprietary Investments

As at 31 March 2010 the total value of the proprietary investment and Mezzanine portfolio amounted to PLN 195.9 million at cost, down by PLN 36.2 million QoQ. The change of portfolio was due to redemption of some bonds of a customer.

Trading and Investments

Financial Results

The Business Line generated a profit before tax of PLN 26.1 million in Q1 2010, compared to PLN 56.4 million in Q1 2009, as a result of lower trading income and lower net interest income.

The structure of the Business Line's income changed. FX income in Q1 2010 was much lower than in Q1 2009 (down by PLN 56.7 million) but higher than in Q4 2009 (up by PLN 6.3 million). Other trading income in Q1 2010 grew by PLN 40.8 million compared to the negative level in Q1 2009 and by PLN 11.6 million compared to Q4 2009. Both income on the sale and valuation of interest rate and equity instruments and income from market risk instruments was relatively high in Q1 2010 (up by respectively: PLN 9 million; PLN 1.5 million and 1.1 million in relation to Q4 2009).

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

The assets of Trading and Investments increased by 41.5% (PLN 8,788.1 million) while its liabilities decreased by 33.9% (PLN 2,935.4 million) year on year at the end of March 2010.

Market Position

BRE Bank ranks first in mid-term bank debt securities with a market share of 24.1%, second in short-term debt securities with a market share of 22.1%, and second in mid-term corporate bonds with a market share of 20.9% (all data as at the end of March 2010).

The Bank remains very active in financial market trading: its share in interest rate derivatives was ca. 22.2% and in Treasury bonds and bills ca. 6.3%. Its share in fx spots and forwards was 4.5% and in WIG20 index options ca. 24% (all data as at the end of February 2010 except WIG20 options data as at the end of March 2010).

TRANSLATORS' EXPLANATORY NOTE

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

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

Independent registered auditor's report on the review of the interim condensed consolidated financial statements for the period from 1 January to 31 March 2010

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

We have reviewed the attached interim condensed consolidated financial statements of BRE Bank SA Group (hereinafter called *the Group*), of which BRE Bank SA (hereinafter called *the Parent Company, the Bank*), with its registered office in Warsaw, 18 Senatorska Street, comprising:

(a) the consolidated statement of financial position as at 31 March 2010, showing total assets and total liabilities & equity of PLN 84,751,381 thousand;

(b) the consolidated income statement for the period from 1 January to 31 March 2010, showing a net profit of PLN 122,591 thousand;

(c) the consolidated statement of comprehensive income for the period from 1 January to 31 March 2010, showing a total comprehensive income of PLN 253,129 thousand;

(d) the consolidated statement of changes in equity for the period from 1 January to 31 March 2010, showing an increase in equity of PLN 254,291 thousand;

(e) the consolidated statement of cash flows for the period from 1 January to 31 March 2010, showing a net increase in cash and cash equivalents of PLN 2,608,823 thousand;

(f) additional information on adopted accounting policies and other explanatory notes.

The Parent Company's Management Board is responsible for preparing interim condensed consolidated financial statements which comply with the International Financial Reporting Standards as adopted by European Union adequate for interim reporting (IAS 34). Our responsibility was to present a report on these financial statements based on our review. Our responsibility was to present a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the national standards of auditing issued by the National Chamber of Registered Auditors. We planned and performed the review to obtain reasonable assurance that the interim condensed consolidated financial statements are free of material misstatements. We conducted the review by analysing the interim condensed consolidated financial statements, inspecting the accounting records, and making use of information obtained from the Group's Management Board and the employees.

The scope of the work performed was significantly narrower than the scope of an audit of the consolidated financial statements, because the review was not aimed at expressing an opinion on the truth and fairness of the interim consolidated financial statements. This report does not constitute an audit opinion within the meaning of the Accounting Act of 29 September 1994 (uniform text, *Journal of Laws* of 2009, No. 152, item 1223 with further amendments).

Our review did not indicate the need for any significant changes to the attached interim condensed consolidated financial statements to ensure that they are in accordance with the International Financial Reporting Standard 34: Interim Financial Reporting.

The interim condensed consolidated financial statements for the period from 1 January to 31 March 2009 released on 29 April 2009 were not subject to a review conducted by registered auditor.

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

Adam Celiński

Key Registered Auditor
No. 90033

Warsaw, 28 April 2010

BRE BANK SA

BRE Bank SA Group

IFRS Condensed Consolidated Financial Statements
for the first quarter of 2010

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Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN '000		in EUR '000	
		I Quarter of 2010 from 01.01.2010 to 31.03.2010	I Quarter of 2009 from 01.01.2009 to 31.03.2009	I Quarter of 2010 from 01.01.2010 to 31.03.2010	I Quarter of 2009 from 01.01.2009 to 31.03.2009
I.	Interest income	**821 758**	**947 760**	**207 154**	**206 062**
II.	Fee and commission income	**278 558**	**219 745**	**70 221**	**47 777**
III.	Net trading income	**96 171**	**122 991**	**24 243**	**26 741**
IV.	Operating profit	**157 774**	**103 321**	**39 773**	**22 464**
V.	Profit before income tax	**157 774**	**103 321**	**39 773**	**22 464**
VI.	Net profit attributable to Owners of BRE Bank SA	**115 416**	**77 221**	**29 095**	**16 789**
VII.	Net profit attributable to non-controlling interests	**7 175**	**(1 472)**	**1 809**	**(320)**
VIII.	Net cash flows from operating activities	**1 634 530**	**(2 234 126)**	**412 042**	**(485 743)**
IX.	Net cash flows from investing activities	**(26 546)**	**(46 447)**	**(6 692)**	**(10 098)**
X.	Net cash flows from financing activities	**1 000 839**	**(88 735)**	**252 298**	**(19 293)**
XI.	Net increase / decrease in cash and cash equivalents	**2 608 823**	**(2 369 308)**	**657 648**	**(515 134)**
XII.	Earnings per 1 ordinary share (in PLN/EUR)	**3.89**	**2.60**	**0.98**	**0.57**
XIII.	Diluted earnings per 1 ordinary share (in PLN/EUR)	**3.88**	**2.60**	**0.98**	**0.57**
XIV.	Declared or paid dividend per share (in PLN/EUR)	**-**	**-**	**-**	**-**

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN '000			in EUR '000		
		As at 31.03.2010	As at 31.12.2009	As at 31.03.2009	As at 31.03.2010	As at 31.12.2009	As at 31.03.2009
I.	Total assets	**84 751 381**	**81 023 886**	**81 245 476**	**21 943 809**	**19 722 478**	**17 281 492**
II.	Amounts due to the Central Bank	**2 255 598**	**2 003 783**	**1 919 809**	**584 019**	**487 752**	**408 357**
III.	Amounts due to other banks	**26 110 616**	**25 019 805**	**28 451 998**	**6 760 555**	**6 090 211**	**6 051 943**
IV.	Amounts due to customers	**44 931 447**	**42 791 387**	**35 299 820**	**11 633 641**	**10 416 091**	**7 508 523**
V.	Equity attributable to Owners of BRE Bank SA	**4 371 200**	**4 120 187**	**3 912 860**	**1 131 790**	**1 002 918**	**832 293**
VI.	Non-controlling interests	**154 245**	**150 967**	**160 856**	**39 937**	**36 748**	**34 215**
VII.	Share capital	**118 764**	**118 764**	**118 764**	**30 750**	**28 909**	**25 262**
VIII.	Number of shares	**29 690 882**	**29 690 882**	**29 690 882**	**29 690 882**	**29 690 882**	**29 690 882**
IX.	Book value per share (in PLN/EUR)	**147.22**	**138.77**	**131.79**	**38.12**	**33.78**	**28.03**
X.	Diluted book value per share (in PLN/EUR)	**147.01**	**138.59**	**131.65**	**38.06**	**33.73**	**28.00**
XI.	Capital adequacy ratio	**12.17**	**11.50**	**10.26**	**12.17**	**11.50**	**10.26**

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		Ist quarter of 2010 from 01.01.2010 to 31.03.2010	Ist quarter of 2009 from 01.01.2009 to 31.03.2009	Ist quarter of 2010 from 01.01.2010 to 31.03.2010	Ist quarter of 2009 from 01.01.2009 to 31.03.2009
I.	Interest income	**707 001**	**765 266**	**178 225**	**166 384**
II.	Fee and commission income	**208 578**	**173 595**	**52 580**	**37 743**
III.	Net trading income	**94 461**	**116 906**	**23 812**	**25 418**
IV.	Operating profit	**103 137**	**87 192**	**25 999**	**18 957**
V.	Profit before income tax	**103 137**	**87 192**	**25 999**	**18 957**
VI.	Net profit	**78 423**	**66 839**	**19 769**	**14 532**
VII.	Net cash flows from operating activities	**1 070 474**	**(2 218 197)**	**269 852**	**(482 280)**
VIII.	Net cash flows from investing activities	**(17 338)**	**(38 870)**	**(4 371)**	**(8 451)**
IX.	Net cash flows from financing activities	**1 446 903**	**(168 807)**	**364 744**	**(36 702)**
X.	Net increase / decrease in cash and cash equivalents	**2 500 039**	**(2 425 874)**	**630 225**	**(527 433)**
XI.	Earnings per 1 ordinary share (in PLN/EUR)	**2.64**	**2.25**	**0.67**	**0.49**
XII.	Diluted earnings per 1 ordinary share (in PLN/EUR)	**2.64**	**2.25**	**0.67**	**0.49**
XIII.	Declared or paid dividend per share (in PLN/EUR)	**-**	**-**	**-**	**-**

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000			in EUR'000		
		As at 31.03.2010	As at 31.12.2009	As at 31.03.2009	As at 31.03.2010	As at 31.12.2009	As at 31.03.2009
I.	Total assets	**77 040 504**	**72 607 181**	**70 444 725**	**19 947 311**	**17 673 721**	**14 984 095**
II.	Amounts due to the Central Bank	**2 255 598**	**2 003 783**	**1 919 809**	**584 019**	**487 752**	**408 357**
III.	Amounts due to other banks	**21 197 310**	**19 184 949**	**20 737 885**	**5 488 403**	**4 669 916**	**4 411 096**
IV.	Amounts due to customers	**44 343 654**	**42 414 412**	**34 806 541**	**11 481 449**	**10 324 330**	**7 403 599**
V.	Own equity	**4 029 755**	**3 813 626**	**3 625 260**	**1 043 383**	**928 296**	**771 119**
VI.	Share capital	**118 764**	**118 764**	**118 764**	**30 750**	**28 909**	**25 262**
VII.	Number of shares	**29 690 882**	**29 690 882**	**29 690 882**	**29 690 882**	**29 690 882**	**29 690 882**
VIII.	Book value per share (in PLN/EUR)	**135.72**	**128.44**	**122.10**	**35.14**	**31.26**	**25.97**
IX.	Diluted book value per share (in PLN/EUR)	**135.53**	**128.28**	**121.97**	**35.09**	**31.23**	**25.94**
X.	Capital adequacy ratio	**12.50**	**11.73**	**10.18**	**12.50**	**11.73**	**10.18**

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

- <u>for items of the Statement of Financial Position</u> – exchange rate announced by the National Bank of Poland as at 31 March 2010: EUR 1 = 3.8622, exchange rate announced by the National Bank of Poland as at 31 December 2009: EUR 1 = PLN 4.1082, exchange rate announced by the National Bank of Poland as at 31 March 2009: EUR 1 = PLN 4.7013.

- <u>for items of the Income Statement</u> – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of first quarter of 2010 and 2009: 1 EUR = 3.9669 PLN and 1 EUR = 4.5994 PLN respectively.

Introduction

Q4 2009 macroeconomic statistics demonstrated that the Polish economy moved past the period of the biggest slowdown. GDP growth in 2010 is estimated to reach 3.0% YoY however it is expected that the GDP rate decreased (only temporarily) in Q1 2010 impacted by among others unfavourable weather conditions.

Despite the challenging market conditions BRE Bank Group returned to profitable growth.

Net profit attributable to Owners of BRE Bank SA stood at PLN 115,416 thousand and profit before tax reached PLN 157,774 thousand in Q1 2010, up by 49.5% and 52.7% year on year and up by 183% and 92.6% QoQ respectively.

BRE Bank Group's income[1] was PLN 688,973 thousand in Q1 2010, up by 2.4% (PLN 16,488 thousand) year on year and down by 6.9% (PLN 50,871 thousand) quarter on quarter. Adjusting for non-recurring effects of Q4 2009, accumulating to PLN 59,371 thousand (PZU dividend for PLN 96,218 thousand, extraordinary write offs of PLN -24,426 thousand and provisions for future liabilities for PLN -12,421 thousand) total income was up 1.3% QoQ.

The Group reported an increase of income on its recurrent business, including in particular an increase of net commission income by 14.4% QoQ. This was achieved in combination with a decline of overhead costs (PLN -81,168 thousand QoQ), mainly thanks to initiatives of the strategic programme BREnova implemented in 2009 and which bear their fruits in 2010. Owing to cost-saving initiatives in BRE Bank Group, administrative costs in Q1 2010 were down year on year and significantly lower quarter on quarter.

Furthermore a continued decrease of newly built loan loss provisions was observed (-11.3% QoQ, -15.7% YoY).

As to the Group's net interest income the main drivers of a decrease reported in Q1 2010 (-6.5% QoQ) included slightly lower market interest rates on liquidity portfolio, less calendar days compared to previous quarter, lower lending volumes and appreciation of PLN, resulting in a reduction of the PLN value of fx loans. At the same time new clients continued to grow the Group's franchise and deposit volumes (up by 5% QoQ).

Thanks to the continuing high level of income and constant monitoring of incurred cost levels, productivity as measured by the cost/income ratio (CIR)[2] further improved, which should be emphasised considering that the annual level of this ratio in 2009 was the lowest in five years. The Group's CIR reached 51.4% at the end of Q1 2010, down by 2 percentage points from 53.4% at the end of Q1 2009.

BRE Bank Group's return on equity[3] was 14.7% p.a. in 2010, compared to 10.4% in the same period of 2009.

The main drivers of the financial results in Q1 2010 were as follows:

1. The deposit base continued to grow mainly as a result of successful client acquisition: amounts due to clients in Q1 2010 increased by PLN 2,140,060 thousand (+5%) QoQ and by PLN 9,631,627 thousand (+27.3%) year on year (including a 29.6% yearly increase in retail customers' deposits). As a result, BRE improved its market share in retail deposits (to 5.5%) and corporate deposits (to 9.3%). The loans to deposits ratio continued to improve, which in turn underlines that the liquidity of BRE Bank Group further improved thus creating opportunities for safe growth of sales of profitable credit products.
2. The decrease of Loans and advances to customers (gross balance sheet value down by 2.6% quarter on quarter) was mainly a result of appreciation of the zloty and sluggish clients' demand (partially as a result of the harsh winter). Also BRE corporate portfolio was subject to the accumulation of large maturities in Q1 2010.
3. The credit margin was maintained at a high level: it was stable after the strong increase reported in 2009. The margin had increased thanks to the new product pricing policy, both in retail and corporate banking, and a change in the structure of products in favour of loans granted to retail clients. As a result, the credit margin had grown in 2009 and the share of stable and regular income of the Group increased.
4. Significant increase of Loans and advances to banks and Investment securities as a result of a change in the liquid assets portfolio to more effective as well as new funding sources allocation.
5. BRE Bank Group's net interest margin[4] decreased to 2% p.a. (down from 2.3% in Q4 2009), mainly as a consequence of a decrease in the value of the loans portfolio and a decrease of the share of Loans and advances to customers in total interest-earning assets. Additional factors which impacted the net interest margin were the continued downward trend of market interest rates, less calendar days compared to the previous quarter as well as continued growth of the deposit base.
6. Strong increase of Net fee and commission income, up by 14.4% QoQ, mainly thanks to growth across all major commission sources including especially insurance activity, investment funds sales as well as credit related fees. At the

[1] including: Net interest income, Net fee and commission income, Dividend income, Gains less losses from investment securities, Other operating income and Other operating costs

[2] CIR measured as overhead costs and depreciation to operating income including net interest income, net commission income, dividend income, trading income, income on investment securities, and net other operating income and cost

[3] profit before tax to the average equity excluding the profit of the period, including minority interests; the average equity is calculated in the basis of equity at the end of each month of the reporting period

[4] net interest income to average total interest-earning assets calculated on the basis of average interest-earning assets at the end of each month of the reporting period

same time net trading income increased QoQ due to a higher fx result and income on interest rate instruments (+16.1% QoQ).

7. Strict cost management was maintained as planned, both at the Bank and the subsidiaries, which allowed BRE Bank Group to achieve a cost/income ratio of 51.4% in Q1 2010 markedly down from 53.4% in Q1 2009. The total cost base in Q1 2010 (overhead costs and depreciation) was 22.7% lower compared to Q4 2009 (due to seasonal factors) and decreased by 1.4% YoY.
8. The loan loss provisions created in Q1 2010 were significantly lower quarter on quarter and year on year (-1.3% and -15.7% respectively). BRE Bank Group's NPLs ratio was 4.9% in Q1 2010 vs 4.7% at the end of 2009.

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

Consolidated Income Statement

	Note	1st Quarter (current year) from 01.01.2010 to 31.03.2010	1st Quarter (previous year) from 01.01.2009 to 31.03.2009
Interest income		821 758	947 760
Interest expense		(431 221)	(550 657)
Net interest income	5	**390 537**	**397 103**
Fee and commission income		278 558	219 745
Fee and commission expense		(104 665)	(97 903)
Net fee and commission income	6	**173 893**	**121 842**
Dividend income	7	330	-
Net trading income, including:	8	96 171	122 991
Foreign exchange result		*83 270*	*152 142*
Other trading income		*12 901*	*(29 151)*
Gains less losses from investment securities	9	-	(16 606)
Other operating income	10	52 131	90 158
Net impairment losses on loans and advances	11	(177 061)	(210 028)
Overhead costs	12	(294 937)	(300 610)
Amortization and depreciation		(59 201)	(58 526)
Other operating expenses	13	(24 089)	(43 003)
Operating profit		**157 774**	**103 321**
Profit before income tax		**157 774**	**103 321**
Income tax expense		(35 183)	(27 572)
Net profit		**122 591**	**75 749**
Net profit attributable to:			
- Owners of BRE Bank SA		115 416	77 221
- Non-controlling interests		7 175	(1 472)
Net profit attributable to Owners of BRE Bank SA		**115 416**	**77 221**
Weighted average number of ordinary shares	14	**29 690 882**	**29 690 882**
Earnings per 1 ordinary share (in PLN)	14	**3.89**	**2.60**
Weighted average number of ordinary shares for diluted earnings	14	**29 733 601**	**29 721 550**
Diluted earnings per 1 ordinary share (in PLN)	14	**3.88**	**2.60**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

Consolidated Statement of Comprehensive Income

	1st Quarter (current year) from 01.01.2010 to 31.03.2010	1st Quarter (previous year) from 01.01.2009 to 31.03.2009
Financial result	**122 591**	**75 749**
Other comprehensive income subject to taxation	**130 538**	**(48 480)**
Exchange differences on translating foreign operations (net)	(9 701)	20 566
Available-for-sale financial assets (net)	140 239	(69 046)
Total comprehensive income net of tax, total	**253 129**	**27 269**
Total comprehensive income (net), attributable to:		
- Owners of BRE Bank SA	249 851	19 955
- Non-controlling interests	3 278	7 314

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

Consolidated Statement of Financial Position

	Note	31.03.2010	31.12.2009	31.03.2009
ASSETS				
Cash and balances with the Central Bank		1 894 145	3 786 765	2 984 242
Debt securities eligible for rediscounting at the Central Bank		6 704	9 134	8 784
Loans and advances to banks		8 279 884	2 530 572	3 814 387
Trading securities	15	674 387	1 065 190	1 487 220
Derivative financial instruments		1 818 894	1 933 627	5 395 595
Loans and advances to customers	16	50 905 628	52 468 812	56 160 290
Investment securities	17	15 332 498	13 120 687	6 427 358
- Available for sale		15 332 498	13 120 687	6 427 358
Pledged assets	15, 17	3 291 143	3 516 525	2 375 692
Investments in associates		1 081	1 150	1 316
Intangible assets		425 624	441 372	433 401
Tangible fixed assets		768 656	786 446	812 882
Current income tax assets		89 111	125 308	-
Deferred income tax assets		318 789	331 828	326 634
Other assets		944 837	906 470	1 017 675
Total assets		**84 751 381**	**81 023 886**	**81 245 476**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		2 255 598	2 003 783	1 919 809
Amounts due to other banks		26 110 616	25 019 805	28 451 998
Derivative financial instruments and other trading liabilities		1 968 765	1 935 495	5 604 904
Amounts due to customers	18	44 931 447	42 791 387	35 299 820
Debt securities in issue		1 386 777	1 415 711	1 815 513
Subordinated liabilities		2 568 881	2 631 951	2 950 303
Other liabilities		834 350	776 195	951 618
Current income tax liabilities		2 451	904	402
Deferred income tax liabilities		622	544	926
Provisions		166 429	176 957	176 467
Total liabilities		**80 225 936**	**76 752 732**	**77 171 760**
Equity				
Equity attributable to Owners of BRE Bank SA		**4 371 200**	**4 120 187**	**3 912 860**
Share capital:		**1 521 683**	**1 521 683**	**1 521 683**
- Registered share capital		118 764	118 764	118 764
- Share premium		1 402 919	1 402 919	1 402 919
Retained earnings:		**2 828 972**	**2 712 394**	**2 662 811**
- Profit from the previous years		2 713 556	2 583 466	2 585 590
- Profit for the current year		115 416	128 928	77 221
Other components of equity		**20 545**	**(113 890)**	**(271 634)**
Non-controlling interests		**154 245**	**150 967**	**160 856**
Total equity		**4 525 445**	**4 271 154**	**4 073 716**
Total equity and liabilities		**84 751 381**	**81 023 886**	**81 245 476**
Capital adequacy ratio		**12.17**	**11.50**	**10.26**
Book value		**4 371 200**	**4 120 187**	**3 912 860**
Number of shares		**29 690 882**	**29 690 882**	**29 690 882**
Book value per share (in PLN)		**147.22**	**138.77**	**131.79**
Diluted number of shares		**29 733 601**	**29 729 741**	**29 721 550**
Diluted book value per share (in PLN)		**147.01**	**138.59**	**131.65**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

Consolidated Statement of Changes in Equity

Changes from 1 January to 31 March 2010

	Share capital		Retained earnings					Other components of equity				
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available for sale financial assets	Equity attributable to Owners of BRE Bank SA, total	Non-controlling interests	Total equity
Equity as at 1 January 2010	**118 764**	**1 402 919**	**1 761 960**	**53 158**	**719 210**	**178 066**	**-**	**3 017**	**(116 907)**	**4 120 187**	**150 967**	**4 271 154**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2010	**118 764**	**1 402 919**	**1 761 960**	**53 158**	**719 210**	**178 066**	**-**	**3 017**	**(116 907)**	**4 120 187**	**150 967**	**4 271 154**
Total comprehensive income							**115 416**	**(5 775)**	**140 210**	**249 851**	**3 278**	**253 129**
Transfer to General Risk Fund	-	-	-	-	57 143	(57 143)	-	-	-	-	-	-
Stock option program for employees	-	-	-	1 162	-	-	-	-	-	1 162	-	1 162
- value of services provided by the employees	-	-	-	*1 162*	-	-	-	-	-	*1 162*	-	*1 162*
Equity as at 31 March 2010	**118 764**	**1 402 919**	**1 761 960**	**54 320**	**776 353**	**120 923**	**115 416**	**(2 758)**	**23 303**	**4 371 200**	**154 245**	**4 525 445**

Changes from 1 January to 31 December 2009

	Share capital		Retained earnings					Other components of equity				
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available for sale financial assets	Equity attributable to Owners of BRE Bank SA, total	Non-controlling interests	Total equity
Equity as at 1 January 2009	**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**958 791**	**-**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2009	**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**958 791**	**-**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**
Total comprehensive income							**128 928**	**7 156**	**93 322**	**229 406**	**571**	**229 977**
Dividends paid	-	-	-	-	-	-	-	-	-	-	(3 188)	(3 188)
Transfer to General Risk Fund	-	-	-	-	105 900	(105 900)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	13 334	-	(13 334)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	790 419	-	-	(790 419)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
Stock option program for employees	-	-	-	(3 671)	-	-	-	-	-	(3 671)	-	(3 671)
- value of services provided by the employees	-	-	-	(3 671)	-	-	-	-	-	(3 671)	-	*(3 671)*
Equity as at 31 December 2009	**118 764**	**1 402 919**	**1 761 960**	**53 158**	**719 210**	**49 138**	**128 928**	**3 017**	**(116 907)**	**4 120 187**	**150 967**	**4 271 154**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

Changes from 1 January to 31 March 2009

	Share capital		Retained earnings					Other components of equity				
	Registered share capital	**Share premium**	**Other supplementary capital**	**Other reserve capital**	**General risk fund**	**Profit from the previous years**	**Profit for the current year**	**Exchange differences on translating foreign operations**	**Available for sale financial assets**	**Equity attributable to Owners of BRE Bank SA, total**	**Non-controlling interest**	**Total equity**
Equity as at 1 January 2009	**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**958 791**	**-**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- change in the scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2009	**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**958 791**	**-**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**
Total comprehensive income							**77 221**	**11 792**	**(69 058)**	**19 955**	**7 314**	**27 269**
Transfer to General Risk Fund	-	-	-	-	100 000	(100 000)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	16 837	-	(16 837)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	749 240	-	-	(749 240)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	(42)	(42)
Stock option program for employees	-	-	-	(1 547)	-	-	-	-	-	(1 547)	-	(1 547)
- value of services provided by the employees	-	-	-	(1 547)	-	-	-	-	-	(1 547)	-	*(1 547)*
- settlement of exercised options	-	-	-	-	-	-	-	-	-	-	-	-
Equity as at 31 March 2009	**118 764**	**1 402 919**	**1 720 781**	**58 785**	**713 310**	**92 714**	**77 221**	**7 653**	**(279 287)**	**3 912 860**	**160 856**	**4 073 716**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

Consolidated Statement of Cash Flows

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
A. Cash flow from operating activities	**1 634 530**	**(2 234 126)**
Profit before income tax	**157 774**	**103 321**
Adjustments:	***1 476 756***	***(2 337 447)***
Income taxes paid (negative amount)	(14 922)	(241 764)
Amortisation	59 201	58 526
Foreign exchange (gains) losses	(139 787)	431 940
(Gains) losses on investing activities	10	(902)
Dividends received	(330)	-
Interest received	(480 445)	(568 991)
Interest paid	395 734	512 111
Change in loans and advances to banks	(791 618)	260 913
Change in trading securities	222 901	3 229 081
Change in derivative financial instruments	114 733	237 277
Change in loans and advances to customers	2 021 572	(3 500 853)
Change in investment securities	(2 071 316)	(800 212)
Change in other assets	(37 859)	52 521
Change in amounts due to other banks	254 017	1 354 138
Change in other trading liabilities	33 270	(569 587)
Change in amounts due to customers	1 875 888	(2 807 693)
Change in debt securities in issue	(13 083)	46 768
Change in provisions	(10 528)	10 461
Change in other liabilities	59 318	(41 181)
Net cash from operating activities	**1 634 530**	**(2 234 126)**
B.Cash flows from investing activities	**(26 546)**	**(46 447)**
Investing activity inflows	**4 748**	**7 128**
Disposal of intangible assets and tangible fixed assets	4 486	7 128
Other investing inflows	262	-
Investing activity outflows	**31 294**	**53 575**
Purchase of intangible assets and tangible fixed assets	31 294	53 575
Net cash used in investing activities	**(26 546)**	**(46 447)**
C. Cash flows from financing activities	**1 000 839**	**(88 735)**
Financing activity inflows	**1 911 307**	**440 492**
Proceeds from loans and advances from other banks	1 664 307	179 492
Issue of debt securities	247 000	261 000
Financing activity outflows	**910 468**	**529 227**
Repayments of loans and advances from other banks	555 669	73 222
Repayments of other loans and advances	6 233	12 307
Redemption of debt securities	268 124	283 000
Payments of financial lease liabilities	75	106
Dividends and other payments to shareholders	2 272	-
Other financing outflows	78 095	160 592
Net cash from financing activities	**1 000 839**	**(88 735)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**2 608 823**	**(2 369 308)**
Increase / decrease in cash and cash equivalents in respect of foreign exchange gains and losses	13 251	(3 178)
Cash and cash equivalents at the beginning of the reporting period	6 867 880	8 693 728
Cash and cash equivalents at the end of the reporting period	**9 489 954**	**6 321 242**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Income Statement

	Note	1st Quarter (current year) from 01.01.2010 to 31.03.2010	1st Quarter (previous year) from 01.01.2009 to 31.03.2009
Interest income		707 001	765 266
Interest expense		(385 755)	(438 873)
Net interest income		**321 246**	**326 393**
Fee and commission income		208 578	173 595
Fee and commission expense		(87 612)	(90 315)
Net fee and commission income		**120 966**	**83 280**
Dividend income		262	775
Net trading income, including:		94 461	116 906
Foreign exchange result		*81 596*	*144 782*
Other trading income		*12 865*	*(27 876)*
Gains less losses from investment securities		-	769
Other operating income		13 384	23 553
Impairment losses on loans and advances		(168 613)	(181 453)
Overhead costs		(226 134)	(232 064)
Amortization and depreciation		(45 568)	(45 693)
Other operating expenses		(6 867)	(5 274)
Operating profit		**103 137**	**87 192**
Profit before income tax		**103 137**	**87 192**
Income tax expense		(24 714)	(20 353)
Net profit		**78 423**	**66 839**

Net profit		**78 423**	**66 839**
Weighted average number of ordinary shares	23	**29 690 882**	**29 690 882**
Earnings per 1 ordinary share (in PLN)	23	**2.64**	**2.25**
Weighted average number of ordinary shares for diluted earnings	23	**29 733 601**	**29 721 550**
Diluted earnings per 1 ordinary share (in PLN)	23	**2.64**	**2.25**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Comprehensive Income

	1st Quarter (current year) from 01.01.2010 to 31.03.2010	1st Quarter (previous year) from 01.01.2009 to 31.03.2009
Financial result	**78 423**	**66 839**
Other comprehensive income subject to taxation	**136 544**	**(64 179)**
Exchange differences on translating foreign operations (net)	(2 707)	5 355
Available-for-sale financial assets (net)	139 251	(69 534)
Total comprehensive income net of tax, total	**214 967**	**2 660**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Financial Position

	31.03.2010	31.12.2009	31.03.2009
ASSETS			
Cash and balances with the Central Bank	1 880 993	3 771 992	2 974 393
Debt securities eligible for rediscounting at the Central Bank	6 704	9 134	8 784
Loans and advances to banks	8 584 307	2 497 397	3 868 643
Trading securities	874 675	1 234 792	1 809 222
Derivative financial instruments	1 818 353	1 931 868	5 362 167
Loans and advances to customers	43 073 864	44 260 700	45 667 072
Investment securities	15 325 258	13 397 725	6 444 752
- Available for sale	15 325 258	13 397 725	6 444 752
Pledged assets	3 600 475	3 513 782	2 374 379
Investments in subsidiaries	477 545	480 709	463 742
Intangible assets	379 990	396 121	400 331
Tangible fixed assets	532 824	555 864	606 019
Current income tax assets	84 986	116 081	-
Deferred income tax assets	91 573	108 975	150 821
Other assets	308 957	332 041	314 400
Total assets	**77 040 504**	**72 607 181**	**70 444 725**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	2 255 598	2 003 783	1 919 809
Amounts due to other banks	21 197 310	19 184 949	20 737 885
Derivative financial instruments and other trading liabilities	1 971 393	1 933 149	5 642 590
Amounts due to customers	44 343 654	42 414 412	34 806 541
Debt securities in issue	-	-	7 952
Subordinated liabilities	2 568 881	2 631 951	2 950 303
Other liabilities	575 237	516 443	663 239
Provisions for deferred income tax	75	79	91
Provisions	98 601	108 789	91 055
Total liabilities	**73 010 749**	**68 793 555**	**66 819 465**
Equity			
Share capital	**1 521 683**	**1 521 683**	**1 521 683**
- Registered share capital	118 764	118 764	118 764
- Share premium	1 402 919	1 402 919	1 402 919
Retained earnings:	**2 456 824**	**2 377 239**	**2 389 059**
- Profit for the previous year	2 378 401	2 320 096	2 322 220
- Net profit for the current year	78 423	57 143	66 839
Other components of equity	**51 248**	**(85 296)**	**(285 482)**
Total equity	**4 029 755**	**3 813 626**	**3 625 260**
Total equity and liabilities	**77 040 504**	**72 607 181**	**70 444 725**
Capital adequacy ratio	**12.50**	**11.73**	**10.18**
Book value	**4 029 755**	**3 813 626**	**3 625 260**
Number of shares	**29 690 882**	**29 690 882**	**29 690 882**
Book value per share (in PLN)	**135.72**	**128.44**	**122.10**
Diluted number of shares	**29 733 601**	**29 729 741**	**29 721 550**
Diluted book value per share (in PLN)	**135.53**	**128.28**	**121.97**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Changes in Equity

Changes from 1 January to 31 March 2010

	Share capital		Retained earnings					Other components of equity		
	Registered share capital	**Share premium**	**Other supplementary capital**	**Other reserve capital**	**General Risk Fund**	**Profit from the previous years**	**Profit for the current year**	**Exchange differences on translating foreign operations**	**Available-for-sale financial assets**	**Total**
Equity as at 1 January 2010	**118 764**	**1 402 919**	**1 603 654**	**8 442**	**708 000**	**57 143**	**-**	**(2 609)**	**(82 687)**	**3 813 626**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2010	**118 764**	**1 402 919**	**1 603 654**	**8 442**	**708 000**	**57 143**	**-**	**(2 609)**	**(82 687)**	**3 813 626**
Total income							**78 423**	**(2 707)**	**139 251**	**214 967**
Transfer to General Risk Fund	-	-	-	-	57 143	(57 143)	-	-	-	-
Stock option program for employees	-	-	-	1 162	-	-	-	-	-	1 162
- value of services provided by the employees	-	-	-	*1 162*	-	-	-	-	-	*1 162*
Equity as at 31 March 2010	**118 764**	**1 402 919**	**1 603 654**	**9 604**	**765 143**	**-**	**78 423**	**(5 316)**	**56 564**	**4 029 755**

Changes from 1 January to 31 December 2009

	Share capital		Retained earnings					Other components of equity		
	Registered share capital	**Share premium**	**Other supplementary capital**	**Other reserve capital**	**General Risk Fund**	**Profit from the previous years**	**Profit for the current year**	**Exchange differences on translating foreign operations**	**Available-for-sale financial assets**	**Total**
Equity as at 1 January 2009	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**829 531**	**-**	**(10 610)**	**(210 693)**	**3 624 147**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2009	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**829 531**	**-**	**(10 610)**	**(210 693)**	**3 624 147**
Total income							**57 143**	**8 001**	**128 006**	**193 150**
Transfer to General Risk Fund	-	-	-	-	100 000	(100 000)	-	-	-	-
Transfer to supplementary capital	-	-	729 531	-	-	(729 531)	-	-	-	-
Stock option program for employees	-	-	-	(3 671)	-	-	-	-	-	(3 671)
- value of services provided by the employees	-	-	-	*(3 671)*	-	-	-	-	-	*(3 671)*
Equity as at 31 December 2009	**118 764**	**1 402 919**	**1 603 654**	**8 442**	**708 000**	**-**	**57 143**	**(2 609)**	**(82 687)**	**3 813 626**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

Changes from 1 January to 31 March 2009

	Share capital		Retained earnings					Other components of equity		
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available-for-sale financial assets	Total equity
Equity as at 1 January 2009	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**829 531**	**-**	**(10 610)**	**(210 693)**	**3 624 147**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2009	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**829 531**	**-**	**(10 610)**	**(210 693)**	**3 624 147**
Total income	**-**	**-**	**-**	**-**	**-**	**-**	**66 839**	**5 355**	**(69 534)**	**2 660**
Transfer to General Risk Fund	-	-	-	-	100 000	(100 000)	-	-	-	-
Transfer to supplementary capital	-	-	729 531	-	-	(729 531)	-	-	-	-
Stock option program for employees	-	-	-	(1 547)	-	-	-	-	-	(1 547)
- value of services provided by the employees	-	-	-	*(1 547)*	-	-	-	-	-	*(1 547)*
Equity as at 31 March 2009	**118 764**	**1 402 919**	**1 603 654**	**10 566**	**708 000**	**-**	**66 839**	**(5 255)**	**(280 227)**	**3 625 260**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Cash Flows

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
A. Cash flow from operating activities	**1 070 474**	**(2 218 197)**
Profit before income tax	**103 137**	**87 192**
Adjustments:	***967 337***	***(2 305 389)***
Income taxes paid (negative amount)	(5 863)	(229 708)
Amortisation	45 568	45 693
Foreign exchange (gains) losses	(143 310)	425 341
(Gains) losses on investing activities	10	(1 909)
Dividends received	(262)	(775)
Interest received	(510 813)	(586 659)
Interest paid	393 107	515 186
Change in loans and advances to banks	(1 244 813)	101 676
Change in trading securities	211 698	3 257 236
Change in derivative financial instruments	113 515	250 146
Change in loans and advances to customers	1 661 116	(2 886 952)
Change in investment securities	(2 095 764)	(810 312)
Change in other assets	24 897	78 279
Change in amounts due to other banks	758 623	1 094 628
Change in financial instruments and other trading liabilities	38 244	(568 726)
Change in amounts due to customers	1 660 119	(2 999 981)
Change in debt securities in issue	-	123
Change in provisions	(10 188)	1 033
Change in other liabilities	71 453	10 292
Net cash from operating activities	**1 070 474**	**(2 218 197)**
B.Cash flows from investing activities	**(17 338)**	**(38 870)**
Investing activity inflows	**264**	**1 990**
Disposal of intangible assets and tangible fixed assets	2	1 215
Other investing inflows	262	775
Investing activity outflows	**17 602**	**40 860**
Purchase of intangible assets and tangible fixed assets	17 602	40 860
Net cash used in investing activities	**(17 338)**	**(38 870)**
C. Cash flows from financing activities	**1 446 903**	**(168 807)**
Financing activity inflows	**1 527 530**	**-**
Proceeds from loans and advances from other banks	1 527 530	-
Financing activity outflows	**80 627**	**168 807**
Repayments of loans and advances from other banks	1 948	2 287
Repayments of other loans and advances	4 727	5 753
Payments of financial lease liabilities	1 929	1 089
Other financing outflows	72 023	159 678
Net cash from financing activities	**1 446 903**	**(168 807)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**2 500 039**	**(2 425 874)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	13 251	(3 178)
Cash and cash equivalents at the beginning of the reporting period	6 534 190	8 513 263
Cash and cash equivalents at the end of the reporting period	**9 047 480**	**6 084 211**

Explanatory Notes to the Condensed Consolidated Financial Statements

1. Information Concerning the Group of BRE Bank SA

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

- strategic: shares and equity interests in companies supporting particular business lines of BRE Bank SA (corporates and financial markets line, retail banking line) with an investment horizon not shorter than 3 years. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank;
- other: shares and equity interests in companies acquired in exchange for receivables, in transactions resulting from composition and work out agreements with debtors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

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

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

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

As at 31 March 2010, the BRE Bank SA Group covered by the Condensed Consolidated Financial Statements comprised the following companies:

BRE Bank SA; the parent entity

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

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 Bank conduct retail banking business in Czech Republic and Slovakia through its foreign branches of mBank in those countries.

The average employment in the first quarter of 2010 was: in BRE Bank SA 4 977 persons and in the Group 6 615 (first quarter 2009: the Bank 5 666, the Group 7 398).

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
- Garbary Sp. z o.o., subsidiary
- Intermarket Bank AG, subsidiary
- Magyar Factor zRt., subsidiary
- Polfactor SA, subsidiary
- Transfinance a.s., subsidiary
- Tele-Tech Investment Sp. z o.o., subsidiary
- BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, subsidiary

Trading and Investment Activity

- BRE Finance France SA, subsidiary

Retail Banking (including private banking)

- Aspiro Sp. z o.o. (previously emFinanse Sp. z o.o.), subsidiary
- BRE Wealth Management SA, subsidiary
- BRE Ubezpieczenia TUiR SA, subsidiary, insurer
- BRE Ubezpieczenia Sp. z o.o., subsidiary, insurance broker

Remaining business

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

Other information concerning companies of the Group

A detailed description of the business of the companies of BRE Bank SA Group was presented in the Explanatory Notes to the Condensed Consolidated Financial Statements for 2009, published on 1 March 2010.

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

The Management Board of BRE Bank SA approved these Condensed Consolidated Financial Statements for issue on 28 April 2010.

2. Description of Relevant Accounting Policies

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

2.1 Accounting Basis

These Condensed Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 3-month period ended 31 March 2010.

The presented Condensed Consolidated Financial Statements for the first quarter of 2010 fulfill the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting", concerning interim financial statements.

The Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements of BRE Bank SA Group for the year ended 31 December 2009, which have been prepared in accordance with IFRSs.

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

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

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

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

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

In the stand-alone financial information of the Bank subsidiaries are measured at cost less impairment

Associates

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

The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the Income Statement, whereas its share in changes in other 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 Condensed Consolidated Financial Statements of the Bank cover the following companies:

Company	31.03.2010 Share in voting rights (directly and indirectly)	Consolidation method	31.03.2009 Share in voting rights (directly and indirectly)	Consolidation method
Aspiro Sp. z o.o. (previously emFinanse Sp. z o.o.)	100%	full	100%	full
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Corporate Finance SA	100%	full	100%	full
BRE Holding Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia TUiR SA	100%	full	100%	full
BRE Wealth Management SA	100%	full	100%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full
Tele-Tech Investment Sp. z o.o.	100%	full	100%	full
BRE Finance France SA	99.98%	full	99.98%	full
BRE.locum SA	79.99%	full	79.99%	full
Magyar Factor zRt.	78.12%	full	78.12%	full
Polfactor SA	78.12%	full	78.12%	full
Transfinance a.s.	78.12%	full	78.12%	full
Intermarket Bank AG	56.24%	full	56.24%	full
BRE Leasing Sp. z o.o.	50.004%	full	50.004%	full
BRE GOLD FIZ Aktywów Niepublicznych	100% of certificates	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 Income Statement.

The effective interest rate method is a method of calculation of the amortised initial value of financial assets or financial liabilities and allocation of interest income or interest 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 Income Statement, and on the other side in the Statement of Financial Position as receivables from banks or from other customers.

The calculation of the effective interest rate takes 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, which 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 by an insurance agent and income on account of payments for arranging instalments for a premium for insurance products sold through the Internet platform. Payment on account of arranging instalments for a premium is recognised entirely at the policy issue date.

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

2.5 Insurance premium revenue

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

2.6 Compensations and benefits, net

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

2.7 Segment Reporting

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

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

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

2.8 Financial Assets

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

<u>Financial assets valued at fair value through the Income Statement</u>

This category comprises two subcategories: financial assets held for trading and financial assets designated at fair value through the Income Statement 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 and equity securities held for trading are accounted according to the weighted average method.

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

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

b) upon initial recognition, assets/liabilities are designated by the entity at fair value through the Income Statement.

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

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

<u>Loans and Receivables</u>

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

<u>Held to Maturity Investments</u>

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

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

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

Available for Sale Investments

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

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

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

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

The fair value of quoted investments in active markets is based on current 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 initially recognised at cost and settled using the equity method of accounting.

2.9 Reinsurance assets

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

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

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

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

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

2.10 Offsetting Financial Instruments

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

2.11 Impairment of Financial Assets

Assets Carried at Amortised Cost

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

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

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

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

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

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

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

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

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

When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the required procedures and to determine the amount of the loss.

Subsequent recoveries of amounts previously written off reduce (in accordance with IAS 39) the amount of the provision for loan impairment in the Income Statement.

If in a subsequent period the impairment loss amount is decreasing and the decrease can be related objectively to an event occurring after the impairment was recognised (e.g., improvement of the debtor's credit rating), then the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recorded in the Income Statement.

Assets Measured at Fair Value

At the end of the reporting period the Group estimates whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost resulting from higher credit risk is considered 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 Income Statement. The above indicated difference should be reduced by the impairment concerning the given asset which was previously recognised in the Income Statement. Impairment losses concerning equity instruments recorded in the Income Statement are not reversed through the Income Statement, but through 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 Income Statement, then the respective impairment loss is reversed in the Income Statement.

Renegotiated agreements

The Group considers renegotiations on contractual terms of loans and advances as 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 an amendment to IAS 39, which came into force at 1 January 2006, the Group has an obligation to recognise 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 recognised initially, it is measured at the fair value. After initial recognition, an issuer of such a contract measures it at the higher of:

a) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and
b) the amount initially recognised less, when appropriate, cumulative amortization recognised in accordance with IAS 18 Revenue.

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise items with maturities of up to three months from the date of their acquisition, including: cash in hand and cash held at the Central Bank with unlimited availability for disposal, Treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, and 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 Sell-buy-back, Buy-sell-back, Reverse Repo and Repo Contracts

Repo and reverse-repo transactions are defined as selling and purchasing securities for which a commitment has been made to repurchase or resell them at a contractual date and for a specified contractual price and are recognised when the money is transferred.

Securities sold with a repurchase clause (repos) 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 Statement of Financial Position as financial assets held for trading or as investment financial assets, and also as liabilities in the case of "sell-buy-back" transactions and as receivables in the case of "buy-sell-back" transactions.

Securities borrowed by the Group are not recognised in the financial statements, unless they are sold to third parties. In such case the purchase and sale transactions are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as trading liability.

Securities borrowed under "buy-sell-back" transactions and then lent under "sell-buy-back" transactions are not recognised as financial assets.

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

2.15 Derivative Financial Instruments and Hedge Accounting

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

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

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

In accordance with IAS 39 AG 30 (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 should be separated and fair valued 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 the effectiveness of fair value hedging and cash flow hedging transactions, measured both prospectively and retrospectively from the time of their designation and throughout the period of duration of the hedging relationship between the hedging instrument and the hedged item.

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 Income Statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

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

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

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

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

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

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), 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 Income Statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable 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 Income Statement over the period of duration of the respective agreements according to the effective interest rate method.

2.18 Intangible Assets

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

Goodwill

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

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units or groups of cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with IFRS 8.

Computer software

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

Capitalised costs attached to the development of software are amortised over the period of their estimated useful life. Computer software directly connected with the functioning of specific information technology hardware is recognised as "Tangible fixed assets".

Development costs

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

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

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

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

2.19 Tangible Fixed Assets

Tangible fixed assets are carried at historical cost reduced by depreciation. Historical cost takes into 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 Income Statement in the reporting period in which they were incurred.

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

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

Land is not depreciated. Depreciation of other fixed assets is accounted for according to the straight line method in order to spread their initial value 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 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 the end of the reporting period and adjusted accordingly as the need arises.

Depreciable fixed assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the Statement of Financial Position might not be possible to be recovered. The value of a fixed asset carried in the Statement of Financial Position is reduced to the level of its recoverable value if the carrying value in the Statement of Financial Position exceeds the 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 the asset).

Gains and losses on account of the disposal of fixed assets are determined by comparing the proceeds from their sale against their carrying value in the Statement of Financial Position and they are recognised in the Income Statement.

2.20 Inventories

Inventories are stated at the lower of: cost of purchase/cost of construction and net realisable value. Cost of construction of inventories comprises direct construction costs, the relevant portion of fixed indirect production costs incurred in the construction process and the borrowing costs, which can be directly allocated to the purchase or construction of an asset. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs. The amount of any inventory write-downs to the net realisable value and any inventory losses are recorded as costs of the period in which a write-down or a loss occurred and they are classified as the cost of finished goods sold. Reversals of inventory write-downs resulting from increases in their net realisable value are recorded as a reduction of the inventories recognized as cost of the period in which the reversals took place. Inventory issues are valued through detailed identification of the individual purchase prices or costs of construction of the assets which relate to the realisation of the individual separate undertakings. In particular, inventories comprise land and rights to perpetual usufruct of land designated for use as part of construction projects carried out. They also comprise assets held for lease as well as assets taken over as a result of terminated lease agreements.

2.21 Non-Current Assets Held for Sale and Discontinued Operation

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.

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

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

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

Discontinued operations are a component of the Group that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation or is a subsidiary acquired exclusively with a view to resale. The classification to this category takes places at the moment of sale or when the operation meets criteria of the operation classified as held for sale, if this moment took place previously.
Disposal group which is to be taken out of usage may also be classified as discontinued operation.

2.22 Deferred Income Tax

The Group 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 Statement of Financial Position. Such liabilities or assets are determined by application of the tax rates in force by virtue of law or of actual obligations at the end of the reporting period. According to expectations such tax rates applied will be in force at the time of realisation of the assets or settlement of the liabilities for deferred corporate income tax.

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

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

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

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

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

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

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

2.23 Assets Repossessed for Debt

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 the end of the reporting period the initial amount is tested for impairment.

2.24 Prepayments, Accruals and Deferred Income

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

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

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

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

2.25 Leasing

BRE Bank SA Group as a Lessor

In the case of assets in use on the basis of a finance lease agreement, the amount equal to the net investment in the lease is recognised as receivables. The difference between the gross receivable amount and the present value of the receivables is recognised as unrealised financial income. The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance 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.

2.26 Provisions

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

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

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

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

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

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

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

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

2.27 Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

2.28 Equity

Equity consists of capital and own funds attributable to 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 end of the reporting period, are shown under the liabilities on account of dividends payable under the item "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.

Retained earnings

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

Other components of equity

Other components of equity result from:

- valuation of available for sale financial instruments,
- currency translation differences resulting from valuation of foreign operations.

2.29 Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

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

Changes in fair value of monetary items available for sale cover foreign exchange differences arising from valuation at amortised cost, which are recognised in the Income Statement, and foreign exchange differences relating to other changes in carrying value, which are recognised under other components of equity.

Items of the Statement of Financial Position of foreign branches are converted from functional currency to the presentation currency with the application of the average exchange rate as at the end of the reporting period. Income Statement items of these entities are converted to presentation currency with the application of the arithmetical mean of average exchange rates quoted by the National Bank of Poland on the last day of each month of the reporting period. Foreign exchange differences so arisen are recognised under other components of equity.

Companies Belonging to the Group

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

a) assets and liabilities in each presented Statement of Financial Position are converted at the average rate of exchange of the National Bank of Poland (NBP) in force at the end of this reporting period;
b) revenues and expenses in each Income Statement are converted at the rate equal to the arithmetical mean of the average rates quoted by NBP on the last day of each of three 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 Income Statement as part of the profit or loss arising upon disposal.

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

Leasing Business

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

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

2.30 Trust and Fiduciary Activities

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

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

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

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

2.31 New Standards, Interpretations and Amendments to Published Standards

Changes in the published Standards and Interpretations that have come into force since 1 January 2010:

- IFRS 1 (Revised), Additional Exemptions in First-time Adoption of IFRS, binding for annual periods starting on or after 1 January 2010. Revision has not been approved by the European Union yet.
- IFRS 2 (Revised), Share-based Payment, binding for annual periods starting on or after 1 January 2010. Revisions has not been approved by the European Union yet.

Published Standards and Interpretations which have been issued and binding of the Group for annual periods starting on 1 January 2010:

Standards and Interpretations approved by the European Union:

- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, binding for annual periods starting on or after 1 July 2009.
- IFRIC 17, Distribution of Non-Cash Assets to Owners, binding for annual periods starting after 1 November 2009.
- IFRIC 18, Transfers of Assets from Customers, binding for annual periods starting after 1 November 2009.
- IFRS 3 (Revised), Business Combinations, binding prospectively to business combinations for which the acquisition date is on or after 1 July 2009.
- IAS 27 (Revised), Consolidated and Separate Financial Statements, 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 IFRS 2009 revising 12 standards, binding mostly for annual periods starting on 1 January 2010. Improvements have been approved by the European Union.

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

- IFRIC 12, Service Concession Arrangements, binding for annual periods starting on 29 March 2009.

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

Standards and Interpretations approved by the European Union:

- IFRIC 14, (Revised), Prepayments of a Minimum Funding Requirement, binding for annual periods starting on or after 1 January 2011.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, binding for annual periods starting on or after 1 July 2010.
- IAS 32 (Revised), Classification of Rights Issues, binding for annual periods starting on or after 1 February 2010.

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

- IFRS 1 (Revised), Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, binding for annual periods starting on or after 1 July 2010. Revise has not been approved by the European Union yet.
- IFRS 9, Financial Instruments, binding for annual periods starting on or after 1 January 2013.
- IAS 24, Related Party Disclosures, retrospectively binding for annual periods starting on or after 1 January 2011.

The Group is considering the implications of the IFRS 9, the impact on the Group and the timing of its adoption by the Group. The Group believes that the application of remaining standards and interpretations will not have a significant effect on the financial statements in the period of their first application.

2.32 Comparative Data

Data prepared as at 31 March 2009 as well as data presented in the Statement of Financial Position prepared as at 31 December 2009 are totally comparable with data intoduced in the current financial period so they were not adjusted.

3. Major Estimates and Judgments Made in Connection with the Application of Accounting Policy Principles

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

Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the Income Statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio, 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) are regularly reviewed in order to reduce the discrepancies between the estimated and the actual magnitude of the impairment losses concerned.

<u>Fair value of derivative instruments</u>

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.

<u>Impairment of debt instruments available for sale</u>

Impairment and increase in value of debt securities available for sale is determined at the date of valuation, i.e. at the end of the reporting period, separately for each category of debt security. Impairment is recognised if the issuer incurs a loss not covered by its 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 Income Statement.

<u>Technical-insurance provisions</u>

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

Provision for claims incurred but not reported to the insurer (IBNR), is calculated using the Naive Loss Ratio ULR (Ultimate Loss Ratio) method which consists in establishing the value of claims only on the basis of the expected loss ratio. The expected loss-based ratios are composed on the basis of available market studies concerning loss arising from the given group of risks.

4. Business Segments

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

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

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

1. <u>The Retail Banking segment</u>, which divides its customers into mBank customers, MultiBank customers and BRE Private Banking customers, offers a full range of the Bank's banking products and services as well as specialized products offered by a number of subsidiaries belonging to the Retail Banking segment. The key products in this segment include current and savings accounts (including accounts in foreign currencies), term deposits, lending products (retail mortgage loans and non-mortgage loans such as car loans, cash loans, overdrafts, credit cards and other loans products), debit cards, insurance, investment products and brokerage services offered to both individual customers and to micro-businesses. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of BRE Wealth Management SA, Aspiro Sp. Z o.o. (until 2 October 2009: emFinanse Sp. z o.o.) as well as BRE Ubezpieczenia TUiR SA and BRE Ubezpieczenia Sp. z o.o..

2. The Corporates and Markets segment, which is divided into two sub-segments:
   - *Corporates and Institutions* sub-segment, which targets small, medium and large-sized companies, public sector entities, non-banking financial institutions and banks. The key products offered to non-banking institutions include transactional banking products and services including current account products, multi-functional internet banking, tailor-made cash management and trade finance services, term deposits, foreign exchange transactions, a comprehensive offering of short-term financing and investment loans, cross-border credit, project finance, structured and mezzanine finance services, investment banking products including foreign exchange options, forward contracts, interest rate derivatives and commodity swaps and options, structured deposit products with embedded options (interest on structured deposit products are directly linked to the performance of certain underlying financial instruments such as foreign exchange options, interest rate options and stock options), treasury bills and bonds, non-government debt, medium-term bonds, buy sell back and sell buy back transactions and repo transactions, as well as leasing and factoring services. The Bank also maintains an extensive correspondent banking network and also develops relationships with other banks providing products such as current accounts, overdrafts, stand alone and syndicated loans and loans insured by KUKE to support the Polish export market. The Corporates and Institutions sub-segment includes the results of the following subsidiaries: BRE Bank Hipoteczny SA, BRE Leasing Sp. z o.o., DI BRE Banku SA, BRE Corporate Finance SA, Intermarket Bank AG, Polfactor SA, BRE Holding Sp. z o.o., Transfinance a.s., Magyar Factor zRt., Garbary Sp. z o.o., Tele-Tech Investment Sp. z o.o. as well as BRE Gold Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, all of whose investment certificates were acquired by BRE Bank in November 2009. The main item of assets of BRE Gold FIZ Aktywów Niepublicznych is a shareholding in PZU, owned previously by BRE Bank.
   - *The Trading and Investment Activity* sub-segment consists primarily of treasury, financial markets, and financial institutions operations, and manages the liquidity, interest rate and foreign exchange risks of the Bank, its trading and investment portfolios, and conducts market making in PLN denominated cash and derivative instruments, debt origination, and financial institutions' coverage. This sub-segment also includes the results of BRE Finance France SA.
3. Operations which are not included in the Retail Banking segment and the Corporates and Markets segment were reported under "Remaining Business" below. This segment includes the results of BRE.locum SA and Centrum Rozliczeń i Informacji CERI Sp. z o.o..

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

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

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

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

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

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

The business operations of particular companies of the Group are attributed 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.

Business segment reporting on the activities of BRE Bank Group
for the period from 01.01.2010 to 31.03.2010
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**178 117**	**(12 148)**	**226 791**	**(479)**	**(1 744)**	**390 537**	**390 537**
- sales to external clients	187 480	112 641	92 115	45	(1 744)	390 537	
- sales to other segments	(9 363)	(124 789)	134 676	(524)	-	-	
Net fee and commission income	**98 463**	**(174)**	**67 293**	**(55)**	**8 366**	**173 893**	**173 893**
- sales to external clients	95 775	1 571	68 236	(55)	8 366	173 893	
- sales to other segments	2 688	(1 745)	(943)	-	-	-	
Trading income	**33 048**	**29 824**	**35 656**	**60**	**(2 417)**	**96 171**	**96 171**
Net impairment losses on loans and advances	**(70 283)**	**(3 290)**	**(103 488)**	**-**	**-**	**(177 061)**	**(177 061)**
Gross profit of the segment	**23 030**	**26 056**	**108 975**	**2 917**	**(3 204)**	**157 774**	**157 774**
Income tax	-	-	-	-	-	(35 183)	(35 183)
Net profit attributable to Owners of BRE Bank SA	-	-	-	-	-	115 416	115 416
Net profit attributable to non-controlling interests	-	-	-	-	-	7 175	7 175
Assets of the segment	**28 970 748**	**29 955 275**	**28 873 331**	**1 214 895**	**(4 262 868)**	**84 751 381**	**84 751 381**
Liabilities of the segment	**50 320 615**	**5 732 765**	**27 030 246**	**612 149**	**(3 469 839)**	**80 225 936**	**80 225 936**
Other items of the segment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expenditures incurred on fixed assets and intangible assets	(25 139)	(672)	(5 185)	(51)	-	(31 047)	
Amortisation/depreciation	(32 751)	(3 227)	(22 350)	(968)	95	(59 201)	(59 201)
Losses on credits and loans	(243 121)	(4 752)	(143 548)	-	-	(391 421)	
Other costs/ income without cash outflows/ inflows*	2 240	(107 320)	1 736	151	(2 417)	(105 610)	
- other non-cash costs	*(53)*	*(1 380 086)*	*-*	*-*	*6 930*	*(1 373 209)*	
- other non-cash income	*2 293*	*1 272 766*	*1 736*	*151*	*(9 347)*	*1 267 599*	

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

Business segment reporting on the activities of BRE Bank Group
for the period from 01.01.2009 to 31.12.2009
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**714 400**	**(1 949)**	**955 375**	**(4 671)**	**(4 978)**	**1 658 177**	**1 658 177**
- sales to external clients	727 399	347 244	591 869	(3 357)	(4 978)	1 658 177	
- sales to other segments	(12 999)	(349 193)	363 506	(1 314)	-	-	
Net fee and commission income	**395 035**	**(9 674)**	**173 585**	**(1 504)**	**37 281**	**594 723**	**594 723**
- sales to external clients	381 025	(97)	178 018	(1 504)	37 281	594 723	
- sales to other segments	14 010	(9 577)	(4 433)	-	-	-	
Trading income	**125 912**	**134 740**	**142 647**	**(452)**	**3 527**	**406 374**	**406 374**
Gains less losses from investment securities	**(19 805)**	**985**	**(1 508)**	**19 794**	**(238)**	**(772)**	**(772)**
Net impairment losses on loans and advances	**(651 210)**	**(5 280)**	**(440 647)**	**3**	**-**	**(1 097 134)**	**(1 097 134)**
Gross profit of the segment	**(215 916)**	**186 103**	**216 253**	**17 136**	**5 813**	**209 389**	**209 389**
Income tax						(78 866)	(78 866)
Net profit attributable to Owners of BRE Bank SA						128 928	128 928
Net profit attributable to non-controlling interests						1 595	1 595
Assets of the segment	**29 697 434**	**24 944 930**	**29 152 371**	**1 243 486**	**(4 014 335)**	**81 023 886**	**81 023 886**
Liabilities of the segment	**49 412 460**	**4 608 648**	**25 577 889**	**373 356**	**(3 219 621)**	**76 752 732**	**76 752 732**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(169 654)	(12 264)	(85 234)	(2 883)	-	(270 035)	
Amortisation/depreciation	(140 493)	(8 785)	(107 476)	(2 984)	376	(259 362)	(259 362)
Losses on credits and loans	(1 405 347)	(11 241)	(527 981)	(933)	-	(1 945 502)	
Other costs/ income without cash outflows/ inflows*	17 732	12 233	(97)	(55)	-	29 813	
- other non-cash costs	*(925)*	*(5 465 237)*	*(97)*	*(55)*	-	*(5 466 314)*	
- other non-cash income	*18 657*	*5 477 470*	-	-	-	*5 496 127*	

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

Business segment reporting on the activities of BRE Bank Group
for the period from 01.01.2009 to 31.03.2009
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**162 613**	**(9 650)**	**244 438**	**(298)**	**-**	**397 103**	**397 103**
- sales to external clients	162 200	89 781	145 180	(58)	-	397 103	
- sales to other segments	413	(99 431)	99 258	(240)	-	-	
Net fee and commission income	**92 090**	**(3 076)**	**22 989**	**(410)**	**10 249**	**121 842**	**121 842**
- sales to external clients	88 300	(317)	24 020	(410)	10 249	121 842	
- sales to other segments	3 790	(2 759)	(1 031)	-	-	-	
Trading income	**45 408**	**45 708**	**31 894**	**(19)**	**-**	**122 991**	**122 991**
Gains less losses from investment securities	**(17 138)**	**770**	**-**	**-**	**(238)**	**(16 606)**	**(16 606)**
Net impairment losses on loans and advances	**(127 667)**	**(187)**	**(82 174)**	**-**	**-**	**(210 028)**	**(210 028)**
Gross profit of the segment	**(42 423)**	**56 425**	**74 017**	**16 266**	**(964)**	**103 321**	**103 321**
Income tax						(27 572)	(27 572)
Net profit attributable to Owners of BRE Bank SA						77 221	77 221
Net profit attributable to non-controlling interests						(1 472)	(1 472)
Assets of the segment	**31 122 887**	**21 167 218**	**30 478 657**	**1 108 063**	**(2 631 349)**	**81 245 476**	**81 245 476**
Liabilities of the segment	**48 628 134**	**8 668 203**	**21 060 582**	**788 446**	**(1 973 605)**	**77 171 760**	**77 171 760**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(23 873)	(1 877)	(27 395)	(1 360)	-	(54 505)	
Amortisation/depreciation	(32 833)	(2 094)	(22 677)	(1 017)	95	(58 526)	(58 526)
Losses on credits and loans	(205 321)	(525)	(83 098)	-	-	(288 944)	
Other costs/ income without cash outflows/ inflows*	7 350	318 322	(4)	13	-	325 681	
- other non-cash costs	*(483)*	*(1 330 635)*	*(4)*	-	-	*(1 331 122)*	
- other non-cash income	*7 833*	*1 648 957*	-	*13*	-	*1 656 803*	

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

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

5. Net Interest Income

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Interest income		
Loans and advances including the unwind of the impairment provision discount	596 799	706 402
Cash and short-term placements	42 143	75 907
Investment securities	168 105	117 674
Trading debt securities	10 746	42 919
Other	3 965	4 858
	821 758	**947 760**
Interest expense		
Arising from amounts due to banks and customers	(397 949)	(499 914)
Arising from issue of debt securities	(18 061)	(30 608)
Other borrowed funds	(12 103)	(19 433)
Other	(3 108)	(702)
	(431 221)	**(550 657)**

Interest income related to financial assets which have been impaired amounted to PLN 39 855 thousand (31 March 2009: PLN 19 894 thousand).

6. Net Fee and Commission Income

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Fee and commission income		
Credit-related fees and commissions	55 413	51 716
Payment cards-related fees	75 808	63 322
Commissions from insurance activity	28 038	13 574
Fees from brokerage activity	27 563	20 077
Commissions from money transfers	17 696	17 401
Commissions from bank accounts	23 894	20 100
Commissions due to guarantees granted and trade finance commissions	12 386	11 004
Commissions on trust and fiduciary activities	2 439	2 313
Fees from portfolio management services and other management-related fees	2 162	1 864
Other	33 159	18 374
	278 558	**219 745**
Fee and commission expense		
Payment cards-related fees	(48 065)	(39 489)
Discharged brokerage fees	(7 965)	(6 314)
Insurance activity-related fees	(3 463)	(3 800)
Other discharged fees	(45 172)	(48 300)
	(104 665)	**(97 903)**

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Fee and commission income from insurance contracts		
- Income from insurance policies administration	3 343	3 180
- Income from insurance intermediation	24 695	10 394
Total fee and commission income	**28 038**	**13 574**

The amount of other discharged fees comprises primarily commissions paid to external entities for sale of the Bank's products.

7. Dividend Income

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Securities available for sale	330	-
Total dividend income	**330**	**-**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

8. Net Trading Income

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Foreign exchange result	**83 270**	**152 142**
Net exchange differences from the conversion	161 804	(680 698)
Net transaction gains and losses	(78 534)	832 840
Other net trading income	**12 901**	**(29 151)**
Interest-bearing instruments	8 349	(22 872)
Equity instruments	1 530	(186)
Market risk instruments	3 022	(6 093)
Total net trading income	**96 171**	**122 991**

"Foreign exchange result" includes profits/(loss) on spot transactions and forward contracts, options, futures and translated assets and liabilities denominated in foreign currencies. "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. "Equity instruments" include the valuation and profit/(loss) on global trade in equity securities. "Market risk instruments" include profit/(loss) on: bond futures, index futures, security options, stock exchange index options, and options on futures contracts as well as the result from securities forward transactions and commodity swaps.

9. Gains and Losses from Investment Securities

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Sale/redemption of the financial assets available for sale by the issuer	-	531
Impairment of available for sale equity securities	-	(17 137)
Total gains and losses from investment securities	**-**	**(16 606)**

In 2009, impairment of available for sale equity securities includes the write-off in the amount of PLN 16 836 thousand which was done by Intermarket Bank AG due to impairment of Compania de Factoring IFN, Romania, of which 50% were held by Intermarket. On 28 October 2009, Intermarket Bank AG sold all shares held in Company Compania de Factoring IFN SA.

10. Other Operating Income

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Income from sale or liquidation of fixed assets, intangible assets and assets held for resale	18 216	41 556
Income from services provided	13 653	10 922
Income from insurance activity net	11 621	12 005
Income due to release of provisions for future commitments	116	16 123
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	104	353
Income from compensations, penalties and fines received	124	454
Other	8 297	8 745
Total other operating income	**52 131**	**90 158**

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, reduced by claims paid and costs of claims handling and adjusted by the changes in provisions for claims connected with the insurance activity conducted within BRE Bank SA Group.

Income from insurance activity net generated in the first quarter of 2010 and 2009 respectively is presented below.

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Income from premiums		
- Premiums attributable	21 512	29 568
- Change in provision for premiums	1 528	(5 999)
Premium revenue	**23 040**	**23 569**
Reinsurance contracts		
- Premiums attributable	(9 008)	(9 273)
- Change in provision for premiums	1 882	594
Premiums on reinsurer's share	**(7 126)**	**(8 679)**
Net premiums	**15 914**	**14 890**
Compensations and benefits		
- Compensations and benefits paid out in the current year including costs of liquidation before tax	(6 847)	(2 916)
- Change in provision for compensations and benefits paid out in the current year including costs of liquidation before tax	(3 559)	(5 872)
- Compensations and benefits paid out in the current year including reinsurer's share of costs of liquidation	5 230	2 447
- Change in provision for compensations and benefits paid out in the current year including reinsurer's share of costs of liquidation	1 066	3 145
Compensations and benefits net	**(4 110)**	**(3 196)**
- Other costs on own share	(190)	(219)
- Other operating income	7	530
Income from insurance activity net, total	**11 621**	**12 005**

11. Impairment Losses on Loans and Advances

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Impairment losses on amounts due from other banks	(5 126)	(6 111)
Impairment losses on off-balance sheet contingent liabilities due to other banks	(192)	85
Impairment losses on loans and advances to customers	(180 095)	(202 402)
Impairment losses on off-balance sheet contingent liabilities due to customers	8 352	(1 600)
Total impairment losses on loans and advances	**(177 061)**	**(210 028)**

12. Overhead Costs

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Staff-related expenses	(159 291)	(163 329)
Material costs	(120 228)	(121 602)
Taxes and fees	(7 324)	(6 829)
Contributions and transfers to the Bank Guarantee Fund	(5 279)	(6 310)
Contributions to the Social Benefits Fund	(1 404)	(1 160)
Other	(1 411)	(1 380)
Total overhead costs	**(294 937)**	**(300 610)**

Staff-related expenses for the first quarter of 2010 and 2009 are presented below

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Wages and salaries	(130 316)	(127 732)
Social security expenses	(21 586)	(23 186)
Pension fund expenses	(147)	(382)
Remuneration settled in the form of shares and share options	(1 550)	(3 481)
Other staff expenses	(5 692)	(8 548)
Staff-related expenses, total	**(159 291)**	**(163 329)**

In the first quarter of 2010 the average level of employment in the Group was 6 615 persons (first quarter 2009: 7 398 persons).

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

13. Other Operating Expenses

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Costs arising from sale or liquidation of fixed assets, intangible assets and assets held for resale	(15 849)	(31 792)
Costs arising from provisions created for other receivables (excluding loans and advances)	(141)	(86)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(37)	(2 405)
Donations made	(2 821)	(2 766)
Costs of sale of services	(179)	(386)
Compensation, penalties and fines paid	(29)	(199)
Other operating costs	(5 033)	(5 369)
Total other operating expenses	**(24 089)**	**(43 003)**

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.

14. Earnings per Share

Earnings per share for 3 months – consolidated data

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Basic:		
Net profit attributable to Owners of BRE Bank SA	115 416	77 221
Weighted average number of ordinary shares	29 690 882	29 690 882
Net basic profit per share (in PLN per share)	**3.89**	**2.60**
Diluted:		
Net profit attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	115 416	77 221
Weighted average number of ordinary shares	29 690 882	29 690 882
Adjustments for:		
- stock options for employees	42 719	30 668
Weighted average number of ordinary shares for calculation of diluted earnings per	29 733 601	29 721 550
Diluted earnings per share (in PLN per share)	**3.88**	**2.60**

Earnings per share for 3 months – stand-alone data

the period	from 01.01.2010 to 31.03.2010	from 01.01.2009 to 31.03.2009
Basic:		
Net profit	78 423	66 839
Weighted average number of ordinary shares	29 690 882	29 690 882
Net basic profit per share (in PLN per share)	**2.64**	**2.25**
Diluted:		
Net profit attributable to the shareholders, applied for calculation of diluted earnings per share	78 423	66 839
Weighted average number of ordinary shares in issue	29 690 882	29 690 882
Adjustments for:		
- stock options for employees	42 719	30 668
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 733 601	29 721 550
Diluted earnings per share (in PLN per share)	**2.64**	**2.25**

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

15. Trading Securities and Pledged Assets

	31.03.2010	31.12.2009	31.03.2009
Debt securities:	**1 180 309**	**1 824 702**	**1 725 227**
Government bonds included in cash equivalents and pledged government bonds (sell-buy-back transactions), including:	715 439	1 079 141	466 982
- pledged government bonds (sell-buy-back transactions)	496 211	766 313	244 868
Other government bonds	-	-	39 690
Treasury bills included in cash equivalents and pledged treasury bills (sell-buy-back transactions), including:	194 909	227 557	451 351
- pledged treasury bills (sell-buy-back transactions)	19 676	-	2 497
Other debt securities:	269 961	518 004	767 204
Equity securities:	**9 965**	**6 801**	**9 358**
- listed	9 965	6 801	9 358
Debt and equity securities, including:	**1 190 274**	**1 831 503**	**1 734 585**
- Trading securities	*674 387*	*1 065 190*	*1 487 220*
- Pledged assets	*515 887*	*766 313*	*247 365*

The note above includes neither Treasury bills nor government bonds pledged in favour of the Bank Guarantee Fund in the amount of PLN 183 784 thousand (31 December 2009: PLN 187 564 thousand, 31 March 2009: PLN 244 747 thousand), nor investment government bonds pledged as sell-buy-back transactions and loan collateral in the amount of PLN 2 591 473 thousand (31 December 2009: PLN 2 562 648 thousand, 31 March 2009: PLN 1 883 580 thousand), which have been classified as investment securities (Note 17).

16. Loans and Advances to Customers

	31.03.2010	31.12.2009	31.03.2009
Loans and advances to individuals	28 760 913	28 855 129	29 919 150
Loans and advances to corporate entities	22 574 442	23 433 995	26 124 475
Loans and advances to public sector	1 083 735	1 327 936	667 431
Other receivables	620 696	816 521	539 091
Total (gross) loans and advances to customers	**53 039 786**	**54 433 581**	**57 250 147**
Provisions for loans and advances to customers (negative amount)	(2 134 158)	(1 964 769)	(1 089 857)
Total (net) loans and advances to customers	**50 905 628**	**52 468 812**	**56 160 290**
Short-term (up to 1 year)	18 249 774	17 018 006	16 746 514
Long-term (over 1 year)	32 655 854	35 450 806	39 413 776

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 the presented reporting periods amounted to respectively: 31 March 2010 – PLN 2 672 500 thousand, 31 December 2009 – PLN 2 546 900 thousand, 31 March 2009 – PLN 2 271 200 thousand.

17. Investment Securities and Pledged Assets

	31.03.2010	31.12.2009	31.03.2009
Debt securities	**17 965 700**	**15 728 539**	**8 459 307**
Listed, including:	17 910 522	15 671 265	8 398 817
- pledged government bonds (sell-buy-back transactions)	2 222 413	2 188 251	1 883 580
- pledged government bonds (loan collateral)	369 060	374 397	-
- government bonds pledged under the Bank Guarantee Fund	146 702	145 323	224 264
- Treasury bills pledged under the Bank Guarantee Fund	37 082	42 241	20 483
Unlisted	55 178	57 274	60 490
Equity securities	**142 054**	**142 360**	**96 378**
- listed	14 306	14 068	7 769
- unlisted	127 748	128 292	88 609
Total investment securities and pledged assets, including:	**18 107 754**	**15 870 899**	**8 555 685**
- Available for sale securities	*15 020 610*	*13 120 687*	*6 427 358*
- Pledged assets	*3 087 144*	*2 750 212*	*2 128 327*
Short-term (up to 1 year)	9 556 499	9 547 762	2 467 394
Long-term (over 1 year)	8 551 255	6 323 137	6 088 291

As at 31 March 2010 the fair value of equity securities include provisions for impairment in the amount of PLN 306 thousand (31 December 2009: PLN 2 814 thousand, 31 March 2009: PLN 20 941 thousand).

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

IFRS Condensed Consolidated Financial Statements for the first quarter of 2010 PLN (000's)

18. Amounts due to Customers

	31.03.2010	31.12.2009	31.03.2009
Individual customers	26 487 899	25 064 578	20 433 640
Corporate customers	17 738 183	17 479 925	14 484 555
Public sector customers	705 365	246 884	381 625
Total amounts due to customers	**44 931 447**	**42 791 387**	**35 299 820**
Short-term (up to 1 year)	43 778 368	41 767 594	34 555 726
Long-term (over 1 year)	1 153 079	1 023 793	744 094

The Group presents amounts due to microenterprises supported by Retail Banking of BRE Bank (mBank and MultiBank) under the item "amounts due to individuals". In the presented reporting periods the value of liabilities in respect of current accounts and term deposits accepted from microenterprises amounted to respectively: 31 March 2010 – PLN 1 712 400 thousand, 31 December 2009 – PLN 1 956 200 thousand, 31 March 2009 – PLN 1 328 200 thousand.

Selected explanatory information

1. Compliance with International Financial Reporting Standards

The presented condensed consolidated report for the first quarter of 2010 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to interim financial reports.

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

A detailed description of the accounting policy principles of the Group is presented under items 2 and 3 of the Notes to the Condensed Consolidated Financial Statements for the first quarter of 2010. The accounting policies were applied consistently over all 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. Nature and Values of Items Affecting Assets, Liabilities, Equity, Net Profit/(Loss) or Cash Flows, which are Extraordinary in Terms of Their Nature, Magnitude or Exerted Impact

- On 27 January 2010, BRE Bank and Commerzbank AG entered into three credit agreements totalling PLN 1 554 010 thousand. Under the largest agreement the Bank obtained a loan of CHF 350 000 thousand (the equivalent of PLN 972 370 thousand according to the average exchange rate of the National Bank of Poland of 27 January 2010) for the purpose of satisfying general financial needs of the Bank.

5. Nature and Amounts of Changes in Estimate Values of Items, which were Presented in Previous Interim Periods of the Current Reporting Year, or Changes of Accounting Estimates Indicated in Prior Reporting Years, if they Bear a Substantial Impact Upon the Current Interim Period

In the first quarter of 2010 there were no significant changes in estimate values of items presented in previous reporting periods.

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

In the first quarter of 2010 BRE Bank Hipoteczny issued bonds in the amount of PLN 167 000 thousand and redeemed bonds in the amount of PLN 228 000 thousand.

On 30 March 2010 the Ordinary General Meeting of BRE Bank SA adopted the resolution regarding increasing the Bank's share capital, a public offering of new shares, specifying the record date for the new shares, dematerialization and application for admission of the preemptive rights, rights to shares and new shares to trading on a regulated market operated by the Warsaw Stock Exchange ("Resolution").

The adopted Resolution allows to increase the Bank's share capital by no less than PLN 4 and no more than PLN 83 134 468, by way of issuing no less than 1, but no more than 20 783 617 new ordinary bearer shares with a nominal value of PLN 4 each ("New Shares").

Detailed information regarding the adopted Resolution is presented under item 28 of Selected Explanatory Information.

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 2009, adopted on 30 March 2010 by the 23rd Ordinary General Shareholders Meeting of BRE Bank SA, dividend for the year 2009 will not be 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 Condensed Consolidated Financial Statements.

9. Significant Events After the End of the First Quarter of 2010, which are not Reflected in the Financial Statements

The above indicated events did not occur in the Group.

10. Effect of Changes in the Structure of the Entity in the First Quarter of 2010, Including Business Combinations, Acquisitions or Disposal of Subsidiaries, Long-term Investments, Restructuring, and Discontinuation of Business Activities

On 13 October 2009, BRE Bank SA and Commerzbank AG, the ultimate parent of the Group, concluded the agreement concerning terms and conditions of the sale of the banking enterprise of the Commerzbank AG SA Branch in Poland (former branch of Dresdner Bank AG in Poland) (the "Branch") to BRE Bank SA. On 14 October 2009, BRE Bank SA put a motion to the Polish Financial Supervision Authority (KNF) for consent to the purchase of the Branch. On 23 March 2010 KNF granted consent to purchase of the banking enterprise Commerzbank AG SA Oddział w Polsce.

The above matter does not have any effect on changes in the structure of the Group and does not have any impact on the financial data of the Group for the first quarter of 2010.

11. Changes in Contingent Liabilities and Commitments

In the first quarter of 2010 there were no changes in contingent liabilities and commitments of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

12. Write-offs of the Value of Inventories Down to Net Realisable Value and Reversals of such Write-offs

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

The above indicated events did not occur 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 first quarter of 2010, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and property development operations that are performed by the companies of the Group.

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

The above indicated events did not occur in the Group.

17. Corrections of Errors from Previous Reporting Periods

In the first quarter of 2010, 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.

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

20. Registered Share Capital

The total number of ordinary shares as at 31 March 2010 was 29 690 882 shares (31 March 2009: 29 690 882) at PLN 4 nominal value each (31 March 2009: PLN 4). All issued shares were fully paid up.

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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**
1986-12-11	ordinary bearer**	-	-	9 978 500	39 914 000	fully paid up in cash	23-12-86	01-01-89
1986-12-11	ordinary registered**	-	-	21 500	86 000	fully paid up in cash	23-12-86	01-01-89
1993-10-20	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	04-03-94	01-01-94
1994-10-18	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	17-02-95	01-01-95
1997-05-28	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	10-10-97	10-10-97
1998-05-27	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	20-08-98	01-01-99
2000-05-24	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	15-09-00	01-01-01
2004-04-21	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	30-06-04	01-01-04
2003-05-21	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	01-01-05
2003-05-21	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	05-07-05*	01-01-05
2003-05-21	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	01-01-05
2003-05-21	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	01-01-05
2003-05-21	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-05*	01-01-05
2003-05-21	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-05*	01-01-05
2003-05-21	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-05*	01-01-05
2003-05-21	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-05*	01-01-05
2003-05-21	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-05*	01-01-05
2003-05-21	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-05*	01-01-05
2003-05-21	ordinary bearer	-	-	53 320	213 280	fully paid up in cash	10-01-06*	10-01-06*
2003-05-21	ordinary bearer	-	-	3 040	12 160	fully paid up in cash	10-01-06*	10-01-06*
2003-05-21	ordinary bearer	-	-	46 230	184 920	fully paid up in cash	08-02-06*	08-02-06*
2003-05-21	ordinary bearer	-	-	19 700	78 800	fully paid up in cash	08-02-06*	08-02-06*
2003-05-21	ordinary bearer	-	-	92 015	368 060	fully paid up in cash	09-03-06*	09-03-06*
2003-05-21	ordinary bearer	-	-	19 159	76 636	fully paid up in cash	09-03-06*	09-03-06*
2003-05-21	ordinary bearer	-	-	8 357	33 428	fully paid up in cash	11-04-06*	11-04-06*
2003-05-21	ordinary bearer	-	-	800	3 200	fully paid up in cash	11-04-06*	11-04-06*
2003-05-21	ordinary bearer	-	-	108 194	432 776	fully paid up in cash	16-05-06*	16-05-06*
2003-05-21	ordinary bearer	-	-	20 541	82 164	fully paid up in cash	16-05-06*	16-05-06*
2003-05-21	ordinary bearer	-	-	17 000	68 000	fully paid up in cash	09-06-06*	09-06-06*
2003-05-21	ordinary bearer	-	-	2 619	10 476	fully paid up in cash	09-06-06*	09-06-06*
2003-05-21	ordinary bearer	-	-	33 007	132 028	fully paid up in cash	10-07-06*	10-07-06*
2003-05-21	ordinary bearer	-	-	2 730	10 920	fully paid up in cash	10-07-06*	10-07-06*
2003-05-21	ordinary bearer	-	-	48 122	192 488	fully paid up in cash	09-08-06*	09-08-06*
2003-05-21	ordinary bearer	-	-	700	2 800	fully paid up in cash	12-09-06*	12-09-06*
2003-05-21	ordinary bearer	-	-	3 430	13 720	fully paid up in cash	11-10-06*	11-10-06*
2003-05-21	ordinary bearer	-	-	38 094	152 376	fully paid up in cash	10-11-06*	10-11-06*
2003-05-21	ordinary bearer	-	-	15 005	60 020	fully paid up in cash	08-12-06*	08-12-06*
2003-05-21	ordinary bearer	-	-	800	3 200	fully paid up in cash	10-01-07*	10-01-07*
2003-05-21	ordinary bearer	-	-	200	800	fully paid up in cash	16-02-07*	16-02-07*
2003-05-21	ordinary bearer	-	-	1 150	4 600	fully paid up in cash	09-03-07*	09-03-07*
2003-05-21	ordinary bearer	-	-	9 585	38 340	fully paid up in cash	09-03-07*	09-03-07*
2003-05-21	ordinary bearer	-	-	600	2 400	fully paid up in cash	11-04-07*	11-04-07*
2003-05-21	ordinary bearer	-	-	32 964	131 856	fully paid up in cash	17-05-07*	17-05-07*
2003-05-21	ordinary bearer	-	-	2 700	10 800	fully paid up in cash	15-06-07*	15-06-07*
2003-05-21	ordinary bearer	-	-	8 640	34 560	fully paid up in cash	12-07-07*	12-07-07*
2003-05-21	ordinary bearer	-	-	41 898	167 592	fully paid up in cash	14-08-07*	14-08-07*
2003-05-21	ordinary bearer	-	-	400	1 600	fully paid up in cash	14-09-07*	14-09-07*
2003-05-21	ordinary bearer	-	-	2 540	10 160	fully paid up in cash	11-10-07*	11-10-07*
2003-05-21	ordinary bearer	-	-	30 807	123 228	fully paid up in cash	15-11-07*	15-11-07*
2003-05-21	ordinary bearer	-	-	12 349	49 396	fully paid up in cash	13-12-07*	13-12-07*
2003-05-21	ordinary bearer	-	-	700	2 800	fully paid up in cash	13-02-08*	13-02-08*
2003-05-21	ordinary bearer	-	-	2 410	9 640	fully paid up in cash	19-03-08*	19-03-08*
2003-05-21	ordinary bearer	-	-	650	2 600	fully paid up in cash	15-04-08*	15-04-08*
2003-05-21	ordinary bearer	-	-	18 609	74 436	fully paid up in cash	19-05-08*	19-05-08*
2003-05-21	ordinary bearer	-	-	4 900	19 600	fully paid up in cash	13-06-08*	13-06-08*
2003-05-21	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 end of the reporting period

On 30 March 2010 the Ordinary General Meeting of BRE Bank SA adopted the resolution regarding increasing the Bank's share capital, a public offering of new shares, specifying the record date for the new shares, dematerialization and application for admission of the preemptive rights, rights to shares and new shares to trading on a regulated market operated by the Warsaw Stock Exchange ("Resolution").

The adopted Resolution allows to increase the Bank's share capital by no less than PLN 4 and no more than PLN 83 134 468, by way of issuing no less than 1, but no more than 20 783 617 new ordinary bearer shares with a nominal value of PLN 4 each ("New Shares").

Detailed information regarding the adopted Resolution is presented under item 28 of Selected Explanatory Information.

21. Material Share Packages

There was no change in the holding of material share packages of the Bank in the first quarter of 2010.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 March 2010 it held 69.7847% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2009 – 69.7847%).

22. Change in Bank Shares and Options held by Managers and Supervisors

As at the date of publishing the report for the fourth quarter of 2009 and as at the date of publishing the report for the first quarter of 2010, the Members of the Management Board have neither Bank shares nor 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. Proceedings Before a Court, Arbitration Body or Public Administration Authority

As at 31 March 2010, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer'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 March 2010 also was not greater than 10% of the issuer's equity.

Report on major proceedings brought against the issuer

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

   At present proceedings are pending against BRE Bank in the Court of Jerusalem initiated by Bank Leumi and an insurance company of Bank Leumi, Migdal Insurance Company. It is an action for indemnity in the amount of USD 13.5 million (PLN 38.8 million according to the average exchange rate of the National Bank of Poland of 31 December 2009). 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. Liability of BRE Bank to Leumi Bank and Migdal Insurance Company has a regressive character

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

   BPH brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 854 thousand. The purpose was to cancel actions related to the creation of Garbary and the contribution in kind. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that Zakłady Mięsne POZMEAT contributed in kind to Garbary as payment for a stake in Pozmeat's share capital worth PLN 100 000 thousand. On 6 June 2006 the District Court in Poznań issued a verdict according to which the claims were dismissed in their entirety. The claimant filed an appeal against that verdict. On 6 February 2007 the Court of Appeal dismissed the claimant's appeal. The claimant filed the last resort appeal against the ruling of the Court of Appeal. On 2 October 2007, the Supreme Court revoked the ruling of the Court of Appeal and referred the case back. After re-examining the case, the Court of Appeal dismissed the ruling of the District Court in Poznań on 4 March 2008 and referred the case back. The action is still before the District Court in Poznań.

3. Lawsuit brought by Bank BPH SA against the Bank and Tele-Tech Investment Sp. Z o.o. ("TTI")

   On 17 November 2007 BPH brought to court a case for damages in the amount of PLN 34 880 thousand plus statutory interest from 20 November 2004 to the date of payment, due to alleged illegal actions such as the sale by ZM Pozmeat SA to TTI of all shares in the equity of Garbary Sp. z o.o. (previously Milenium Center Sp. z o.o.), an important part of its assets, while Pozmeat was at risk of insolvency .

   The case was filed with the District Court in Warsaw. The Court has not set the date of the first hearing 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.

   The defendants filed a reply to the claim, where they request 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 clients of Interbrok

   As at 26 April 2010, 91 entities who were clients of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (hereinafter referred to as Interbrok) called the Bank for amicable settlement in the total amount of PLN 197 689 591,54 via the District Court in Warsaw. Additionally, by 26 April 2010 the entity acting as a legal successor of 37 former clients of Interbrok requested the Bank to pay PLN39 691 098,08, indicating that in the event of lack of payment, it would bring the case to the court against the Bank. In addition, as at 26 April 2010, 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 the Bank moves for dismissal of the claims in entirety and objects to charges raised in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the case. Therefore BRE Bank SA Group did not create provisions for the above claims.

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The District Court in Warsaw settled two of the aforementioned court cases and dismissed both actions of the former clients of Interbrok. As a consequence of the Court of Appeal verdict on 4th March 2010, the first District Court's judgment becomes final and valid (the appeal was dismissed). The second mentioned verdict was appealed and litigation is still pending.

As at 31 March 2010, 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 March 2010 also was not greater than 10% of the issuer's equity.

Taxes

Within the period from 9 February to 11 March 2010, the officers of the First Mazovian Treasury Office carried out tax audits at the company BRE Leasing concerning the settlement of the value added tax for the period from 1 June to 31 July 2007 and for the period from 1 December to 31 December 2005. The audits did not identify any irregularities.

Within the period from 20 March to 8 April 2009, officers of the First Mazovian Treasury Office carried out tax audits, concerning calculation, reporting and withholding of the personal income tax for the Treasury for the period from 1 January to 31 December 2007. The audits did not identify any irregularities.

Within the period from 12 May to 30 June 2009, the officers of the First Mazovian Treasury Office carried out tax audits at the company BRE Leasing concerning the settlement of the value added tax for the period from 1 March to 31 December 2007. The audits did not identify any irregularities.

There were no tax audits at the other companies of the Group within the year 2010 or 2009.

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.

24. Off-balance Sheet Liabilities

Off-balance sheet liabilities as at 31 March 2010, 31 December 2009 and 31 March 2009.

Consolidated data

	31.03.2010	30.12.2009	31.03.2009
1. Contingent liabilities granted and received	**13 667 364**	**13 191 260**	**19 636 414**
Commitments granted	**13 039 310**	**12 458 234**	**18 059 484**
- financing	10 331 239	10 102 505	15 096 463
- guarantees and other financial facilities	1 753 226	2 312 114	2 962 113
- other commitments	954 845	43 615	908
Commitments received	**628 054**	**733 026**	**1 576 930**
- financing	223 778	260 410	943 556
- guarantees	404 276	472 616	633 374
2. Derivative financial instruments (nominal value of contracts)	**326 593 878**	**315 781 176**	**554 845 740**
Interest rate derivatives	268 285 629	256 843 650	458 654 798
Currency derivatives	53 340 000	57 286 283	94 963 522
Market risk derivatives	4 968 249	1 651 243	1 227 420
Total off-balance sheet items	**340 261 242**	**328 972 436**	**574 482 154**

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Stand-alone data

	31.03.2010	31.12.2009	31.03.2009
1. Contingent liabilities granted and received	**13 872 010**	**12 911 686**	**17 956 573**
Commitments granted	**13 272 787**	**12 227 183**	**17 359 348**
- financing	10 518 878	9 575 808	14 116 684
- guarantees and other financial facilities	1 799 972	2 358 668	2 992 664
- other commitments	953 937	292 707	250 000
Commitments received	**599 223**	**684 503**	**597 225**
- financing	222 421	260 410	100 244
- guarantees	376 802	424 093	496 981
2. Derivative financial instruments (nominal value of contracts)	**327 132 445**	**316 358 096**	**557 443 603**
Interest rate derivatives	268 659 366	257 415 716	461 192 231
Currency derivatives	53 504 830	57 291 137	95 023 952
Market risk derivatives	4 968 249	1 651 243	1 227 420
Total off-balance sheet items	**341 004 455**	**329 269 782**	**575 400 176**

25. Transactions with Related Entities

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

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

- On 27 January 2010, BRE Bank and Commerzbank AG entered into three credit agreements totalling PLN 1 554 010 thousand. Under the largest agreement the Bank obtained a loan of CHF 350 000 thousand (the equivalent of PLN 972 370 thousand according to the average exchange rate of the National Bank of Poland of 27 January 2010) for the purpose of satisfying general financial needs of the Bank.

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

The amounts of transactions with related entities, i.e., balances of receivables and liabilities and related costs and income as at 31 March, 31 December 2009 and 31 March 2009 are as follows:

Numerical data concerning transactions with related entities (in PLN '000) as at 31 March 2010

No.	Company's name	Statement of Financial Position		Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	650	-	(5)	1	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	771	-	(1)	-	-	-	-
3	BRE Systems Sp. z o.o.	968	87	4	(2)	5	-	32	-
	Ultimate Parent Group								
	Commerzbank AG Capital Group	1 536 588	24 498 669	3 650	(91 125)	-	-	756 688	150 566

Numerical data concerning transactions with related entities (in PLN '000) as at 31 December 2009

No.	Company's name	Statement of Financial Position		Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	688	-	-	2	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	775	-	(3)	1	-	-	-
3	BRE Systems Sp. z o.o.	-	2 469	17	(2)	30	-	1 000	-
	Ultimate Parent Group								
	Commerzbank AG Capital Group	311 900	23 420 712	13 019	(466 647)	-	-	782 779	171 656

Numerical data concerning transactions with related entities (in PLN '000) as at 31 March 2009

No.	Company's name	Statement of Financial Position		Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	810	-	-	2	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	708	-	(1)	1	-	-	-
3	BRE Systems Sp. z o.o.	233	137	5	-	5	-	767	-
	Ultimate Parent Group								
	Commerzbank AG Capital Group	953 671	27 013 509	8 610	(162 073)	-	-	961 097	145 569

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

As at 31 March 2010 no exposure under guarantees granted in excess of 10% of the equity occurred in the Group.

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

No such information is pertinent.

28. Factors Affecting the Results in the Coming Quarter

Apart from the operating activity of the Bank and BRE Bank Group companies as well as issues pointed out below, no other events that would have a significant impact on the result in the second quarter of 2010 are expected.

On 30 March 2010 the Ordinary General Meeting of BRE Bank SA adopted the resolution regarding increasing the Bank's share capital, a public offering of new shares, specifying the record date for the new shares, dematerialization and application for admission of the preemptive rights, rights to shares and new shares to trading on a regulated market operated by the Warsaw Stock Exchange ("Resolution").

The adopted Resolution allows to increase the Bank's share capital by no less than PLN 4 and no more than PLN 83 134 468, by way of issuing no less than 1, but no more than 20 783 617 new ordinary bearer shares with a nominal value of PLN 4 each ("New Shares").

The New Shares shall be issued by way of a private placement within the meaning of Article 431 § 2 point 2 of the CCC and offered in a public offering within the meaning of Article 3 Section 3 of the Public Offering Act.

The New Shares shall participate in the dividend distributions starting from 1 January 2010, equally with the remaining Bank's shares, i.e. for the whole year 2010.

The New Shares must be paid for in cash.

May 18, 2010 shall be the record date for preemptive rights for the New Shares, within the meaning of Article 432 § 2 of the CCC ("Record Date").

Each shareholder of the Bank at the end of business on the Record Date shall be entitled to exercise a preemptive right to acquire New Shares ("Preemptive Right") in such way that 1 share of the Bank held at the end of business on the Record Date shall entitle its holder to 1 Preemptive Right. The number of the New Shares that will be allotted per one Preemptive Right will be established by dividing the number of New Shares specified by the Management Board in accordance with § 3 Section 1 item b) of this Resolution by the total number of the Preemptive Rights. The final number of the New Shares to be allotted to the persons who placed their subscriptions in exercising their Preemptive Rights will be established as a product of the number of the Preemptive Rights corresponding to all valid subscriptions placed by that person and the number of the New Shares that will be allotted per one Preemptive Right, then rounded down to the nearest integer.

The dates for the exercise of the Preemptive Right shall be specified in a prospectus for the New Shares, to be prepared for a public offering of the New Shares and the application for the admission and introduction of the Preemptive Rights, the rights to the New Shares ("Rights to Shares") and the New Shares to trading on a regulated market operated by the Warsaw Stock Exchange ("WSE") ("Prospectus").

The General Meeting authorized the Bank's Management Board to determine:

a) the final amount by which the share capital of the Bank is to be increased, provided that this amount cannot exceed the minimum or the maximum amount of the increase specified in § 1 section 1 of this General Meeting's resolution; and
b) the issue price and the final number of the offered New Shares.

The General Meeting authorized the Bank's Management Board to take any actions connected with the increase of the share capital of the Bank, the issuance, public offering of the New Shares and the application for their admission and introduction to trading on a regulated market operated by the WSE, and in particular to:

a) offer the New Shares in a public offering;
b) determine detailed rules of subscription and allocation of the New Shares, including the determination of the first and last days of the subscription period for the New Shares, the determination of the rules of subscription and allocation of the New Shares and the rules of subscription of allocation of the Shares which may remain unsubscribed for after the exercise of the Preemptive Rights or under the additional subscriptions referred to in Article 436 § 2 of the CCC;
c) apply to the Financial Supervision Commission for an approval of the Prospectus; and
d) enter into underwriting agreements to secure successful issuance of the New Shares, including firm commitment or stand-by underwriting agreement, as defined in the Public Offering Act.

Additionally, the General Meeting authorized the Bank's Management Board, after the approval of the Bank's Supervisory Board, to:

a) make a decision on withdrawing from the performance or suspending the performance of this resolution;
b) make a decision on withdrawing from the public offering of the New Shares; and
c) make a decision on suspending the public offering of the New Shares, provided that in the event of suspending the public offering of the New Shares the Management Board of the Bank shall be authorized also not to specify the new date on which the public offering of the New Shares would be resumed, as such date may be determined and announced by the Bank's Management Board at a later date.

The General Meeting decided to dematerialize, within the meaning of the Trading Act, no more than:

a) 29 690 882 Preemptive Rights;
b) 20 783 617 Rights to Shares; and
c) 20 783 617 New Shares.

The General Meeting authorized the Bank's Management Board to conclude with the National Depository of Securities ("NDS") an agreement on the registration of the Preemptive Rights, Rights to Shares and the New Shares referred to in section 1 above with the depository of securities kept by the NDS, and to take any actions necessary to effect their dematerialization.

The General Meeting decided that the Bank shall apply for the admission and introduction to trading on a regulated market operated by the WSE of no more than:

a) 29 690 882 Preemptive Rights;
b) 20 783 617 Rights to Shares; and
c) 20 783 617 New Shares.

The General Meeting authorized the Bank's Management Board to take all actions related to the admission and introduction of the Preemptive Rights, Rights to Shares and the New Shares referred to in section 1 above, to trading on a regulated market operated by the WSE.