BRE Bank SA Group

IFRS Consolidated Financial Statements for the first quarter of 2011

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Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000		in EUR'000	
		I Quarter of 2011 the period from 01.01.2011 to 31.03.2011	I Quarter of 2010 the period from 01.01.2010 to 31.03.2010	I Quarter of 2011 the period from 01.01.2011 to 31.03.2011	I Quarter of 2010 the period from 01.01.2010 to 31.03.2010
I.	Interest income	891 492	821 758	224 320	207 154
II.	Fee and commission income	306 663	278 558	77 163	70 221
III.	Net trading income	95 579	96 171	24 050	24 243
IV.	Operating profit	308 981	157 774	77 747	39 773
V.	Profit before income tax	308 981	157 774	77 747	39 773
VI.	Net profit attributable to Owners of BRE Bank SA	229 708	115 416	57 800	29 095
VII.	Net profit attributable to non-controlling interests	4 315	7 175	1 086	1 809
VIII.	Net cash flows from operating activities	482 754	1 634 530	121 472	412 042
IX.	Net cash flows from investing activities	(109 863)	(26 546)	(27 644)	(6 692)
X.	Net cash flows from financing activities	(457 106)	1 000 839	(115 018)	252 298
XI.	Net increase / decrease in cash and cash equivalents	(84 215)	2 608 823	(21 190)	657 648
XII.	Earnings per ordinary share (in PLN/EUR)	5.46	3.89	1.37	0.98
XIII.	Diluted earnings per ordinary share (in PLN/EUR)	5.45	3.88	1.37	0.98
XIV.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000 As at			in EUR'000 As at		
		31.03.2011	31.12.2010	31.03.2010	31.03.2011	31.12.2010	31.03.2010
I.	Total assets	89 049 844	90 042 441	84 751 381	22 196 427	22 736 268	21 943 809
II.	Amounts due to the Central Bank	-	79	2 255 598	-	20	584 019
III.	Amounts due to other banks	27 891 927	28 727 008	26 110 616	6 952 299	7 253 745	6 760 555
IV.	Amounts due to customers	46 370 401	47 420 057	44 931 447	11 558 215	11 973 855	11 633 641
V.	Equity attributable to Owners of BRE Bank SA	7 108 844	6 909 303	4 371 200	1 771 939	1 744 641	1 131 790
VI.	Non-controlling interests	100 314	167 982	154 245	25 004	42 416	39 937
VII.	Share capital	168 347	168 347	118 764	41 962	42 509	30 750
VIII.	Number of shares	42 086 674	42 086 674	29 690 882	42 086 674	42 086 674	29 690 882
IX.	Book value per share (in PLN/EUR)	168.91	164.17	147.22	42.10	41.45	38.12
X.	Capital adequacy ratio	16.20	15.90	12.17	16.20	15.90	12.17

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		I Quarter of 2011 the period from 01.01.2011 to 31.03.2011	I Quarter of 2010 the period from 01.01.2010 to 31.03.2010	I Quarter of 2011 the period from 01.01.2011 to 31.03.2011	I Quarter of 2010 the period from 01.01.2010 to 31.03.2010
I.	Interest income	778 619	707 001	195 918	178 225
II.	Fee and commission income	239 403	208 578	60 239	52 580
III.	Net trading income	91 033	94 461	22 906	23 812
IV.	Operating profit	274 790	103 137	69 143	25 999
V.	Profit before income tax	274 790	103 137	69 143	25 999
VI.	Net profit	219 652	78 423	55 269	19 769
VII.	Net cash flows from operating activities	549 942	1 070 474	138 378	269 852
VIII.	Net cash flows from investing activities	(83 353)	(17 338)	(20 974)	(4 371)
IX.	Net cash flows from financing activities	(402 244)	1 446 903	(101 214)	364 744
X.	Net increase / decrease in cash and cash equivalents	64 345	2 500 039	16 191	630 225
XI.	Earnings per ordinary share (in PLN/EUR)	5.22	2.64	1.31	0.67
XII.	Diluted earnings per ordinary share (in PLN/EUR)	5.21	2.64	1.31	0.67
XIII.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000 As at			in EUR'000 As at		
		31.03.2010	31.12.2010	31.03.2010	31.03.2010	31.12.2010	31.03.2010
I.	Total assets	82 358 210	83 520 654	77 040 504	20 528 480	21 089 477	19 947 311
II.	Amounts due to the Central Bank	-	79	2 255 598	-	20	584 019
III.	Amounts due to other banks	24 668 650	24 880 962	21 197 310	6 148 870	6 282 595	5 488 403
IV.	Amounts due to customers	46 082 187	47 067 347	44 343 654	11 486 375	11 884 793	11 481 449
V.	Own equity	6 716 528	6 530 958	4 029 755	1 674 151	1 649 107	1 043 383
VI.	Share capital	168 347	168 347	118 764	41 962	42 509	30 750
VII.	Number of shares	42 086 674	42 086 674	29 690 882	42 086 674	42 086 674	29 690 882
VIII.	Book value per share (in PLN/EUR)	159.59	155.18	135.72	39.78	39.18	35.14
IX.	Capital adequacy ratio	17.08	16.91	12.50	17.08	16.91	12.50

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

- for items of the Statement of Financial Position – exchange rate announced by the National Bank of Poland as at 31 March 2011: EUR 1 = PLN 4.0119, exchange rate as at 31 December 2010: EUR 1 = PLN 3.9603 and exchange rate as at 31 March 2010: EUR 1 = PLN 3.8622.
- for items of the Income Statement – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of first quarter of 2011 and 2010: 1 EUR = PLN 3.9742 and 1 EUR = PLN 3.9669 respectively.

Introduction

Main Achievements of BRE Bank Group in Q1 2011

Q1 2010 marked another quarter of improvement in BRE Bank Group's financial results. Profit before tax stood at PLN 309.0 million, almost doubling year on year (compared to PLN 157.8 million in Q1 2010) and was up by 17.1% quarter on quarter (compared to PLN 263.8 million in Q4 2010). The net profit attributable to the shareholders of BRE Bank Group stood at PLN 229.7 million in Q1 2011 compared to PLN 195.5 million in Q4 2010 (up by 17.5% QoQ) and PLN 115.4 million in Q1 2010 (up by 99% YoY).

The continuation of improvement in the Group's financial performance in Q1 2011 was predominantly driven by:

- **Record-high core income:** net interest income and net fee and commission income, which jointly amounted to PLN 714 million, up by 26.5% YoY and up by 1.5% QoQ; Q1 2010 was the fourth consecutive quarter in which BRE Bank Group registered positive quarterly growth of its core income;
- **Cost discipline accompanying business growth:** the cost/income ratio was reduced to 49.1% compared to 51.8% in 2010. Income grew by 20.7% and costs by 15.3% YoY (costs were down by 10.2% QoQ);
- **Prudent risk management further supported by more favourable asset quality developments** resulting in a decrease of the cost of risk to 77 basis points compared to 88 bps in Q4 2010 and 137 bps in Q1 2010; the ratio of provisions to default exposures remained stable at year end level of 68%;
- **Continued effective acquisition of retail clients and increased demand for new products by the existing retail client base:** 79.8 thousand new retail clients were added in Q1 2011 alone expanding the total retail client base to 3,735.3 thousand clients; the retail cross-selling ratio rose to 2.90 from 2.81 as of Q4 2010;
- **Growing number of corporate clients**: up by 152 to 13,423 clients in Q1 2011 with majority of new additions representing the Group's target segment;
- **Notable pick-up in corporate lending:** growth of gross corporate loans by 4.4% QoQ. (net of reverse repos, and including loans and advances granted by Intermarket Bank AG and Magyar Factor, presented in financial statements as assets held for sale).

The positive developments in the Profit and Loss Account were reflected in further improvement of the profitability indicators:

- Gross ROE grew to 18.0% v. 15.6% at the end of Q4 2010 and 14.7% a year ago;
- Net ROE grew to 13.6% v. 11.8% at the end of Q4 2010 and 11.4% a year ago.

The full retention of 2010 earnings markedly improved BRE Group's regulatory capital ratios. The capital adequacy ratio grew to 16.20% as of Q1 2011 compared to 15.90% as of Q4 201 and 12.17% a year ago; the Core Tier I ratio stood at 11.01% compared to 10.40% a quarter earlier and 7.25% a year ago.

BRE Bank Group's strong capital base and ample liquidity put it in a position of strength to take advantage of the steadily improving market environment. In the coming quarters, the Group expects the benefits of asset growth achieved in 2010 to support the continued improvement in core income. The gradually improving situation in the corporate lending market expected during 2011 should provide additional support for the Group's growth prospects. Finally, while asset quality trends on the market continue to be encouraging, the Group's cautious risk management strategy will be the underpinning factor for the development of risk provisioning charges.

Important transactions announced by BRE Bank Group

In Q1 2011, BRE Bank Group assumed full control of BRE Leasing following the acquisition of the 49.9% stake it did not own from Commerz Real AG (a 100% subsidiary of Commerzbank AG). The transaction will further enhance the cross-selling potential of BRE Leasing offering within BRE Bank Group.

Furthermore, following a strategic decision by BRE Bank Group to align its factoring presence with the Group's banking distribution reach, BRE Bank Group entered into a preliminary binding sale and purchase agreement with Erste Group companies on 8 April 2011 which, when concluded, will result in the disposal of BRE Bank Group's interest in Intermarket Bank AG (Austria) and Magyar Factor zRt (Hungary). At the same time, BRE Bank Group will become the sole owner of Polfactor and Transfinance, factoring companies operating in Poland and Czech Republic respectively.

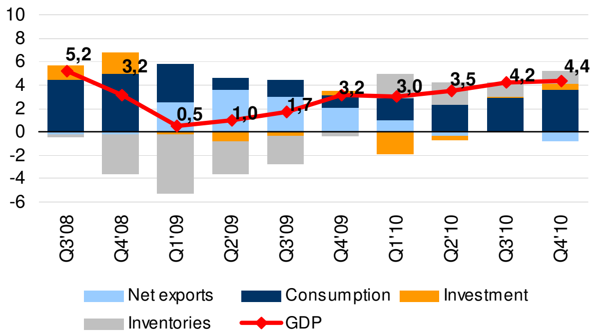
The completion of the above transactions, expected in autumn 2011, is subject to approval by the relevant regulators and certain closing conditions.

Economic Environment in Q4 2010 and the first months of 2011

The positive trends in the Polish economy have broadly continued in Q4 2010 and the first months of 2011.

The GDP growth rate accelerated to 4.4% YoY in Q4 as compared to 4.2% YoY in Q3. Increased GDP growth was mainly driven by stronger private consumption (4.1% v. 3.5% in Q3) and public consumption (5.4% v. 4.3% in Q3). As a result, fiscal consolidation in expenditures was not yet observed at the end of 2010. However, reductions of expenditures are an important part of consolidation in 2011, which will bring the growth rate of public consumption down to around 0-1% (as presented in the government's Multi-annual Financial Plan).

Contribution of main factors to real GDP growth (percentage points)

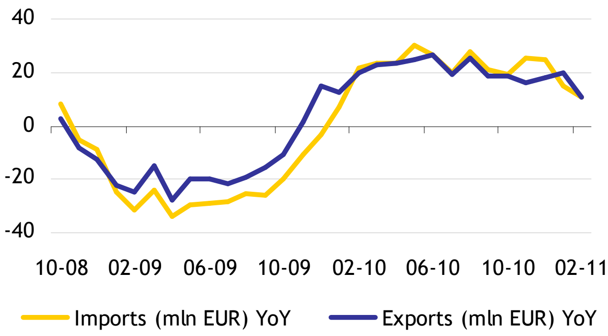


At the end of the year, households took advantage of available VAT tax credits which, in particular, translated into increased sales of new cars (this is particularly important in relation to self employed individuals where official data on consumer demand cannot be easily distinguished from investments).

Investments continued to grow in Q4. Once again, the growth was moderate (0.9% v. 0.4% in Q3), yet it reinforced the upward trend. In our opinion, due to high utilisation of the production capacity and recently observed growth in employment, investment demand will pick up sharply in 2011. The first signs of growth were observed in monetary aggregates, where the growth rate of corporate deposits decreased while lending rose, particularly in March. In the long term, private investment demand will be driven by the current underinvestment in the energy sector (necessary investments are estimated at over PLN 100 billion within the next few years: investment projects are due to be initiated in 2012).

Companies continued to restock in Q4 as their economic activity picked up (contribution to growth at 2.1 percentage points); this trend should continue in the coming quarters although the rate of growth should moderate (investments in restocking are pro-cyclical in Poland). Due to the substitution effects in consumption, imports grew more sharply than exports at the end of the year (it should be noted that exports still enjoy a good momentum due to growth in the German economy), resulting in a larger current account gap and lower contribution of net exports to GDP growth (from nil in Q3 to very negative in Q4). Available Q1 2011 data suggest that the substitution effect reversed earlier this year while the current account gap was notionally negative suggesting a neutral contribution of net exports to GDP growth in early 2011.

Growth rate of imports and exports (% YoY)



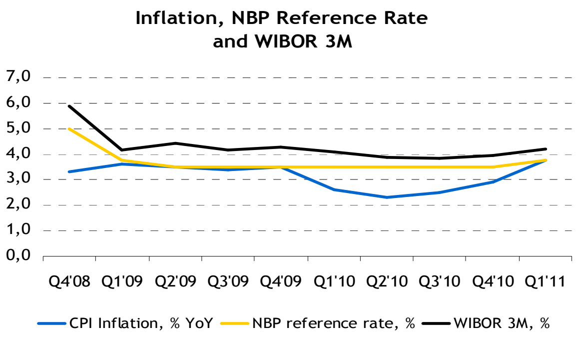
Labour Market

The situation on the labour market continued to improve in Q1 2011. The growth rate of employment in the corporate sector continued to rise from 2.1% YoY in December 2010 to 4.1% YoY in February. It should be noted, that the sharp rise of the growth rate of employment was largely driven by the recalculation of the sample of companies by the Central Statistical Office. Employment in the corporate sector grew by over 134 thousand FTEs as compared to the end of 2010. However, growth of employment was accompanied by a steady increase of official unemployment. As a result, the unemployment rate grew from 12.3% at the end of 2010 to 13.2% in February. The growth of the official unemployment rate was driven primarily by seasonal effects and the discontinuation of the government's employment activation programme.

The growth rate of wages in the corporate sector stood at 4.0% YoY in Q1 2011 compared to 5.4% YoY at the end of 2010. Wages in the processing industry grew by 4.2% YoY v. 6.0% YoY at the end of 2010.

Inflation and Interest Rates

CPI grew to 4.3% YoY in Q1 2011 compared to 3.1% at the end of 2010. The main drivers of inflation in Q1 2011 were the increase of the basic VAT rate (by 1 percentage point), a series of raises of controlled prices, and a global shock in food and fuel prices. Inflation was also driven by depreciation of the Zloty in early 2011 and gradually growing pressure on prices of goods and services due to the ongoing economic recovery. Core inflation (net of food and energy prices) increased to 2.0% in Q1 2011 compared to 1.6% YoY at the end of 2010. Inflation growth in Q1 2011 was accompanied by a sharp increase in inflation expectations of households to 4.6%.



Mounting price pressure, rising actual rate of inflation and increasing inflationary expectations coupled with a more optimistic view of the Monetary Policy Council as to the sustainability of the economic recovery, resulted in its first monetary policy tightening steps. The reference rate of the National Bank of Poland was raised from 3.5% at the end of 2010 to 4.0% in Q1 2011.

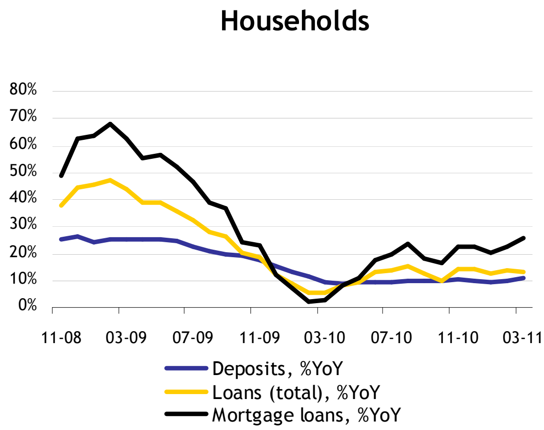
Destabilisation of inflation expectations led directly to a much stricter rhetoric of the Monetary Policy Council, whose members directly referred to continuation of monetary tightening in the coming months and the need to bring about a stronger appreciation of the zloty. In our opinion, the Monetary Policy Council does not consider fiscal tightening in future as a certain fact thus opening up space for increased monetary tightening.

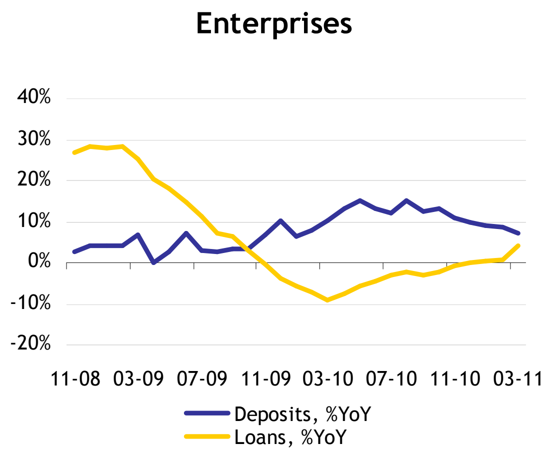
Money Supply and the Banking Sector

The growth rate of retail deposits increased to 10.8% YoY in Q1 2011 (from 9.8% YoY at the end of Q4 2010). Household deposits grew by PLN 12.2 billion in Q1 2011 as compared to PLN 7.7 billion in Q1 2010; the higher growth was driven by a better situation on the labour market. The balance of investment fund flows changed only moderately compared to Q4 2010 (down by ca. PLN 0.8 billion in January), supporting the stabilisation in deposits.

The growth rate of household lending remained in double-digit levels: it was up 13.3% YoY at the end of Q1 2011, although nominal growth decreased year on year (from PLN 4.4 billion to PLN 2.2 billion). Net of the fx effect, the growth rate of household lending was decreasing steadily month by month (8.5% YoY in January, 8.4% YoY in February, 8.1% YoY in March) suggesting that the high growth rate of lending was largely driven by the depreciation of the zloty against the Swiss franc, in which a large part of the housing loans portfolio is denominated (the growth rate of housing loans was 22.3% YoY in February but only 12.9% YoY net of the fx effect). Banks introduced stricter criteria for granting housing loans (in connection with Recommendation T), although there was no observed impact on the value of both housing and consumer loans.

The growth rate of corporate deposits reduced from 9.9% YoY at the end of December to 7.2% YoY at the end of March. The volume of corporate deposits fell by PLN 12.4 billion in Q1 compared to a decrease of PLN 7.3 billion in Q1 2010. At the same time, year-on-year growth in corporate loans accelerated in 2011 and reached 4% YoY in March (2.9% YoY net of the fx effect). The value of corporate loans grew by PLN 5.5 billion in Q1 2011 compared to a decrease of PLN 1.3 billion in Q4 2010 and a decrease of PLN 3.4 billion in Q1 2010. The steadily falling growth rate of deposits combined with a steadily rising volume of corporate loans demonstrates the gradual recovery in investments in the private sector, initially financed with companies' own cash. The utilisation of corporate cash (as observed in the falling growth rate of corporate deposits) will in the nearest future moderate the growth rate of corporate lending although this impact should gradually decrease over time.





Key Factors Driving the Results of BRE Bank Group in Q1 2011

Profit and Loss Account of BRE Bank Group

BRE Bank Group generated a profit before tax of PLN 309.0 million in Q1 2011, almost double the amount generated in Q1 2010. The profit before tax was up by 17.1% vs. Q4 2010 driven by continued growth in income from core activities of BRE Bank Group lower cost of risk as well as reduced overhead costs. The latter benefitted from seasonal effects customary for Q1 v. Q4 comparisons.

Income

Income generated by BRE Bank Group in Q1 2011 was down by 1.5% compared to the record-high level in Q4 2010 (PLN 831.5 million in Q1 2011 v. PLN 844.4 million in Q4 2010). The change was mainly a result of lower other operating cost registered in Q4, which included a one off release of certain cost and tax provisions as well as a surplus fee reimbursement from the Financial Supervision Authority (KNF) in respect of 2009 payments. Income grew by 20.7% year on year, mainly due to the high growth of both net interest income and net fee and commission income.

Net interest income was BRE Bank Group's main revenue source in Q1 2011 (61.0% of Group income). It stood at PLN 506.5 million, up by PLN 116 million or 29.7% year on year and up by PLN 3.4 million or 0.7% quarter on quarter.

The main source of interest income (70.8%) were loans and advances. Interest income on loans and advances was PLN 34.4 million - or 5.8% higher year on year - and PLN 2.6 million – or 0.4% higher quarter on quarter - supported by increasing loan volumes.

As a result of a significant growth in the volume of investment securities, interest income from investment securities increased by PLN 32.1 million or 19.1% year on year. Higher nominal interest rates on the market caused an increase in interest income from investment securities by PLN 4.3 million or 2.2% quarter on quarter.

Interest income from debt securities held for trading grew by PLN 9.5 million or 88.1% year on year and by PLN 5.1 million or 33.7% quarter on quarter.

Although client deposits increased, interest costs paid to banks and clients decreased by PLN 48.6 million or 12.2% YoY as the deposit rates offered to clients were reduced. Interest costs paid to banks and clients increased by PLN 7.3 million or 2.1% quarter on quarter.

BRE Bank Group's interest margin (calculated as net interest income to average interest-earning assets) stood at 2.4% p.a. at the end of Q1 2011 compared to 2.2% p.a. at the end of Q4 2010 and 2.0% p.a. at the end of March 2010. The interest margin increased primarily as a result of improved deposit margins.

Net fee and commission income accounted for 24.9% of BRE Bank Group's income and grew by PLN 33.5 million or 19.3% year on year. Fee and commission income growth benefited from the enlarged retail and corporate customer base as well as from improved cross-selling to existing clients. A number of areas contributed to the increase in fee and commission income including lending, payment cards, sales of products of third-party financial institutions as well as growth in operated accounts and the insurance business.

Net fee and commission income was up by PLN 7.0 million or 3.5% quarter on quarter. The growth was mainly driven by higher net income in the insurance business and higher fees and commissions from lending.

Trading income stood at PLN 95.6 million at the end of Q1 2011 and was stable YoY. A modest decrease of fx income during Q1 2011 (by PLN 1.1 million) was partly offset by higher other trading income (up by PLN 0.6 million).

Trading income decreased by PLN 8.7 million or 8.3% quarter on quarter. This was mainly driven by lower fx income (down by PLN 6.5 million) as lower market volatility reduced corporate client demand for fx products. At the same time, income on interest-rate instruments increased significantly (PLN 11.6 million quarter on quarter) thanks to a positive change in FRA and IRS valuations. Income on market risk instruments was down by PLN 13.2 million following the positive valuation (PLN 11.1 million) of subscription warrants taken up by the Bank in connection with mezzanine financing recognised in Q4 2010.

Other operating income (net operating income and cost) was PLN 26.3 million in Q1 2011 compared to PLN 28.0 million a year earlier. Other operating income was down by PLN 11.7 million quarter on quarter, mainly as a result of lower other operating cost registered in Q4 2010, which included one off releases of certain cost and tax provisions as well as a surplus fee reimbursement from the Financial Supervision Authority (KNF) in respect of 2009 payments.

Loan Loss Provisions

Net loan loss provisions of BRE Bank Group stood at PLN 114.1 million at the end of Q1 2011 compared to PLN 177.1 million at the end of Q1 2010, down by PLN 62.9 million or 35.6% YoY. Provisions decreased significantly in the Bank (PLN 102.7 million at the end of Q1 2011 v. PLN 168.6 million a year earlier) while provisions in the subsidiaries increased modestly (PLN 11.4 million at the end of Q1 2011 v. PLN 8.4 million a year earlier).

The cost of credit risk decreased as a result of general improvement in the financial standing of the Group's clients and in particular due to a significant decrease of provisions in Retail Banking. Modifications of the credit policy in 2010 (discontinuation of granting cash loans to new clients without a prior relationship with the Bank) as well as introduction of certain new procedures in the reviews of the mortgage portfolio provisions enabled a further reduction of loan loss provisions in Retail Banking (PLN 56.5 million at the end of Q1 2011 v. PLN 103.5 million a year earlier).

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Adequate provisions set up in previous periods allowed Corporates and Financial Markets to reduce provisions as well (PLN 57.6 million at the end of Q1 2011 v. PLN 73.6 million a year earlier).

Net loan loss provisions decreased by PLN 11.9 million or 9.4% quarter on quarter. The decline was driven by further decrease of the cost of credit risk in Retail Banking (down by PLN 15.3 million or 21.3%). Provisions in Corporates and Financial Markets increased modestly by PLN 3.4 million or 6.3% quarter on quarter.

Overhead Costs of BRE Bank Group

Overhead costs in Q1 2011 increased by PLN 54.8 million or 18.6% year on year. Personnel costs increased mainly due to unequal distribution of variable compensation provisions, which were largely set up in the last two quarters of 2010, as well as growth of employment in BRE Bank Group by 6.8%. Material costs increased YoY as a result of lower marketing expenses in the first half of 2010 as well as lower costs of logistics among others due to lower VAT rate and lower fuel prices compared to Q1 2011.

The growth of overhead costs was also driven by a change in the calculation formula of contributions to the Banking Guarantee Fund.

Quarter on quarter, overhead costs including depreciation were down by PLN 46.3 million or 10.2%. Personnel costs were down by PLN 28.8 million or 13.1% due to seasonally higher variable compensation provisions set up in Q4 2010. Maintenance costs decreased by PLN 28.8 million or 17.4% due to more intensive retail banking advertising and corporate banking promotions in Q4 2010.

BRE Bank Group headcount (FTEs)	***31.03.2011***	***31.12.2010***	***31.03.2010***	***% change YoY***
	6 143	6 018	5 754	+6.8%

The increase in FTEs in Q1 2011 (increase by 125 FTEs) predominantly reflected the employment of additional sales employees.

The cost/income ratio decreased to 49.1% in Q1 2011 compared to 51.8% at the end of 2010.

Changes in Consolidated Statement of Financial Position at the End of Q1 2011

BRE Bank Group's balance sheet total stood at PLN 89,049.8 million at the end of Q1 2011, up by 5.1% year on year and down by 1.1% quarter on quarter.

Following a strategic decision to reorganise the factoring business of BRE Bank Group, the Bank's interest in Intermarket Bank AG and Magyar Factor Zrt. will be sold subject to approvals of relevant regulators and fulfilment of certain closing conditions. The balance-sheet data of these companies is presented separately under the assets and liabilities held for sale category in the consolidated financial statements. To ensure comparability with previous periods, the balance-sheet data of these companies are also included in relevant items of the assets and liabilities of BRE Bank Group.

Assets of BRE Bank Group

Loans and advances to clients stood at PLN 59,385.8 million at the end of Q1 2011 and constituted the largest asset category with a share of 66.7% of total assets (as compared to 65.9% at the end of Q4 2010). Loans and advances to clients grew by PLN 8,907,6 million or 16.8% year on year.

In Q1 2011, loans and advances to clients were stable quarter on quarter (+PLN127.2 million, i.e. +0,2% while net of fx effects, the volume was up by PLN 624.6 million or 1.0%). Loans and advances to corporate clients grew by PLN 286.0 million or 1.1% while loans and advances to retail clients decreased by PLN 123.9 million or 0.4% (up by PLN 376,4 million or 1.1% net of fx effects). Loans and advances to the public sector remained at a stable level quarter on quarter.

Investment securities were the second largest asset category (PLN 16,094.1 million or 18.1% of total assets). Investment securities decreased by PLN 2,668.6 million or 14.2% in Q1 2011. The volume of investment securities decreased due to lower PLN deposit balances, higher balances of pledged assets as well as an increased proportion of BRE Bank Group's liquidity placed in the interbank market during the period.

Loans and advances to banks increased by PLN 1,850.7 million or 73.7% in Q1 2011. The increase was related, among other factors, to lower transactions with the central bank which were down by PLN 979.5 million or 41.5%.

Liabilities of BRE Bank Group

Amounts due to clients, which are BRE Bank Group's principal source of funding, increased by PLN 1,615.7 million or 3.6% year on year. Amounts due to corporate clients grew the most in nominal terms (up by PLN 2,340.7 million or 13.2%) while amounts due to the public sector grew by PLN 244.9 million or 34.7% year on year and reached PLN 950.3 million. Amounts due to retail clients decreased by PLN 970 million or 3.7% year on year as the Group's sound liquidity situation allowed for focussing on improving its overall net interest margin and for attracting lower cost customer deposits.

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Amounts due to retail clients increased by PLN 449.6 million or 1.8% in Q1 2011 supported by increases in both current accounts (+1.1%) and term deposits (+3.0%). Total amounts due to clients decreased modestly to PLN 46,547.1 million or 1.8% in Q1 2011 constituting 56.9% of total liabilities at the end of Q1 2011 compared to 56.0% the year before. The decrease in Q1 2011 is explained by lower amounts due to corporate clients (-6.3%).

Amounts due to banks grew by PLN 2,378.6 million or 9.1% year on year and decreased by PLN 237.8 million quarter on quarter among others due to the repayment of a CHF 100 million loan to Commerzbank.

The share of BRE Bank Group's equity in liabilities stood at 8.0% at the end of Q1 2011 compared to 7.7% at the end of Q4 2010 and 5.2% at the end of Q1 2010.

Performance Indicators

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

	31.03.2011	31.12.2010	31.03.2010
ROA net	1.07 %	0.77%	0.60%
ROE before tax	18.0 %	15.6%	14.7%
ROE net	13.6 %	11.8%	11.4%
C/I	49.1 %	51.8%	51.4%
CAR	16.20%	15.90%	12.17%
Tier 1	11,01%	10.40%	7.25%

ROA= Net profit (including minority shareholders)/Total assets
ROE before tax = Profit before tax / Equity (including minority shareholders, excluding the current year's profit)
ROE net = Net profit (including minority shareholders) / Equity (including minority shareholders, excluding the current year's profit)
C/I = Overhead costs + depreciation / Income (including net other income and cost)

Contribution of Consolidated Subsidiaries to the Results of BRE Bank Group

The consolidated subsidiaries jointly generated a profit before tax of PLN 53.9 million in Q1 2011 compared to PLN 61.6 million in Q1 2010 and PLN 23.9 million in Q4 2010. BRE Leasing, BRE Ubezpieczenia, BRE Bank Hipoteczny, Transfinance and Intermarket Bank were among the subsidiaries to improve their financial results compared to Q4 2010.

Performance of the Business Segments and Business Lines

The Retail Banking Segment was the biggest contributor to the income of the Group in Q1 2011 (51.2%), followed by the Corporates and Financial Markets Segment (48.3%). The two business lines of the Corporates and Financial Markets Segment i.e. Corporates and Institutions and Trading and Investments contributed 34.8% and 13.5% to the Q1 2011 income of the Group respectively.

Retail Banking and Private Banking

Financial Results

The segment generated a record profit before tax of PLN 186.3 million in Q1 2011 which compares to PLN 108.8 million in Q1 2010. The YoY growth of profit before tax by PLN 77.5 million was primarily driven by:

- Higher net interest income (up by PLN 35.5 million or 14.5% year on year), primarily due to the growing loan volumes and improved margins on deposit products;
- Strong growth of net fee and commission income (up by PLN 25.2 million or 37.5% year on year), supported by improved cross-selling to the existing client base and continued success of new client acquisitions that drove the increases in all main fee and commission income categories including lending, bank accounts, issued cards and insurance services;
- Lower loan loss provisions (down by PLN 47.0 million or 45.4% year on year) as the overall financial standing of retail clients improved and the Group withdrew from sales of cash loans to clients without a prior relationship with the Bank. In Q1 2011 the provisions set up against mBank's cash loans portfolio stood at PLN 5.6 million compared to PLN 41.1 million in Q1 2010.

Quarter on quarter, the Retail Banking segment's profit before tax increased by PLN 71.9 million or 62.9%. The growth was again supported by record quarterly net interest and net fee and commission income as well as continued reduction in the cost of risk, a seasonal quarterly decrease in personnel costs and reduced marketing expenses compared to Q4 2010.

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mBank and MultiBank: Operations in Poland

Customers

BRE Bank's Retail Banking Line in Poland had 3,238.8 thousand customers at the end of Q1 2011 (including 2,644.2 thousand at mBank and 594.5 thousand at MultiBank).

The number of customers grew by 65.9 thousand quarter on quarter (up by 2.1%; 63.3 thousand at mBank, 2.6 thousand at MultiBank) and by 280.1 thousand year on year (up by 9.5%; 273.7 thousand at mBank, 6.4 thousand at MultiBank).

The Bank had 395.7 thousand microenterprise customers (297.7 thousand at mBank, 98.0 thousand at MultiBank). The number of new microenterprise customers acquired year to date reached 6.0 thousand (up by 1.5%; 5.6 thousand at mBank, 0.4 thousand at MultiBank).

Accounts

There were 4,540.1 thousand accounts at the end of Q1 2011 (4,155.5 thousand at mBank, 384.6 thousand at MultiBank). The number of accounts grew by 90.5 thousand quarter on quarter (up by 2.0%; 92.0 thousand at mBank, -1.5 thousand at MultiBank).

There were 479.6 thousand microenterprise accounts (383.0 thousand at mBank, 96.6 thousand at MultiBank) at the end of Q1 2011. The number of microenterprise accounts grew by 7.7 thousand quarter on quarter (up by 1.6%; 7.5 thousand at mBank, 0.2 thousand at MultiBank).

Deposits

Retail Banking Line's deposits stood at PLN 19,748.7 million at the end of Q1 2011 (PLN 14,739.9 million at mBank, PLN 5,008.8 million at MultiBank).

The deposits grew by 1.6% or PLN 314.5 million quarter on quarter (PLN 399.0 million at mBank, -PLN 84.5 million at MultiBank). For the same period the balance of deposits placed by individuals in the Polish Banking sector increased by 3.0%

The microenterprise deposits stood at PLN 1,739.7 million at the end of Q1 2011 (PLN 928.7 million at mBank, PLN 811.1 million at MultiBank) increasing by PLN 27.3 million year on year or 1.6% (PLN 120.5 million at mBank, PLN - 93.2 million at MultiBank).

Investment Funds

Investment fund assets of BRE Bank retail customers stood ay PLN 2,229.9 million at the end of Q1 2011 (PLN 1,695.6 million at mBank, PLN 534.3 million at MultiBank).

Investment fund assets grew by PLN 388.8 million year on year (up by 21.1%; PLN 243.1 million at mBank, PLN 145.6 million at MultiBank).

Loans

As of Q1 2011, the structure of the Bank's retail loan portfolio was as follows:

- mortgage loans 84.7%
- cash loans 5.0%
- credit lines and overdrafts 6.1%
- credit cards and charge cards 3.0%
- other loans 1.2%.

Mortgage loans to retail customers as of Q1 2011 had the following characteristics:

Mortgage Loans to Retail Customers	Total
Balance-sheet value (PLN B)	24.38
Average maturity (years)	22.64
Average value (PLN thou.)	271.24
Average LTV (%)	94
NPL (%)	0.96

Retail mortgage loans stood at PLN 24,376.1 million at the end of Q1 2011 (PLN 10,578.8 million at mBank, PLN 13,797.3 million at MultiBank). Mortgage loans to retail customers grew by PLN 3,315.8 million year on year (up by 15.7%; PLN 1,377.8 million at mBank, PLN 1,938.1 million at MultiBank).

Loans to customers stood at PLN 30,848.0 million at the end of Q1 2011 (PLN 13,565.3 million at mBank, PLN 17,282.7 million at MultiBank).

Loans to customers grew by PLN 4,217.7 million year on year (up by 15.8%; PLN 1,851.5 million at mBank, PLN 2,366.2 million at MultiBank).

Loans to microenterprises stood at PLN 3,018.3 million at the end of Q1 2011 (PLN 942.8 million at mBank, PLN 2,075.5 million at MultiBank). Loans to microenterprises grew by PLN 82.7 million quarter on quarter (up by 2.8%; PLN 43.3 million at mBank, PLN 39.4 million at MultiBank) and by PLN 345.9 million year on year (up by 12.9%; PLN 169.5 million at mBank, PLN 176.4 million at MultiBank).

Cards

The number of credit cards issued until the end of Q1 2011 stood at 587.4 thousand (407.2 thousand at mBank, 180.1 thousand at MultiBank).

The number of credit cards grew by 16.8 thousand quarter on quarter (up by 3.0%; 12.8 thousand at mBank, 4.0 thousand at MultiBank). The number of credit cards grew by 67.4 thousand year on year (up by 13.0%; 49.2 thousand at mBank, 18.2 thousand at MultiBank).

The number of debit cards issued until the end of March 2011 stood at 3,296.8 thousand (2,604.3 thousand at mBank, 692.6 thousand at MultiBank). The number of debit cards grew by 272.0 thousand quarter on quarter (up by 9.0%; 235.2 thousand at mBank, 36.8 thousand at MultiBank).

The number of debit cards grew by 660.3 thousand year on year (up by 25.0%; 534.3 thousand at mBank, 126.0 thousand at MultiBank).

Distribution Network

mBank

mBank's distribution network had 111 locations and comprised of 25 Financial Centres, 65 mKiosks, 21 Partner mKiosks and 32 Agent Service Points.

MultiBank

MultiBank's distribution network had 134 outlets and comprised of 72 Financial Services Centres and 62 Partner Outlets including 52 Branches of the Future.

mBank: Foreign Operations

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

Customers

mBank in the Czech Republic and Slovakia had 492.1 thousand customers at the end of Q1 2011 including 360.5 thousand at mBank CZ and 131.6 thousand at mBank SK.

The number of customers grew by 14.0 thousand quarter on quarter (up by 2.9%; 10.2 thousand at mBank CZ, 3.8 thousand at mBank SK) and by 68.1 thousand year on year (up by 16.1%; 47.8 thousand at mBank CZ, 20.3 thousand at mBank SK).

Accounts

mBank in the Czech Republic and Slovakia had 947.4 thousand accounts at the end of Q1 2011 (702.0 thousand at mBank CZ, 245.4 thousand at mBank SK).

The number of accounts grew by 23.0 thousand quarter on quarter (up by 2.5%; 16.1 thousand at mBank CZ, 6.9 thousand at mBank SK) and by 101.0 thousand year to date (up by 11.9%; 73.2 thousand at mBank CZ, 27.8 thousand at mBank SK).

Deposits

mBank in the Czech Republic and Slovakia had deposits of EUR 911.4 million at the end of Q1 2011 (EUR 635.6 million at mBank CZ, EUR 275.8 million at mBank SK).

Deposits decreased by EUR 15.9 million quarter on quarter (down by 1.7%; EUR 5.4 million at mBank CZ, EUR -21.3 million at mBank SK) as a result of a decrease of interest rates offered to depositors

Loans

Loans stood at EUR 368.6 million at the end Q1 2011 (EUR 289.2 million at mBank CZ, EUR 79.3 million at mBank SK).

Loans grew by EUR 11.9 million quarter on quarter (up by 3.3%; EUR 14.8 million at mBank CZ, EUR -2.8 million at mBank SK) and by EUR 86.8 million year on year (up by 30.8%; EUR 93.8 million at mBank CZ, EUR -7.0 million at mBank SK).

Distribution Network

The distribution network of mBank CZ had 26 locations and comprised of 9 Financial Centres and of 17 mKiosks.

The distribution network of mBank SK had 9 locations and comprised of 4 Financial Centres and of 5 mKiosks.

Private Banking (PB)

Customers

Private Banking had 4,417 customers at the end of Q1 2011, down by ca. 2% quarter on quarter.

The decrease resulted from continued restructuring of the customer base with the aim to focus on servicing target customers with liquid assets of at least PLN 1 million.

Loans

The loans of Private Banking customers stood at PLN 695.9 million as of Q1 2011, up by 6.6% or almost PLN 43 million quarter on quarter.

Assets under Management

Customers' assets under management invested via BRE PB&WM (Private Banking & Wealth Management) totalled PLN 6,498 million as of Q1 2011 and grew by 8.9% quarter on quarter. Since 2010, the structure of assets has been evolving with BRE PB&WM customers moving away from deposit products towards investment products, a visible indication of the progress achieved in this target client group.

Retail Banking subsidiaries

BRE TUiR S.A and BRE Ubezpieczenia Sp. z o. o.

Gross written premiums generated by BRE Ubezpieczenia's internet platform in Q1 2011 totalled PLN 30.3 million, increasing by 59% year on year. Car insurance policies remained the main product distributed through the online sales channel followed by property insurance and travel insurance. In bancassurance, premiums written totalled PLN 302.7 million, up by 86% year on year. No less than 88% of the gross written premiums through this distribution channel came from investment products. Finally, gross premiums written in co-operation with BRE Leasing amounted to ca. PLN 25 million.

The consolidated profit before tax of the company (including BRE TUiR S.A. and BRE Ubezpieczenia Sp. z o.o.) stood at PLN 9.7 million in Q1 2011 compared to PLN 8.7 million in Q1 2010. The financial results inproved primarily due to the growth of the portfolio and its lower loss ratios. Consequently, the company's profit from bancassurance stood at PLN 9.5 million, increasing by PLN 1.7 million year on year. The growing premiums written by the direct business generated PLN 3.2 million as compared to PLN 2.1 million in Q1 2010. Profit on the co-operation with BRE Leasing stood PLN 2.1 million as compared to PLN 1.4 million in Q1 2010. Investment profit was relatively low at PLN 0.8 million, down by PLN 1.7 million year on year amid more volatile conditions on the fixed income markets .

Aspiro S.A.

Aspiro significantly increased the sales of BRE Bank's mortgage products in Q1 2011. The volumes of mortgage products sold grew by over 50% as a result of efforts to increase the attractiveness of the product offering in that period. In addition, Aspiro continues to dynamically grow the sales of new car loans through car dealership networks.

In co-operation with third-party banks, the product offering of existing Business Partners was expanded. In addition, co-operation agreements were signed with two third-party banks offering mortgage products: Millennium and BZ WBK.

Apart from mBank and MultiBank products, Aspiro is now selling 45 products from 19 Partners including mortgage loans, cash loans, insurance products, business products and leasing.

The distribution network of Aspiro covers all of Poland and comprises 25 Financial Centres, 65 mKiosks, 21 Partner mKiosks, and 32 Agent Service Points.

In Q1 2011 Aspiro achieved a profit before tax of PLN 1.1 million.

BRE Wealth Management (BRE WM)

In Q1 2011, BRE WM's services offering was strengthened by more complex fund picking practices and benchmark fund portfolio recommendations. The company also started to offer funds managed by AXA TFI (eight sub-funds of the AXA FIO umbrella fund are being sold as of 25 January 2011) as well as the following closed-ended funds: Allianz Platinium, Altus Asz, MCI PrivateVentures and Ipopema 8 Selekcji. In addition, investment policies of Compensa were added to the company's offering. Tax optimisation advisory was continued: six projects were completed and eight new projects were initiated to build closed-ended investment funds and trans-border structures.

The company generated a profit before tax of PLN 2.4 million, up by 19% year on year. Net fee and commission income was PLN 5.7 million compared to PLN 3.8 million in 2010. Due to expansion and reorganisation initiatives, overhead costs increased markedly year on year (PLN 3.5 million v. PLN 1.8 million in Q1 2010).

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Corporates and Financial Markets

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

The profit before tax of Corporates and Financial Markets stood at PLN 128.2 million in Q1 2011 and grew sharply both year on year and quarter on quarter.

At the beginning of Q3 2010 certain activities that are presented in the Corporates and Financial Markets segment were reassigned among its existing two functional sub-segments. The reassignment comprised a shift of the following areas and subsidiaries from Corporates and Institutions to Trading and Investments: the Financial Institutions area as well as DI BRE Bank SA, BRE Bank Hipoteczny SA and BRE Corporate Finance SA subsidiaries (the latter not consolidated from Q4 2010). The amendments were made in order to better reflect business lines' organisational responsibilities and performance measurement requirements and to better leverage the existing cooperation areas between business lines at Bank level with Group subsidiaries. Q1 2010 financial results of both sub-segments were adjusted accordingly and are fully comparable with Q1 2011 data.

Corporates and Institutions

Financial Results

The business line generated a profit before tax of PLN 56.2 million in Q1 2011 compared to PLN 1.8 million in Q1 2010. The strong improvement in year on year performance was predominantly driven by:

- Increased income from the core business: net interest income up by PLN 61.5 million (as a result of higher loan volumes and improved deposit margins), net fee and commission income up by PLN 9.5 million (driven by growth of credit commissions, structured finance products and income from servicing current accounts);
- Significantly lower loan loss provisions, among others due to an improved financial standing of corporate clients.

Quarter on quarter, the profit before tax of the Corporates and Institutions segment decreased by PLN 24.8 million due to lower trading income (which included a positive valuation of PLN 11.1 million of subscription warrants taken up by the Bank in connection with mezzanine finance in Q4 2010) and higher loan loss provisions (up by PLN 14.0 million). Net fee and commission income increased by PLN 7.7 million quarter on quarter, mainly due to a refund of Bank Guarantee Fund costs of PLN 9.1 million. Overhead costs of the segment fell by PLN 4.3 million or 2.5% quarter on quarter.

Number of corporate clients

The total number of corporate clients as of Q1 2011 stood at 13,423, which constitutes a net increase of 152 companies compared to the end of Q4 2010. It should be noted that an important proportion of new additions represented the Group's target client groups.

Number of clients in the corporate banking area

	31 Dec. 2009	31 March 2010	31 Dec. 2010	31 March 2011
*K1**	898	993	1 101	1 114
*K2**	3 810	3 679	3 993	4 071
*K3**	8 128	8 111	8 177	8 238
Total	12 836	12 783	13 271	13 423

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

Deposits from corporate clients

As of Q1 2011, deposits placed by corporate clients with BRE Bank (excluding repo transactions) amounted to PLN 17,392 million and were down by 6.3% compared to Q4 2010 and up by 7.7% compared to Q1 2010. Decreases in corporate deposit balances in the first quarter of the year are a common feature in the Polish banking sector.

Deposits placed by enterprises stood at PLN 15,351 million as of Q1 2011, representing a drop of 4.8% compared to Q4 2010 and an increase of 5.0% compared to Q1 2010. For the same periods the total balances of deposits placed by enterprises in the Polish banking sector dropped by 6.4% QoQ and increased by 8.2.0% YoY.

Loans granted to corporate clients

Loans to corporate clients by BRE Bank reached PLN 19,601 million as of Q1 2011 and were marginally up quarter on quarter (+0.4%). Growth in Q1 2011 was significantly higher and amounted to 4.8% compared to Q4 2010 and 12.5% compared to Q1 2010 when repo transactions, which are seasonally higher in Q4, are excluded.

Loans to enterprises stood at PLN 14,344 million as of Q1 2011 and increased by 6.3% compared to Q4 2010 and by 5.9% compared to Q1 2010.

Loans granted to local governments totalled nearly PLN 1,409 million and remained largely unchanged compared to Q4 2010.

Strategic Product Lines

Cash Management

BRE Bank Group's comprehensive cash management offer, which enhances the Group's long-term relationships with corporate clients is a growing contributor to the income of the Corporates and Institutions business line and has been characterised by steady overall increases in sales of both standard and most complex client solutions. In Q1 2011, the number of Direct Debit transactions executed reached 879.8 thousand and was up by 5.4% compared to Q4 2010 and by more than 39% compared to Q1 2010. The number of Trade Payment Identification transactions and related income also increased. In Q1 2011, almost 2.4 million transactions were executed, up by 0.4% compared to Q4 2010 and up 21.3 % compared to Q1 2010. Finally, the number of clients using the most complex cash pooling solutions increased by 4.9% in Q1 2011 with 618 clients using the Cash pooling and Shared balance offer.

Banking Products with EU Financing

In Q1 2011, the net income generated from the sales of products related to EU financing increased by 63% QoQ and by 14.8% compared to the quarterly average in 2010. The income from loans with EU financing increased by 70.5% QoQ.

Corporate Network

As of Q1 2011, the corporate branch network of BRE Bank included 24 Branches and 21 Corporate Offices.

Corporates and Institutions Subsidiaries of BRE Bank Group:

BRE Leasing Sp. z o.o.

Leasing contracts concluded by BRE Leasing in Q1 2011 totalled PLN 595 million and were up by 0.8% quarter on quarter and up by 100.6% year on year. In addition, BRE Leasing concluded real estate contracts worth PLN 96 million in Q1 2011 while the value of movables contracts reached PLN 499 million, down by 15.5% quarter on quarter. BRE Leasing made a profit before tax of PLN 14.9 million in Q1 2011 compared to PLN 0.5 million in Q4 2010. It should be noted that in Q4 2010 one-off payment of PLN 17.5 million of additional VAT for 2006-2010 together with penalty interest was accounted for as a result of a change of the interpretation of tax regulations that had an effect on the whole leasing market in Poland. The company decided to repay the full amount of tax due and apply to the Tax Office for return of any surplus tax paid.

On 31 January 2011, BRE Holding Sp. z o.o. (a 100% subsidiary of BRE Bank) acquired 49.9% of shares of BRE Leasing Sp. z o.o. from Commerz Real AG (a 100% subsidiary of Commerzbank AG). The purchase price of the shares was EUR 17,144 thousand (equivalent to PLN 66,876 thousand). Following the transaction, BRE Bank Group holds 100% of shares of BRE Leasing.

Factoring – Intermarket Group

The turnover of the Intermarket Group subsidiaries totalled PLN 5.5 billion in Q1 2011, up by 14.3% year on year.

Profit before tax of Intermarket Group subsidiaries consolidated by BRE Bank Group stood at PLN 8.5 million in Q1 2011 compared to PLN 0.5 million in Q4 2010 and PLN 5.7 million in Q1 2010 (up by 1,587.1% quarter on quarter and by 49.5% year on year). The growth of profit before tax was driven by the improvement of the economic environment translating into increased factoring turnover and higher overall revenues as well as reduced provisions.

In Poland, Polfactor maintained its strong growth dynamics, reaching PLN 1.1 billion in sales during Q1 2011 (up by 12.4% year on year). Its profit before tax stood at PLN 3.8 million in Q1 2011, up by 80.4% year on year and 0.03% quarter on quarter.

Following a strategic decision by BRE Bank Group to align its factoring presence with the Group's banking distribution reach, BRE Bank Group entered into a preliminary binding sale & purchase agreement with Erste Group companies on 8 April 2011 which, when concluded, will result in the disposal of BRE Bank Group's interest in Intermarket Bank AG (Austria) and Magyar Factor zRt (Hungary). At the same time, BRE Bank Group will become the sole owner of Polfactor S.A. and Transfinance a.s., factoring companies operating in Poland and the Czech Republic respectively.

As a result of the transaction announcement, BRE Bank Group's shares held in Intermarket Bank AG and Magyar Factor zRt. were reclassified as non-current assets held for sale. The transaction is expected to conclude in the autumn of 2011 subject to fulfilment of conditions precedent and to the receipt of all necessary regulatory approvals.

Trading and Investments

Financial Results

Trading and Investments generated a profit before tax of PLN 72.0 million in Q1 2011 compared to PLN 47.6 million in Q1 2010. The growth of profit before tax by PLN 24.4 million or 51.1% was driven by higher net interest income (up by PLN 19.2 million driven by higher volumes of investment securities and securities held for trading) and lower loan loss provisions (down by PLN 11.7 million due to the one-off effect of released provisions of PLN 8.3 million related to the disposal of receivables of Lehman Brothers).

The profit before tax of the Trading and Investments business line segment grew by PLN 10.6 million quarter on quarter, mainly due to lower loan loss provisions and a higher trading income. Overhead costs of the business line were down by PLN 1.6 million or 3.4% quarter on quarter.

Market Position

BRE Bank ranks second in mid-term bank debt securities with a market share of 18.2%, second in mid-term corporate bonds with a market share of 19.5%, and second in short-term debt securities with a market share of 15.0 % (all data as at the end of February 2011).

The Bank remains very active in the trading of financial instruments: its market share in interest rate derivatives and Treasury bonds and bills trading stood at ca. 15.7% and ca. 8.7% respectively while its market share in trading of fx spot and forward instruments stood at 4.9% (data as at the end of February 2011).

Trading and Investments subsidiaries of BRE Bank Group:

Dom Inwestycyjny BRE Banku S.A. (DI BRE)

DI BRE was the eighth largest player in equities trading as of Q1 2011 with a market share of 4.3%. The company's share in bonds trading stood at 6.2%, ranking DI BRE fourth on the market. DI BRE remained second in futures trading with a 14.5% market share and ranked seventh in options trading with a market share of 4.5%. The number of accounts operated by DI BRE continued to grow and reached 286.6 thousand at the end of Q1 2011.

DI BRE generated a profit before tax of PLN 6.8 million in Q1 2011 compared to PLN 8.9 million in Q1 2010 impacted by lower fees from IPO advisory mandates where a stronger pipeline of transactions is expected for Q2 and Q3 2011.

BRE Bank Hipoteczny S.A. (BBH)

BBH's credit portfolio stood at PLN 3.8 billion at the end of Q1 2011 compared to PLN 3.9 billion at the end of Q1 2010. BBH's profit before tax stood at PLN 9.1 million in Q1 2011 compared to PLN 11.5 million in Q1 2010 and PLN 5.3 million in Q4 2010 supported by a slight decrease in funding cost of the loan portfolio due to lower cost of swapping PLN into EUR as well as a better alignment of the loan portfolio to the mortgage covered bond structure. In Q1 2011 BBH sold loans for a total amount of PLN 202 million, mainly for real-estate refinancing.

Quality of the Loan Portfolio

The share of impaired loans in loans and advances to clients (gross, including Intermaket Bank AG and Magyar Factor zRt) was 5.6% at the end of Q1 2011 compared to 5.3% at the end of 2010.

Provisions for loans and advances increased from PLN 2,449.8 million at the end of 2010 to PLN 2,561.5 million at the end of Q1 2011, including PLN 220.8 million of IBNI (Incurred but Not Identified) provisions compared to PLN 215.9 million at the end of 2010.

The ratio of provisions to impaired loans remained stable at 67.9% at the end of Q1 2011 compared to 68.0% at the end of 2010.

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

Consolidated Income Statement

	Note	1st Quarter (current year) from 01.01.2011 to 31.03.2011	1st Quarter (previous year) from 01.01.2010 to 31.03.2010
Interest income		891 492	821 758
Interest expense		(384 968)	(431 221)
Net interest income	5	**506 524**	**390 537**
Fee and commission income		306 663	278 558
Fee and commission expense		(99 275)	(104 665)
Net fee and commission income	6	**207 388**	**173 893**
Dividend income	7	9	330
Net trading income, including:	8	95 579	96 171
Foreign exchange result		*82 117*	*83 270*
Other trading income		*13 462*	*12 901*
Gains less losses from investment securities	9	(4 294)	-
Other operating income	10	58 917	52 131
Net impairment losses on loans and advances	11	(114 110)	(177 061)
Overhead costs	12	(349 783)	(294 937)
Amortization and depreciation		(58 611)	(59 201)
Other operating expenses	13	(32 638)	(24 089)
Operating profit		**308 981**	**157 774**
Profit before income tax		**308 981**	**157 774**
Income tax expense		(74 958)	(35 183)
Net profit		**234 023**	**122 591**
Net profit attributable to:			
- Owners of BRE Bank SA		229 708	115 416
- Non-controlling interests		4 315	7 175

Net profit attributable to Owners of BRE Bank SA		**229 708**	**115 416**
Weighted average number of ordinary shares	14	**42 086 674**	**29 690 882**
Earnings per ordinary share (in PLN)	14	**5.46**	**3.89**
Weighted average number of ordinary shares for diluted earnings	14	**42 133 508**	**29 733 601**
Diluted earnings per ordinary share (in PLN)	14	**5.45**	**3.88**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

Consolidated Statement of Comprehensive Income

	1st Quarter (current year) from 01.01.2011 to 31.03.2011	1st Quarter (previous year) from 01.01.2010 to 31.03.2010
Net profit	**234 023**	**122 591**
Other comprehensive income net of tax	**(30 053)**	**130 538**
Exchange differences on translation of foreign operations (net)	4 806	(9 701)
Available for sale financial assets (net)	(34 859)	140 239
Total comprehensive income net of tax, total	**203 970**	**253 129**
Total comprehensive income (net), attributable to:		
- Owners of BRE Bank SA	198 253	249 851
- Non-controlling interests	5 717	3 278

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

Consolidated Statement of Financial Position

ASSETS	Note	31.03.2011	31.12.2010	31.03.2010
Cash and balances with the Central Bank		1 376 233	2 359 912	1 894 145
Debt securities eligible for rediscounting at the Central Bank		5 316	3 686	6 704
Loans and advances to banks		4 344 590	2 510 892	8 279 884
Trading securities	15	1 784 556	1 565 656	674 387
Derivative financial instruments		1 026 236	1 226 653	1 818 894
Loans and advances to customers	16	58 193 886	59 370 365	50 905 628
Investment securities	17	16 089 485	18 762 688	15 332 498
Non-current assets held for sale	21	1 251 367	-	-
Pledged assets	15, 17	2 562 080	1 830 803	3 291 143
Investments in associates		-	317	1 081
Intangible assets	18	397 966	427 837	425 624
Tangible fixed assets	19	753 348	777 620	768 656
Current income tax assets		2 855	5 922	89 111
Deferred income tax assets		308 326	316 372	318 789
Other assets		953 600	883 718	944 837
Total assets		**89 049 844**	**90 042 441**	**84 751 381**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		-	79	2 255 598
Amounts due to other banks		27 891 927	28 727 008	26 110 616
Derivative financial instruments and other trading liabilities		1 169 609	1 363 508	1 968 765
Amounts due to customers	20	46 370 401	47 420 057	44 931 447
Debt securities in issue		1 471 415	1 371 824	1 386 777
Subordinated liabilities		2 932 618	3 010 127	2 568 881
Other liabilities		963 489	871 130	834 350
Current income tax liabilities		52 135	25 469	2 451
Deferred income tax liabilities		397	629	622
Provisions		156 161	175 325	166 429
Liabilities held for sale	21	832 534	-	-
Total liabilities		**81 840 686**	**82 965 156**	**80 225 936**
Equity				
Equity attributable to Owners of BRE Bank SA		**7 108 844**	**6 909 303**	**4 371 200**
Share capital:		**3 491 812**	**3 491 812**	**1 521 683**
- Registered share capital		168 347	168 347	118 764
- Share premium		3 323 465	3 323 465	1 402 919
Retained earnings:		**3 587 341**	**3 356 345**	**2 828 972**
- Profit from the previous years		3 357 633	2 714 743	2 713 556
- Profit for the current year		229 708	641 602	115 416
Other components of equity		**29 691**	**61 146**	**20 545**
Non-controlling interests		**100 314**	**167 982**	**154 245**
Total equity		**7 209 158**	**7 077 285**	**4 525 445**
Total equity and liabilities		**89 049 844**	**90 042 441**	**84 751 381**
Capital adequacy ratio		**16.20**	**15.90**	**12.17**
Book value		**7 108 844**	**6 909 303**	**4 371 200**
Number of shares		**42 086 674**	**42 086 674**	**29 690 882**
Book value per share (in PLN)		**168.91**	**164.17**	**147.22**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

Consolidated Statement of Changes in Equity

Changes from 1 January to 31 March 2011

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

Changes from 1 January to 31 December 2010

	Share capital		Retained earnings					Other components of equity		Equity attributable to Owners of BRE Bank SA, total	Non-controlling interests	Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Available for sale financial assets			
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							641 602	(2 967)	178 003	816 638	17 015	833 653
Transfer to General Risk Fund	-	-	-	-	59 743	(59 743)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	52 994	-	-	(52 994)	-	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	(207)	-	207	-	-	-	-	-	-
Issue of shares	49 583	1 929 907	-	-	-	-	-	-	-	1 979 490	-	1 979 490
Issue expenses	-	(13 287)	-	-	-	-	-	-	-	(13 287)	-	(13 287)
Stock option program for employees	-	3 926	-	2 349	-	-	-	-	-	6 275	-	6 275
- value of services provided by the employees	-	-	-	*6 275*	-	-	-	-	-	6 275	-	*6 275*
- settlement of exercised options	-	*3 926*	-	*(3 926)*	-	-	-	-	-	-	-	-
Equity as at 31 December 2010	168 347	3 323 465	1 814 954	55 300	778 953	65 536	641 602	50	61 096	6 909 303	167 982	7 077 285

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

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 translation of 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**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

Consolidated Statement of Cash Flows

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
A. Cash flow from operating activities	**482 754**	**1 634 530**
Profit before income tax	**308 981**	**157 774**
Adjustments:	***173 773***	***1 476 756***
Income taxes paid (negative amount)	(13 951)	(14 922)
Amortisation	58 611	59 201
Foreign exchange (gains) losses related to financing activities	(589 676)	(139 787)
(Gains) losses on investing activities	(58)	10
Dividends received	(9)	(330)
Interest received	(516 514)	(480 445)
Interest paid	339 782	395 734
Changes in loans and advances to banks	(675 592)	(791 618)
Changes in trading securities	(37 787)	222 901
Changes in derivative financial instruments	200 417	114 733
Changes in loans and advances to customers	486 628	2 021 572
Changes in investment securities	1 446 241	(2 071 316)
Changes in other assets	(96 017)	(37 859)
Changes in amounts due to other banks	598 952	254 017
Changes in other trading liabilities	(193 899)	33 270
Changes in amounts due to customers	(1 098 883)	1 875 888
Changes in debt securities in issue	119 421	(13 083)
Changes in provisions	4 676	(10 528)
Changes in other liabilities	141 431	59 318
Net cash generated from operating activities	**482 754**	**1 634 530**
B.Cash flows from investing activities	**(109 863)**	**(26 546)**
Investing activity inflows	**4 871**	**4 748**
Disposal of intangible assets and tangible fixed assets	4 622	4 418
Dividends received	9	330
Other investing inflows	240	-
Investing activity outflows	**114 734**	**31 294**
Acquisition of shares in subsidiaries, net of cash acquired	67 276	-
Purchase of intangible assets and tangible fixed assets	47 458	31 294
Net cash used in investing activities	**(109 863)**	**(26 546)**
C. Cash flows from financing activities	**(457 106)**	**1 000 839**
Financing activity inflows	**307 255**	**1 911 307**
Proceeds from loans and advances from other banks	43 077	1 664 307
Issue of debt securities	264 178	247 000
Financing activity outflows	**764 361**	**910 468**
Repayments of loans and advances from other banks	375 038	555 669
Repayments of other loans and advances	11 807	6 233
Redemption of debt securities	284 008	268 124
Payments of financial lease liabilities	145	75
Dividends and other payments to shareholders	-	2 272
Other financing outflows	93 363	78 095
Net cash from financing activities	**(457 106)**	**1 000 839**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(84 215)**	**2 608 823**
Effects of exchange rate changes on cash and cash equivalents	(1 192)	13 251
Cash and cash equivalents at the beginning of the reporting period	5 805 816	6 867 880
Cash and cash equivalents at the end of the reporting period	**5 720 409**	**9 489 954**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Income Statement

	Note	1st Quarter (current year) from 01.01.2011 to 31.03.2011	1st Quarter (previous year) from 01.01.2010 to 31.03.2010
Interest income		778 619	707 001
Interest expense		(342 075)	(385 755)
Net interest income		**436 544**	**321 246**
Fee and commission income		239 403	208 578
Fee and commission expense		(79 437)	(87 612)
Net fee and commission income		**159 966**	**120 966**
Dividend income		9 064	262
Net trading income, including:		91 033	94 461
Foreign exchange result		*80 405*	*81 596*
Other trading income		*10 628*	*12 865*
Gains less losses from investment securities		18	-
Other operating income		12 194	13 384
Impairment losses on loans and advances		(102 692)	(168 613)
Overhead costs		(276 642)	(226 134)
Amortization and depreciation		(43 006)	(45 568)
Other operating expenses		(11 689)	(6 867)
Operating profit		**274 790**	**103 137**
Profit before income tax		**274 790**	**103 137**
Income tax expense		(55 138)	(24 714)
Net profit		**219 652**	**78 423**

Net profit		**219 652**	**78 423**
Weighted average number of ordinary shares	14	**42 086 674**	**29 690 882**
Earnings per ordinary share (in PLN)	14	**5.22**	**2.64**
Weighted average number of ordinary shares for diluted earnings	14	**42 133 508**	**29 733 601**
Diluted earnings per ordinary share (in PLN)	14	**5.21**	**2.64**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Comprehensive Income

	1st Quarter (current year) from 01.01.2011 to 31.03.2011	1st Quarter (previous year) from 01.01.2010 to 31.03.2010
Net profit	**219 652**	**78 423**
Other comprehensive income net of tax	**(35 883)**	**136 544**
Exchange differences on translation of foreign operations (net)	1 576	(2 707)
Available for sale financial assets (net)	(37 459)	139 251
Total comprehensive income net of tax, total	**183 769**	**214 967**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Financial Position

ASSETS	31.03.2011	31.12.2010	31.03.2010
Cash and balances with the Central Bank	1 369 473	2 340 672	1 880 993
Debt securities eligible for rediscounting at the Central Bank	5 316	3 686	6 704
Loans and advances to banks	5 664 331	3 764 172	8 584 307
Trading securities	1 804 290	1 731 030	874 675
Derivative financial instruments	1 027 835	1 221 565	1 818 353
Loans and advances to customers	51 470 159	51 662 336	43 073 864
Investment securities	16 549 667	19 195 574	15 325 258
Non-current assets held for sale	45 854	-	-
Pledged assets	2 560 586	1 828 724	3 600 475
Investments in subsidiaries	514 804	491 761	477 545
Intangible assets	358 260	379 981	379 990
Tangible fixed assets	514 411	534 450	532 824
Current income tax assets	-	-	84 986
Deferred income tax assets	63 816	62 291	91 573
Other assets	409 408	304 412	308 957
Total assets	**82 358 210**	**83 520 654**	**77 040 504**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	-	79	2 255 598
Amounts due to other banks	24 668 650	24 880 962	21 197 310
Derivative financial instruments and other trading liabilities	1 165 261	1 361 907	1 971 393
Amounts due to customers	46 082 187	47 067 347	44 343 654
Subordinated liabilities	2 932 618	3 010 127	2 568 881
Other liabilities	670 110	573 450	575 237
Current income tax liabilities	49 599	19 689	-
Provisions for deferred income tax	77	77	75
Provisions	73 180	76 058	98 601
Total liabilities	**75 641 682**	**76 989 696**	**73 010 749**
Equity			
Share capital	**3 491 812**	**3 491 812**	**1 521 683**
- Registered share capital	168 347	168 347	118 764
- Share premium	3 323 465	3 323 465	1 402 919
Retained earnings:	**3 118 765**	**2 897 312**	**2 456 824**
- Profit for the previous year	2 899 113	2 379 588	2 378 401
- Net profit for the current year	219 652	517 724	78 423
Other components of equity	**105 951**	**141 834**	**51 248**
Total equity	**6 716 528**	**6 530 958**	**4 029 755**
Total equity and liabilities	**82 358 210**	**83 520 654**	**77 040 504**

Capital adequacy ratio	**17.08**	**16.91**	**12.50**
Book value	**6 716 528**	**6 530 958**	**4 029 755**
Number of shares	**42 086 674**	**42 086 674**	**29 690 882**
Book value per share (in PLN)	**159.59**	**155.18**	**135.72**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Changes in Equity

Changes from 1 January to 31 March 2011

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

Changes from 1 January to 31 December 2010

	Share capital		Retained earnings					Other components of equity		Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Available for sale financial assets	
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 comprehensive income							517 724	(1 173)	228 303	744 854
Transfer to General Risk Fund	-	-	-	-	57 143	(57 143)	-	-	-	-
Issue of shares	49 583	1 929 907	-	-	-	-	-	-	-	1 979 490
Issue expenses	-	(13 287)	-	-	-	-	-	-	-	(13 287)
Stock option program for employees	-	3 926	-	2 349	-	-	-	-	-	6 275
- value of services provided by the employees	-	-	-	*6 275*	-	-	-	-	-	*6 275*
- settlement of exercised options	-	*3 926*	-	*(3 926)*	-	-	-	-	-	-
Equity as at 31 December 2010	168 347	3 323 465	1 603 654	10 791	765 143	-	517 724	(3 782)	145 616	6 530 958

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

Changes from 1 January to 31 March 2010

	Share capital		Retained earnings					Other components of equity		Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Available for sale financial assets	
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 comprehensive 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**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

BRE Bank SA Stand-alone Financial Information

Statement of Cash Flows

	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
A. Cash flow from operating activities	**549 942**	**1 070 474**
Profit before income tax	**274 790**	**103 137**
Adjustments:	***275 152***	***967 337***
Income taxes paid (negative amount)	(3 110)	(5 863)
Amortisation	43 006	45 568
Foreign exchange (gains) losses related to financing activities	(589 656)	(143 310)
(Gains) losses on investing activities	82	10
Dividends received	(9 064)	(262)
Interest received	(549 091)	(510 813)
Interest paid	342 167	393 107
Changes in loans and advances to banks	(577 356)	(1 244 813)
Changes in trading securities	107 703	211 698
Changes in derivative financial instruments	193 730	113 515
Changes in loans and advances to customers	714 297	1 661 116
Changes in investment securities	1 426 080	(2 095 764)
Changes in other assets	(112 921)	24 897
Changes in amounts due to other banks	594 822	758 623
Changes in other trading liabilities	(196 646)	38 244
Changes in amounts due to customers	(1 221 701)	1 660 119
Changes in provisions	8 730	(10 188)
Changes in other liabilities	104 080	71 453
Net cash generated from operating activities	**549 942**	**1 070 474**
B.Cash flows from investing activities	**(83 353)**	**(17 338)**
Investing activity inflows	**9 069**	**264**
Disposal of intangible assets and tangible fixed assets	5	2
Dividends received	9 064	262
Investing activity outflows	**92 422**	**17 602**
Acquisition of shares in subsidiaries, net of cash acquired	67 276	-
Purchase of intangible assets and tangible fixed assets	25 146	17 602
Net cash used in investing activities	**(83 353)**	**(17 338)**
C. Cash flows from financing activities	**(402 244)**	**1 446 903**
Financing activity inflows	**-**	**1 527 530**
Proceeds from loans and advances from other banks	-	1 527 530
Financing activity outflows	**402 244**	**80 627**
Repayments of loans and advances from other banks	302 378	1 948
Repayments of other loans and advances	4 866	4 727
Payments of financial lease liabilities	2 921	1 929
Other financing outflows	92 079	72 023
Net cash from financing activities	**(402 244)**	**1 446 903**
Net increase / decrease in cash and cash equivalents (A+B+C)	**64 345**	**2 500 039**
Effects of exchange rate changes on cash and cash equivalents	(1 190)	13 251
Cash and cash equivalents at the beginning of the reporting period	5 927 201	6 534 190
Cash and cash equivalents at the end of the reporting period	**5 990 356**	**9 047 480**

Explanatory Notes to the Consolidated Financial Statements

1. Information regarding the Group of BRE Bank SA

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

- strategic: shares and equity interests in companies supporting particular business lines of BRE Bank SA (corporates and financial markets segment, retail banking segment) 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 2011, BRE Bank SA Group as covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA; the parent entity

Bank Rozwoju Eksportu SA (Export Development Bank) was established by Resolution of the Council of Ministers N° 99 of 20 June 1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, 16th Economic Registration Division, on 23 December 1986 in the Business Register under the number RHB 14036. The 9th Extraordinary Meeting of Shareholders held on 4 March 1999 adopted the resolution changing the Bank's name to BRE Bank SA. The new name of the Bank was entered in the Business Register on 23 March 1999. On 11 July 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Registry (KRS) under number KRS 0000025237.

According to the Polish Classification of Business Activities, the business of the Bank was classified as 'Other banking business' under number 6512A. According to the Stock Exchange Quotation, the Bank is classified as '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 of conducting 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 activities.

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 in Polish and foreign banks, and can possess foreign exchange assets and trade in them.

The Bank conducts retail banking business in Czech Republic and Slovakia through its foreign mBank branches in these countries.

As at 31 March 2011 the headcount of BRE Bank SA amounted to 4 518 FTEs (Full Time Equivalents). The headcount of the Group amounted to 6 143 FTEs (31 March 2010: Bank 4 200 FTEs, Group 5 754 FTEs).

As at 31 March 2011 the employment in BRE Bank SA was 5 432 persons and in the Group 8 051 persons (31 March 2010: Bank 5 019 persons, Group 6 687 persons).

Corporates and Financial Markets Segment, including:

Corporates and Institutions

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

Trading and Investment Activity

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

Retail Banking Segment (including Private Banking)

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

Remaining business

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

Other information concerning companies of the Group

On 31 January 2011, under the agreement concluded on 26 January 2011 between BRE Holding - 100% subsidiary of BRE Bank SA, and Commerz Real - 100% subsidiary of Commerzbank AG, BRE Holding acquired 49.996% of shares of BRE Leasing from Commerz Real. After this transaction, BRE Bank Group holds 100% shares in BRE Leasing.

In connection with the above transaction, on 27 January 2011, the capital of BRE Holding was increased by the amount of PLN 67 276 thousand. All new shares in BRE Holding were taken up by BRE Bank SA.

A detailed description of the business of the companies of BRE Bank SA Group was presented in the Explanatory Notes to the Consolidated Financial Statements for 2010, published on 28 February 2011.

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

2. Description of Relevant Accounting Policies

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

2.1 Accounting Basis

These Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 3-month period ended 31 March 2011.

The presented Consolidated Financial Statements for the first quater of 2011 fulfill the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting', concerning interim financial statements.

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

2.2 Consolidation

Subsidiaries

Subsidiaries comprise 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 Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

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

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

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

Associates

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

The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the Income Statement, whereas its share in changes in other 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. Accounting policies applied by associates have been adjusted, wherever necessary, to assure consistency with the accounting principles applied by the Group.

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

Company	31.03.2011		31.03.2010	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
Aspiro SA	100%	full	100%	full
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Holding Sp. z o.o.	100%	full	100%	full
BRE Leasing Sp. z o.o.	100%	full	50.004%	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
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 GOLD FIZ Aktywów Niepublicznych	100% of certificates	full	-	-
BRE Corporate Finance SA	-	-	100%	full
Tele-Tech Investment Sp. z o.o.	-	-	100%	full

2.3 Interest Income and Expenses

All interest income on 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 expense to the proper periods. The effective interest rate is the interest rate at which the discounted future payments or future cash inflows are equal to the net present carrying value of the respective financial asset or liability. When calculating the effective interest rate, the Bank estimates the cash flows taking into account all the contractual terms of the financial instrument, but without taking into account possible future losses on account of non-recovered loans and advances. This calculation takes into account all the fees paid or received between the parties to the contract, which constitute an integral component of the effective interest rate, as well as transaction expenses and any other premiums or discounts.

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

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

Interest income, including interest on loans, is recognised in the Income Statement, and on the other side in the Statement of Financial Position as receivables from banks or from other customers.

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

2.4 Fee and Commission Income

Income on account of fees and commissions is basically recognised on the accrual basis, at the time of performance of the respective services. Fees charged for the granting of loans which are likely to be drawn down are deferred (together with the related direct costs) and recognised as adjustments of the effective interest rate charge on the loan. Fees on account of syndicated loans are recognised as income at the time of closing of the process of organisation of the respective syndicate, if the Group has not retained any part of the credit risk on its own account or has retained a part with the same effective interest rate as other participants. Commissions and fees on account of negotiation or participation in the negotiation of a transaction on behalf of a third party, such as the acquisition of shares or other securities, or the acquisition or disposal of an enterprise, are recognised at the time of realisation of the respective transaction. Fees on account of portfolio management and fees for management, consulting and other services are recorded on the basis of the respective contracts for the provision of services, usually on a time – apportionate basis. 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 relate to insurance activity. They comprise payoffs and charges made in the reporting period due to compensations and benefits for events arising in the current and previous periods, together with costs of claims handling and costs of enforcement of recourses, less received returns, recourses and any recoveries, including recoveries from sale of remains after claims and reduced by reinsurers' share in these positions. Costs of claims handling and costs of enforcement of recourses also comprise costs of legal proceedings. The item also comprises compensations and benefits due to co-insurance activity in the part related to the share of the Group. Compensations and benefits, net are recognised together with insurance premium revenue recognition under other operating income in the consolidated financial statements of the Group.

2.7 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the

Group), whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Management Board of the Bank as its chief operating decision-maker (as defined in IFRS 8).

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

2.8 Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

<u>Loans and Receivables</u>

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

Held to Maturity Investments

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

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

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

Available for Sale Investments

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

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

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 Income Statement or in Comprehensive Income. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs, except for financial assets at fair value through the Income Statement. Financial assets are excluded from the Statement of Financial Position when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Group has transferred substantially all risks and rewards of ownership.

Available for sale financial assets and financial assets measured at fair value through the Income Statement are valued at the end of the reporting period according to their fair value. Loans and receivables, as well as investments held to maturity are measured at adjusted cost of acquisition (amortised cost), applying the effective interest rate method. Gains and losses resulting from changes in the fair value of 'financial assets measured at fair value through the Income Statement' are recognised in the Income Statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised 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 market prices. If the market for a given financial asset is not an active one, the Group determines the fair value by applying valuation techniques. These comprise recently conducted transactions concluded according to normal market principles, reference to other instruments, discounted cash flow analysis, as well as valuation models for options and other valuation methods generally applied by market participants.

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

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

2.9 Reinsurance assets

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

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

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

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

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

2.10 Offsetting Financial Instruments

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

2.11 Impairment of Financial Assets

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 when determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value – is removed from 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 impairment indicator unless the renegotiation was not due to the situation of the debtor but had been carried out on normal business terms. In such a case the Group makes an assessment whether the impairment should be recognised on either individual or group basis.

2.12 Financial Guarantee Contracts

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

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

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

2.13 Cash and Cash Equivalents

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

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

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

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

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

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

Statement of Financial Position as financial assets held for trading or as investment financial assets, and also as liabilities in the case of 'sell-buy-back' transactions and as receivables in the case of 'buy-sell-back' transactions.

Securities borrowed by the Group are not recognised in the financial statements, unless they are sold to third parties. In such case the purchase and sale transactions are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as trading liability.
Securities borrowed under 'buy-sell-back' transactions and then lent under 'sell-buy-back' transactions are not recognised as financial assets.
As a result of 'sell-buy-back' transactions concluded on securities held by the Group, financial assets are transferred in such way that they do not qualify for derecognition. Thus, the Group retains substantially all risks and rewards of ownership of the financial assets.

2.15 Derivative Financial Instruments and Hedge Accounting

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

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

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

In accordance with IAS 39 AG 30 (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:

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

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

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:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

2.16 Gains and Losses on Initial Recognition

The best evidence of fair value 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 initial recognition is at the transaction price. The Group assumes that the transaction price is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is not recognised immediately in the Income Statement.

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

2.17 Borrowings and deposits taken

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

2.18 Intangible Assets

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

Goodwill

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

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

Computer software

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

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

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

Development costs

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

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

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

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

2.19 Tangible Fixed Assets

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

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

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

Land is not depreciated. Depreciation of other fixed assets is accounted for according to the straight line method in order to spread their initial value 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 structures 25-40 years,
- Technical plant vehicles 5-15 years,
- Transport vehicles 5 years,
- Information technology hardware 3.33-5 years,
- Investments in third party fixed assets 10-40 years or the period of the lease contract,
- Office equipment, furniture 5-10 years.

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

Depreciable fixed assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the Statement of Financial Position might not be possible to be recovered. The value of a fixed asset carried in the Statement of Financial Position is reduced to the level of its recoverable value if the carrying value in the Statement of Financial Position exceeds the estimated recoverable amount. The recoverable value is the higher of two amounts: the fair value of the fixed asset reduced by its selling costs and the value in use.

If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs (cash-generating unit of the asset).

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

2.20 Inventories

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

2.21 Non-Current Assets Held for Sale and Discontinued Operations

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

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

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

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

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

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

2.22 Deferred Income Tax

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

Liabilities or assets for deferred corporate income tax are recognised in their full amount according to the balance sheet method in connection with the existence of temporary differences between the tax value of assets and liabilities and their carrying value 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

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

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

2.24 Prepayments, Accruals and Deferred Income

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

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

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

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

2.25 Leasing

BRE Bank SA Group as a Lessor

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

Revenue from leasing agreements is recognized as follows:

- Interests on finance lease

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

- Revenue from operating lease

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

BRE Bank SA Group as a Lessee

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

2.26 Provisions

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

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

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

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

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

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

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

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

2.27 Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

- 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 own shares until the time when they are cancelled. In the case of sale or reallocation of such shares, the payment received in return is recognised in equity.

Share premium

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

- Share Issue Costs

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

Retained earnings

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

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

Other components of equity

Other components of equity result from:

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

2.29 Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

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

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

Published Standards and Interpretations which have been issued and binding for the Group for annual periods starting on 1 January 2011:

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.
- 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.
- IAS 24, Related Party Disclosures, retrospectively binding for annual periods starting on or after 1 January 2011.
- IAS 32 (Revised), Classification of Rights Issues, binding for annual periods starting on or after 1 February 2010.
- Improvements to IFRS, in majority binding for annual periods starting on or after 1 January 2011.

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

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

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

- IFRS 1 (Revised), Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, binding for annual periods starting on or after 1 July 2011.
- IFRS 7 (Revised), Disclosures - Transfers of financial assets, binding for annual periods starting on or after 1 July 2011.
- IFRS 9, Financial Instruments, binding for annual periods starting on or after 1 January 2013.
- IAS 12 (Revised), Deferred Tax: Recovery of Underlying Assets, binding for annual periods starting on or after 1 January 2012.

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

2.32 Comparative Data

Due to amendments connected with reassignment of certain Group activities presented in the segment Corporates and Financial Markets within its two sub-segments which were made in Q3 2010, the comparative data as at 31 March 2010 have been adjusted.
Detailed description of the above mentioned amendments was presented in Q3 2010 Consolidated Financial Statements of BRE Bank Group.

All other data prepared as at 31 March 2010 , as well as data presented in the Statement of Financial Position as at 31 December 2010 are totally comparable with data introduced 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. The methodology and the assumptions (on the basis of which the estimated cash flow amounts and their anticipated timing are determined) are regularly verified.

Fair value of derivative instruments

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

Technical-insurance provisions

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

As at 31 March 2011 provisions for claims incurred but not reported to the insurer (IBNR) were calculated using the actuarial 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 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:

- The Retail Banking segment, which divides its customers into mBank customers, MultiBank customers and BRE Private Banking customers and which offers a full range of the Bank's banking products and services as well as specialized products offered by a number of subsidiaries belonging to the Retail Banking segment. The key products in this segment include current and savings accounts (including accounts in foreign currencies), term deposits, lending products (retail mortgage loans and non-mortgage loans such as cash loans, car loans, overdrafts, credit cards and other loan products), debit cards, insurance products, investment products and brokerage services offered to both individual customers and to micro-businesses. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of BRE Wealth Management SA, Aspiro SA as well as BRE Ubezpieczenia TUiR SA and BRE Ubezpieczenia Sp. z o.o..
- The Corporates and Financial Markets segment, which is divided into two sub-segments:
  - *Corporates and Institutions* sub-segment (business line), which targets small, medium and large-sized companies and public sector entities. The key products offered to these customers include transactional banking products and services including current account products, multi-functional internet banking, tailor-made cash management and trade finance services, term deposits, foreign exchange transactions, a comprehensive 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), debt origination for corporate clients, treasury bills and bonds, non-government debt, medium-term bonds, buy sell back and sell buy back transactions and repo transactions, as well as leasing and factoring services. The Corporates and Institutions sub-segment includes the results of the following subsidiaries:, BRE Leasing Sp. z o.o., Intermarket Bank AG, Polfactor SA, BRE Holding Sp. z o.o., Transfinance a.s., Magyar Factor zRt., Garbary 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 (business line) 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 for financial institutions and financial institutions' coverage. The Bank also maintains an extensive correspondent banking network and also develops relationships with other banks providing products such as current accounts, overdrafts, stand alone and syndicated loans and loans insured by KUKE to support the Polish export market. This sub-segment also includes the results of BRE Finance France SA, BRE Bank Hipoteczny SA and DI BRE Bank SA.

- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment are reported under 'Remaining Business'. 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 are reflected in the results of each segment.

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

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

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

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 1 January to 31 March 2011
(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	165 118	51 899	292 409	(1 234)	(1 668)	506 524	506 524
- sales to external clients	225 269	104 001	178 876	46	(1 668)	506 524	
- sales to other segments	(60 151)	(52 102)	113 533	(1 280)	-	-	
Net fee and commission income	88 315	18 457	92 524	(500)	8 592	207 388	207 388
- sales to external clients	85 579	20 823	92 893	(499)	8 592	207 388	
- sales to other segments	2 736	(2 366)	(369)	(1)	-	-	
Trading income	34 984	28 255	32 686	(315)	(31)	95 579	95 579
Gains less losses from investment securities	(4 478)	44	-	140	-	(4 294)	(4 294)
Net impairment losses on loans and advances	(63 427)	5 822	(56 505)	-	-	(114 110)	(114 110)
Gross profit of the segment	56 231	71 984	186 256	(4 441)	(1 049)	308 981	308 981
Income tax						(74 958)	(74 958)
Net profit attributable to Owners of BRE Bank SA						229 708	229 708
Net profit attributable to non-controlling interests						4 315	4 315
Assets of the segment	23 844 964	36 410 232	33 560 988	1 095 850	(5 862 190)	89 049 844	89 049 844
Liabilities of the segment	22 705 408	36 723 589	26 150 723	847 079	(4 586 113)	81 840 686	81 840 686
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(19 866)	(3 515)	(5 269)	(1 582)	-	(30 232)	
Amortisation/depreciation	(30 852)	(5 144)	(21 675)	(940)	-	(58 611)	(58 611)
Other costs/ income without cash outflows/ inflows*	963	8 096	(213)	(40)	(31)	8 775	
- other non-cash costs	*(47)*	*(601 158)*	*(213)*	*(40)*	*(3 696)*	*(605 154)*	
- other non-cash income	*1 010*	*609 254*	*-*	*-*	*3 665*	*613 929*	

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

Business segment reporting on the activities of BRE Bank Group
for the period from 1 January to 31 December 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	**632 199**	**140 447**	**1 048 413**	**(2 480)**	**(7 615)**	**1 810 964**	**1 810 964**
- sales to external clients	871 219	401 349	546 016	(5)	(7 615)	**1 810 964**	
- sales to other segments	(239 020)	(260 902)	502 397	(2 475)	-	**-**	
Net fee and commission income	**318 820**	**84 587**	**311 427**	**(1 578)**	**32 663**	**745 919**	**745 919**
- sales to external clients	308 473	91 325	315 033	(1 575)	32 663	**745 919**	
- sales to other segments	10 347	(6 738)	(3 606)	(3)	-	**-**	
Trading income	**160 452**	**101 145**	**152 151**	**568**	**(3 644)**	**410 672**	**410 672**
Gains less losses from investment securities	**46 478**	**(1 330)**	**-**	**-**	**-**	**45 148**	**45 148**
Net impairment losses on loans and advances	**(279 571)**	**(15 572)**	**(339 634)**	**(2)**	**-**	**(634 779)**	**(634 779)**
Gross profit of the segment	**179 111**	**229 316**	**455 642**	**15 210**	**(6 768)**	**872 511**	**872 511**
Income tax						(211 646)	(211 646)
Net profit attributable to Owners of BRE Bank SA						641 602	641 602
Net profit attributable to non-controlling interests						19 263	19 263
Assets of the segment	**28 822 880**	**32 371 414**	**33 649 201**	**995 491**	**(5 796 545)**	**90 042 441**	**90 042 441**
Liabilities of the segment	**52 522 165**	**8 895 006**	**25 768 464**	**447 123**	**(4 667 602)**	**82 965 156**	**82 965 156**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(149 832)	(24 149)	(81 998)	(981)	-	(256 960)	
Amortisation/depreciation	(121 267)	(23 266)	(88 872)	(3 645)	132	(236 918)	(236 918)
Other costs/ income without cash outflows/ inflows*	9 894	(177 675)	3 037	138	(3 644)	(168 250)	
- other non-cash costs	*(77)*	*(1 037 423)*	*(3)*	*-*	*1 891*	*(1 035 612)*	
- other non-cash income	*9 971*	*859 748*	*3 040*	*138*	*(5 535)*	*867 362*	

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

Business segment reporting on the activities of BRE Bank Group
for the period from 1 January to 31 March 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	149 441	16 527	226 791	(478)	(1 744)	390 537	390 537
- sales to external clients	216 681	83 440	92 115	45	(1 744)	390 537	
- sales to other segments	(67 240)	(66 913)	134 676	(523)	-	-	
Net fee and commission income	78 777	19 513	67 293	(56)	8 366	173 893	173 893
- sales to external clients	76 514	20 832	68 236	(55)	8 366	173 893	
- sales to other segments	2 263	(1 319)	(943)	(1)	-	-	
Trading income	31 795	31 076	35 656	61	(2 417)	96 171	96 171
Net impairment losses on loans and advances	(67 703)	(5 870)	(103 488)	-	-	(177 061)	(177 061)
Gross profit of the segment	1 790	47 629	108 803	2 756	(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	23 955 660	34 970 363	28 873 331	1 214 895	(4 262 868)	84 751 381	84 751 381
Liabilities of the segment	45 718 412	10 334 968	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	(23 424)	(2 387)	(5 185)	(51)	-	(31 047)	
Amortisation/depreciation	(31 193)	(4 785)	(22 350)	(968)	95	(59 201)	(59 201)
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.

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

5. Net Interest Income

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Interest income		
Loans and advances including the unwind of the impairment provision discount	631 226	596 799
Investment securities	200 163	168 105
Cash and short-term placements	33 111	42 143
Trading debt securities	20 215	10 746
Other	6 777	3 965
Total interest income	**891 492**	**821 758**
Interest expense		
Arising from amounts due to banks and customers	(349 369)	(397 949)
Arising from issue of debt securities	(18 179)	(18 061)
Other borrowed funds	(13 044)	(12 103)
Other	(4 376)	(3 108)
Total interest expense	**(384 968)**	**(431 221)**

Interest income related to the impaired financial assets amounted to PLN 57 196 thousand (31 March 2010: PLN 39 885 thousand).

6. Net Fee and Commission Income

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Fee and commission income		
Payment cards-related fees	76 333	75 808
Credit-related fees and commissions	65 282	55 413
Commissions from insurance activity	34 304	28 038
Fees from brokerage activity	27 567	27 563
Commissions from bank accounts	29 042	23 894
Commissions from money transfers	20 055	17 696
Commissions due to guarantees granted and trade finance commissions	9 689	12 386
Commission for agency service regarding selling products of external financial entities	19 481	11 423
Commissions on trust and fiduciary activities	3 830	2 439
Fees from portfolio management services and other management-related fees	2 916	2 162
Other	18 164	21 736
Total fee and commission income	**306 663**	**278 558**
Fee and commission expense		
Payment cards-related fees	(40 332)	(48 065)
Commissions paid to external entities for sale of the Bank's products	(18 430)	(18 885)
Insurance activity-related fees	(6 057)	(3 463)
Discharged brokerage fees	(9 417)	(7 965)
Other discharged fees	(25 039)	(26 287)
Total fee and commision expense	**(99 275)**	**(104 665)**

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Fee and commission income from insurance contracts		
- Income from insurance intermediation	30 720	24 695
- Income from insurance policies administration	3 584	3 343
Total fee and commission income from insurance contracts	**34 304**	**28 038**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

7. Dividend Income

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Securities available for sale	9	330
Total dividend income	**9**	**330**

8. Net Trading Income

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Foreign exchange result	**82 117**	**83 270**
Net exchange differences on translation	52 519	161 804
Net transaction gains/(losses)	29 598	(78 534)
Other net trading income	**13 462**	**12 901**
Interest-bearing instruments	12 519	8 349
Equity instruments	(91)	1 530
Market risk instruments	1 034	3 022
Total net trading income	**95 579**	**96 171**

'Foreign exchange result' includes profit/(loss) on spot transactions and forward contracts, options, futures and on translation of assets and liabilities denominated in foreign currencies. 'Interest-bearing instruments' include the profit/(loss) on money market instrument trading, swap contracts for interest rates 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 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Sale/redemption of the financial assets available for sale	158	-
Impairment of available for sale equity securities	(4 452)	-
Total gains and losses from investment securities	**(4 294)**	**-**

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

10. Other Operating Income

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	22 635	18 216
Income from services provided	11 425	13 653
Income from insurance activity net	18 267	11 621
Income due to release of provisions for future commitments	596	116
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	1 309	104
Income from compensations, penalties and fines received	133	124
Other	4 552	8 297
Total other operating income	**58 917**	**52 131**

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.

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

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 generated in the first quarter of 2011 and 2010 is presented below.

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Income from premiums		
- Premiums attributable	27 153	21 512
- Change in provision for premiums	4 569	1 528
Premiums earned	**31 722**	**23 040**
Reinsurer's shares		
- Gross premiums written	(10 572)	(9 008)
- Change in unearned premiums reserve	1 655	1 882
Reinsurer's share in premiums earned	**(8 917)**	**(7 126)**
Net premiums earned	**22 805**	**15 914**
Claims and benefits		
- Claims and benefits paid out in the current year including costs of liquidation before tax	(8 497)	(6 847)
- Change in provision for claims and benefits paid out in the current year including costs of liquidation before tax	(2 156)	(3 559)
- Reinsurer's share in claims and benefits paid out in the current year including costs of liquidation	6 219	5 230
- Change in provision for reinsurer's share of claims and benefits paid out in the current year including costs of liquidation	394	1 066
Claims and benefits net	**(4 040)**	**(4 110)**
- Other costs net of reinsurance	(405)	(190)
- Other operating income	15	7
- Costs of expertise and certificates concerning underwriting risk	(108)	-
Total net income from insurance activity	**18 267**	**11 621**

11. Net Impairment Losses on Loans and Advances

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Net impairment losses on amounts due from other banks	8 007	(5 126)
Net impairment losses on off-balance sheet contingent liabilities due to other banks	-	(192)
Net impairment losses on loans and advances to customers	(123 646)	(180 095)
Net impairment losses on off-balance sheet contingent liabilities due to customers	1 529	8 352
Total net impairment losses on loans and advances	**(114 110)**	**(177 061)**

12. Overhead Costs

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Staff-related expenses	(190 490)	(159 291)
Material costs	(136 505)	(120 228)
Taxes and fees	(8 275)	(7 324)
Contributions and transfers to the Bank Guarantee Fund	(12 696)	(5 279)
Contributions to the Social Benefits Fund	(1 108)	(1 404)
Other	(709)	(1 411)
Total overhead costs	**(349 783)**	**(294 937)**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

Staff-related expenses in the first quarter of 2011 and 2010 are presented below.

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Wages and salaries	(154 632)	(130 316)
Social security expenses	(26 593)	(21 586)
Pension fund expenses	(147)	(147)
Remuneration concerning share-based payments, including:	(2 105)	(1 550)
- share-based payments settled in BRE Bank SA shares	(2 105)	(1 550)
Other staff expenses	(7 013)	(5 692)
Staff-related expenses, total	**(190 490)**	**(159 291)**

13. Other Operating Expenses

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	(19 708)	(15 849)
Provisions for future commitments	(2 108)	-
Donations made	(3 062)	(2 821)
Compensation, penalties and fines paid	(168)	(29)
Costs arising from provisions created for other receivables (excluding loans and advances)	(369)	(141)
Costs of sale of services	(332)	(179)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(281)	(37)
Other operating costs	(6 610)	(5 033)
Total other operating expenses	**(32 638)**	**(24 089)**

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

Costs of sale of services concern non-banking services.

14. Earnings per Share

Earnings per share for 3 months – BRE Bank SA Group consolidated data

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Basic:		
Net profit attributable to Owners of BRE Bank SA	229 708	115 416
Weighted average number of ordinary shares	42 086 674	29 690 882
Net basic profit per share (in PLN per share)	**5.46**	**3.89**
Diluted:		
Net profit attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	229 708	115 416
Weighted average number of ordinary shares	42 086 674	29 690 882
Adjustments for:		
- share options	46 834	42 719
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 133 508	29 733 601
Diluted earnings per share (in PLN per share)	**5.45**	**3.88**

IFRS Consolidated Financial Statements for the first quarter of 2011 PLN (000's)

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

the period	from 01.01.2011 to 31.03.2011	from 01.01.2010 to 31.03.2010
Basic:		
Net profit	219 652	78 423
Weighted average number of ordinary shares	42 086 674	29 690 882
Net basic profit per share (in PLN per share)	**5.22**	**2.64**
Diluted:		
Net profit attributable to the shareholders, applied for calculation of diluted earnings per share	219 652	78 423
Weighted average number of ordinary shares in issue	42 086 674	29 690 882
Adjustments for:		
- share options	46 834	42 719
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 133 508	29 733 601
Diluted earnings per share (in PLN per share)	**5.21**	**2.64**

15. Trading Securities and Pledged Assets

	31.03.2011	31.12.2010	31.03.2010
Debt securities:	**2 348 155**	**2 573 202**	**1 180 309**
Government bonds included in cash equivalents and pledged government bonds (sell-buy-back/repo transactions), including:	985 919	1 207 015	715 439
- pledged government bonds (sell-buy-back/repo transactions)	488 040	1 011 107	496 211
Treasury bills included in cash equivalents and pledged treasury bills (sell-buy-back/repo transactions), including:	1 059 306	1 100 918	194 909
- pledged treasury bills (sell-buy-back/repo transactions)	86 547	7 551	19 676
Other debt securities:	302 930	265 269	269 961
Equity securities:	**10 988**	**11 112**	**9 965**
- listed	4 389	4 697	9 965
- unlisted	6 599	6 415	-
Debt and equity securities, including:	**2 359 143**	**2 584 314**	**1 190 274**
- Trading securities	*1 784 556*	*1 565 656*	*674 387*
- Pledged assets	*574 587*	*1 018 658*	*515 887*

The note above does not include pledged assets classified as investment securities (Note 17).

16. Loans and Advances to Customers

	31.03.2011	31.12.2010	31.03.2010
Loans and advances to individuals	33 534 755	33 658 660	28 760 913
Loans and advances to corporate entities	24 634 111	25 570 342	22 574 442
Loans and advances to public sector	1 936 222	1 923 019	1 083 735
Other receivables	620 018	668 115	620 696
Total (gross) loans and advances to customers	**60 725 106**	**61 820 136**	**53 039 786**
Provisions for loans and advances to customers (negative amount)	(2 531 220)	(2 449 771)	(2 134 158)
Total (net) loans and advances to customers	**58 193 886**	**59 370 365**	**50 905 628**
Short-term (up to 1 year)	20 987 104	22 204 611	18 249 774
Long-term (over 1 year)	37 206 782	37 165 754	32 655 854

The Group presents loans to micro enterprises provided by Retail Banking of BRE Bank (mBank and MultiBank) under the item 'Loans and advances to individuals'.

Loans to micro enterprises in the presented reporting periods amounted to respectively: 31 March 2011 - PLN 3 018 300 thousand, 31 December 2010 – PLN 2 935 600 thousand, 31 March 2010 – PLN 2 652 500 thousand.

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Provisions for Loans and Advances

	31.03.2011	31.12.2010	31.03.2010
Incurred but not identified losses			
Gross balance sheet exposure	57 309 606	58 534 978	50 327 117
Impairment provisions for exposures analysed according to portfolio approach	(220 845)	(215 893)	(222 854)
Net balance sheet exposure	**57 088 761**	**58 319 085**	**50 104 263**
Receivables with impairment			
Gross balance sheet exposure	3 415 500	3 285 158	2 712 669
Provisions for receivables with impairment	(2 310 375)	(2 233 878)	(1 911 304)
Net balance sheet exposure	**1 105 125**	**1 051 280**	**801 365**

17. Investment Securities and Pledged Assets

	31.03.2011	31.12.2010	31.03.2010
Debt securities	**17 881 996**	**19 379 918**	**17 965 700**
Listed, including:	17 881 996	19 290 173	17 910 522
- pledged government bonds (sell-buy-back/repo transactions)	648 374	-	2 222 413
- pledged government bonds (loan collateral)	608 808	613 757	369 060
- government bonds pledged under the Bank Guarantee Fund	181 174	176 542	146 702
- treasury bills pledged under the Bank Guarantee Fund	16 434	21 846	37 081
- pledged treasury bills (sell-buy-back/repo transactions)	532 703	-	-
Unlisted	-	89 745	55 178
Equity securities	**194 982**	**194 915**	**142 054**
- listed	179 653	179 828	14 306
- unlisted	15 329	15 087	127 748
Total investment securities and pledged assets, including:	**18 076 978**	**19 574 833**	**18 107 754**
- Available for sale securities	*16 089 485*	*18 762 688*	*15 332 498*
- Pledged assets	*1 987 493*	*812 145*	*2 775 256*
Short-term (up to 1 year)	8 374 501	10 502 379	9 556 499
Long-term (over 1 year)	9 702 477	9 072 454	8 551 255

As at 31 March 2011 the above value of equity securities includes provisions for impairment in the amount of PLN 13 257 thousand (31 December 2010: PLN 13 257 thousand, 31 March 2010: PLN 306 thousand).

As at 31 March 2011, listed equity securities include fair value of PZU shares in amount of PLN 168 449 thousand (31 December 2010 - PLN 168 212 thousand).

The above include Government Bonds and Treasury Bills under the Bank Guarantee Fund, Treasury Bills and Investment Government Bonds pledged as sell-buy-back/repo transactions and Government Bonds pledged as collateral for the loan received from European Investment Bank, which are presented in the Statement of Financial Position in a separate position 'Pledged assets'.

18. Intangible assets

	31.03.2011	31.12.2010	31.03.2010
Development costs	966	1 452	1 871
Goodwill	4 728	7 137	7 137
Patents, licences and similar assets, including:	309 931	333 317	343 094
- computer software	257 014	279 355	284 166
Other intangible assets	9 847	10 057	1 692
Intangible assets under development	72 494	75 874	71 830
Total intangible assets	**397 966**	**427 837**	**425 624**

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19. Tangible assets

	31.03.2011	31.12.2010	31.03.2010
Tangible fixed assets, including:	713 092	733 648	745 102
- land	1 867	1 867	18 685
- buildings and structures	231 792	237 487	239 013
- equipment	128 107	132 444	131 804
- vehicles	191 741	194 824	170 806
- other fixed assets	159 585	167 026	184 794
Fixed assets under construction	40 256	43 972	23 554
Total tangible fixed assets	**753 348**	**777 620**	**768 656**

20. Amounts due to Customers

	31.03.2011	31.12.2010	31.03.2010
Individual customers:	**25 517 933**	**25 068 308**	**26 487 899**
Current accounts	15 808 085	15 642 036	16 214 372
Term deposits	9 665 977	9 388 109	10 223 440
Other liabilities:	43 871	38 163	50 087
- liabilities in respect of cash collaterals	28 084	24 048	36 541
- other	15 787	14 115	13 546
Corporate customers:	**19 902 171**	**21 423 190**	**17 738 183**
Current accounts	10 727 866	9 682 381	8 472 569
Term deposits	5 983 532	7 967 060	7 397 600
Loans and advances received	470 897	473 606	272 685
Repo transactions	2 280 366	2 708 164	933 573
Other liabilities:	439 510	591 979	661 756
- liabilities in respect of cash collaterals	339 873	382 141	322 045
- other	99 637	209 838	339 711
Public sector customers:	**950 297**	**928 559**	**705 365**
Current accounts	243 209	896 407	68 575
Term deposits	699 789	22 141	635 319
Other liabilities:	7 299	10 011	1 471
- other	7 299	10 011	1 471
Total amounts due to customers	**46 370 401**	**47 420 057**	**44 931 447**

Short-term (up to 1 year)	44 826 080	45 891 264	43 778 368
Long-term (over 1 year)	1 544 321	1 528 793	1 153 079

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

In the presented reporting periods the value of liabilities in respect of current accounts and term deposits accepted from micro enterprises amounted to respectively: 31 March 2011 – PLN 1 739 700 thousand, 31 December 2010 – PLN 1 958 300 thousand, 31 March 2010 – PLN 1 712 400 thousand.

21. Non-current Assets Held for Sale

In connection with its intention to sell its stakes in Intermarket Bank AG and Magyar Factor zRt. and due to accounting rules described in Note 2.21 of 'Explanatory Notes to the Consolidated Financial Statements', as at 31 March 2011 the Group classified both entities as non-current assets (disposal group) held for sale.

On 8 April 2011, a preliminary binding agreement was concluded between entities of BRE Bank Group ('Group') and entities of Erste Group regarding the sale of Group's stakes in Intermarket Bank AG and Magyar Factor zRt. Detailed information concerning this agreement is presented under Note 9 of 'Selected Explanatory Information'.

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Below are presented financial data concerning non-current assets (disposal group) held for sale as at 31 March 2011.

ASSETS	31.03.2011
Cash and balances with the Central Bank	4 203
Loans and advances to banks	17 025
Loans and advances to customers	1 191 920
Investment securities	4 653
Investments in associates	321
Intangible assets	9 163
Tangible fixed assets	5 900
Current income tax assets	718
Deferred income tax assets	334
Other assets	17 130
Total assets	**1 251 367**
LIABILITIES	
Amounts due to other banks	597 316
Amounts due to customers	176 704
Other liabilities	41 652
Current income tax liabilities	4 630
Provisions	12 232
Total liabilities	**832 534**

Selected Explanatory Information

1. Compliance with International Financial Reporting Standards

The presented consolidated report for the first quarter of 2011 fulfils the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' relating to interim financial reports.

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

A detailed description of the accounting policy principles of the Group is presented under items 2 and 3 of the Notes to the Consolidated Financial Statements for the first quarter of 2011. The accounting policies were applied consistently over all periods presented in the financial statements.

3. Seasonal or Cyclical Nature of the Business

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

4. Nature and Values of Items Affecting Assets, Liabilities, Equity, Net Profit/(Loss) or Cash Flows, which are Extraordinary in Terms of Their Nature, Magnitude or Exerted Impact

In the first quarter of 2011 events as indicated above did not occur in the Group

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

In the first quarter of 2011 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 2011, BRE Bank Hipoteczny issued and redeemed bonds in amount of PLN 95 000 thousand.

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

Pursuant to the resolution on profit distribution for the year 2010, adopted on 30 March 2011 by the 24th Ordinary General Shareholders Meeting of BRE Bank SA, no dividend will be paid for the year 2010.

8. Income and Profit by Business Segment

Income and profit by business segment within the Group are presented on the consolidated level under item 4 of the Notes to the Consolidated Financial Statements for the first quarter of 2011.

9. Significant Events After the End of the First Quarter of 2011, which are not Reflected in the Financial Statements

On 8 April 2011, a preliminary binding agreement was concluded between entities of BRE Bank Group ('Group') and entities of Erste Group. Under this agreement the Group will sell its stakes in Intermarket Bank AG and Magyar Factor zRt. to Erste Group entities and will acquire from Intermarket Bank AG its respective stakes in Polfactor SA and Transfinance a.s.

As a result of this transaction BRE Bank Group will become the sole owner of Polfactor SA and Transfinance a.s., leading factoring providers in Poland and in the Czech Republic respectively.

The transaction is aiming at unwinding the international factoring operations of BRE Bank Group. The Group will concentrate on activities in Poland and Czech Republic, where it is also present with banking operations (mBank Czech Republic).

The completion of the above transactions, expected in autumn 2011, is subject to approval by the relevant regulators and certain closing conditions.

10. Effect of Changes in the Structure of the Entity in the First Quarter of 2011, Including Business Combinations, Acquisitions or Disposal of Subsidiaries, Long-term Investments, Restructuring, and Discontinuation of Business Activities

- On 31 January 2011, under the agreement concluded on 26 January 2011 between BRE Holding - 100% subsidiary of BRE Bank SA, and Commerz Real - 100% subsidiary of Commerzbank AG, BRE Holding acquired 49.996% of shares of BRE Leasing from Commerz Real. The purchase price of the shares amounted to EUR 17 144 thousand (equivalent of PLN 66 876 thousand). After this transaction, BRE Bank Group holds 100% shares in BRE Leasing.

In connection with the above transaction, on 27 January 2011, the capital of BRE Holding was increased by the amount of PLN 67 276 thousand. All new shares in BRE Holding were taken up by BRE Bank SA.

- In connection with its intention to sell its stakes in Intermarket Bank AG and Magyar Factor zRt. and due to accounting rules described in Note 2.21 of 'Explanatory Notes to the Consolidated Financial Statements', the Group classified both entities as non-current assets held for sale.

  Detailed information regarding non-current assets (disposal group) held for sale is presented under Note 21 of these Consolidated Financial Statements.

11. Changes in Contingent Liabilities and Commitments

In the first quarter of 2011 there were no changes in contingent liabilities and commitments of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

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

Events as indicated above did not occur in the Group.

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

Events as indicated above did not occur in the Group.

14. Reversals of Provisions Against Restructuring Costs

Events as indicated above did not occur in the Group.

15. Acquisitions and Disposals of Tangible Fixed Asset Items

In the first quarter of 2011, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and property development operations that are performed by the companies of the Group.

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

Events as indicated above did not occur in the Group.

17. Corrections of Errors from Previous Reporting Periods

In the first quarter of 2011, there were no corrections of errors from previous reporting periods.

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

Events as indicated above did not occur in the Group.

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

BRE Bank did not publish a performance forecast for the year 2011. 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 2011 was 42 086 674 shares (31 March 2010: 29 690 882) at PLN 4 nominal value each (31 March 2010: PLN 4). All issued shares were fully paid up.

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REGISTERED SHARE CAPITAL (THE STRUCTURE)						
Share type	Type of privilege	Type of limitation	Number of shares	Series / issue value	Paid up	Registered on
ordinary bearer*	-	-	9 978 500	39 914 000	fully paid up in cash	1986
ordinary registered*	-	-	21 500	86 000	fully paid up in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid up in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid up in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid up in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid up in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid up in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid up in cash	2010
Total number of shares			42 086 674			
Total registered share capital				168 346 696		
Nominal value per share		4				

* As at the end of the reporting period

21. Material Share Packages

There was no change in the holding of material share packages of the Bank in the first quarter of 2011.

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 2011 it held 69.7439% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2010 – 69.7439%).

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

	Number of shares held as at the date of publishing the report for Q4 2010	Number of shares acquired from the date of publishing the report for Q4 2010 to the date of publishing the report for Q1 2011	Number of shares sold from the date of publishing the report for Q4 2010 to the date of publishing the report for Q1 2011	Number of shares held as at the date of publishing the report for Q1 2011
Management Board				
1. Cezary Stypułkowski	-	-	-	-
2. Karin Katerbau	1 176	-	-	1 176
3. Wiesław Thor	-	-	-	-
4. Przemysław Gdański	-	-	-	-
5. Hans-Dieter Kemler	-	-	-	-
6. Jarosław Mastalerz	-	-	-	-
7. Christian Rhino	2 919	-	-	2 919

As at the date of publishing the report for the fourth quarter of 2010 and as at the date of publishing the report for the first quarter of 2011, the Members of the Management Board had no Bank share options and they have no Bank share options.

As at the date of publishing the report for the fourth quarter of 2010 and as at the date of publishing the report for the first quarter of 2011 Mr. Andre Carls, Member of the Supervisory Board of BRE Bank SA, had 1 635 shares of BRE Bank SA.

The other Members of the Supervisory Board of BRE Bank SA had no Bank shares nor Bank share options and they have no Bank shares nor Bank share options.

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

As at 31 March 2011, 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 which represent at least 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 as at 31 March 2011 was also not higher 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 38.1 million translated at the average exchange rate of the National Bank of Poland as at 31 March 2011). This action was originally initiated by Art-B Sp. z o.o. Eksport – Import with its registered office in Katowice, under liquidation ('Art-B') against the main defendant Bank Leumi, whereas BRE Bank was garnished by Bank Leumi. Considering a settlement concluded between ART-B and Bank Leumi, and Migdal Insurance Company, on the basis of which Art-B received from Bank Leumi and Migdal Insurance Company an amount of USD 13.5 million, Bank Leumi and Migdal Insurance Company claim from BRE Bank refund of the amount paid to Art-B that is USD 13.5 million. BRE Bank's liability towards Bank Leumi and Migdal Insurance Company is under recourse.

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

   BPH brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 854 thousand. The purpose was to cancel actions related to the creation of Garbary and the contribution in kind. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that ZM Pozmeat SA contributed in kind to Garbary as payment for a stake in ZM Pozmeat SA share capital worth PLN 100 000 thousand. On 6 June 2006 the District Court in Poznań issued a verdict according to which the claims were dismissed in their entirety. The claimant filed an appeal against that verdict. On 6 February 2007 the Court of Appeal dismissed the claimant's appeal. The claimant filed the last resort appeal against the ruling of the Court of Appeal. On 2 October 2007, the Supreme Court revoked the ruling of the Court of Appeal and referred the case back. After re-examining the case, the Court of Appeal dismissed the ruling of the District Court in Poznań on 4 March 2008 and referred the case back. On 16 September 2010, the District Court in Poznań dismissed the claim in whole; the decision is not legally valid. On 19 October 2010, BPH filed an appeal against the ruling in question. On 24 February 2011, the Court of Appeal made a decision on revoking the ruling and discontinuance of proceedings involving Bank Pekao S.A. (the Bank entered in the proceedings as successor of BPH) justified by lack of title to bring the action before the court on the side of the Bank. The case was returned to the court of the first instance where it will be continued with the participation of BPH as the claimant.

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

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

   In its reply to the claim, the Bank petitioned the Court for dismissing the claim on the grounds of there being no legal basis for allowing the claim. On 1 December 2009, the Court decided to suspend the case until the completion of Pozmeat's bankruptcy proceedings. On 26 January 2011, the court has decided to reinstate suspended proceedings becasue of closing the insolvency procedure.

4. Claims of clients of Interbrok

   Up to 27 April 2011, 153 entities who were clients of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (hereinafter referred to as Interbrok) called the Bank for amicable settlement in the total amount of PLN 296 461 thousand and via the District Court in Warsaw. In addition, up to 27 April 2011, 8 legal suits have been delivered to the Bank where former clients of Interbrok claimed compensation in the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that the Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. In all court cases the Bank moves for dismissal of the claims in entirety and objects to charges raised in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the case. Therefore, BRE Bank Group did not create provisions for the above claims. The District Court in Warsaw settled the aforementioned court cases and dismissed actions in all cases. As a consequence of the Court of Appeal verdict on 4 March 2010, one of the judgments becomes final and valid. The next ruling was revoked by the Court of Appeal on 21 December 2010 and the case was referred back to the District Court in Warsaw. The rulings made in the remaining 6 cases by the District Court in Warsaw are not legally valid.

5. Class action against BRE Bank

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

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

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

As at 31 March 2011, 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 which represent at least 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 2011 also was not higher than 10% of the issuer's equity.

<u>Taxes</u>

Within the period from 24 September to 5 October 2010, the officers of the Tax Office (Trzeci Urząd Skarbowy Warszawa Śródmieście) carried out tax audits at the company BRE Ubezpieczenia Sp. z o.o. concerning the settlement of the corporate income tax for the year 2009. The audits did not identify any irregularities.

Within the period from 8 September to 10 September 2010, the officers of the Tax Office (Urząd Skarbowy Poznań Śródmieście) carried out tax audits at the company Garbary Sp. z o.o. within the scope of accuracy of documents and determination of correctness of amounts included in VAT records (concerning purchase and supply) for the period from May 2007 to May 2010 under the Law on tax on goods and services. The audits did not identify any relevant irregularities.

On 19 July 2010, officers of the Tax Control Office (Urząd Kontroli Skarbowej) launched in BRE Bank audit proceedings concerning reliability of declared tax bases and correctness of the calculation and payment of the corporate income tax for the period from 1 January 2006 to 31 December 2006. The audit is pending.

Within the period from 9 February to 11 March 2010, the officers of the Tax Office (Pierwszy Mazowiecki Urząd Skarbowy) 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 2005 and for the period from 1 December to 31 December 2005. The audits did not identify any relevant irregularities.

There were no tax audits at other companies of the Group within the year 2011 or 2010.

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 2011, 31 December 2010 and 31 March 2010, were as follows:

<u>BRE Bank Group consolidated data</u>

	31.03.2011	31.12.2010	31.03.2010
1. Contingent liabilities granted and received	**16 990 798**	**15 463 219**	**13 667 364**
Commitments granted	**15 573 885**	**14 331 938**	**13 039 310**
- financing	12 852 188	11 881 263	10 331 239
- guarantees and other financial facilities	2 695 777	2 449 814	1 753 226
- other commitments	25 920	861	954 845
Commitments received	**1 416 913**	**1 131 281**	**628 054**
- financial commitments received	197 083	14 828	223 778
- guarantees received	1 219 830	1 116 453	404 276
2. Derivative financial instruments (nominal value of contracts)	**382 774 944**	**304 382 025**	**326 593 878**
Interest rate derivatives	334 978 931	255 567 002	268 285 629
Currency derivatives	42 697 218	46 913 860	53 340 000
Market risk derivatives	5 098 795	1 901 163	4 968 249
Total off-balance sheet items	**399 765 742**	**319 845 244**	**340 261 242**

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BRE Bank SA stand-alone data

	31.03.2011	31.12.2010	31.03.2010
1. Contingent liabilities granted and received	**16 332 593**	**14 749 119**	**13 872 010**
Commitments granted	**14 941 506**	**13 659 448**	**13 272 787**
- financing	12 209 193	11 195 950	10 518 878
- guarantees and other financial facilities	2 707 313	2 463 498	1 799 972
- other commitments	25 000	-	953 937
Commitments received	**1 391 087**	**1 089 671**	**599 223**
- financial commitments received	197 083	130	222 421
- guarantees received	1 194 004	1 089 541	376 802
2. Derivative financial instruments (nominal value of contracts)	**382 826 886**	**304 135 017**	**327 132 445**
Interest rate derivatives	335 131 710	255 719 874	268 659 366
Currency derivatives	42 596 381	46 513 980	53 504 830
Market risk derivatives	5 098 795	1 901 163	4 968 249
Total off-balance sheet items	**399 159 479**	**318 884 136**	**341 004 455**

25. Transactions with Related Entities

BRE Bank SA is the parent entity of 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 31 January 2011, under the agreement concluded on 26 January 2011, between BRE Holding Sp. z o.o. and Commerz Real, a 100% subsidiary of Commerzbank AG, BRE Holding acquired 49.996% of shares of BRE Leasing from Commerz Real. Information regarding this agreement are described under the item 10 of 'Selected Explanatory Information'.

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 2011, 31 December 2010 and 31 March 2010 are as follows:

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Numerical data concerning transactions with related entities as at 31 March 2011

No.	Company's name	Statement of Financial Position		Separate Income Statement						Contingent liabilities granted and received	
		Assets	Liabilities	Interest income	Interest expense	Commission income	Commission expense	Other operating income	Overhead costs amortization and depreciation and other operating expenses	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality										
1	AMBRESA Sp. z o.o.	-	572	-	(1)	1	-	-	-	-	-
2	BRE Corporate Finanse SA	-	2 047	-	(18)	9	-	-	(100)	1 527	-
3	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	-	12 782	-	(97)	-	-	-	-	-	-
4	BRE Systems Sp. z o.o.	-	198	-	-	1	-	-	-	-	-
5	Tele-Tech Investment Sp. z o.o.	63 342	79	1 545	-	1	-	1	-	-	-
	Ultimate Parent Group										
	Commerzbank AG Capital Group	444 496	25 082 781	650	(103 870)	-	-	86	(5 025)	1 262 723	761 303

Numerical data concerning transactions with related entities as at 31 December 2010

No.	Company's name	Statement of Financial Position		Separate Income Statement						Contingent liabilities granted and received	
		Assets	Liabilities	Interest income	Interest expense	Commission income	Commission expense	Other operating income	Overhead costs amortization and depreciation and other operating expenses	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality										
1	AMBRESA Sp. z o.o.	-	593	-	(12)	2	-	-	-	-	-
2	BRE Corporate Finance SA	-	3 425	-	(28)	34	-	-	-	1 828	-
3	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	12 693	-	(213)	1	-	-	-	-	-
4	BRE Systems Sp. z o.o.	-	106	21	(2)	12	-	-	-	-	-
5	Tele-Tech Investment Sp. z o.o.	60 978	118	5 801	-	3	-	-	-	-	-
	Ultimate Parent Group										
	Commerzbank AG Capital Group	224 012	26 368 332	9 947	(399 314)	-	-	6 367	(20 768)	748 003	809 258

Numerical data concerning transactions with related entities as at 31 March 2010

No.	Company's name	Statement of Financial Position		Separate Income Statement						Contingent liabilities granted and received	
		Assets	Liabilities	Interest income	Interest expense	Commission income	Commission expense	Other operating income	Overhead costs amortization and depreciation and other operating expenses	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 Sp. komandytowa	-	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)	-	-	2	(4 093)	756 688	150 566

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

As at 31 March 2011 no exposure under guarantees granted in excess of 10% of the equity occurred in the Group.

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

On 30 March 2011, the 24th Ordinary General Meeting of Shareholders of BRE Bank SA elected the Supervisory Board of the Bank composed of 10 members for a new three years term of office:

1. Maciej Leśny – Chairman of the Supervisory Board,
2. Achim Kassow – Deputy Chairman of the Supervisory Board,
3. Andre Carls – Member of the Supervisory Board,
4. Thorsten Kanzler – Member of the Supervisory Board,
5. Sascha Klaus – Member of the Supervisory Board,
6. Teresa Mokrysz – Member of the Supervisory Board,
7. Waldemar Stawski – Member of the Supervisory Board,
8. Eric Strutz – Member of the Supervisory Board,
9. Jan Szomburg – Member of the Supervisory Board,
10. Marek Wierzbowski – Member of the Supervisory Board.

28. Factors Affecting the Results in the Coming Quarter

Apart from operating activity of the Bank and BRE Bank Group companies, there are no other events expected in Q2 2011 that would have a significant impact on the profit of this period.