BRE BANK SA

Our people make the difference.

BRE Bank SA Group

IFRS Condensed Consolidated Financial Statements for the third quarter of 2012

Contents

Selected Financial Data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000		in EUR'000	
		3 Quarters period from 01.01.2012 to 30.09.2012	3 Quarters period from 01.01.2011 to 30.09.2011	3 Quarters period from 01.01.2012 to 30.09.2012	3 Quarters period from 01.01.2011 to 30.09.2011
I.	Interest income	3 317 137	2 820 413	790 774	697 897
II.	Fee and commission income	963 681	963 433	229 732	238 397
III.	Net trading income	280 463	270 633	66 860	66 967
IV.	Operating profit	1 172 192	1 100 882	279 439	272 408
V.	Profit before income tax	1 172 192	1 100 882	279 439	272 408
VI.	Net profit attributable to Owners of BRE Bank SA	930 653	850 139	221 859	210 363
VII.	Net profit attributable to non-controlling interests	21	8 395	5	2 077
VIII.	Net cash flows from operating activities	2 545 471	3 165 504	606 816	783 289
IX.	Net cash flows from investing activities	(140 869)	(68 799)	(33 582)	(17 024)
X.	Net cash flows from financing activities	(2 207 272)	(1 816 321)	(526 192)	(449 440)
XI.	Net increase / decrease in cash and cash equivalents	197 330	1 280 384	47 042	316 825
XII.	Earnings per ordinary share (in PLN/EUR)	22.10	20.20	5.27	5.00
XIII.	Diluted earnings per ordinary share (in PLN/EUR)	22.08	20.18	5.26	4.99
XIV.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000			in EUR'000		
		As at			As at		
		30.09.2012	31.12.2011	30.09.2011	30.09.2012	31.12.2011	30.09.2011
I.	Total assets	99 805 527	98 875 647	94 443 650	24 261 152	22 386 263	21 409 968
II.	Amounts due to the Central Bank	-	-	-	-	-	-
III.	Amounts due to other banks	22 701 039	27 390 809	29 141 971	5 518 265	6 201 505	6 606 359
IV.	Amounts due to customers	57 228 772	54 244 388	48 952 576	13 911 413	12 281 377	11 097 338
V.	Equity attributable to Owners of BRE Bank SA	9 161 888	8 048 755	7 772 122	2 227 111	1 822 305	1 761 907
VI.	Non-controlling interests	23 931	23 910	22 814	5 817	5 413	5 172
VII.	Share capital	168 548	168 411	168 410	40 971	38 130	38 178
VIII.	Number of shares	42 137 036	42 102 746	42 102 538	42 137 036	42 102 746	42 102 538
IX.	Book value per share (in PLN/EUR)	217.43	191.17	184.60	52.85	43.28	41.85
X.	Capital adequacy ratio	15.44	14.96	15.76	15.44	14.96	15.76

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		3 Quarters period from 01.01.2012 to 30.09.2012	3 Quarters period from 01.01.2011 to 30.09.2011	3 Quarters period from 01.01.2012 to 30.09.2012	3 Quarters period from 01.01.2011 to 30.09.2011
I.	Interest income	3 024 236	2 516 634	720 949	622 729
II.	Fee and commission income	798 294	738 713	190 306	182 791
III.	Net trading income	271 922	264 533	64 824	65 457
IV.	Operating profit	1 061 561	1 033 329	253 066	255 692
V.	Profit before income tax	1 061 561	1 033 329	253 066	255 692
VI.	Net profit	847 412	825 614	202 015	204 294
VII.	Net cash flows from operating activities	2 076 934	2 132 247	495 121	527 614
VIII.	Net cash flows from investing activities	(72 974)	69 851	(17 396)	17 284
IX.	Net cash flows from financing activities	(1 335 822)	(1 057 990)	(318 447)	(261 794)
X.	Net increase / decrease in cash and cash equivalents	668 138	1 144 108	159 278	283 104
XI.	Earnings per ordinary share (in PLN/EUR)	20.12	19.61	4.80	4.85
XII.	Diluted earnings per ordinary share (in PLN/EUR)	20.10	19.60	4.79	4.85
XIII.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000			in EUR'000		
		As at			As at		
		30.09.2012	31.12.2011	30.09.2011	30.09.2012	31.12.2011	30.09.2011
I.	Total assets	95 562 803	93 895 432	89 371 563	23 229 813	21 258 701	20 260 148
II.	Amounts due to the Central Bank	-	-	-	-	-	-
III.	Amounts due to other banks	21 795 359	25 281 169	26 775 783	5 298 109	5 723 865	6 069 954
IV.	Amounts due to customers	56 950 776	54 018 635	48 583 782	13 843 837	12 230 265	11 013 734
V.	Own equity	8 658 316	7 610 906	7 385 998	2 104 700	1 723 172	1 674 374
VI.	Share capital	168 548	168 411	168 410	40 971	38 130	38 178
VII.	Number of shares	42 137 036	42 102 746	42 102 538	42 137 036	42 102 746	42 102 538
VIII.	Book value per share (in PLN/EUR)	205.48	180.77	175.43	49.95	40.93	39.77
IX.	Capital adequacy ratio	16.72	15.28	16.21	16.72	15.28	16.21

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 30 September 2012: EUR 1 = PLN 4.1138, exchange rate as at 31 December 2011: EUR 1 = PLN 4.4168 and exchange rate as at 30 September 2011: EUR 1 = PLN 4.4112.
- 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 three quarters of 2012 and 2011: EUR 1 = PLN 4.1948 and 1 EUR = PLN 4.0413 respectively.

Introduction

Major achievements of BRE Bank Group in Q3 2012

Despite a retained high and stable level of revenues but due to an increase in loan loss provisions as well as higher cost base, BRE Bank Group generated a profit before tax of PLN 354.4 million in Q3 2012, representing a decrease of PLN 51.0 million or 12.6% QoQ. Net profit attributable to the shareholders of BRE Bank stood at PLN 280.1 million in Q3 2012 and was down by PLN 39.5 million or 12.3% QoQ.

The results of the Group in Q3 2012 were predominantly driven by:

- **Maintained high revenue level:** total income reached PLN 917.7 million, similar to Q2 2012 (down by 0.4%). The record-high net interest income (PLN 573.1 million, i.e., up by 1.3% QoQ) partly offset the decrease of net fee and commission income which reached PLN 204.1 million (down by 6.5% QoQ). The results were additionally supported by income from dividend of PLN 10.6 million paid by PZU SA;
- **Increase of operating costs** by PLN 21.6 million or 5.3% QoQ to PLN 428.4 million (including amortisation and depreciation) driven by business growth initiatives and marketing as well as higher accruals for staff variable compensation. As a result, the effectiveness of the Group as measured by the cost/income ratio stood at 44.5% in Q3 2012 as compared to 43.5% in Q2 2012.
- **Continued organic growth and business expansion** as demonstrated by:
    - **Growing retail customer base,** which reached 4,045 thousand (an increase of 55 thousand customers QoQ and 157 thousand YTD);
    - **Growing number of corporate customers,** which reached 14,882 (an increase of 229 QoQ) and was the historically highest number of customers.

Net loans and advances stood at PLN 69,196.6 million in Q3 2012 and increased by PLN 1,307.2 million or 1.9% QoQ.

Customer deposits stood at PLN 57,228.8 million in Q3 2012 and increased by PLN 5,038.8 million or 9.7% QoQ, mainly due to an increase of corporate deposits, which were up by 13.4% QoQ. Retail deposits grew by PLN 1,699.6 million or 6.3%.

Net impairment losses on loans and advances stood at PLN 134.9 million in Q3 2012 (up by 23.8% QoQ) driven by an increase of 53.7% in Corporates and Financial Markets.

The cost of risk increased to 79 b.p. in Q3 2012 as compared to 65 b.p. in Q2 2012 reflecting the Group's prudent provisioning policies amid a decelerating economic growth environment.

The changes in the Group's results translate into following profitability ratios:

- Gross ROE of 19.1% (as compared to 21.0% at the end of Q4 2011 and 20.2%at the end of Q2 2012);
- Net ROE of 15.2% (as compared to 16.4% at the end of Q4 2011 and 16.0% at the end of Q2 2012).

The Group's capital ratios remained high. The capital adequacy ratio stood at 15.44% at the end of Q3 2012 as compared to 14.84% in Q2 2012. Core Tier 1 ratio stood at 10.92% as compared to 10.10% after Q2 2012. The improvement of the ratios was mainly driven by the recognition of H1 2012 profit in the own funds of BRE Bank Group.

Key Events of Q3 2012

Changes in the Authorities of BRE Bank

New Supervisory Board Member – following the resignation of Mr. Sascha Klaus from his function on July 9, 2012 effective as of July 25, 2012, a new member of the Supervisory Board was appointed. Mr. Klaus was replaced by Mr. Dirk Wilhelm Schuh who will serve until the end of the present term of the Supervisory Board.

The biography of the new member of the Supervisory Board is available on the Bank's website (www.brebank.pl).

Euro Medium Term Note Programme

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

Fitch Ratings and Moody's Investors Service assigned ratings to the Euro Medium Term Note Programme. Fitch assigned a Long-term senior unsecured debt rating of 'A' and a short-term senior unsecured debt rating of 'F1', which corresponds to BRE Bank's rating. Moody's assigned a provisional rating of (P) Baa2 (the rating is on review for possible downgrade) to the backed senior unsecured debt, i.e. in accordance with the level and outlook of BRE Bank's long-term rating.

On 4 October 2012, BRE Finance France SA issued the first tranche of eurobonds with a nominal value of EUR 500 million, maturing in 2015. The interest on eurobonds is 2.75% per annum. Receipts from the issue of debt securities have been remitted by the issuer to BRE Bank as issue underwriter in the form of a cash deposit. The Bank will pay BRE Finance France SA, provider of the cash deposit, a fixed interest on an annual basis, and an additional repurchase premium amounting to EUR 2,230 thousand. The funds will be used to finance general banking operations of BRE Bank.

On October, 5 and 10, 2012 Fitch Ratings and Moody's Investors Service assigned ratings to the first tranche of euro bonds issued under the EMTN Programme. The ratings are in accordance with those assigned to the EMTN Programme.

iBRE News - innovative information platform

BRE Bank offered its corporate clients iBRE News, a new information service integrated with iBRE Internet banking platform. The new service is dedicated to corporations, medium and small enterprises, and public sector. iBRE News offers access to an aggregated stream of market news from leading information services all over the world. The iBRE News module is divided into the following categories: Stock Exchange, Money, Economy, Business Guidebook, Overview of events, arranged to cater for the specific needs of individual user groups (e.g. accountants, employees of HR and payroll departments, employees of financial departments).

BRE Forex ECN

Dom Inwestycyjny BRE Banku launched one of the most sophisticated platforms dedicated to Forex investors. The new service was implemented based on MT4 (Meta Trader 4), a multipurpose analytical and transactional platform. The quotations on BRE Forex ECN are provided not by brokers but by banks, which determine the buy and sell offers for currency pairs. Clients using BRE Forex ECN may invest not only in currencies but also in forward contracts. DI BRE offers an opportunity to execute transactions involving instruments based on 17 major European and global indices (including WIG20), commodities and government bonds. In addition to the traditional transactional platform accessible on personal computers, BRE Forex ECN is also available as a mobile application for iOS and Android devices.

Awards and distinctions

In Q3 2012, BRE Bank Group was appreciated both by clients and external experts, which was reflected in several awards and distinctions:

- In the tenth edition of the prestigious "Newsweek's Friendly Bank" ranking in 2012 MultiBank was named the best traditional bank, while mBank won the title of the best institution offering mobile banking. Moreover, mBank was ranked second in the Internet banking category;
- MultiBank won the Internet 2012 Service Quality ranking in the Banks category. Consumers appreciated the quality of the services provided by MultiBank at the branches, via the infoline and on the website;
- The Czech branch of mBank was named the best Internet bank in the Czech Republic in the annual contest for the "World's Best Internet Banks in Central & Eastern Europe" organised by Global Finance while;
- iBRE FX, a foreign currency exchange platform, won a prize for the best solution of its kind in Poland in the "Best in On-line Treasury Services" category;
- The annual report of BRE Bank Group won the second prize in the financial institutions category in The Best Annual Report contest for listed companies organised by the Tax and Accounting Institute (IRiP). The on-line version of the annual report won a prize in the Best On-line Annual Report category.

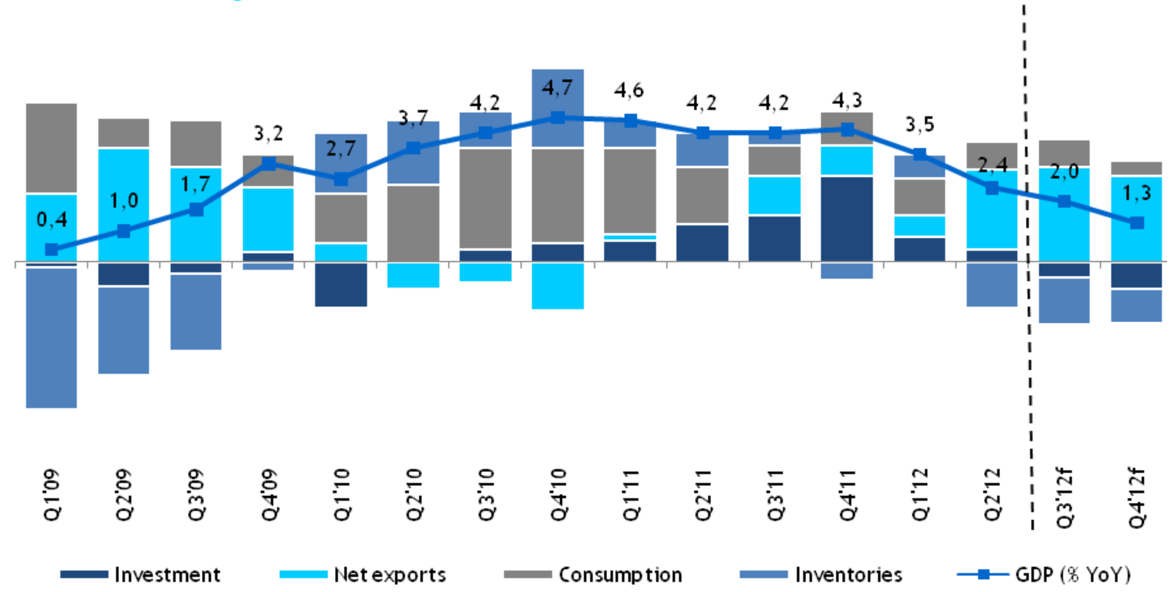
Economic environment in Q3 2012

We expect Polish GDP growth to slow down to ca. 2.0% p.a. in Q3 2012 as compared to 2.4% reported in Q2 2012. The downtrend is likely to continue in the next quarters of 2012 and in H1 2013. GDP should grow by ca. 2.2% in 2012.

The slower GDP growth is mainly due to weaker consumption, which grew by only 1.5% in Q2 2012. While retail sales remain relatively strong (up by 5.8% YoY in August), its growth rate is evidently decreasing. Meanwhile, consumer sentiment is deteriorating. The lower consumption scenario has been confirmed by developments on the labour market: the growth rate of employment was 0% YoY and is likely to turn negative in the last months of the year (the number of jobs has been decreasing steadily since early 2012).

The falling employment was accompanied by an increase in the official unemployment rate from 11.8% at the end of August 2011 to 12.4% in August 2012. The steady deterioration of the situation on the labour market coupled with a clear decrease in market demand effectively inhibited growth of wages: the growth rate was only 1.8% YoY in September. The low growth rate of public consumption is driven by the fiscal tightening required to bring the central and local government deficit to no more than 3.0% of GDP according to the Convergence Programme. As a result, the contribution of public consumption to GDP has been negative since Q2 2011.

Contributors to GDP growth



In Q2 2012, the contribution of investments to GDP growth remained positive but much lower than in 2011 or Q1 2012. As investments slow down, they are likely to have a negative contribution to GDP growth and to remain on a decrease at least until the end of 2013. The downturn affects both private and public investments. Due to the completion of most Euro2012 projects and a small number of new investments initiated in the past months, public investments are likely to decrease in Q3 and Q4 2012. Companies are investing to replenish production capacity in the current, still short investment cycle and to improve productivity. Some corporate investments remain tied to continued infrastructure investments in the economy and the absorption of EU assistance funds, but companies evidently shy away from new investments. The end of the infrastructure boom in combination with reduced EU support (the new EU budget is still under negotiations) and a steady decrease of consumer and corporate sentiment (reflected in low PMI readings and decrease in industrial production by 5.2% YoY in September) adversely affect corporate investment decisions.

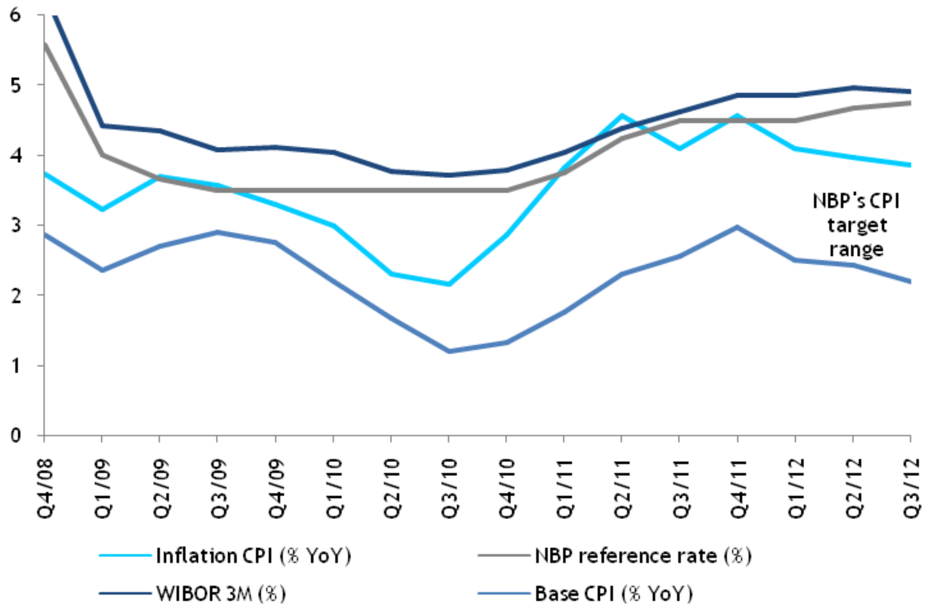
Companies probably continued to reduce stocks in Q2 and Q3 2012 due to weaker economic activity; the trend is likely to continue throughout 2012. The change in stock levels will slow down GDP growth owing to the procyclical effect of this aggregate.

We expect exports to continue growing at a rate higher than imports in the coming quarters (the trend started in Q2 and is particularly pronounced as the economy slows down), resulting in a reduced trade account gap. This is corroborated by August net payments statistics, which suggest that the trade gap is practically nil (despite high oil prices) while the current account gap decreased to EUR 633 million. As a result, the contribution of net exports was probably crucial to maintaining a positive YoY GDP rate also in Q3.

Inflation and Interest Rates

In Q2 2012, CPI fell to 3.8% YoY in September compared to 4.6% at the end of 2011. The main driver of the decrease in inflation in September was the unexpectedly low growth rate of food prices and the stability of most core price categories. Core inflation (net of food and energy prices) was down to 2.1% in Q2 2012 compared to 3.1% at the end of 2011 and is likely to have reached 1.9% in September.

CPI, NBP reference rate, WIBOR 3M

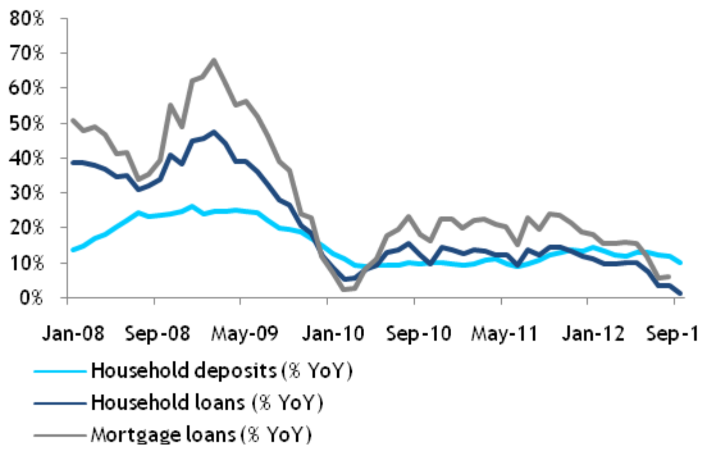


Interest rates remained unchanged in Q3 2012 (4.75%). In view of mounting signals of economic slow-down, the Monetary Policy Council's October decision not to cut the rates surprised the observers and was mainly driven by reputation concerns. Public statements made by many Council members, especially in the context of the inflation decrease in September, raise the expectations of a rate cut in November. This is likely to initiate a series of cuts in the wake of the falling inflation. We expect that inflation will fall below the upper band of the NBP inflation target in Q4 2012 and the downtrend will continue into H1 2013; in the light of recent statistics, it is realistic to expect that inflation will reach the NBP target at the turn of Q1 and Q2 2013.

Money Supply and the Banking Sector

The growth rate of retail deposits fell to 10.1% YoY in Q3 2012. Household deposits increased by PLN 6.1 billion in Q3 2012 compared to PLN 16.6 billion in Q3 2011. The slower growth of household deposits is yet another signal of a deteriorating economic situation and reflects a lower increment of private savings. Although deposits (mainly term deposits) are historically anticyclical, their growth rate will decrease in the coming months due to the effect of a high statistical base of 2011; however, it is still supported by a strong risk aversion, which resulted in a negative balance of transfers to and from investment funds in August and September.

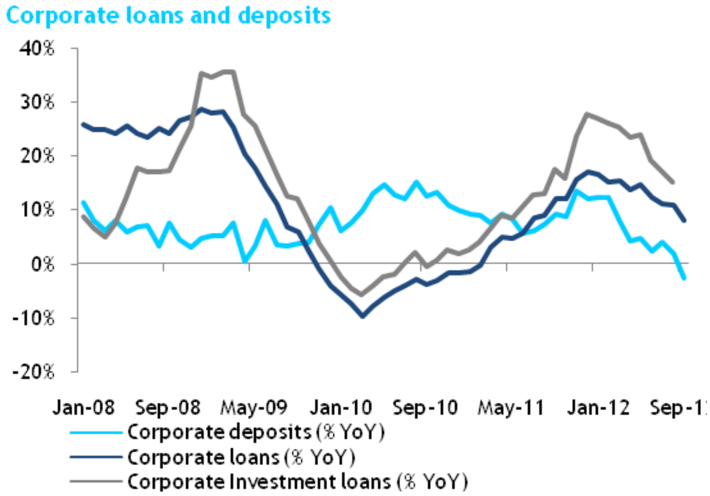
Household loans and deposits



The growth rate of household loans decreased to an unprecedented level unheard of in 9 years, reaching 1.3% YoY in September 2012. The nominal decrease was largely driven by FX rate effects; however, even net of the impact of FX rates, the slowdown of the household loans growth rate is perfectly clear and steady. In Q3 2012, the annual growth rate of household loans (adjusted for the zloty exchange rate) fell below 5% compared to 7.5-8% a year earlier. Faced with a significant decrease of the growth rate of wages, deteriorating consumer sentiment and increasing risk aversion of consumers, the trend is bound to continue in the coming quarters.

The growth rate of housing loans was 5.9% YoY in August compared to 19.6% a year earlier (net of the FX effect – more than half of all real estate loans are still denominated in foreign currencies – the growth rate decreased from 11.7% to 6.5%). From January to August, the volume of housing loans grew by only PLN 2.7 billion, as compared to PLN 36 billion in January – August 2011; a large part of the difference is due to the FX effect and the termination of FX lending triggered among others by Recommendation SII effective since the beginning of 2012 (the volume of CHF loans fell by almost CHF 2 billion in 2012 YTD). The growth in the volume of PLN loans was ca. PLN 1.0 billion lower (PLN 14.3 billion in 2012 compared to PLN 15.6 billion in 2011), which indicates only a modest decrease of new lending in the segment. We expect the sales of new loans to decrease by ca. 15% in 2012. Demand for housing loans is likely to increase modestly in Q4 due to the expiration of the Family's Own House programme at the end of the year; however, this factor will have a minor impact compared to the falling confidence and deteriorating financial standing of consumers, which affects demand. The same factors keep demand for consumer loans in check: the volume of consumer loans remained stable at ca. PLN 130.5 billion in Q3 (the YoY rate has been negative for almost 18 months and stood at -4.1% in August). The relaxation of Recommendation T which caps lending in this segment, as announced in some media reports, remains uncertain and its potential impact on the growth rate of lending at the time of economic slowdown would be limited.

The growth rate of corporate deposits was negative in September 2012 (-2.8% YoY) as compared to double-digit growth at the turn of 2011 and 2012. The volume of corporate deposits decreased by PLN 3.6 billion in September alone and by ca. PLN 5.1 billion in Q3, as compared to an increase by PLN 4.8 billion and PLN 3.8 billion in the same periods of 2011. The observed negative growth rate of deposits heralds economic slowdown in the coming quarters and suggests that weaker financial results of companies cause a decrease in deposit volumes. There is no reason to expect the trend to reverse any time soon. In lending, the YoY growth rates are falling but remain relatively high: the growth rate was 10.1% YoY in September 2012.

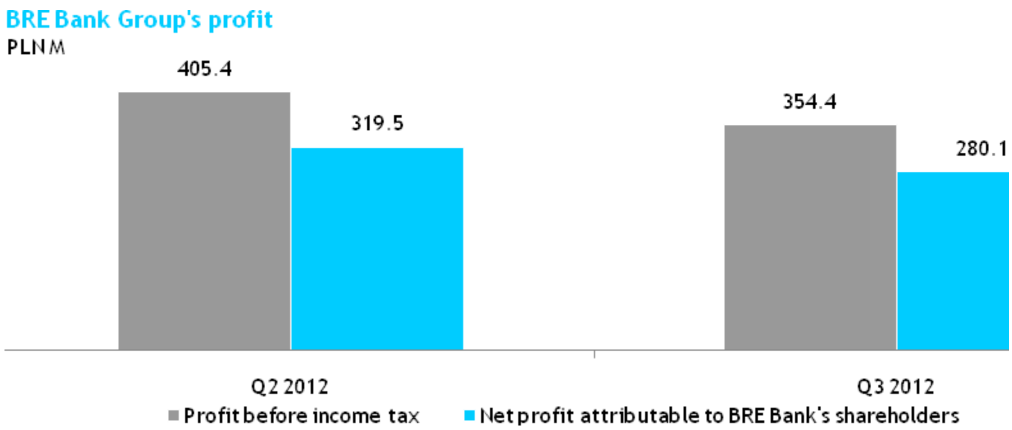


In December 2011-August 2012, the volume was growing by PLN 1.4 billion on average month by month (the figure is underestimated due to the FX rate effect), as compared to PLN 1.1 billion in 2003-2011. From this perspective, working capital loans grew at a higher rate (PLN 1.2 billion compared to PLN 0.6 billion on average) compared to investment loans (PLN 0.15 billion compared to PLN 0.3 billion). However, we believe that a real decrease in corporate loans is yet to come: the growth rate will largely decrease due to the statistical base effect of late 2011 and the volumes due to continued downturn (affecting both the supply of loans and demand for lending). We expect the growth rate of corporate loans to keep falling until the end of 2013 and the YoY growth rate to remain negative for at least a year starting in Q2 2013.

Financial performance of BRE Bank Group in Q3 2012

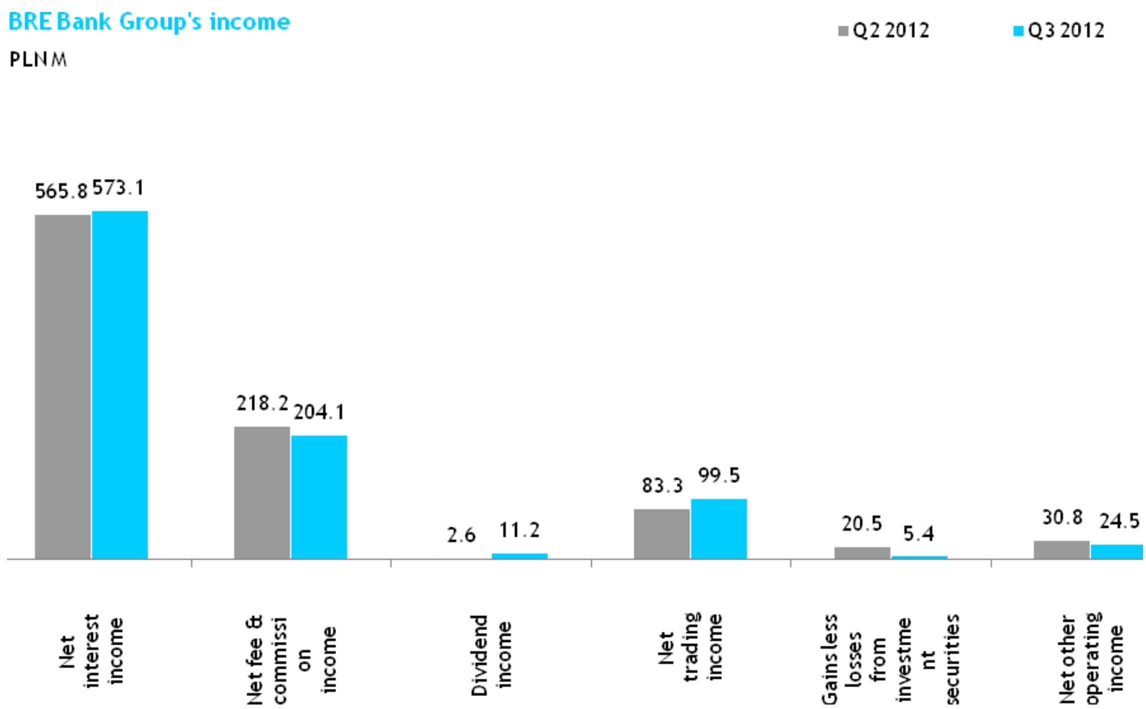
Financial Results of BRE Bank Group

BRE Bank Group generated a profit before income tax of PLN 354.4 million in Q3 2012, down by 12.6% QoQ. Net profit attributable to the shareholders of BRE Bank was down by 12.3% QoQ and reached PLN 280.1 million.



Income of BRE Bank Group

Total income of BRE Bank Group in Q3 2012 stood at PLN 917.7 million, similar to the income in Q2 2012.



Net interest income remained the Group's largest revenue source and reached PLN 573.1 million. Net interest income increased by PLN 7.3 million or 1.3% QoQ.

Interest income increased by PLN 51.1 million or 4.7% QoQ and reached PLN 1,144.5 million in Q3 2012. Loans and advances remained the main source of interest income at 72.6% increasing by PLN 25.4 million or 3.1% QoQ and stood at PLN 832.5 million. In addition, interest income from investment securities increased by PLN 17.5 million or 8.8% in Q3 2012 while interest income from debt securities held for-trading increased by PLN 2.3 million or 13.9%.

As for interest cost in Q3 2012, the cost of customer deposits increased by PLN 49.4 million or 13.5% QoQ. The second largest interest cost driver was once again the cost of settlements with banks, down by PLN 12.8 million or 13.2%. Interest cost of issues of debt securities increased by PLN 3.6 million or 8.2%.

BRE Bank Group's **net interest margin** remained stable at 2.4% at the end of Q3 2012, the same as at the end of Q2 2012.

Net fee and commission income in Q3 2012 stood at PLN 204.1 million, representing a decrease of PLN 14.2 million or 6.5% QoQ, while its contribution to the Group's total income decreased to 22.2%.

Fee and commission income in Q3 2012 was stable QoQ and stood at PLN 318.4 million (down by PLN 2.2 million or 0.7%). The main drivers of the stable commission income were increased commissions for payment card services (up by PLN 4.4 million or 4.7% QoQ) and growing income from the insurance activity (up by PLN 6.5 million or 14.3%). Net fee and commission income from the brokerage activity was down by 4.8% QoQ due to continued downturn on the financial markets.

Fee and commission costs in Q3 2012 increased by PLN 12.0 million or 11.7% QoQ. The increase was the main driver of the lower net fee and commission income in Q3 2012. The cost of payment card processing and insurance increased by PLN 5.2 million or 12.2% QoQ. Commissions paid to third parties selling BRE Bank Group's products also increased in the reporting period (up by PLN 5.3 million or 34.5%).

The results of BRE Bank Group in Q3 2012 was additionally supported by a dividend paid by Powszechny Zakład Ubezpieczeń SA (PZU SA). **Dividend income** in Q3 2012 stood at PLN 11.2 million.

Trading income stood at PLN 99.5 million in Q3 2012 and increased by PLN 19.4% QoQ. The Group's FX income increased by PLN 16.6 million or 22.4% as a result of the positive FX swaps valuation. Other trading income was down by 4.0% QoQ and reached PLN 9.1 million.

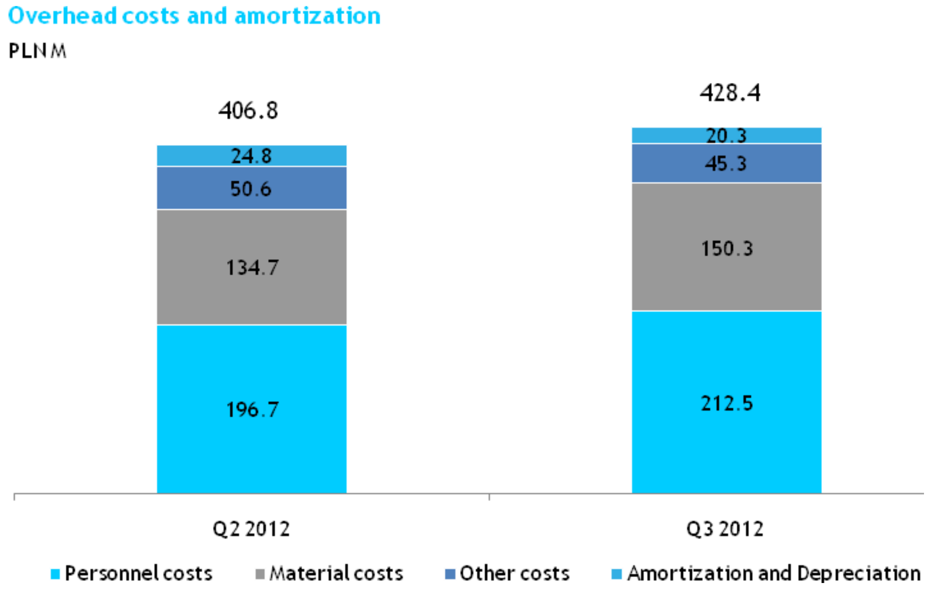
Gain less loses on investment securities and on investments in subsidiaries and affiliates reached PLN 5.4 million and decreased by PLN 15.1 million QoQ on higher sales of available-for-sale financial assets recorded in Q2 2012.

Net other operating income (other operating income minus other operating expenses) stood at PLN 24.5 million in Q3 2012, representing a decrease of 20.5% QoQ due to a decrease of other operating income by 6.0% as well as an increase of other operating expenses by 11.6%.

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

Overhead Costs of BRE Bank Group

Overhead costs of BRE Bank Group including amortisation and depreciation stood at PLN 428.4 million in Q3 2012, up by PLN 21.6 million or 5.3% QoQ.



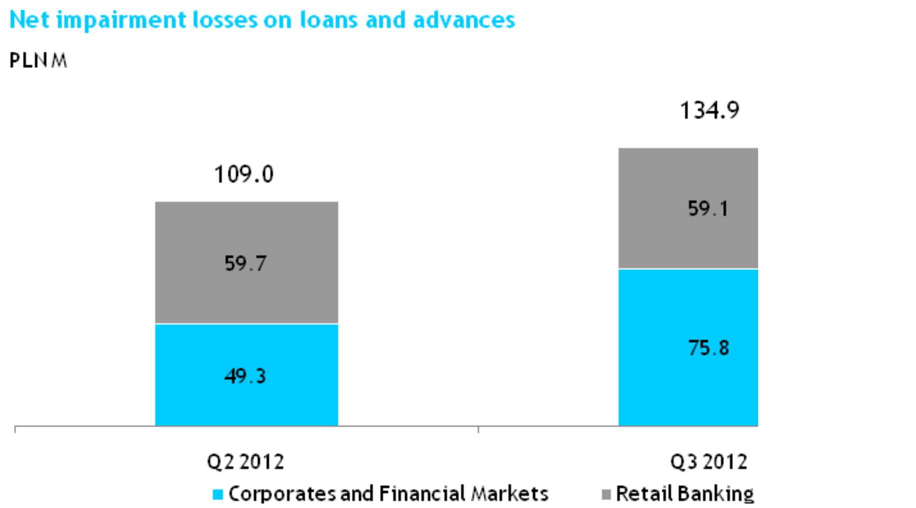
Personnel costs increased by PLN 15.8 million or 8.0% in Q3 2012, mainly owing to higher variable compensation provisions set up to Q3 2012. Employment in BRE Bank Group decreased by 21 FTEs in Q3 2012.

BRE Bank Group Headcount	30.09.2012	30.06.2012	% change QoQ
FTE	6 124	6 145	-0.3%

Material costs of the Group increased by PLN 15.7 million or 11.7%, mainly due to higher costs of marketing and logistics. Amortisation and depreciation decreased by PLN 5.3 million or 10.5% QoQ.

Net impairment Losses on Loans and Advances

Net loan loss provisions of the Group stood at PLN 134.9 million in Q3 2012, which represents an increase of PLN 25.9 million QoQ.



Net impairment losses on loans and advances in Retail Banking stood at PLN 59.1 million in Q3 2012 and were stable QoQ. Net impairment losses on loans and advances in Corporates and Financial Markets stood at PLN 75.8 million in Q3 2012 as compared to PLN 49.3 million in Q2 2012 as the Group continued to pursue a prudent provisioning policy in light of the slowdown in the economy.

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

Consolidated Statement of Financial Position

The balance sheet total of BRE Bank Group stood at PLN 99,805.5 million at the end of Q3 2012, an increase by PLN 4,760.8 million or 5.0% QoQ.

Assets of BRE Bank Group

Loans and advances to customers remained the largest asset category of the Group at the end of Q3 2012. Their share in total assets decreased modestly to 69.3% as compared to 71.4% at the end of Q2 2012. Net loans and advances to customers stood at PLN 69,196.6 million in Q3 2012 and increased by PLN 1,307.2 million or 1.9% QoQ (excluding reverse repo / buy sell back transactions and the FX effect, net loans increased by ca. 0.7%).

Gross loans and advances to corporate clients increased to PLN 30,727.2 million, i.e. by PLN 2,352.8 million or 8.3%; excluding reverse repo / buy sell back transactions and the FX effect, the portfolio increased by ca. 0.4%. Loans and advances to retail clients decreased by PLN 860.5 million or 2.2% QoQ and stood at PLN 37,930.6 million; excluding the FX effect, the retail portfolio decreased by ca. 1.2%. Gross loans and advances to the public sector stood at PLN 2,797.8 million in Q3 2012, down by PLN 17.5 million or 0.6% QoQ.

Investment securities were the second largest asset category at the end of Q3 2012 and stood at PLN 13,970.3 million or 14.0% of total assets decreasing by PLN 1,224.7 million or 8.1% QoQ.

Liabilities of BRE Bank Group

Amounts due to customers, which are the Group's principal source of funding, increased by PLN 5,038.8 million or 9.7% in Q3 2012. Amounts due to customers stood at PLN 57,228.8 million representing 63.2% of total liabilities at the end of September 2012, as compared to 60.5% at the end of Q2 2012.

Amounts due to corporate clients stood at PLN 27,936.6 million at the end of Q3 2012 and increased by PLN 3,303.5 million or 13.4% QoQ; excluding repo transactions, amounts due to corporate clients increased by 3.8%. Amounts due to retail clients increased by PLN 1,699.6 million or 6.3% to reach PLN 28,678.4 million in Q3 2012. Amounts due to the public sector stood at PLN 613.7 million, up by PLN 35.7 million or 6.2%.

Amounts due to banks stood at PLN 22,701.0 million at the end of Q3 2012 representing 25.1% of total liabilities and decreased by PLN 1,199.7 million or 5.0% QoQ

The share of equity attributable to the Bank's shareholders in the liabilities of BRE Bank Group stood at 9.2% at the end of Q3 2012 as compared to 9.3% at the end of Q2 2012.

Performance Indicators

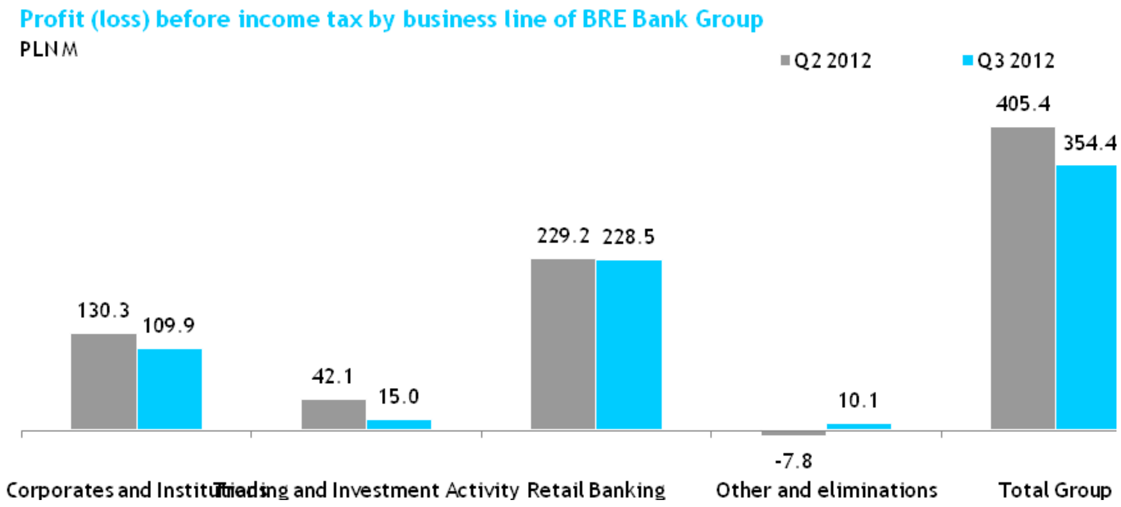
The key performance indicators of BRE Bank Group were as follows:

	30.09.2012	30.06.2012	30.09.2011
Net ROA	1.30%	1.38%	1.28%
Gross ROE	19.1%	20.2%	21.1%
Net ROE	15.2%	16.0%	16.4%
C/I	44.5%	43.5%	47.3%
Capital Adequacy ratio	15.44%	14.84%	15.76%
Core Tier 1 ratio	10.92%	10.10%	10.15%

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

Performance of the business segments and business lines

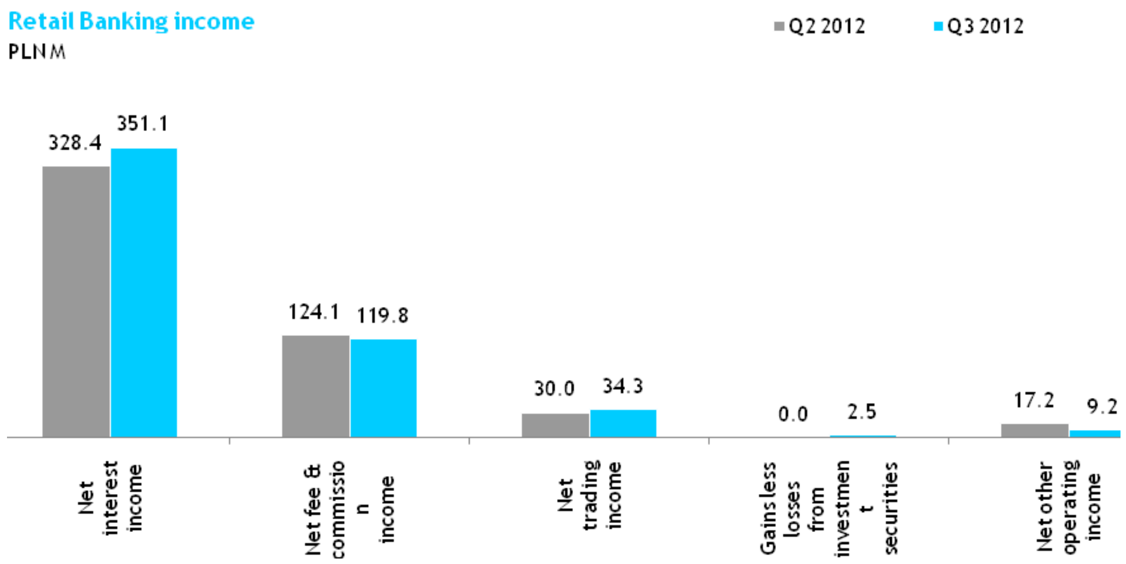
The Retail Banking segment was the largest contributor to the Group's profit before income tax in Q3 2012 (64.5%). The contribution of Corporations and Financial Markets accounted for 35.2% of which Corporates and Institutions 31.0% and Trading and Investment Activity 4.2%.



Retail Banking

Summary of Segment Results

In Q3 2012, the Retail Banking segment generated a profit before income tax of PLN 228.5 million, a decrease of PLN 0.6 million or 0.3% QoQ.



The profit before income tax of Retail Banking in Q3 2012 was predominantly driven by:

- **Increase of total income** by PLN 17.3 million or 3.5% QoQ to PLN 516.9 million. Net interest income increased by PLN 22.6 million or 6.9% while net fee and commission income decreased by PLN 4.3 million or 3.4%.
- **Increase of overhead costs (including amortization and depreciation)** by PLN 18.5 million or 8.8% QoQ to PLN 229.3 million mainly due to higher marketing expenses.
- **Stable net impairment losses on loans and advances** (down by PLN 0.6 million or 0.9% QoQ).

Retail Operations in Poland (mBank and MultiBank)

Customers

BRE Bank's Retail Banking in Poland had 3,482.6 thousand customers at the end of Q3 2012. The number of customers grew by 39.8 thousand or +1.2% QoQ and by 160.3 thousand or +4.8% YoY.

Deposits and Investment Funds

Retail Banking deposits stood at PLN 25,372.7 million at the end of September 2012, up by PLN 1,444.2 million or +6.0% QoQ and by 5,616.7 million or +28.4% YoY. The dynamic growth of the retail deposit base was mainly driven by the growing number of customers and attractive offer of savings products.

The increase in the deposit base was accompanied by a decrease in assets under management of BRE Bank retail customers. These stood at PLN 1,628.0 million at the end of September 2012, down by PLN 40.6 million or -2.4% compared to the end of 2011.

Loans

Net loans stood at PLN 35,180.1 million at the end of September 2012. In Q3 2012, loans decreased by PLN 740.8 million or -2.1% QoQ.

The structure of the loan portfolio was as follows:

- mortgage loans 84.0%
- credit lines and overdrafts 6.8%
- cash loans 4.9%
- credit cards and charge cards 3.0%
- other 1.3%.

Mortgage loans granted to household customers stood at PLN 27,544.9 million at the end of Q3 2012. The main parameters of the portfolio are presented below:

Mortgage loans to household customers	Total
Balance-sheet value (PLN billion)	27.54
Average maturity (years)	21.79
Average value (PLN thousand)	283.55
Average LTV (%)	80.17
NPL (%)	1.69

Cards

The number of credit cards issued by the Bank until the end of Q3 2012 stood at 681.6 thousand. The number of credit cards grew by 18.9 thousand QoQ.

The number of debit cards issued until the end of Q3 2012 stood at 4,535.5 thousand increasing by 193.3 thousand QoQ.

Distribution Network

mBank

The distribution network of mBank comprised 97 locations including 27 Financial Centres, 70 mKiosks and 29 Agent Service Points.

MultiBank

MultiBank's distribution network comprised 133 outlets including 71 Financial Services Centres and 62 Partner Outlets.

<u>mBank in the Czech Republic (CZ) and Slovakia (SK)</u>

Customers

mBank in the Czech Republic and Slovakia had 557.6 thousand customers at the end of September 2012 (407.8 thousand at mBank CZ and 149.8 thousand at mBank SK). The number of customers of mBank's foreign operations grew by 9.6 thousand in Q3 2012.

Deposits

Deposits in the Czech Republic and Slovakia stood at EUR 918.5 million at the end of Q3 2012 (EUR 623.4 million at mBank CZ, EUR 295.1 million at mBank SK) increasing by EUR 29.9 million QoQ.

Loans

Loans stood at EUR 408.4 million at the end of September 2012 (EUR 341.2 million at mBank CZ, EUR 67.2 million at mBank SK) increasing by EUR 15.9 million QoQ.

Distribution Network

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

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

Subsidiaries of the Retail Banking area

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

Gross written premiums generated by BRE Ubezpieczenia's internet platform in Q3 2012 totalled PLN 38.5 million constituting a drop of 3.5% QoQ. Car insurance policies remained the main product distributed through this channel, followed by property insurance and travel insurance. In bancassurance, premiums written reached PLN 401.0 million compared to PLN 1,937 million in Q2 2012 due to decrease of sale of insurance linked savings products offered in cooperation with Benefia. The co-operation with BRE Leasing generated PLN 29.6 million of gross written premiums compared to PLN 30.9 million in Q2 2012.

The company's consolidated profit before income tax (BRE TUiR SA, BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o.) reached PLN 9.1 million in Q3 2012, compared to PLN 14.7 million a quarter before. The decrease was driven by lower sales of mortgage loans, new claims reserves and higher administrative costs.

Aspiro SA

At the end of Q3 2012, Aspiro offered products of 26 different providers of financial services, including mBank and MultiBank. The offering covered 55 products, including: mortgage loans, cash loans, insurance products, investment products, leasing and factoring.

In Q3 2012, Aspiro reported a significant growth in the sales of cash loans of more than 80% YoY. Revenues from sales of investment products in cooperation with Benefia increased by more than eight times.

Compared to last year, in Q3 2012 Aspiro reported also a significant rise (by more than 50%) in the sales of car loans. The growth was driven by cooperation with new car dealers and introduction of attractive loan offers in cooperation with MultiBank.

In Q3 2012, the sales of mortgage loans fell by more than 47% QoQ.

In Q3 2012, the company reported a loss amounting to PLN 2.9 million (mainly due to a changed model of compensation for sales of BRE Bank's products). After nine months of 2012, the company's profit before income tax reached PLN 6.0 million, which is similar to the last year's figure.

BRE Wealth Management S.A. (BRE WM)

At the end of September 2012, BRE WM held assets under management worth PLN 3.5 billion, which is 5% higher compared to the end of 2011. In Q3 2012, the company's profit before income tax amounted to PLN 4.4 million compared to PLN 2.4 million in the previous quarter.

Corporates and Financial Markets

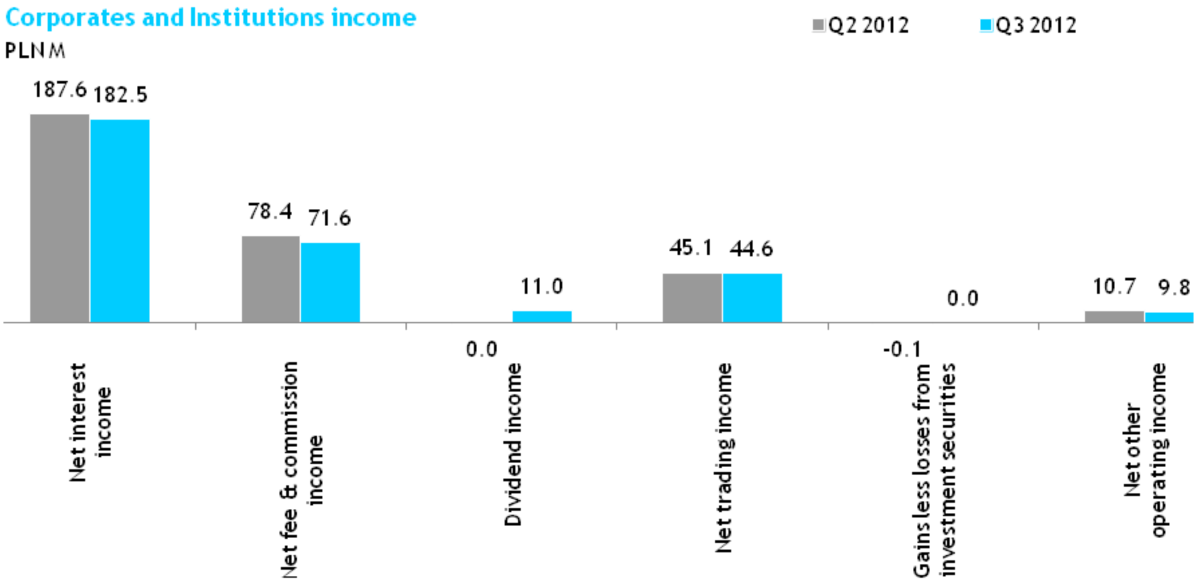
The Corporations and Financial Markets segment includes two business lines: Corporates and Institutions which covers the key area of customer relations, and Trading and Investment Activity which manages liquidity and risks.

Corporates and Institutions

Summary of Segment Results

In Q3 2012, the Corporates and Institutions segment generated a profit before income tax of PLN 109.9 million, down by PLN 20.3 million or 15.6% QoQ.

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



The profit before income tax of Corporates and Institutions in Q3 2012 was predominantly driven by:

- **Decrease of total income** by PLN 2.1 million or 0.6% QoQ to PLN 319.6 million. Net interest income decreased by PLN 5.0 million or 2.7% while net fee and commission income decreased by PLN 6.8 million or 8.7%.
- **Increase of costs (including amortization and depreciation)** by PLN 4.2 million or 2.9% QoQ to PLN 151.3 million.
- **Increase of net impairment losses on loans and advances** by PLN 14.0 million or 31.6% QoQ.

Number of Corporate Customers

The total number of corporate customers stood at 14,882 at the end of September 2012, constituting

an increase by 229 customers QoQ.

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

	31.12.2011	31.03.2012	30.06.2011	30.09.2012
K1*	1,185	1,207	1,213	1,229
K2*	4,246	4,260	4,348	4,446
K3*	8,546	8,947	9,092	9,207
Total	13,977	14,414	14,653	14,882

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

Corporate Customers' Deposits

Deposits placed by corporate customers with BRE Bank (excluding repo transactions) amounted to PLN 21,560 million at the end of September 2012 and were up by 5.1% QoQ and by 7.4% YoY.

Deposits placed by enterprises stood at PLN 18,318 million at the end of September 2012 and were up by 4.1% QoQ and by 4.2% YoY.

Corporate Customers' Loans

Loans granted to corporate clients by BRE Bank (excluding repo transactions) reached PLN 25,514 million at the end of September 2012, which represents an increase by 2.8% QoQ and by 30.5% YoY.

Loans to enterprises stood at PLN 17,818 million at the end of September 2012, which constitutes a decrease by 0.2% compared to the end of June 2012 and an increase by 14.1% compared to the end of September 2011 (according to the current NBP rules).

Loans granted to local governments totalled PLN 1,899 million at the end of Q3 2012 and were up by 12.8% YoY (according to the current NBP rules).

Strategic Product Lines

Cash Management

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

In Q3 2012, the number of executed Direct Debit transactions reached 1,147.4 thousand and was up by 9.8% QoQ and up by 28.2% YoY. In Q3 2012, the number of Trade Payment Identification transactions exceeded 2.5 million and was by down by 8.9% QoQ and up by 1.9% YoY. In Q3 2012, the number of customers using the most advanced cash pooling solutions increased by 12.3% YoY; at the end of September 2012, the Bank had 705 clients using Cash Pooling and Shared Balance products.

Corporate Network

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

Subsidiaries of the Corporates and Institutions area

BRE Leasing Sp. z o.o.

Leasing contracts concluded by BRE Leasing in Q3 2012 totalled PLN 410 million and were down by 5.2% QoQ. From January to September 2012, the company concluded contracts worth PLN 1,301.4 million, of which 97% were concluded in the movables sector.

The company's profit before income tax in Q3 2012 reached PLN 13.0 million compared to PLN 3.8 million in Q2 2012, predominantly due to markedly lower level of impairment losses on loans and advances booked in Q3 2012.

BRE Faktoring SA

BRE Faktoring generated sales of PLN 1.8 billion in Q3 2012 (+1.5% QoQ).From January to September 2012, BRE Faktoring reported an increase in sales by 32.7% YoY, once again outstripping the growth rate reported by the sector (which was 22.7% according to the Polish Factor Association). Sales grew most dynamically in export factoring (+49.3%) and domestic factoring (+29.7%).

The company's profit before tax reached PLN 5.0 million in Q3 2012 (+5.1% QoQ) and PLN 14.0 million in the nine months of 2012 (+13.8% YoY), and was driven mainly by dynamic sales which triggered a growth in commission and interest income, and net release of impairment losses on loans and advances.

Transfinance a.s.

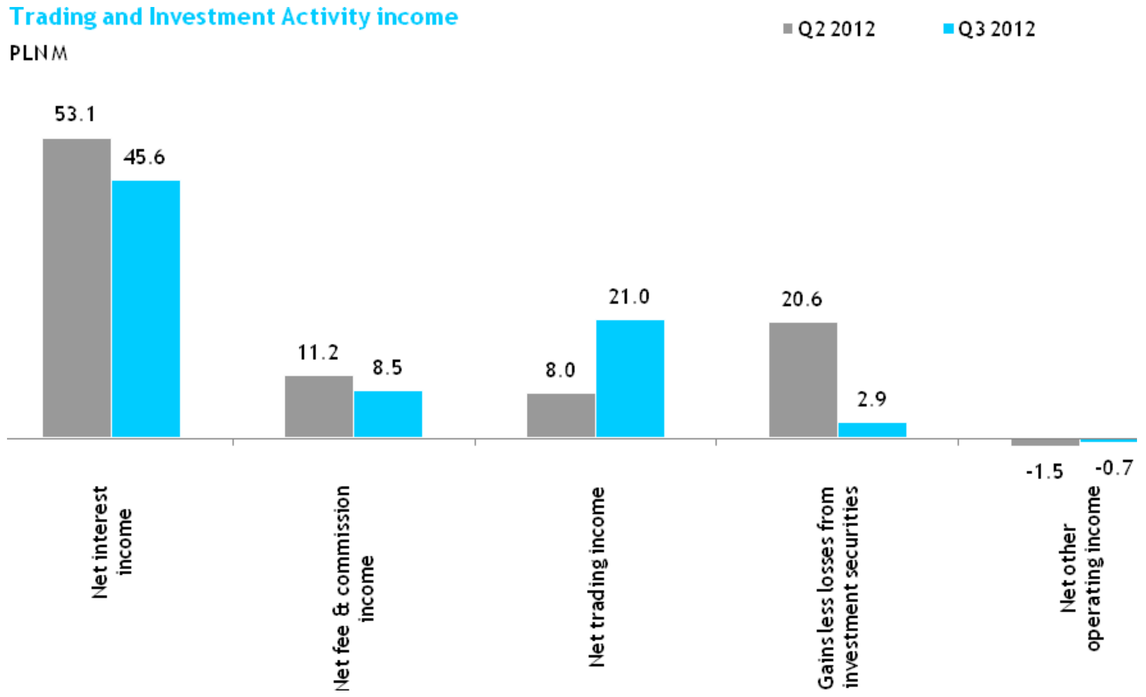
Transfinance generated sales of PLN 0.8 billion in Q3 2012 (-6.8% QoQ) and PLN 2.5 billion in the nine months of 2012 (+9.6% YoY).

The company's profit before income tax reached PLN 0.4 million or -51.0% QoQ mainly due to a decline in sales growth in import factoring.

Trading and Investment Activity

Summary of Segment Results

In Q3 2012, the Trading and Investment Activity segment generated a profit before income tax of PLN 15.0 million, down by PLN 27.1 million or 64.5% QoQ.



The profit before income tax of Trading and Investment Activity in Q3 2012 was predominantly driven by:

- **Decrease of total income** by PLN 14.2 million or 15.5% QoQ to PLN 77.3 million. The net interest income decreased by PLN 7.5 million or 14.2% and stood at PLN 45.6 million. The net trading income improved by PLN 13.0 million.
- **Increase of net impairment losses on loans and advances** by PLN 12.5 million or 249.5%. Net impairment losses on loans and advances of Trading and Investment Activity stood at PLN 17.5 million in Q3 2012.

Market position

BRE Bank ranks third in the market for arranging short-term debt securities with a market share of 16.6%, second in mid-term bank debt securities with a market share of 24.7%, and second in mid-term corporate bonds with a market share of 16.9% (all data as at the end of September 2012).

The Bank remains very active in trading of financial instruments. Its market share stood at ca. 25% in interest rate derivatives, Treasury bonds and bills trading stood at 7.9% in trading in FX spot and forward instruments stood at 7.2% (data as at the end of August 2012).

Subsidiaries of the Trading and Investment Activity area

Dom Inwestycyjny BRE Banku SA (DI BRE)

The market share of DI BRE in equities trading stood at 4.9% in Q3 2012, equivalent to the position of the eight biggest market participant, as compared to the same position and 4.8% market share in Q2 2012. The activity of DI BRE in futures trading gave it the first position on the market and a market share of 16.6% in Q3 2012, compared to the same position and a market share of 15.0% in Q2 2012. The number of clients of DI BRE stood at 292.1 thousand at the end of Q3 2012.

DI BRE generated a profit before income tax of PLN 3.7 million in Q3 2012, compared to PLN 4.2 million in Q2 2012.

BRE Bank Hipoteczny SA (BBH)

The loan portfolio of BBH stood at PLN 4,128 million at the end of Q3 2012 and increased by 0.3% QoQ. In Q3 2012, BBH sold PLN 320 million of mortgage loans, mainly designated for financing commercial real estate (PLN 147 million in Q2 2012).

The company's profit before income tax in Q3 2012 amounted to PLN 8.8 million, compared to PLN 3.9 million in Q2 2012. The higher profit of Q3 2012 was driven by lower impairment losses on loans and advances, which reached PLN 1.9 million.

BRE Finance France SA (BFF)

BRE Finance France is a special purpose vehicle set up for the purpose of acquiring funds for BRE Bank on the international capital markets through the issue of eurobonds. The last tranche was repurchased in 2009. In April

2012, the Euro Medium Term Note Programme was renewed, and on October 4, 2012, the company issued EUR 500 million bonds with a 3–year maturity (see Key Events of Q3 2012).

Other subsidiaries

BRE Centrum Operacji sp. z o.o.

BRE Centrum Operacji (BRE CO) cooperates with the corporate banking and retail banking of BRE Bank and BRE Group companies providing them with mail room services and electronic and paper archive services.

In Q3 2012, the company reported PLN 44 thousand of pre-tax loss in Q3 2012. The significantly higher result recorded by BRE CO in H1 2012 (PLN 11.5 million) was impacted by the recognition of the profit on the sale of CERI International Sp. z o.o. (formerly a provider of outsourcing services for Commerzbank AG controlled by the Group) in Q1 2012 to Commerzbank Group.

Quality of the loan portfolio

As at the end of Q3 2012, the ratio of impaired loans increased to 5.2% compared to 4.9% after H1 2012 and 5.3% in Q3 2011.

Provisions for loans and advances increased from PLN 2,546.6 million as at the end of Q2 2012 to PLN 2,630.3 million at the end of Q3 2012, including PLN 2,423.3 million of provisions for impaired receivables (compared to PLN 2,323.8 million at the end of Q2 2012). Additionally, Incurred But Not Identified provisions (IBNI) decreased from PLN 222.7 million as at the end of Q2 2012 to PLN 207.0 million at the end of Q3 2012.

The ratio of provisions to impaired loans stood at 64.5% as at the end of Q3 2012 compared to 67.5% in Q2 2012 and 60.5% in Q3 2011.

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

Consolidated income statement

	Note	3rd Quarter (current year) period from 01.07.2012 to 30.09.2012	3 Quarters (current year) period from 01.01.2012 to 30.09.2012	3rd Quarter (previous year) period from 01.07.2011 to 30.09.2011	3 Quarters (previous year) period from 01.01.2011 to 30.09.2011
Interest income		1 144 495	3 317 137	993 223	2 820 413
Interest expense		(571 410)	(1 638 984)	(442 601)	(1 222 572)
Net interest income	5	**573 085**	**1 678 153**	**550 622**	**1 597 841**
Fee and commission income		318 392	963 681	326 722	963 433
Fee and commission expense		(114 340)	(319 148)	(107 425)	(328 540)
Net fee and commission income	6	**204 052**	**644 533**	**219 297**	**634 893**
Dividend income	7	11 191	13 853	12 424	15 085
Net trading income, including:	8	99 478	280 463	93 978	270 633
Foreign exchange result		*90 376*	*243 078*	*83 492*	*242 760*
Other trading income and result on hedge accounting		*9 102*	*37 385*	*10 486*	*27 873*
Gains less losses from investment securities, investments in subsidiaries and associates	9	5 390	41 884	20 040	13 235
Other operating income	10	53 111	185 366	66 525	204 188
Net impairment losses on loans and advances	11	(134 870)	(355 648)	(111 191)	(283 921)
Overhead costs	12	(383 126)	(1 083 123)	(378 621)	(1 096 174)
Amortization and depreciation		(45 303)	(144 242)	(48 859)	(148 573)
Other operating expenses	13	(28 596)	(89 047)	(39 349)	(106 325)
Operating profit		**354 412**	**1 172 192**	**384 866**	**1 100 882**
Profit before income tax		**354 412**	**1 172 192**	**384 866**	**1 100 882**
Income tax expense		(74 499)	(241 518)	(76 779)	(242 348)
Net profit		**279 913**	**930 674**	**308 087**	**858 534**
Net profit attributable to:					
- Owners of BRE Bank SA		280 064	930 653	307 260	850 139
- Non-controlling interests		(151)	21	827	8 395

Net profit attributable to Owners of BRE Bank SA			**930 653**		**850 139**
Weighted average number of ordinary shares	14		**42 111 809**		**42 091 048**
Earnings per ordinary share (in PLN)	14		**22.10**		**20.20**
Weighted average number of ordinary shares for diluted earnings	14		**42 153 139**		**42 129 485**
Diluted earnings per ordinary share (in PLN)	14		**22.08**		**20.18**

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

Consolidated statement of comprehensive income

	3rd Quarter (current year) period from 01.07.2012 to 30.09.2012	3 Quarters (current year) period from 01.01.2012 to 30.09.2012	3rd Quarter (previous year) period from 01.07.2011 to 30.09.2011	3 Quarters (previous year) period from 01.01.2011 to 30.09.2011
Net profit	**279 913**	**930 674**	**308 087**	**858 534**
Other comprehensive income net of tax	**79 006**	**173 940**	**(26 527)**	**13 848**
Exchange differences on translation of foreign operations (net)	(544)	(2 091)	55	4 083
Change in valuation of available for sale financial assets (net)	79 550	176 031	(26 582)	9 765
Total comprehensive income net of tax, total	**358 919**	**1 104 614**	**281 560**	**872 382**
Total comprehensive income (net), attributable to:				
- Owners of BRE Bank SA	359 070	1 104 593	280 227	862 407
- Non-controlling interests	(151)	21	1 333	9 975

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

Consolidated statement of financial position

ASSETS	Note	30.09.2012	30.06.2012	31.12.2011	30.09.2011
Cash and balances with the Central Bank		1 476 061	928 732	1 038 356	4 183 794
Loans and advances to banks		4 397 325	2 499 765	4 008 874	3 549 117
Trading securities	15	812 139	866 528	991 559	1 448 992
Derivative financial instruments	16	1 942 500	1 302 062	1 506 595	1 516 530
Loans and advances to customers	17	69 196 618	67 889 397	67 851 516	64 449 955
Hedge accounting adjustments related to fair value of hedged items		2 431	1 623	1 924	2 582
Investment securities	18	13 970 331	15 194 988	16 697 212	13 944 480
Pledged assets	15, 18	5 190 897	3 761 232	4 339 523	2 894 717
Intangible assets	19	407 959	409 753	436 769	407 786
Tangible fixed assets	20	788 153	796 474	832 455	757 541
Current income tax assets		595	1 385	4 728	624
Deferred income tax assets	23	340 109	315 608	307 052	289 862
Other assets		1 280 409	1 077 228	859 084	997 670
Total assets		**99 805 527**	**95 044 775**	**98 875 647**	**94 443 650**
EQUITY AND LIABILITIES					
Amounts due to the Central Bank		-	-	-	-
Amounts due to other banks		22 701 039	23 900 747	27 390 809	29 141 971
Derivative financial instruments	16	2 504 368	1 920 410	1 862 747	1 789 724
Amounts due to customers	21	57 228 772	52 189 951	54 244 388	48 952 576
Debt securities in issue		3 038 175	3 162 332	1 735 988	1 523 382
Subordinated liabilities		3 235 502	3 375 356	3 456 200	3 440 301
Other liabilities		1 537 920	1 371 450	1 723 856	1 494 659
Current income tax liabilities		192 358	124 155	235 568	153 168
Deferred income tax liabilities	23	1 554	1 566	258	442
Provisions	22	180 020	174 493	153 168	152 491
Total liabilities		**90 619 708**	**86 220 460**	**90 802 982**	**86 648 714**
Equity					
Equity attributable to Owners of BRE Bank SA		**9 161 888**	**8 800 233**	**8 048 755**	**7 772 122**
Share capital:		**3 501 141**	**3 493 812**	**3 493 812**	**3 493 761**
- Registered share capital		168 548	168 411	168 411	168 410
- Share premium		3 332 593	3 325 401	3 325 401	3 325 351
Retained earnings:		**5 425 021**	**5 149 701**	**4 493 157**	**4 204 947**
- Profit from the previous years		4 494 368	4 499 112	3 358 185	3 354 808
- Profit for the current year		930 653	650 589	1 134 972	850 139
Other components of equity		**235 726**	**156 720**	**61 786**	**73 414**
Non-controlling interests		**23 931**	**24 082**	**23 910**	**22 814**
Total equity		**9 185 819**	**8 824 315**	**8 072 665**	**7 794 936**
Total equity and liabilities		**99 805 527**	**95 044 775**	**98 875 647**	**94 443 650**
Capital adequacy ratio *	24	**15.44**	**14.84**	**14.96**	**15.76**
Book value		**9 161 888**	**8 800 233**	**8 048 755**	**7 772 122**
Number of shares		**42 137 036**	**42 102 746**	**42 102 746**	**42 102 538**
Book value per share (in PLN)		**217.43**	**209.02**	**191.17**	**184.60**

* The calculation of the capital adequacy ratio as of 30 September 2012 takes into account the total capital requirement as well as capital deductions calculated with the application of the advanced internal ratings based approach ("A-IRB approach"). In accordance with the conditions set out in the consent of BaFin and Polish Financial Supervision Authority to use this approach until certain regulatory conditions are met, the total capital requirement needs to remain at least equal to the total capital requirement assumed under the standardized approach, whereas the amount of own funds needs to reflect the more restrictive rules applicable for banks using the A-IRB approach.

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

Consolidated statement of changes in equity

Changes from 1 January to 30 September 2012

	Share capital		Retained earnings					Other components of equity		Equity attributable to Owners of BRE Bank SA, total	Non-controlling interests	Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets			
Equity as at 1 January 2012	168 411	3 325 401	2 334 675	81 174	841 953	1 235 355	-	1 921	59 865	8 048 755	23 910	8 072 665
Total comprehensive income							930 653	(2 091)	176 031	1 104 593	21	1 104 614
Transfer to General Risk Fund	-	-	-	-	104 000	(104 000)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	10 000	-	(10 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	1 018 829	-	-	(1 018 829)	-	-	-	-	-	-
Issue of shares	137	-	-	-	-	-	-	-	-	137	-	137
Stock option program for employees	-	7 192	-	1 211	-	-	-	-	-	8 403	-	8 403
- value of services provided by the employees	-	-	-	*8 403*	-	-	-	-	-	*8 403*	-	*8 403*
- settlement of exercised options	-	*7 192*	-	*(7 192)*	-	-	-	-	-	-	-	-
Equity as at 30 September 2012	168 548	3 332 593	3 353 504	92 385	945 953	102 526	930 653	(170)	235 896	9 161 888	23 931	9 185 819

Changes from 1 January to 31 December 2011

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

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

Changes from 1 January to 30 September 2011

	Share capital		Retained earnings					Other components of equity		Equity attributable to Owners of BRE Bank SA, total	Non-controlling interests	Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets			
Equity as at 1 January 2011	**168 347**	**3 323 465**	**1 814 954**	**55 300**	**778 953**	**707 138**	**-**	**50**	**61 096**	**6 909 303**	**167 982**	**7 077 285**
Total comprehensive income							**850 139**	**2 531**	**9 737**	**862 407**	**9 975**	**872 382**
Transfer to General Risk Fund	-	-	-	-	63 000	(63 000)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	17 000	-	(17 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	519 721	-	-	(519 721)	-	-	-	-	-	-
Issue of shares	63	-	-	-	-	-	-	-	-	63	-	63
Change in the scope of consolidation/increase of share in consolidated company	-	-	-	(513)	-	(7 034)	-	-	-	(7 547)	(155 143)	(162 690)
Stock option program for employees	-	1 886	-	6 010	-	-	-	-	-	7 896	-	7 896
- value of services provided by the employees	-	-	-	*7 896*	-	-	-	-	-	7 896	-	*7 896*
- settlement of exercised options	-	*1 886*	-	*(1 886)*	-	-	-	-	-	-	-	-
Equity as at 30 September 2011	**168 410**	**3 325 351**	**2 334 675**	**77 797**	**841 953**	**100 383**	**850 139**	**2 581**	**70 833**	**7 772 122**	**22 814**	**7 794 936**

Consolidated statement of cash flows

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
A. Cash flow from operating activities	2 545 471	3 165 504
Profit before income tax	1 172 192	1 100 882
Adjustments:	*1 373 279*	*2 064 622*
Income taxes paid	(353 394)	(83 220)
Amortisation, including amortisation of fixed assets provided under operating lease	182 484	179 295
Foreign exchange (gains) losses related to financing activities	(1 654 343)	4 065 212
(Gains) losses on investing activities	(12 612)	(15 498)
Impairment of financial assets	105	-
Dividends received	(13 853)	(15 369)
Interest received	(2 257 584)	(1 867 095)
Interest paid	1 406 013	1 059 514
Changes in loans and advances to banks	(1 204 090)	(110 113)
Changes in trading securities	177 537	(469 528)
Changes in assets and liabilities on derivative financial instruments	205 716	136 339
Changes in loans and advances to customers	663 395	(4 481 240)
Changes in investment securities	2 905 788	2 982 737
Changes in other assets	(413 863)	(117 321)
Changes in amounts due to other banks	(416 805)	23 253
Changes in amounts due to customers	2 069 774	383 814
Changes in debt securities in issue	185 029	(3 350)
Changes in provisions	26 852	(11 282)
Changes in other liabilities	(122 870)	408 474
Net cash generated from operating activities	2 545 471	3 165 504
B.Cash flows from investing activities	(140 869)	(68 799)
Investing activity inflows	45 544	114 983
Disposal of shares in associates	-	1 348
Disposal of shares in subsidiaries, net of cash disposed	13 200	82 727
Disposal of intangible assets and tangible fixed assets	18 491	15 411
Dividends received	13 853	15 369
Other investing inflows	-	128
Investing activity outflows	186 413	183 782
Purchase of intangible assets and tangible fixed assets	186 413	183 782
Net cash used in investing activities	(140 869)	(68 799)
C. Cash flows from financing activities	(2 207 272)	(1 816 321)
Financing activity inflows	4 094 025	1 927 377
Proceeds from loans and advances from other banks	84 254	276 428
Issue of debt securities	4 009 634	1 650 886
Issue of ordinary shares	137	63
Financing activity outflows	6 301 297	3 743 698
Repayments of loans and advances from other banks	3 121 511	1 851 689
Repayments of other loans and advances from other entities	10 542	9 732
Redemption of debt securities	2 892 476	1 495 978
Acquisition of shares in subsidiaries	-	107 455
Payments of financial lease liabilities	271	283
Interest paid from loans and advances received from other banks and subordinated liabilities	276 497	278 561
Net cash generated from financing activities	(2 207 272)	(1 816 321)
Net increase / decrease in cash and cash equivalents (A+B+C)	197 330	1 280 384
Effects of exchange rate changes on cash and cash equivalents	(7 638)	32 032
Cash and cash equivalents at the beginning of the reporting period	4 675 211	5 805 816
Cash and cash equivalents at the end of the reporting period	4 864 903	7 118 232

BRE Bank SA stand-alone financial information

Income statement

	Note	3rd Quarter (current year) period from 01.07.2012 to 30.09.2012	3 Quarters (current year) period from 01.01.2012 to 30.09.2012	3rd Quarter (previous year) period from 01.07.2011 to 30.09.2011	3 Quarters (previous year) period from 01.01.2011 to 30.09.2011
Interest income		1 044 619	3 024 236	896 549	2 516 634
Interest expense		(525 062)	(1 504 271)	(400 168)	(1 091 706)
Net interest income		**519 557**	**1 519 965**	**496 381**	**1 424 928**
Fee and commission income		267 098	798 294	253 859	738 713
Fee and commission expense		(94 119)	(269 035)	(94 015)	(269 152)
Net fee and commission income		**172 979**	**529 259**	**159 844**	**469 561**
Dividend income		518	35 620	67	45 780
Net trading income, including:		97 235	271 922	94 337	264 533
Foreign exchange result		*89 274*	*239 722*	*83 875*	*238 126*
Other trading income and result on hedge accounting		*7 961*	*32 200*	*10 462*	*26 407*
Gains less losses from investment securities, investments in subsidiaries and associates		2 882	29 007	72 247	70 120
Other operating income		15 301	46 079	11 793	46 234
Net impairment losses on loans and advances		(126 124)	(321 251)	(95 415)	(242 054)
Overhead costs		(318 685)	(889 905)	(306 201)	(871 388)
Amortization and depreciation		(38 613)	(125 091)	(43 009)	(130 861)
Other operating expenses		(11 437)	(34 044)	(17 605)	(43 524)
Operating profit		**313 613**	**1 061 561**	**372 439**	**1 033 329**
Profit before income tax		**313 613**	**1 061 561**	**372 439**	**1 033 329**
Income tax expense		(66 848)	(214 149)	(74 118)	(207 715)
Net profit		**246 765**	**847 412**	**298 321**	**825 614**

Net profit			**847 412**		**825 614**
Weighted average number of ordinary shares	**14**		**42 111 809**		**42 091 048**
Earnings per ordinary share (in PLN)	**14**		**20.12**		**19.61**
Weighted average number of ordinary shares for diluted earnings	**14**		**42 153 139**		**42 129 485**
Diluted earnings per ordinary share (in PLN)	**14**		**20.10**		**19.60**

BRE Bank SA stand-alone financial information

Statement of comprehensive income

	3rd Quarter (current year) period from 01.07.2012 to 30.09.2012	3 Quarters (current year) period from 01.01.2012 to 30.09.2012	3rd Quarter (previous year) period from 01.07.2011 to 30.09.2011	3 Quarters (previous year) period from 01.01.2011 to 30.09.2011
Net profit	**246 765**	**847 412**	**298 321**	**825 614**
Other comprehensive income net of tax	**89 652**	**191 458**	**(16 181)**	**21 467**
Exchange differences on translation of foreign operations (net)	302	164	1 906	3 248
Change in valuation of available for sale financial assets (net)	89 350	191 294	(18 087)	18 219
Total comprehensive income net of tax, total	**336 417**	**1 038 870**	**282 140**	**847 081**

BRE Bank SA stand-alone financial information

Statement of financial position

ASSETS		30.09.2012	30.06.2012	31.12.2011	30.09.2011
Cash and balances with the Central Bank		1 471 138	925 664	1 032 081	4 179 985
Loans and advances to banks		5 515 413	3 636 052	5 222 678	4 791 618
Trading securities		993 209	939 074	1 191 335	1 506 682
Derivative financial instruments		1 929 333	1 299 231	1 504 020	1 551 286
Loans and advances to customers		64 329 624	62 377 313	61 663 992	58 190 177
Hedge accounting adjustments related to fair value of hedged items		2 431	1 623	1 924	2 582
Investment securities		14 216 015	15 399 493	17 077 797	14 438 568
Pledged assets		5 190 081	3 759 743	4 338 332	2 893 539
Investments in subsidiaries		548 670	546 387	546 430	555 738
Intangible assets		361 844	363 435	389 807	364 465
Tangible fixed assets		489 500	507 027	542 410	499 684
Deferred income tax assets		94 584	70 390	63 194	43 185
Other assets		420 961	394 515	321 432	354 054
Total assets		**95 562 803**	**90 219 947**	**93 895 432**	**89 371 563**
EQUITY AND LIABILITIES					
Amounts due to the Central Bank		-	-	-	-
Amounts due to other banks		21 795 359	22 363 165	25 281 169	26 775 783
Derivative financial instruments		2 511 006	1 914 273	1 857 371	1 784 018
Amounts due to customers		56 950 776	51 948 839	54 018 635	48 583 782
Debt securities in issue		895 234	992 921	-	-
Subordinated liabilities		3 235 502	3 375 356	3 456 200	3 440 301
Other liabilities		1 235 243	1 093 166	1 371 511	1 186 000
Current income tax liabilities		183 925	116 773	227 251	145 267
Provisions for deferred income tax		79	82	85	85
Provisions		97 363	96 058	72 304	70 329
Total liabilities		**86 904 487**	**81 900 633**	**86 284 526**	**81 985 565**
Equity					
Share capital		**3 501 141**	**3 493 812**	**3 493 812**	**3 493 761**
- Registered share capital		168 548	168 411	168 411	168 410
- Share premium		3 332 593	3 325 401	3 325 401	3 325 351
Retained earnings:		**4 821 334**	**4 826 078**	**3 507 346**	**3 969 334**
- Profit for the previous year		3 973 922	3 978 666	2 906 699	2 903 322
- Net profit for the current year		847 412	847 412	600 647	1 066 012
Other components of equity		335 841	**335 841**	**246 189**	**144 383**
Total equity		**8 658 316**	**8 655 731**	**7 247 347**	**7 607 478**
Total equity and liabilities		**95 562 803**	**90 556 364**	**93 531 873**	**89 593 043**
Capital adequacy ratio *	24	**16.72**	**15.05**	**15.28**	**16.21**
Book value		**8 658 316**	**8 319 314**	**7 610 906**	**7 385 998**
Number of shares		**42 137 036**	**42 102 746**	**42 102 746**	**42 102 538**
Book value per share (in PLN)		**205.48**	**197.60**	**180.77**	**175.43**

* The calculation of the capital adequacy ratio as of 30 September 2012 takes into account the total capital requirement as well as capital deductions calculated with the application of the advanced internal ratings based approach ("A-IRB approach"). In accordance with the conditions set out in the consent of BaFin and Polish Financial Supervision Authority to use this approach until certain regulatory conditions are met, the total capital requirement needs to remain at least equal to the total capital requirement assumed under the standardized approach, whereas the amount of own funds needs to reflect the more restrictive rules applicable for banks using the A-IRB approach.

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

BRE Bank SA stand-alone financial information

Statement of changes in equity

Changes from 1 January to 30 September 2012

	Share capital		Retained earnings					Other components of equity		Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	
Equity as at 1 January 2012	**168 411**	**3 325 401**	**2 061 378**	**20 178**	**825 143**	**1 066 012**	**-**	**(8 333)**	**152 716**	**7 610 906**
Total comprehensive income							**847 412**	**164**	**191 294**	**1 038 870**
Transfer to General Risk Fund	-	-	-	-	100 000	(100 000)	-	-	-	-
Transfer to supplementary capital	-	-	966 012	-	-	(966 012)	-	-	-	-
Issue of shares	137	-	-	-	-	-	-	-	-	137
Stock option program for employees	-	7 192	-	1 211	-	-	-	-	-	8 403
- value of services provided by the employees	-	-	-	*8 403*	-	-	-	-	-	*8 403*
- settlement of exercised options	-	*7 192*	-	*(7 192)*	-	-	-	-	-	-
Equity as at 30 September 2012	**168 548**	**3 332 593**	**3 027 390**	**21 389**	**925 143**	**-**	**847 412**	**(8 169)**	**344 010**	**8 658 316**

Changes from 1 January to 31 December 2011

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

Changes from 1 January to 30 September 2011

	Share capital		Retained earnings					Other components of equity		Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	
Equity as at 1 January 2011	**168 347**	**3 323 465**	**1 603 654**	**10 791**	**765 143**	**517 724**	**-**	**(3 782)**	**145 616**	**6 530 958**
Total comprehensive income							**825 614**	**3 248**	**18 219**	**847 081**
Transfer to General Risk Fund	-	-	-	-	60 000	(60 000)	-	-	-	-
Transfer to supplementary capital	-	-	457 724	-	-	(457 724)	-	-	-	-
Issue of shares	63	-	-	-	-	-	-	-	-	63
Stock option program for employees	-	1 886	-	6 010	-	-	-	-	-	7 896
- value of services provided by the employees	-	-	-	*7 896*	-	-	-	-	-	*7 896*
- settlement of exercised options	-	*1 886*	-	*(1 886)*	-	-	-	-	-	-
Equity as at 30 September 2011	**168 410**	**3 325 351**	**2 061 378**	**16 801**	**825 143**	**-**	**825 614**	**(534)**	**163 835**	**7 385 998**

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

BRE Bank SA Stand-alone Financial Information

Statement of cash flows

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
A. Cash flow from operating activities	**2 076 934**	**2 132 247**
Profit before income tax	**1 061 561**	**1 033 329**
Adjustments:	***1 015 373***	***1 098 918***
Income taxes paid	(332 106)	(68 143)
Amortisation	125 091	130 861
Foreign exchange (gains) losses related to financing activities	(1 650 260)	4 056 287
(Gains) losses on investing activities	(2 243)	(72 221)
Impairment of financial assets	105	-
Dividends received	(35 620)	(45 780)
Interest received	(2 386 561)	(1 953 843)
Interest paid	1 421 781	1 070 090
Changes in loans and advances to banks	(624 041)	(215 972)
Changes in trading securities	202 119	(364 462)
Changes in assets and liabilities on derivative financial instruments	228 322	92 390
Changes in loans and advances to customers	(552 116)	(4 665 750)
Changes in investment securities	3 061 924	2 927 823
Changes in other assets	(80 803)	(44 370)
Changes in amounts due to other banks	(322 000)	(212 834)
Changes in amounts due to customers	2 001 379	98 997
Changes in debt securities in issue	8 545	-
Changes in provisions	25 059	(5 729)
Changes in other liabilities	(73 202)	371 574
Net cash generated from operating activities	**2 076 934**	**2 132 247**
B.Cash flows from investing activities	**(72 974)**	**69 851**
Investing activity inflows	**37 951**	**167 741**
Disposal of shares in subsidiaries	56	121 317
Disposal of intangible assets and tangible fixed assets	2 275	644
Dividends received	35 620	45 780
Investing activity outflows	**110 925**	**97 890**
Purchase of intangible assets and tangible fixed assets	110 925	97 890
Net cash used in investing activities	**(72 974)**	**69 851**
C. Cash flows from financing activities	**(1 335 822)**	**(1 057 990)**
Financing activity inflows	**2 844 556**	**239 718**
Proceeds from loans and advances from other banks	84 254	239 655
Issue of debt securities	2 760 165	-
Issue of ordinary shares	137	63
Financing activity outflows	**4 180 378**	**1 297 708**
Repayments of loans and advances from other banks	2 012 356	897 255
Repayments of other loans and advances from other entities	10 542	9 732
Redemption of debt securities	1 873 476	-
Acquisition of shares in subsidiaries	-	107 130
Payments of financial lease liabilities	7 982	8 958
Interest paid from loans and advances received from other banks and subordinated liabilities	276 022	274 633
Net cash from financing activities	**(1 335 822)**	**(1 057 990)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**668 138**	**1 144 108**
Effects of exchange rate changes on cash and cash equivalents	(10 778)	39 676
Cash and cash equivalents at the beginning of the reporting period	4 583 895	5 927 201
Cash and cash equivalents at the end of the reporting period	**5 241 255**	**7 110 985**

Explanatory notes to the consolidated financial statements

1. Information regarding the Group of BRE Bank SA

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

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

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

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

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

As at 30 September 2012, the BRE Bank SA Group covered by the Condensed Consolidated Financial Statements comprised the following companies:

BRE Bank SA, the parent entity

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

According to the Polish Classification of Business Activities, the business of the Bank was classified as 'Other monetary intermediation' under number 6419Z. According to the Stock Exchange Quotation, the Bank is classified as 'Banks' sector as part of the 'Finance' macro-sector.

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

The Bank provides services to Polish and international corporations and individuals, both in the local currency (Polish Zloty, PLN) and in foreign currencies.

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

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

As at 30 September 2012 the headcount of BRE Bank SA amounted to 4 687 FTEs (Full Time Equivalents) and of the Group to 6 124 FTEs (30 September 2011: Bank 4 636 FTEs, Group 6 191 FTEs).

As at 30 September 2012 the employment in BRE Bank SA was 5 626 persons and in the Group 8 034 persons (30 September 2011: Bank 5 550 persons, Group 8 043 persons).

Corporates and Financial Markets Segment, including:

Corporates and Institutions

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

Trading and Investment

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

Retail Banking Segment (including Private Banking)

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

Other

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

Other information concerning companies of the Group

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

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

2. Description of relevant accounting policies

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

2.1. Accounting basis

The Condensed Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 9-month period ended 30 September 2012.

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

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

2.2. Consolidation

Subsidiaries

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

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

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

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

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

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

Associates

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

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

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

The condensed consolidated financial statements of the Bank cover the following companies:

Company	30.09.2012		30.09.2011	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
Aspiro SA	100%	full	100%	full
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Holding Sp. z o.o.	100%	full	100%	full
BRE Leasing Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia TUiR SA	100%	full	100%	full
BRE Agent Ubezpieczeniowy Sp. z o.o.	100%	full	-	-
BRE Wealth Management SA	100%	full	100%	full
BRE Centrum Operacji Sp. z o.o. (previously CERI Sp. z o.o.)	100%	full	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full
BRE Faktoring SA (previously Polfactor SA)	100%	full	100%	full
Transfinance a.s.	100%	full	100%	full
BRE Finance France SA	99.98%	full	99.98%	full
BRE.locum SA	79.99%	full	79.99%	full
BRE GOLD FIZ Aktywów Niepublicznych	100% of certificates	full	100% of certificates	full

2.3. Interest income and expenses

All interest income on financial instruments carried at amortised cost using the effective interest rate method is recognised in the income statement.

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

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

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

Interest income, including interest on loans, is recognised in the income statement, and on the other side in the statement of financial position as receivables from banks or from other customers.

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

Income and expenses related to the interest component of the result on interest rate derivatives and resulting from current calculation of swap points on currency derivatives classified into banking book are presented in the interest results in the position Interest income/expense on derivatives classified into banking book. The banking book includes transactions, which are not concluded for trading purposes i.e. not aimed at generating a profit in a short-term period (up to 6 months) and those that do not constitute hedging a risk arising from the operations assigned into trading book.

Interest income and interest expenses related to the interest measurement component of derivatives concluded as hedging instruments under fair value hedge are presented in the interest result in the position Interest income/expense on derivatives concluded under the hedge accounting.

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

2.4. Fee and commission income

Income on account of fees and commissions is 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. The same principle is applied in the case of management of client assets, financial planning and custody services, which are continuously provided over an extended period of time.

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

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

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

2.5. Insurance premium revenue

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

2.6. Compensations and benefits, net

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

2.7. Segment reporting

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

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

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

2.8. Financial assets

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

Financial assets valued at fair value through the income statement

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

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

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

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

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

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

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

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

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

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

Loans and Receivables

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

Held to Maturity Investments

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

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

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

Available for Sale Investments

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

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

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

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

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

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

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

2.9. Reinsurance assets

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

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

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

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

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

2.10. Offsetting financial instruments

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

2.11. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the required procedures and to determine the amount of the loss. Subsequent recoveries of amounts previously written off reduce the amount of the provision for loan impairment in the income statement.

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

Assets Measured at Fair Value

At the end of the reporting period the Group estimates whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost resulting from higher credit risk is considered when determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value – is removed from other comprehensive income and recognised in the income statement. The above indicated difference should be reduced by the impairment concerning the given asset which was previously recognised in the income statement. Impairment losses concerning equity instruments recorded in the income statement are not reversed through the income statement, but through other comprehensive income. If the fair value of a debt instrument classified as available for sale increases in a subsequent period, and such increase can be objectively related to an event occurring after the recording of the impairment loss in the income statement, then the respective impairment loss is reversed in the income statement.

Renegotiated agreements

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

2.12. Financial guarantee contracts

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

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

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

2.13. Cash and cash equivalents

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

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

2.14. Sell-buy-back, buy-sell-back, reverse repo and repo contracts

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

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

When concluding a repo or reverse repo transaction, BRE Bank Group sells or buys securities with a repurchase or resale clause specifying a contractual date and price. Such transactions are presented in the statement of financial position as financial assets held for trading or as investment financial assets, and also as liabilities in the case of 'sell-buy-back' transactions and as receivables in the case of 'buy-sell-back' transactions.

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

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

2.15. Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

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

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

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

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 other comprehensive income 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 other comprehensive income. The gain or loss concerning the ineffective part is recognised in the income statement of the current period.

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

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

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

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

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

2.16. Gains and losses on initial recognition

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

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

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

2.17. Borrowings and deposits taken

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

2.18. Intangible assets

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

Goodwill

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

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

Computer software

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

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

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

Development costs

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

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

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

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

2.19. Tangible fixed assets

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

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

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

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

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

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

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

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

Gains and losses on account of the disposal of fixed assets are determined by comparing the proceeds from their sale against their carrying value in the statement of financial position and they are recognised in the income statement.

2.20. Inventories

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

2.21. Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

2.22. Deferred income tax

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

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

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

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

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

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

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

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

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

2.23. Assets repossessed for debt

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

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

2.24. Prepayments, accruals and deferred income

Prepayments are recorded if the respective expenses concern the months succeeding the month in which they were incurred. Prepayments are presented in the statement of financial position under 'Other assets'.

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

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

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

2.25. Leasing

BRE Bank SA Group as a Lessor

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

Revenue from leasing agreements is recognized as follows:

- Interests on finance lease

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

- Net revenue from operating lease

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

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

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

BRE Bank SA Group as a Lessee

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

2.26. Provisions

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

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

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

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

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

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

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

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

2.27. Retirement benefits and other employee benefits

Retirement Benefits

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

Benefits Based on Shares

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

2.28. Equity

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

Registered share capital

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

- Own Shares

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

Share premium

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

- Share Issue Costs

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

Retained earnings

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

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

Other components of equity

Other components of equity result from:

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

2.29. Valuation of items denominated in foreign currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

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

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

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

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 6 months of each presented periods; whereas
- all resulting foreign exchange differences are recognised as a distinct item of other comprehensive income.

Upon consolidation, foreign exchange differences arising from the conversion of net investments in companies operating abroad are recognised in other comprehensive income. Upon the disposal of a company operating abroad, such foreign exchange differences are recognised in the income statement as part of the profit or loss arising upon disposal.

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

Leasing Business

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

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

2.30. Trust and fiduciary activities

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

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

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

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

2.31. New standards, interpretations and amendments to published standards

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

Standards and interpretations approved by the European Union:

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

The Group believes that the application of the standard mentioned above did not have a significant effect on the financial statements in the period of its first application.

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

Standards and interpretations approved by the European Union:

- IAS 19 (Revised), Employee Benefits, binding for annual periods starting on or after 1 January 2013.
- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income, binding for annual periods starting on or after 1 July 2012.

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

- IFRS 1 (Revised), Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, binding for annual periods starting on or after 1 July 2011.
- IFRS 9, Financial Instruments Part 1: Recognition and Measurement, binding for annual periods starting on or after 1 January 2015.
- IFRS 10, Consolidated Financial Statements (replaces the consolidation requirements in IAS 27), binding for annual periods starting on or after 1 January 2013.
- IFRS 11, Joint Arrangements, binding for annual periods starting on or after 1 January 2013.
- IFRS 12, Disclosure of Interests in Other Entities, binding for annual periods starting on or after 1 January 2013.
- IFRS 13, Fair Value Measurement, binding for annual periods starting on or after 1 January 2013.
- IAS 12 (Revised), Income Taxes: Recovery of Underlying Assets, binding for annual periods starting on or after 1 January 2012.
- IAS 27, Separate Financial Statements (together with IFRS 10 Supersedes IAS 27 Consolidated and Separate Financial Statements), binding for annual periods starting on or after 1 January 2013.
- IAS 28, Investments in Associates and Joint Ventures (Supersedes IAS 28, Investments in Associates), binding for annual periods starting on or after 1 January 2013.
- Amendments to IAS 32, Offsetting Financial Assets and Financial Libilities, binding for annual periods starting on or after 1 January 2014.
- Amendments to IFRS 7, Disclosure - Offsetting Financial Assets and Financial Libilities, binding for annual periods starting on or after 1 January 2013.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance, binding for annual periods starting on or after 1 January 2013.
- Improvements to IFRS 2009 - 2011, in majority binding for annual periods starting on or after 1 January 2013.

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

2.32. Comparative data

Comparative data has been adjusted so as to reflect for the changes in presentation introduced in the current year.

Starting from the financial statements for the fourth quarter of 2011, the Group ceased to present debt securities eligible for rediscounting at the Central Bank in a separate line in the statement of financial position and present them within the item 'Loans and advances to customers'.

Beginning from the year 2012, changes were introduced in the presentation of the result on FX swaps as well as in the presentation of the result on IRS transactions concluded under fair value hedge were introduced. Following IFRS 7 Appendix B point 5E the Group decomposed the result on derivatives classified into banking book as well as the result on derivatives held for hedging and distinguished the interest component resulting from the current calculation of swap points and the remaining result from fair value measurement.

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

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

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

Beginning from the year 2012, the Group has introduced changes in the presentation of operating lease revenue and related depreciation cost of fixed assets provided by the Group under operating lease. As a result of this change, revenue and depreciation cost from operating lease transactions are presented in net amount as 'Other operating income'. To the end of the year 2011, revenue from lease activities was presented as interest income, while depreciation costs of assets provided by the Group under operating lease were presented as depreciation costs. This change has been introduced in order to present the Group's lease activity concerning operating lease in a better and more transparent way.

The restatement had no impact on the profit and equity in presented comparative data as at 30 September 2011.

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

Changes in the BRE Bank Group consolidated statement of financial position as at 30 September 2011:

	30.09.2011 before adjustments	presentation adjustments	30.09.2011 after adjustments
Debt securities eligible for rediscounting at the Central Bank	6 330	(6 330)	-
Loans and advances to customers	64 443 625	6 330	64 449 955
Total assets	94 443 650	-	94 443 650

Changes in the BRE Bank Group consolidated income statement for the period from 1 January to 30 September 2011:

	30.09.2011 before adjustments	presentation adjustments	30.09.2011 after adjustments
Interest income	2 819 302	1 111	2 820 413
Interest expense	(1 222 113)	(459)	(1 222 572)
Net interest income	**1 597 189**	**652**	**1 597 841**
Net trading income, including:	312 748	(42 115)	270 633
Foreign exchange result	*278 060*	*(35 300)*	*242 760*
Other trading income and result on hedge accounting	*34 688*	*(6 815)*	*27 873*
Other operating income	193 447	10 741	204 188
Amortization and depreciation	(179 295)	30 722	(148 573)
Profit before income tax	1 100 882	-	1 100 882
Net profit	858 534	-	858 534

Changes in the BRE Bank statement of financial position as at 30 September 2011:

	30.09.2011 before adjustments	presentation adjustments	30.09.2011 after adjustments
Debt securities eligible for rediscounting at the Central Bank	6 330	(6 330)	-
Loans and advances to customers	58 183 847	6 330	58 190 177
Total assets	89 371 563	-	89 371 563

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Changes in the BRE Bank income statement for the period from 1 January to 30 September 2011:

	30.09.2011 before adjustments	presentation adjustments	30.09.2011 after adjustments
Interest income	*2 481 334*	*35 300*	*2 516 634*
Interest expense	(1 091 247)	(459)	(1 091 706)
Net interest income	**1 390 087**	**34 841**	**1 424 928**
Net trading income, including:	299 374	(34 841)	264 533
Foreign exchange result	*273 426*	*(35 300)*	*238 126*
Other trading income and result on hedge accounting	*25 948*	*459*	*26 407*
Profit before income tax	1 033 329	-	1 033 329
Net profit	825 614	-	825 614

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 recognized in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions (on the basis of which the estimated cash flow amounts and their anticipated timing are determined) are regularly verified.

Fair value of derivative instruments

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

Technical-insurance provisions

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

As at 30 September 2012, provisions for claims incurred but not reported to the insurer (IBNR) were calculated using the actuarial methods (Naive Loss Ratio and Bornhuetter-Ferguson). The expected loss ratios are composed on the basis of available market studies concerning loss arising from the given group of risks.

4. Business segments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Business segment reporting on the activities of BRE Bank Group
for the period from 1 January 2012 to 30 September 2012
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment					
Net interest income	543 739	162 407	984 287	(9 758)	(2 522)	1 678 153	1 678 153
- sales to external clients	435 053	676 891	574 718	(5 987)	(2 522)	1 678 153	
- sales to other segments	108 686	(514 484)	409 569	(3 771)	-	-	
Net fee and commission income	238 160	30 455	361 481	(1 757)	16 194	644 533	644 533
- sales to external clients	221 837	43 171	365 088	(1 757)	16 194	644 533	
- sales to other segments	16 323	(12 716)	(3 607)	-	-	-	
Dividend income	11 045	218	20	2 570	-	13 853	13 853
Trading income	134 439	48 480	97 801	(257)	-	280 463	280 463
Gains less losses from investment securities, investments in subsidiaries and associates	(97)	29 098	2 508	10 375	-	41 884	41 884
Other operating income	46 277	1 189	87 433	82 080	(31 613)	185 366	185 366
Net impairment losses on loans and advances	(157 726)	(20 926)	(176 990)	(6)	-	(355 648)	(355 648)
Overhead costs	(380 655)	(121 347)	(570 918)	(28 144)	17 941	(1 083 123)	(1 083 123)
Amortization and depreciation	(59 833)	(11 361)	(70 727)	(2 321)	-	(144 242)	(144 242)
Other operating expenses	(14 017)	(3 314)	(29 931)	(41 785)	-	(89 047)	(89 047)
Gross profit of the segment	361 332	114 899	684 964	10 997	-	1 172 192	1 172 192
Income tax						(241 518)	(241 518)
Net profit attributable to Owners of BRE Bank SA						930 653	930 653
Net profit attributable to non-controlling interests						21	21
Assets of the segment	31 232 476	36 891 007	38 351 034	1 032 764	(7 701 754)	99 805 527	99 805 527
Liabilities of the segment	27 182 702	37 591 362	31 044 969	1 141 844	(6 341 169)	90 619 708	90 619 708
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(78 009)	(15 703)	(36 397)	(1 573)	-	(131 682)	
Other costs/ income without cash outflows/ inflows*	2 746	142 389	2 948	117	(954)	147 246	
- other non-cash costs	*(949)*	*(1 039 458)*	*-*	*-*	*5 022*	*(1 035 385)*	
- other non-cash income	*3 695*	*1 181 847*	*2 948*	*117*	*(5 976)*	*1 182 631*	

* 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 2011 to 31 December 2011
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment					
Net interest income	**604 166**	**312 022**	**1 266 027**	**(12 456)**	**(1 815)**	**2 167 944**	**2 167 944**
- sales to external clients	932 540	409 672	835 267	(7 720)	(1 815)	2 167 944	
- sales to other segments	(328 374)	(97 650)	430 760	(4 736)	-	-	
Net fee and commission income	**340 209**	**63 684**	**414 269**	**(1 317)**	**23 127**	**839 972**	**839 972**
- sales to external clients	321 807	79 354	416 998	(1 314)	23 127	839 972	
- sales to other segments	18 402	(15 670)	(2 729)	(3)	-	-	
Dividend income	**12 257**	**114**	**36**	**2 706**	**-**	**15 113**	**15 113**
Trading income	**152 156**	**45 342**	**148 055**	**1 123**	**-**	**346 676**	**346 676**
Gains less losses from investment securities, investments in subsidiaries and associates	**13 768**	**(1 923)**	**-**	**140**	**-**	**11 985**	**11 985**
Other operating income	**56 689**	**5 949**	**122 977**	**176 215**	**(44 475)**	**317 355**	**317 355**
Net impairment losses on loans and advances	**(209 327)**	**(6 142)**	**(157 998)**	**(3)**	**-**	**(373 470)**	**(373 470)**
Overhead costs	**(546 492)**	**(169 618)**	**(673 493)**	**(105 061)**	**23 163**	**(1 471 501)**	**(1 471 501)**
Amortization and depreciation	**(108 671)**	**(29 207)**	**(108 688)**	**37 802**	**-**	**(208 764)**	**(208 764)**
Other operating expenses	**(26 353)**	**(5 320)**	**(37 264)**	**(109 246)**	**-**	**(178 183)**	**(178 183)**
Gross profit of the segment	**288 402**	**214 901**	**973 921**	**(10 097)**	**-**	**1 467 127**	**1 467 127**
Income tax						(322 692)	(322 692)
Net profit attributable to Owners of BRE Bank SA						1 134 972	1 134 972
Net profit attributable to non-controlling interests						9 463	9 463
Assets of the segment	**29 415 149**	**36 199 274**	**38 963 556**	**958 640**	**(6 660 972)**	**98 875 647**	**98 875 647**
Liabilities of the segment	**28 426 171**	**39 555 893**	**27 461 286**	**783 474**	**(5 423 842)**	**90 802 982**	**90 802 982**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(224 359)	(27 390)	(103 745)	(3 753)	-	(359 247)	
Other costs/ income without cash outflows/ inflows*	1 469	19 523	3 922	(193)	(59)	24 662	
- other non-cash costs	*(2 210)*	*(1 858 655)*	*-*	*(193)*	*(4 732)*	*(1 865 790)*	
- other non-cash income	*3 679*	*1 878 178*	*3 922*	*-*	*4 673*	*1 890 452*	

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

Business segment reporting on the activities of BRE Bank Group
for the period from 1 January to 30 September 2011
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment					
Net interest income	462 705	212 666	931 453	(8 983)	-	1 597 841	1 597 841
- sales to external clients	680 388	309 560	613 473	(5 580)	-	1 597 841	
- sales to other segments	(217 683)	(96 894)	317 980	(3 403)	-	-	
Net fee and commission income	246 767	60 768	311 419	(1 175)	17 114	634 893	634 893
- sales to external clients	233 870	71 853	313 228	(1 172)	17 114	634 893	
- sales to other segments	12 897	(11 085)	(1 809)	(3)	-	-	
Dividend income	12 250	112	16	2 707	-	15 085	15 085
Trading income	111 514	47 617	110 494	1 008	-	270 633	270 633
Gains less losses from investment securities, investments in subsidiaries and associates	13 766	(671)	-	140	-	13 235	13 235
Other operating income	40 121	3 003	84 893	107 242	(31 071)	204 188	204 188
Net impairment losses on loans and advances	(186 693)	(1 165)	(96 063)	-	-	(283 921)	(283 921)
Overhead costs	(413 407)	(128 121)	(517 673)	(50 930)	13 957	(1 096 174)	(1 096 174)
Amortization and depreciation	(65 905)	(16 470)	(63 363)	(2 835)	-	(148 573)	(148 573)
Other operating expenses	(16 768)	(1 391)	(22 338)	(65 828)	-	(106 325)	(106 325)
Gross profit of the segment	204 350	176 348	738 838	(18 654)	-	1 100 882	1 100 882
Income tax						(242 348)	(242 348)
Net profit attributable to Owners of BRE Bank SA						850 139	850 139
Net profit attributable to non-controlling interests						8 395	8 395
Assets of the segment	25 640 036	35 344 119	38 607 414	1 031 697	(6 179 616)	94 443 650	94 443 650
Liabilities of the segment	24 912 704	39 691 337	26 216 206	759 732	(4 931 265)	86 648 714	86 648 714
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(111 188)	(16 022)	(44 967)	(3 706)	-	(175 883)	
Other costs/ income without cash outflows/ inflows*	310	34 108	2 608	78	(66)	37 038	
- other non-cash costs	*(2 211)*	*(1 475 317)*	*-*	*-*	*33 294*	*(1 444 234)*	
- other non-cash income	*2 521*	*1 509 425*	*2 608*	*78*	*(33 360)*	*1 481 272*	

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

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The BRE Bank Group geographical segment reporting

Geographical segment reporting on the acivities of BRE Bank Group for the period from 1 January to 30 September 2012	Poland	Foreign Countries	Total
Net interest income	1 607 659	70 494	1 678 153
Net fee and commission income	630 384	14 149	644 533
Dividend income	13 853	-	13 853
Trading income	277 873	2 590	280 463
Gains less losses from investment securities, investments in subsidiaries and associates	41 884	-	41 884
Other operating income	184 150	1 216	185 366
Net impairment losses on loans and advances	(346 712)	(8 936)	(355 648)
Overhead costs	(1 030 004)	(53 119)	(1 083 123)
Amortization and depreciation	(140 638)	(3 604)	(144 242)
Other operating expenses	(87 524)	(1 523)	(89 047)
Gross profit of the segment	1 150 925	21 267	1 172 192
Income tax			(241 518)
Net profit attributable to Owners of BRE Bank SA			930 653
Net profit attributable to non-controlling interests			21
Assets of the segment, including:	97 668 903	2 136 624	99 805 527
- tangible assets	1 157 982	38 130	1 196 112
- deferred income tax assets	336 206	3 903	340 109
Liabilities of the segment	86 469 693	4 150 015	90 619 708

Geographical segment reporting on the acivities of BRE Bank Group for the period from 1 January to 31 December 2011	Poland	Foreign Countries	Total
Net interest income	2 084 863	83 081	2 167 944
Net fee and commission income	804 341	35 631	839 972
Dividend income	15 113	-	15 113
Trading income	347 611	(935)	346 676
Gains less losses from investment securities, investments in subsidiaries and associates	(15 450)	27 435	11 985
Other operating income	315 511	1 844	317 355
Net impairment losses on loans and advances	(359 405)	(14 065)	(373 470)
Overhead costs	(1 370 646)	(100 855)	(1 471 501)
Amortization and depreciation	(202 985)	(5 779)	(208 764)
Other operating expenses	(169 389)	(8 794)	(178 183)
Gross profit of the segment	1 449 564	17 563	1 467 127
Income tax			(322 692)
Net profit attributable to Owners of BRE Bank SA			1 134 972
Net profit attributable to non-controlling interests			9 463
Assets of the segment, including:	96 784 964	2 090 683	98 875 647
- tangible assets	1 263 923	5 301	1 269 224
- deferred income tax assets	302 965	4 087	307 052
Liabilities of the segment	86 792 697	4 010 285	90 802 982

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

Geographical segment reporting on the acivities of BRE Bank Group for the period from 1 January to 30 September 2011	Poland	Foreign Countries	Total
Net interest income	1 532 173	65 668	1 597 841
Net fee and commission income	604 375	30 518	634 893
Dividend income	15 085	-	15 085
Trading income	271 510	(877)	270 633
Gains less losses from investment securities, investments in subsidiaries and associates	(14 200)	27 435	13 235
Other operating income	202 587	1 601	204 188
Net impairment losses on loans and advances	(273 758)	(10 163)	(283 921)
Overhead costs	(1 017 417)	(78 757)	(1 096 174)
Amortization and depreciation	(144 377)	(4 196)	(148 573)
Other operating expenses	(100 446)	(5 879)	(106 325)
Gross profit of the segment	1 075 532	25 350	1 100 882
Income tax			(242 348)
Net profit attributable to Owners of BRE Bank SA			850 139
Net profit attributable to non-controlling interests			8 395
Assets of the segment, including:	92 513 582	1 930 068	94 443 650
- tangible assets	1 124 115	41 212	1 165 327
- deferred income tax assets	285 121	4 741	289 862
Liabilities of the segment	82 633 640	4 015 074	86 648 714

5. Net interest income

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Interest income		
Loans and advances including the unwind of the impairment provision discount	2 409 019	2 009 835
Investment securities	628 898	591 018
Cash and short-term placements	93 173	101 096
Trading debt securities	52 509	65 135
Interest income on derivatives classified into banking book	124 366	42 574
Other	9 172	10 755
Total interest income	**3 317 137**	**2 820 413**
Interest expense		
Arising from amounts due to banks	(280 290)	(342 361)
Arising from amounts due to customers	(1 163 860)	(753 897)
Arising from issue of debt securities	(126 180)	(59 472)
Other borrowed funds	(47 353)	(42 080)
Interest expense on derivatives concluded under the hedge accounting	(779)	(459)
Other	(20 522)	(24 303)
Total interest expense	**(1 638 984)**	**(1 222 572)**

Interest income related to impaired financial assets amounted to PLN 152 349 thousand (30 September 2011: PLN 144 964 thousand).

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6. Net fee and commission income

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Fee and commission income		
Payment cards-related fees	289 174	253 441
Credit-related fees and commissions	166 134	174 709
Commissions from insurance activity	139 182	133 376
Fees from brokerage activity	60 712	90 825
Commissions from bank accounts	90 368	84 794
Commissions from money transfers	67 645	65 640
Commissions due to guarantees granted and trade finance commissions	27 659	29 437
Commission for agency service regarding sale of products of external financial entities	48 343	54 078
Commissions on trust and fiduciary activities	13 029	12 014
Fees from portfolio management services and other management-related fees	5 845	9 167
Other	55 590	55 952
Total fee and commission income	**963 681**	**963 433**

Fee and commission expense		
Payment cards-related fees	(131 374)	(132 275)
Commissions paid to external entities for sale of the Bank's products	(52 585)	(58 368)
Insurance activity-related fees	(6 744)	(15 679)
Discharged brokerage fees	(18 917)	(23 840)
Other discharged fees	(109 528)	(98 378)
Total fee and commision expense	**(319 148)**	**(328 540)**

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Fee and commission income from insurance contracts		
- Income from insurance intermediation	123 770	121 671
- Income from insurance policies administration	15 412	11 705
Total fee and commission income from insurance contracts	**139 182**	**133 376**

7. Dividend income

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Trading securities	156	83
Securities available for sale	13 697	15 002
Total dividend income	**13 853**	**15 085**

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8. Net trading income

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Foreign exchange result	**243 078**	**242 760**
Net exchange differences on translation	87 849	276 774
Net transaction gains/(losses)	155 229	(34 014)
Other net trading income and result on hedge accounting	**37 385**	**27 873**
Interest-bearing instruments	32 820	23 308
Equity instruments	1 242	(3 735)
Market risk instruments	3 212	7 556
Result on hedge accounting, including:	111	744
- Net profit on hedged items	507	2 582
- Net profit on hedging instruments	(396)	(1 838)
Total net trading income	**280 463**	**270 633**

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

The Group applies fair value hedge accounting for part of the portfolio of fixed interest rate mortgage loans granted by foreign branches of the Bank in the Czech Republic. An Interest Rate Swap is the hedging instrument changing the fixed interest rate to a variable interest rate. The risk of change in interest rates is the only type of risk hedged within hedge accounting. Result from valuation of the hedged item and hedging instruments is presented in the aforementioned note.

Beginning from the year 2012, the interest component of the result on derivatives classified into banking book and derivatives concluded under the hedge accounting is presented in the interest results in the position Interest income/expense, while the remaining result from fair value measurement is presented in this note in the position Interest – bearing instruments. In connection with the above mentioned, the comparative data presented in these financial statements was respectively restated (Note 2.32).

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

9. Gains and losses from investment securities, investments in subsidiaries and associates

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Sale/redemption of financial assets available for sale, investments in subsidiaries and associates	39 481	13 235
Impairment of available for sale equity securities	2 403	-
Total gains and losses from investment securities	**41 884**	**13 235**

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10. Other operating income

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	53 685	69 719
Income from insurance activity net	56 932	56 277
Income from services provided	25 215	19 242
Net income from operating lease	15 214	10 741
Income due to release of provisions for future commitments	6 188	14 517
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	57	1 568
Income from compensations, penalties and fines received	259	862
Other	27 816	31 262
Total other operating income	**185 366**	**204 188**

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 is earned on non-banking activities.

Income from insurance activity net comprises income from premiums, reinsurance and co-insurance activity, reduced by claims paid and costs of claims handling and adjusted by the changes in provisions for claims connected with the insurance activity conducted within BRE Bank SA Group.

Net income from operating lease consists of income from operating lease and related depreciation cost of fixed asset provided by the Group under operating lease, incurred to obtain revenue.

Net income from insurance activity generated for the three quarters of 2012 and the three quarters of 2011 is presented below:

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Income from premiums		
- Premiums attributable	132 401	98 970
- Change in provision for premiums	(32)	4 895
Premiums earned	**132 369**	**103 865**
Reinsurer's shares		
- Gross premiums written	(55 059)	(39 698)
- Change in unearned premiums reserve	5 122	8 814
Reinsurer's share in premiums earned	**(49 937)**	**(30 884)**
Net premiums earned	**82 432**	**72 981**
Claims and benefits		
- Claims and benefits paid out in the current year including costs of liquidation before tax	(46 381)	(28 533)
- Change in provision for claims and benefits paid out in the current year including costs of liquidation before tax	(17 471)	(14 938)
- Reinsurer's share in claims and benefits paid out in the current year including costs of liquidation	31 238	22 071
- Change in provision for reinsurer's share of claims and benefits paid out in the current year including costs of liquidation	10 681	6 509
Claims and benefits net	**(21 933)**	**(14 891)**
- Other costs net of reinsurance	(3 283)	(1 554)
- Other operating income	(67)	51
- Costs of expertise and certificates concerning underwriting risk	(217)	(310)
Total net income from insurance activity	**56 932**	**56 277**

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Net income from operating lease for the three quarters of 2012 and 2011 is presented below:

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Net income from operating lease, including:		
- Income from operating lease	53 456	41 463
- Depreciation cost of fixed assets provided under operating lease	(38 242)	(30 722)
Total net income from operating lease	**15 214**	**10 741**

11. Net impairment losses on loans and advances

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Net impairment losses on amounts due from other banks	547	7 951
Net impairment losses on loans and advances to customers	(342 125)	(298 911)
Net impairment losses on off-balance sheet contingent liabilities due to customers	(14 070)	7 039
Total net impairment losses on loans and advances	**(355 648)**	**(283 921)**

12. Overhead costs

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Staff-related expenses	(598 467)	(597 271)
Material costs	(414 463)	(429 620)
Taxes and fees	(18 991)	(25 379)
Contributions and transfers to the Bank Guarantee Fund	(45 340)	(37 349)
Contributions to the Social Benefits Fund	(5 081)	(4 777)
Other	(781)	(1 778)
Total overhead costs	**(1 083 123)**	**(1 096 174)**

Staff-related expenses in the three quarters of 2012 and 2011 are presented below:

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Wages and salaries	(489 943)	(488 370)
Social security expenses	(74 362)	(72 402)
Pension fund expenses	-	(576)
Remuneration concerning share-based payments, including:	(8 935)	(9 318)
- share-based payments settled in BRE Bank SA shares	(8 403)	(7 896)
- cash-settled share-based payments	(532)	(1 422)
Other staff expenses	(25 227)	(26 605)
Staff-related expenses, total	**(598 467)**	**(597 271)**

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13. Other operating expenses

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	(40 117)	(58 270)
Provisions for future commitments	(16 324)	(18 978)
Donations made	(2 638)	(3 139)
Compensation, penalties and fines paid	(776)	(541)
Costs arising from provisions created for other receivables (excluding loans and advances)	(1 567)	(2 263)
Costs of sale of services	(1 248)	(1 072)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(134)	(37)
Impairment provisions created for tangible fixed assets, intangible assets and other non-financial assets	(16)	(139)
Other operating costs	(26 227)	(21 886)
Total other operating expenses	**(89 047)**	**(106 325)**

Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories comprise primarily the expenses incurred by BRE.locum in connection with its developer activity.

Costs of sale of services concern non-banking services.

14. Earnings per share

Earnings per share for 9 months – BRE Bank Group consolidated data

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Basic:		
Net profit attributable to Owners of BRE Bank SA	930 653	850 139
Weighted average number of ordinary shares	42 111 809	42 091 048
Net basic profit per share (in PLN per share)	**22.10**	**20.20**
Diluted:		
Net profit attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	930 653	850 139
Weighted average number of ordinary shares	42 111 809	42 091 048
Adjustments for:		
- share options	41 330	38 437
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 153 139	42 129 485
Diluted earnings per share (in PLN per share)	**22.08**	**20.18**

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Earnings per share for 9 months – BRE Bank stand alone data

the period	from 01.01.2012 to 30.09.2012	from 01.01.2011 to 30.09.2011
Basic:		
Net profit	847 412	825 614
Weighted average number of ordinary shares	42 111 809	42 091 048
Net basic profit per share (in PLN per share)	**20.12**	**19.61**
Diluted:		
Net profit applied for calculation of diluted earnings per share	847 412	825 614
Weighted average number of ordinary shares in issue	42 111 809	42 091 048
Adjustments for:		
- share options	41 330	38 437
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 153 139	42 129 485
Diluted earnings per share (in PLN per share)	**20.10**	**19.60**

15. Trading securities and pledged assets

	30.09.2012			30.06.2012			31.12.2011			30.09.2011		
	Trading securities	Pledged assets	Total	Trading securities	Pledged assets	Total	Trading securities	Pledged assets	Total	Trading securities	Pledged assets	Total
Debt securities:	780 057	1 303 617	2 083 674	833 853	292 668	1 126 521	977 796	485 463	1 463 259	1 434 088	231 837	1 665 925
Issued by government	532 006	1 303 617	1 835 623	597 739	292 668	890 407	534 110	485 463	1 019 573	703 083	231 837	934 920
- government bonds	530 940	1 303 396	1 834 336	588 109	292 489	880 598	533 962	485 463	1 019 425	697 468	231 837	929 305
- treasury bills	1 066	221	1 287	9 630	179	9 809	148	-	148	5 615	-	5 615
Other debt securities	248 051	-	248 051	236 114	-	236 114	443 686	-	443 686	731 005	-	731 005
- bank's bonds	86 822	-	86 822	54 942	-	54 942	134 710	-	134 710	242 163	-	242 163
- deposit certificates	53 978	-	53 978	31 692	-	31 692	171 134	-	171 134	278 684	-	278 684
- corporate bonds	107 251	-	107 251	149 480	-	149 480	137 842	-	137 842	210 158	-	210 158
Equity securities:	31 861	-	31 861	32 675	-	32 675	13 763	-	13 763	14 904	-	14 904
- listed	8 719	-	8 719	9 925	-	9 925	3 479	-	3 479	4 642	-	4 642
- unlisted	23 142	-	23 142	22 750	-	22 750	10 284	-	10 284	10 262	-	10 262
Total debt and equity securities:	811 918	1 303 617	2 115 535	866 528	292 668	1 159 196	991 559	485 463	1 477 022	1 448 992	231 837	1 680 829

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

16. Derivative financial instruments

	30.09.2012		30.06.2012		31.12.2011		30.09.2011	
	assets	liabilities	assets	liabilities	assets	liabilities	assets	liabilities
Held for trading derivative financial instruments classified into banking book	212 372	15 433	112 398	142 802	142 487	276 921	123 340	347 055
Held for trading derivative financial instruments classified into trading book	1 730 128	2 486 291	1 189 646	1 775 741	1 364 108	1 583 588	1 393 190	1 440 230
Derivative financial instruments held for hedging	-	2 644	18	1 867	-	2 238	-	2 439
Total derivative financial instruments assets/liabilities	1 942 500	2 504 368	1 302 062	1 920 410	1 506 595	1 862 747	1 516 530	1 789 724

The Group uses the following derivative instruments for economic hedging and for other purposes:

Forward currency transactions represent commitments to purchase foreign and local currencies, including outstanding spot transactions. **Futures for currencies and interest rates** are contractual commitments to receive or pay a specific net value, depending on currency rate of exchange or interest rate variations, or to buy or sell a foreign currency or a financial instrument on a specified future date for a fixed price established on the organised financial market. Because futures contracts are collateralised with fair-valued cash or securities and the changes of the face value of such contracts are accounted for daily in reference to stock exchange quotations, the credit risk is marginal. **FRA contracts** are similar to futures except that each FRA is negotiated individually and each requires payment on a specific future date of the difference between the interest rate set in the agreement and the current market rate on the basis of theoretical amount of capital.

Currency and interest rate swap contracts are commitments to exchange one cash flow for another cash flow. Such a transaction results in swap of currencies or interest rates (e.g., fixed to variable interest rate) or combination of all these factors (e.g., cross-currency CIRS). With the exception of specific currency swap contracts, such transactions do not result in swaps of capital. The credit risk of the Group consists of the potential cost of replacing swap contracts if the parties fail to discharge their liabilities. This risk is monitored daily by reference to the current fair value, proportion of the face value of the contracts and market liquidity. The Group evaluates the parties to such contracts using the same methods as for its credit business, to control the level of its credit exposure.

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Starting from 2011, due to the application of fair value hedge accounting for part of the portfolio of fixed interest rate mortgage loans granted by foreign branches of the Bank in the Czech Republic, within interest rate swaps, the Group distinguished instruments that hedge the risk of changes in interest rate. Result from valuation of the hedged item and hedging instruments is presented in this consolidated financial statement in item "Net income from other trading operations and hedge accounting" in the Note 8.

Currency and interest rate options are agreements, pursuant to which the selling party grants the buying party the right, but not an obligation, to purchase (call option) or sell (put option) a specific quantity of a foreign currency or a financial instrument at a predefined price on or by a specific date or within an agreed period. In return for accepting currency or interest rate risk, the buyer offers the seller a premium. An option can be either a public instrument traded at a stock exchange or a private instrument negotiated between the Group and a customer (private transaction). The Group is exposed to credit risk related to purchased options only up to the balance sheet value of such options, i.e. the fair value of the options.

Market risk transactions include futures contracts as well as commodity options, stock options and index options.

Face values of certain types of financial instruments provide a basis for comparing them to instruments disclosed in the statement of financial position but they may not be indicative of the value of the future cash flows or of the present fair value of such instruments. For this reason, the face values do not indicate the level of the Group's exposure to credit risk or price change risk. Derivative instruments can have positive value (assets) or negative value (liabilities), depending on market interest or currency exchange rate fluctuations. The aggregate fair value of derivative financial instruments may be subject to strong variations.

17. Loans and advances to customers

	30.09.2012	30.06.2012	31.12.2011	30.09.2011
Loans and advances to individuals:	37 930 619	38 791 144	38 688 979	38 569 049
- current accounts	4 499 361	4 432 662	4 133 068	4 398 745
- term loans, including:	33 431 258	34 358 482	34 555 911	34 170 304
housing and mortgage loans	29 480 040	30 544 828	30 942 423	30 601 315
Loans and advances to corporate entities:	30 727 195	28 374 430	27 890 298	25 487 265
- current accounts	5 033 191	5 254 471	3 795 095	3 655 187
- term loans:	21 584 263	21 800 516	21 660 288	18 805 931
corporate & institutional enterprises	6 561 728	6 815 463	6 390 251	4 591 496
medium & small enterprises	15 022 535	14 985 053	15 270 037	14 214 435
- reverse repo / buy-sell-back transactions	2 763 871	474 621	1 153 508	1 839 049
- other	1 345 870	844 822	1 281 407	1 187 098
Loans and advances to public sector	2 797 789	2 780 245	3 178 356	2 156 803
Other receivables	371 305	490 158	482 167	594 110
Total (gross) loans and advances to customers	71 826 908	70 435 977	70 239 800	66 807 227
Provisions for loans and advances to customers (negative amount)	(2 630 290)	(2 546 580)	(2 388 284)	(2 357 272)
Total (net) loans and advances to customers	69 196 618	67 889 397	67 851 516	64 449 955
Short-term (up to 1 year)	24 325 460	21 721 104	22 756 309	22 175 281
Long-term (over 1 year)	44 871 158	46 168 293	45 095 207	42 274 674

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: 30 September 2012 – PLN 3 570 000 thousand, 30 June 2012 – PLN 3 518 500 thousand, 31 December 2011 – PLN 3 210 276 thousand, 30 September 2011 – PLN 3 202 600 thousand.

Provisions for loans and advances

	30.09.2012	30.06.2012	31.12.2011	30.09.2011
Incurred but not identified losses				
Gross balance sheet exposure	68 071 035	66 991 335	66 953 040	63 252 760
Impairment provisions for exposures analysed according to portfolio approach	(207 024)	(222 740)	(212 390)	(205 393)
Net balance sheet exposure	**67 864 011**	**66 768 595**	**66 740 650**	**63 047 367**
Receivables with impairment				
Gross balance sheet exposure	3 755 873	3 444 642	3 286 760	3 554 467
Provisions for receivables with impairment	(2 423 266)	(2 323 840)	(2 175 894)	(2 151 879)
Net balance sheet exposure	**1 332 607**	**1 120 802**	**1 110 866**	**1 402 588**

The table below presents the structure of concentration of BRE Bank SA Group's exposures in particular sectors.

No.	Sectors	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%
		30.09.2012		30.06.2012		31.12.2011		30.09.2011	
1.	Household customers	37 930 619	52.81%	38 802 226	55.09%	38 688 979	55.08%	38 291 759	57.32%
2.	Real estate management	4 669 012	6.50%	4 332 466	6.15%	4 279 605	6.09%	4 128 826	6.18%
3.	Public Administration	2 270 926	3.16%	2 352 530	3.34%	2 508 575	3.57%	1 733 616	2.59%
4.	Building industry	2 117 181	2.95%	2 274 681	3.23%	2 277 683	3.24%	2 018 347	3.02%
5.	Liquid fuels and natural gas	1 954 996	2.72%	1 947 619	2.77%	2 051 906	2.92%	1 491 979	2.23%
6.	Transport and travel agencies	1 858 629	2.59%	1 882 772	2.67%	1 975 109	2.81%	1 574 664	2.36%
7.	Metals	1 281 966	1.78%	1 241 280	1.76%	1 260 732	1.79%	1 242 153	1.86%
8.	Wholesale trade	1 196 271	1.67%	1 354 529	1.92%	909 508	1.29%	873 035	1.31%
9.	Motorization	898 940	1.25%	871 554	1.24%	809 103	1.15%	672 922	1.01%
10.	Management, consulting, advertising	885 752	1.23%	1 007 189	1.43%	947 286	1.35%	671 514	1.01%
11.	Building materials	835 448	1.16%	831 509	1.18%	706 057	1.01%	686 070	1.03%
12.	Power industry and heat engineering	780 478	1.09%	720 225	1.02%	716 907	1.02%	713 648	1.07%
13.	Pharmaceuticals and health care	743 926	1.04%	626 782	0.89%	314 964	0.45%	562 189	0.84%
14.	Chemistry and plastic processing	743 062	1.03%	773 846	1.10%	851 016	1.21%	601 987	0.90%
15.	Groceries	735 562	1.02%	153 009	0.22%	614 850	0.88%	669 410	1.00%
16.	Meat processing industry	690 510	0.96%	576 710	0.82%	528 178	0.75%	606 978	0.91%
17.	Telecomunication	666 393	0.93%	655 183	0.93%	525 987	0.75%	385 675	0.58%
18.	Wood and furniture	663 065	0.92%	780 986	1.11%	774 043	1.10%	679 890	1.02%
19.	Leasing and renting	484 104	0.67%	784 971	1.11%	745 406	1.06%	357 796	0.54%

For the three quarters of 2012, the total exposure of the Group in the above sectors (excluding household customers) amounted to 32.67% of the credit portfolio (first half of 2012 – 32.89%, year 2011 - 32.44%; the three quarters of 2011 – 29.46%).

18. Investment securities and pledged assets

	30.09.2012			30.06.2012			31.12.2011			30.09.2011		
	Investment securities	Pledged assets	Total	Investment securities	Pledged assets	Total	Investment securities	Pledged assets	Total	Investment securities	Pledged assets	Total
Debt securities	**13 736 827**	**3 887 501**	**17 624 328**	**14 984 152**	**3 468 564**	**18 452 716**	**16 519 445**	**3 854 060**	**20 373 505**	**13 765 582**	**2 662 880**	**16 428 462**
Issued by government	8 994 706	3 802 577	12 797 283	10 455 879	3 443 586	13 899 465	9 646 531	3 854 060	13 500 591	9 597 556	2 662 880	12 260 436
- government bonds	8 895 661	3 801 540	12 697 201	10 358 004	3 442 097	13 800 101	9 646 531	3 852 869	13 499 400	9 448 995	2 176 910	11 625 905
- treasury bills	99 045	1 037	100 082	97 875	1 489	99 364	-	1 191	1 191	148 561	485 970	634 531
Issued by central bank	4 356 177	84 924	4 441 101	4 165 294	24 978	4 190 272	6 511 488	-	6 511 488	3 996 684	-	3 996 684
Other debt securities	385 944	-	385 944	362 979	-	362 979	361 426	-	361 426	171 342	-	171 342
- bank's bonds	352 143	-	352 143	328 310	-	328 310	327 811	-	327 811	138 480	-	138 480
- communal bonds	33 801	-	33 801	34 669	-	34 669	33 615	-	33 615	32 862	-	32 862
Equity securities:	**233 504**	**-**	**233 504**	**210 836**	**-**	**210 836**	**177 767**	**-**	**177 767**	**178 898**	**-**	**178 898**
Listed	185 249	-	185 249	174 821	-	174 821	156 556	-	156 556	159 119	-	159 119
Unlisted	48 255	-	48 255	36 015	-	36 015	21 211	-	21 211	19 779	-	19 779
Total debt and equity securities:	**13 970 331**	**3 887 501**	**17 857 832**	**15 194 988**	**3 468 564**	**18 663 552**	**16 697 212**	**3 854 060**	**20 551 272**	**13 944 480**	**2 662 880**	**16 607 360**
Short-term (up to 1 year)	6 308 368	701 257	7 009 625	7 806 220	113 519	7 919 739	9 954 397	586 954	10 541 351	6 240 984	672 495	6 913 479
Long-term (over 1 year)	7 661 963	3 186 244	10 848 207	7 388 768	3 355 045	10 743 813	6 742 815	3 267 106	10 009 921	7 703 496	1 990 385	9 693 881

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

As at 30 September 2012, presented above value of equity securities includes provisions for impairment of PLN 10 854 thousand (30 June 2012: PLN 13 362 thousand, 31 December 2011: PLN 13 257 thousand, 30 September 2011: PLN 13 257 thousand).

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As at 30 September 2012, listed equity securities include fair value of PZU shares in amount of PLN 170 341 thousand, (30 June 2012 – PLN 158 039 thousand, 31 December 2011 – PLN 146 210 thousand, 30 September 2011 - PLN 149 049 thousand).

19. Intangible assets

	30.09.2012	30.06.2012	31.12.2011	30.09.2011
Development costs	556	627	789	861
Goodwill	4 728	4 728	4 728	4 728
Patents, licences and similar assets, including:	282 475	285 437	313 925	314 753
- computer software	222 789	222 020	247 070	241 415
Other intangible assets	8 224	8 476	9 231	10 679
Intangible assets under development	111 976	110 485	108 096	76 765
Total intangible assets	**407 959**	**409 753**	**436 769**	**407 786**

20. Tangible assets

	30.09.2012	30.06.2012	31.12.2011	30.09.2011
Tangible fixed assets, including:	749 899	755 418	765 993	714 580
- land	1 175	1 175	1 875	1 875
- buildings and structures	221 303	223 078	228 823	230 468
- equipment	166 052	167 310	168 804	129 858
- vehicles	215 458	214 585	216 964	202 242
- other fixed assets	145 911	149 270	149 527	150 137
Fixed assets under construction	38 254	41 056	66 462	42 961
Total tangible fixed assets	**788 153**	**796 474**	**832 455**	**757 541**

21. Amounts due to customers

	30.09.2012	30.06.2012	31.12.2011	30.09.2011
Individual customers:	**28 678 420**	**26 978 822**	**26 700 892**	**25 620 220**
Current accounts	19 991 899	20 459 489	16 961 125	16 762 559
Term deposits	8 641 064	6 484 568	9 698 858	8 814 789
Other liabilities:	45 457	34 765	40 909	42 872
- liabilities in respect of cash collaterals	33 037	23 743	33 215	32 300
- other	12 420	11 022	7 694	10 572
Corporate customers:	**27 936 607**	**24 633 099**	**27 015 436**	**21 820 661**
Current accounts	10 563 744	11 048 075	11 038 961	9 965 371
Term deposits	11 885 149	10 412 640	11 650 679	8 176 557
Loans and advances received	1 708 574	1 777 731	1 848 575	1 401 808
Repo transactions	3 216 738	821 333	1 818 532	1 756 363
Other liabilities:	562 402	573 320	658 689	520 562
- liabilities in respect of cash collaterals	409 418	446 833	479 749	372 643
- other	152 984	126 487	178 940	147 919
Public sector customers:	**613 745**	**578 030**	**528 060**	**1 511 695**
Current accounts	459 751	305 308	447 481	1 446 809
Term deposits	140 562	241 907	64 783	47 675
Other liabilities:	13 432	30 815	15 796	17 211
- liabilities in respect of cash collaterals	46	-	18	-
- other	13 386	30 815	15 778	17 211
Total amounts due to customers	**57 228 772**	**52 189 951**	**54 244 388**	**48 952 576**

Short-term (up to 1 year)	55 024 615	49 844 433	51 677 581	46 686 487
Long-term (over 1 year)	2 204 157	2 345 518	2 566 807	2 266 089

The Group presents amounts due to micro enterprises provided by Retail Banking of BRE Bank (mBank and MultiBank) under 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: 30 September 2012 PLN 2 166 010 thousand, 30 June 2012 – PLN 1 856 249 thousand, 31 December 2011 – PLN 1 982 622 thousand, 30 September 2011 – PLN 1 755 800 thousand.

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22. Provisions

	30.09.2012	30.06.2012	31.12.2011	30.09.2011
For off-balance sheet granted contingent liabilities *	44 651	48 187	30 906	32 695
For legal proceedings	39 493	34 651	25 644	19 432
Technical-insurance provisions	82 657	78 435	80 864	82 026
Other	13 219	13 220	15 754	18 338
Total provisions	180 020	174 493	153 168	152 491

* includes valuation of financial guarantees

Movements in the provisions:

	30.09.2012	30.06.2012	31.12.2011	30.09.2011
As at the beginning of the period (by type)	153 168	153 168	175 325	175 325
For off-balance sheet granted contingent liabilities	30 906	30 906	49 674	49 674
For legal proceedings	25 644	25 644	19 193	19 193
Technical-insurance provisions	80 864	80 864	87 307	87 307
Other	15 754	15 754	19 151	19 151
Change in the period (due to)	26 852	21 325	(22 157)	(22 834)
- increase of provisions	159 599	102 284	171 334	113 403
- release of provisions	(129 006)	(78 258)	(168 892)	(125 349)
- write-offs	(2 685)	(2 551)	(9 722)	(12)
- utilization	-	-	(135)	-
- reclassification	-	-	(4 243)	-
- foreign exchange differences	(1 056)	(150)	1 482	1 105
- other	-	-	(11 981)	(11 981)
As at the end of the period (by type)	180 020	174 493	153 168	152 491
For off-balance sheet granted contingent liabilities	44 651	48 187	30 906	32 695
For legal proceedings	39 493	34 651	25 644	19 432
Technical-insurance provisions	82 657	78 435	80 864	82 026
Other	13 219	13 220	15 754	18 338

23. Assets and provisions for deferred income tax

Deferred income tax assets	30.09.2012	30.06.2012	31.12.2011	30.09.2011
As at the beginning of the period	646 760	646 760	570 093	570 093
Changes recognized in the income statement	112 998	47 732	79 880	38 530
Changes recognized in other comprehensive income	(36 460)	(4 724)	(2 033)	(97)
Other changes	(759)	-	(1 180)	(559)
As at the end of the period	722 539	689 768	646 760	607 967

Provisions for deferred income tax	30.09.2012	30.06.2012	31.12.2011	30.09.2011
As at the beginning of the period	(339 966)	(339 966)	(254 350)	(254 350)
Changes recognized in the income statement	(40 815)	(18 119)	(87 358)	(58 173)
Changes recognized in other comprehensive income	(3 827)	(17 576)	1 331	(6 037)
Other changes	624	(65)	411	13
As at the end of the period	(383 984)	(375 726)	(339 966)	(318 547)

24. Capital Adequacy Ratio

On 4 July 2012 Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin) in cooperation with Polish Financial Supervision Authority (KNF) granted conditional consent to the application of the advanced internal rating based approach („A-IRB approach") by BRE Bank SA to the calculation of the capital requirement for credit risk for the corporate portfolio and the retail mortgage loan portfolio, with a provision that until the significant conditions laid down in the decision are met, the total capital requirement calculated with the application of the A-IRB approach must be maintained at the level based on 100% of the capital requirement for credit risk calculated under the standardized approach. Additionally, on 27 August 2012 BaFin in cooperation with KNF granted consent to the application of internal rating based approach concerning the risk weighting for specialized lending exposures (IRB slotting approach) by BRE Bank Hipoteczny SA to the calculation of the capital requirement for credit risk.

Following the above, as of 30 September 2012 the calculation of the consolidated capital adequacy ratio of BRE Bank SA Group and capital adequacy ratio of BRE Bank SA took into account the total capital requirement determined under the A-IRB approach for credit risk pursuant to annex No. 5 to the Resolution No. 76/2010 of KNF dated on 10 March 2010 (with further amendments) and in accordance with the conditions set out in the consent of BaFin and KNF to use this approach. Additionally own funds were calculated with the application of the deduction derived from the A-IRB approach. As of 30 September 2012 the consolidated capital adequacy ratio of BRE Bank SA Group calculated in such way amounted to 15,44% and the capital adequacy ratio of BRE Bank SA amounted to 16,72%.

In the previous reporting periods (including the period ended 30 June 2012) own funds and total capital requirement included in the calculation of the consolidated capital adequacy ratio of BRE Bank SA Group and in the calculation of capital adequacy ratio of BRE Bank SA were determined using standardized approach for credit risk in accordance with the annex No. 4 to the Resolution No. 76/2010 of KNF dated on 10 March 2010 (with further amendments).

Had in the calculations of capital adequacy ratios as of 30 September 2012 BRE Bank SA Group and BRE Bank SA still included own funds and total capital requirement determined using standardized approach for credit risk in accordance with the annex No. 4 to the Resolution No. 76/2010 of KNF dated on 10 March 2010 (with further amendments), then the consolidated capital adequacy ratio of BRE Bank SA Group as of 30 September 2012 would have amounted to 15,83% and the capital adequacy ratio of BRE Bank SA would have amounted to 17,04%. The actually reported ratios are lower compared to the previously used standardized method as the capital base is already assessed using the more restrictive A-IRB rules, whilst by mandatory increase of total capital requirement in practical terms the the overall sum of risk weighted assets still has the impact as under the standardized approach (due to the outstanding remediation of the significant conditions defined by the both regulators).

Selected explanatory information

1. Compliance with international financial reporting standards

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

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

A detailed description of the accounting policy principles of the Group is presented under items 2 and 3 of the Notes to the Condensed Consolidated Financial Statements for the third quarter of 2012. The accounting policies were applied consistently over all periods presented in the financial statements including restatement described under Note 2.32 'Comparative data'.

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 third quarter of 2012, events as indicated above did not occur in the Group.

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

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

6. Issues, redemption and repayment of non-equity and equity securities

In the third quarter of 2012, BRE Bank issued deposit certificates in nominal value of PLN 800 000 thousand and redeemed deposit certificates in nominal value of PLN 900 000 thousand. Moreover, BRE Bank Hipoteczny issued bonds in amount of PLN 175 000 thousand and mortgage bonds in amount of PLN 250 000 thousand. In the same time, BRE Bank Hipoteczny redeemed bonds in amount of PLN 30 000 thousand and mortgage bonds in amount of PLN 300 000 thousand.

7. Dividends paid (or declared) altogether or broken down by ordinary shares and other shares

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

8. Significant events after the end of the third quarter of 2012, which are not reflected in the financial statements

On 4 October 2012, BRE Finance France - a subsidiary of BRE Bank (the Bank holds 99.98% of its shares) issued Eurobonds with a nominal value of EUR 500 000 thousand (PLN 2 046 650 thousand at the average exchange rate of the National Bank of Poland as at 4 October 2012) maturing on 12 October 2015. On 4 October 2012, BRE Bank guaranteed the payment of any amounts payable on debt securities issued under Euro Medium Term Note Programme. Guarantee was given for the duration of the Programme.

The funds comprising the security deposit signed on 4 October 2012 under the agreement between BRE Bank and the Company are used to back the guarantee issued by the Bank to secure the payment obligations from the Eurobonds. The amount of security deposit is EUR 497 770 thousand (PLN 2 037 522 thousand at the average exchange rate of the National Bank of Poland as at 4 October 2012).

The security deposit will be owned by the Bank until the Eurobonds are repaid on 12 October 2015.

On an annual basis, the Bank will pay BRE Finance France SA, the provider of the security deposit, fixed interest and an additional repurchase premium amounting to EUR 2 230 thousand (PLN 9 128 thousand at the average exchange rate of the National Bank of Poland as at 4 October 2012).

The interest on the Eurobonds is 2.75% p.a. The Eurobonds will be quoted in Luxembourg.

On 13 April 2012, the Bank made a public information No. 26/2012 concerning the Agreement for a Euro Medium Term Note Programme.

9. Effect of changes in the structure of the entity in the third quarter of 2012, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

Events as indicated above did not occur in the Group.

10. Changes in contingent liabilities and commitments

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

11. 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.

12. 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.

13. Revaluation write-offs on account of impairment of financial assets

Data regarding write-offs on account of impairment of financial assets are presented in Note 9 and 11 of these Condensed Consolidated Financial Statements.

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

16. Material liabilities assumed on account of acquisition of tangible fixed assets

Events as indicated above did not occur in the Group.

17. Information about changing the process (method) of measurement the fair value of financial instruments

Events as indicated above did not occur in the Group.

18. Changes in the classification of financial assets due to changes of purpose or use of these assets

Events as indicated above did not occur in the Group.

19. Corrections of errors from previous reporting periods

In the third quarter of 2012, there were no corrections of errors from previous reporting periods.

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

Events as indicated above did not occur in the Group.

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

BRE Bank did not publish a performance forecast for the year 2012. The description of the BRE Bank Group strategy for years 2010 – 2012, 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 with further amendments).

22. Registered share capital

The total number of ordinary shares as at 30 September 2012 was 42 137 036 shares (30 September 2011: 42 102 538) at PLN 4 nominal value each (30 September 2011: PLN 4). All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 30 SEPTEMBER 2012						
Share type	Type of privilege	Type of limitation	Number of shares	Series / issue value	Paid up	Registered on
ordinary bearer*	-	-	9 980 500	39 922 000	fully paid in cash	1986
ordinary registered*	-	-	19 500	78 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	34 290	137 160	fully paid in cash	2012
Total number of shares			42 137 036			
Total registered share capital				168 548 144		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

23. Material share packages

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

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 September 2012 it held 69.66% of the share capital and votes at the General Meeting of BRE Bank SA (as at 30 June 2012 – 69.72%).

Pursuant to a notice dated 8 July 2011, the Bank informed in the current report No.46/2011, that ING Powszechny Fundusz Emerytalny (Fundusz) became the owner of BRE Bank shares representing more than 5% of the votes at the General Meeting of BRE Bank.

Prior to this acquisition of shares, Fundusz held 2 085 431 shares of BRE Bank, which constituted 4.96% of BRE Bank's share capital and entitled it to exercise 2 085 431 votes at the General Meeting of BRE Bank, which represented 4.96% of the total number of votes at the General Meeting of BRE Bank.

On 8 July 2011, there were 2 290 882 shares of BRE Bank at the Fund's securities account. It constitutes 5.44% of BRE Bank's share capital which entitles to exercise 2 290 882 votes at the General Meeting of BRE Bank, representing 5.44% of the total number of votes at the General Meeting of BRE Bank.

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24. Change in Bank shares and rights to shares held by managers and supervisors

	Number of shares held as at the date of publishing the report for H1 2012	Number of shares acquired from the date of publishing the report for H1 2012 to the date of publishing the report for Q3 2012	Number of shares sold from the date of publishing the report for H1 2012 to the date of publishing the report for Q3 2012	Number of shares held as at the date of publishing the report for Q3 2012
Management Board				
1. Cezary Stypułkowski	-	-	-	-
2. Wiesław Thor	10 626	-	10 626	-
3. Przemysław Gdański	1 086	-	-	1 086
4. Joerg Hessenmueller	-	-	-	-
5. Hans-Dieter Kemler	896	-	896	-
6. Cezary Kocik	-	-	-	-
7. Jarosław Mastalerz	8 169	-	8 169	-

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

As at the date of publishing the report for the first half of 2012, Mr. Andre Carls, Member of the Supervisory Board of BRE Bank SA, had 1 634 shares of BRE Bank SA. Due to sale of shares, as at the date of publishing the report for the third quarter of 2012, Mr. Andre Carls had no Bank shares. The other Members of the Supervisory Board of BRE Bank SA had no Bank shares nor Bank rights to shares and they have no Bank shares nor Bank rights to shares.

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

As at 30 September 2012, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries, which represent at least 10% of the Bank's equity. Moreover, the total value of claims concerning liabilities of the Bank or its subsidiary in all proceedings before a court, an arbitration body or a public administration authority as at 30 September 2012 was also not higher than 10% of the Bank's equity.

Report on major proceedings brought against the Bank

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

   At present proceedings are pending against BRE Bank in the Court of Jerusalem initiated by Bank Leumi and an insurance company of Bank Leumi, Migdal Insurance Company. It is an action for indemnity in the amount of USD 13.5 million (PLN 42.9 million translated at the average exchange rate of the National Bank of Poland as at 30 September 2012). This action was originally initiated by Art-B Sp. z o.o. Eksport – Import with its registered office in Katowice, under liquidation ('Art-B') against the main defendant Bank Leumi, whereas BRE Bank was garnished by Bank Leumi. Considering a settlement concluded between Art-B and Bank Leumi, and Migdal Insurance Company, on the basis of which Art-B received from Bank Leumi and Migdal Insurance Company an amount of USD 13.5 million, Bank Leumi and Migdal Insurance Company claim from BRE Bank refund of the amount paid to Art-B that is USD 13.5 million. BRE Bank's liability towards Bank Leumi and Migdal Insurance Company is under recourse.

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

   BPH brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 854 thousand. The purpose was to cancel actions related to the creation of Garbary and the contribution in kind. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that ZM Pozmeat SA contributed in kind to Garbary as payment for a stake in ZM Pozmeat SA share capital worth PLN 100 000 thousand. On 6 June 2006, the District Court in Poznań issued a verdict according to which the claims were dismissed in their entirety. The claimant filed an appeal against that verdict. On 6 February 2007, the Court of Appeal dismissed the claimant's appeal. The claimant filed the last resort appeal against the ruling of the Court of Appeal. On 2 October 2007, the Supreme Court revoked the ruling of the Court of Appeal and referred the case back. After re-examining the case, the Court of Appeal dismissed the ruling of the District Court in Poznań on 4 March 2008 and referred the case back. On 16 September 2010, the District Court in Poznań dismissed the claim in whole; the decision is not legally valid. On 19 October 2010, BPH filed an appeal against the ruling in question. On 24 February 2011, the Court of Appeal made a decision on revoking the ruling and discontinuance of proceedings involving Bank Pekao S.A. (the Bank entered in the proceedings as successor of BPH) justified by lack of title to bring the action before the court on the side of the Bank. The case was returned to the court of the first instance where it will be continued with the participation of BPH as the claimant. Bank Pekao SA filed the last resort appeal against the aforesaid decision with the Supreme Court. On 25 April 2012, the Supreme Court revoked the aforesaid decision of the Court of Appeal.

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

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

   In its reply to the claim, the Bank petitioned the Court for dismissing the claim on the grounds of there being no legal basis for allowing the claim. On 1 December 2009, the Court decided to suspend the case until the completion of Pozmeat's bankruptcy proceedings. On 26 January 2011, the court has decided to reinstate suspended proceedings due to the closing of the insolvency procedure. On 5 June 2012, the court once again decided to suspend the proceedings until the case filed by Bank BPH SA against Garbary Sp. z o.o. is finally settled.

4. Claims of clients of Interbrok

   Up to 17 October 2012, 153 entities who were clients of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (hereinafter referred to as Interbrok) called the Bank for amicable settlement in the total amount of PLN 296 461 thousand and via the District Court in Warsaw. In addition, up to 17 October 2012, 8 legal suits have been delivered to the Bank where former clients of Interbrok claimed compensation in the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that the Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. In all court cases the Bank moves for dismissal of the claims in entirety and objects to charges raised in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the case. Therefore, BRE Bank Group did not create provisions for the above claims. The District Court in Warsaw settled the aforementioned court cases and dismissed actions in all cases. As a consequence of the Court of Appeal verdict on 4 March 2010, one of the judgments becomes final and valid. On 22 June 2011, the Supreme Court dismissed the plaintiff's cassation appeal in the said case. As far as the remaining cases are concerned, on 21 December 2010 and 17 January 2012, the Court of Appeals revoked the judgments of the District Court and remanded the cases to the District Court in Warsaw for re-examination.

5. Class action against BRE Bank

   On 4 February 2011, BRE Bank SA received a class action brought to the District Court in Łódź on 20 December 2010 by the Municipal Ombudsman who represents a group of 835 persons – retail clients of BRE Bank. The petitioners demand that a responsibility of the Bank is determined for improper performance of mortgage credit agreements. In particular, it was indicated that the Bank improperly applied provisions of the agreements concerning interest rates adjustment, namely that the Bank did not reduce interest rates on loans, although, according to the petitioners, it should have. The Bank rejects the above reasoning. On 18 February 2011, the Bank submitted a formal answer to the court, in which it applied for a dismissal of the claim as a whole.

   On 6 May 2011, the District Court in Łódź decided to reject the application of BRE Bank SA for dismissing the claim and decided that the case will proceed as a class action. On 13 June 2011, BRE Bank SA lodged a complaint against this decision with the Court of Appeal in Łódź. On 28 September 2011, the Court of Appeal dismissed the complaint of BRE Bank SA. Currently, the case proceeds as a class action. The time for joining the class ended in March 2012. Presently, the class consists of 1 247 members; however, its composition is still subject to a revision and final approval of the court. At the end of June 2012, the period in which the Bank could express its reservations with respect to particular members of the group expired. The Bank expressed such reservations with respect to 51 persons ('Plaintiff'). At present, the Bank is waiting for the Plaintiff to take a stance on the aforementioned case and further actions of the Court. As at 17 October 2012, the approved class consisted of 1 247 members. Moreover, the District Court in Łódź ruled against setting up a cash deposit for BRE Bank SA requested by the Bank. The Bank lodged a complaint against this ruling and currently awaits the decision of the Court of Appeal in Łódź.

As at 30 September 2012, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the Bank or its subsidiaries, which represent at least 10% of the Bank's equity. The total value of claims concerning receivables of the Bank or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 September 2012 was also not higher than 10% of the Bank's equity.

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Taxes

Within the period from 24 August 2012 to 3 September 2012, officer of the First Mazovian Treasury Office in Warsaw (Pierwszy Mazowiecki Urzad Skarbowy w Warszawie) carried out audit proceedings and tax audit in BRE Bank Hipoteczny SA, concerning correctness of the settlement of the value added tax for June 2012. The audits did not identify any irregularities.

Within the period from 20 June 2012 to 29 June 2012, officers of the Treasury Control Office in Warsaw (Urząd Kontroli Skarbowej w Warszawie) carried out tax audit at the company BRE Leasing, concerning correctness of the settlement of the value added tax for the months January – March 2007, May – December 2007. The audits did not identify any irregularities.

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

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

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

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.

26. Off-balance sheet liabilities

Off-balance sheet liabilities as at 30 September 2012, 30 June 2012, 31 December 2011 and 30 September 2011, were as follows:

BRE Bank Group consolidated data

	30.09.2012	30.06.2012	31.12.2011	30.09.2011
1. Contingent liabilities granted and received	**19 184 508**	**18 871 811**	**18 360 547**	**19 244 032**
Commitments granted	**17 997 467**	**17 973 161**	**17 346 021**	**17 822 673**
- financing	14 872 660	15 003 607	14 375 193	14 494 928
- guarantees and other financial facilities	2 759 573	2 969 554	2 967 250	3 327 033
- other commitments	365 234	-	3 578	712
Commitments received	**1 187 041**	**898 650**	**1 014 526**	**1 421 359**
- financial commitments	259 000	426	430	391 347
- guarantees	928 041	898 224	1 014 096	1 030 012
2. Derivative financial instruments (nominal value of contracts)	**652 110 445**	**568 766 245**	**490 688 149**	**462 071 967**
Interest rate derivatives	604 765 232	525 284 015	442 303 961	419 172 055
Currency derivatives	41 788 011	40 772 839	47 130 794	40 502 264
Market risk derivatives	5 557 202	2 709 391	1 253 394	2 397 648
Total off-balance sheet items	**671 294 953**	**587 638 056**	**509 048 696**	**481 315 999**

BRE Bank stand-alone data

	30.09.2012	30.06.2012	31.12.2011	30.09.2011
1. Contingent liabilities granted and received	18 409 820	18 101 055	17 640 794	18 416 189
Commitments granted	17 224 522	17 204 148	16 627 040	16 999 559
- financing	14 065 796	14 196 134	13 586 108	13 612 189
- guarantees and other financial facilities	2 793 726	3 008 014	3 037 588	3 387 370
- other commitments	365 000	-	3 344	-
Commitments received	1 185 298	896 907	1 013 754	1 416 630
- financial commitments received	259 000	426	430	391 347
- guarantees received	926 298	896 481	1 013 324	1 025 283
2. Derivative financial instruments (nominal value of contracts)	652 531 439	568 514 153	490 860 815	462 656 557
Interest rate derivatives	605 308 777	525 566 970	442 533 044	419 141 177
Currency derivatives	41 665 460	40 237 792	47 074 377	41 117 732
Market risk derivatives	5 557 202	2 709 391	1 253 394	2 397 648
Total off-balance sheet items	670 941 259	586 615 208	508 501 609	481 072 746

27. Transactions with related entities

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

All transactions between the Bank and related entities were typical and routine transactions concluded on terms, which not differ from arm's length terms, and their nature, terms and conditions resulted from the current operating activities conducted by the Bank. Transactions concluded with related entities as a part of regular operating activities include loans, deposits and foreign currency transactions.

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

The amounts of transactions with related entities, i.e., balances of receivables and liabilities and related costs and income as at 30 September 2012, 31 December 2011 and 30 September 2011 were as follows:

PLN (000's)	BRE Bank's subsidiaries not consolidated by acquisition method			Commerzbank AG		
As at the end of the period	30.09.2012	31.12.2011	30.09.2011	30.09.2012	31.12.2011	30.09.2011
Statement of Financial Position						
Assets	73 408	74 777	70 798	907 113	1 386 035	1 358 008
Liabilities	20 199	25 853	18 777	21 540 760	26 989 260	28 752 016
Income Statement						
Interest income	2 692	3 181	2 277	63 576	11 123	1 996
Interest expense	(61)	(184)	(64)	(261 545)	(445 009)	(332 533)
Fee and commission income	21	36	30	-	-	-
Other operating inccome	2	-	2	87	137	109
Overhead costs, amortisation and other operating expenses	(87)	-	(195)	(8 943)	(9 764)	(16 444)
Contingent liabilities granted and received						
Liabilities granted	1 022	1 244	1 150	954 852	777 286	771 735
Liabilities received	-	-	-	519 953	707 467	707 669

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

As at 30 September 2012, no exposure under guarantees granted in excess of 10% of the equity occurred in the Group.

29. 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 9 July 2012, BRE Bank received the resignation of Mr. Sascha Klaus, Member of the Supervisory Board, from his function as of 25 July 2012.

On 25 July 2012, the Supervisory Board of BRE Bank appointed Mr. Dirk Wilhelm Schuh as Member of the Supervisory Board of BRE Bank, effective as of 26 July 2012 for the common term of the Supervisory Board.

30. Factors Affecting the Results in the Coming Quarter

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