BRE BANK SA

BRE Bank SA Group

IFRS Consolidated Financial Statements for the fourth quarter of 2007

Contents

Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN '000		in EUR '000	
		Four quarters of 2007 from 2007-01-01 to 2007-12-31	Four quarters of 2006 from 2006-01-01 to 2006-12-31	Four quarters of 2007 from 2007-01-01 to 2007-12-31	Four quarters of 2006 from 2006-01-01 to 2006-12-31
I.	Interest income	2 358 686	1 704 182	624 520	437 071
II.	Fee and commission income	831 584	723 301	220 182	185 505
III.	Net trading income	486 464	400 280	128 803	102 660
IV.	Operating profit	865 087	576 472	229 053	147 847
V.	Profit before income tax	954 545	576 360	252 739	147 819
VI.	Net profit attributable to minority interest	37 523	25 136	9 935	6 447
VII.	Net profit	710 094	421 258	188 015	108 040
VIII.	Cash flows from operating activities	(6 483 598)	(1 667 890)	(1 716 691)	(427 763)
IX.	Cash flows from investing activities	(136 693)	(253 180)	(36 193)	(64 933)
X.	Cash flows from financing activities	5 093 554	2 838 970	1 348 643	728 109
XI.	Net increase / decrease in cash and cash equivalents	(1 526 737)	917 900	(404 241)	235 413
XII.	Total assets	56 006 754	42 330 581	15 635 610	11 048 909
XIII.	Amounts due to the Central Bank	-	-	-	-
XIV.	Amounts due to other banks	12 286 939	7 972 386	3 430 190	2 080 911
XV.	Amounts due to customers	32 426 227	24 669 856	9 052 548	6 439 198
XVI.	Capital and reserves attributable to the Company's equity holders	3 324 511	2 530 766	928 116	660 567
XVII.	Minority interest	116 812	91 433	32 611	23 865
XVIII.	Share capital	118 643	118 064	33 122	30 816
XIX.	Number of shares	29 660 668	29 516 035	29 660 668	29 516 035
XX.	Book value per share (in PLN/EUR per share)	112.08	85.74	31.29	22.38
XXI.	Diluted book value per share (in PLN/EUR per share)	111.97	85.24	31.26	22.25
XXII.	Capital adequacy ratio	10.20	10.39	10.20	10.39
XXIII.	Earnings per 1 ordinary share (in PLN/EUR per share)	21.08	13.12	5.58	3.37
XXIV.	Diluted earnings per 1 ordinary share (in PLN/EUR per share)	21.06	13.05	5.58	3.35
XXV.	Declared or paid dividend per share (in PLN/EUR per share)	-	-	-	-

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

SELECTED FINANCIAL DATA FOR THE BANK		in'000 PLN		in'000 EUR	
		Four quarters of 2007 from 01-01-2007 to 31-12-2007	Four quarters of 2006 from 01-01-2006 to 31-12-2006	Four quarters of 2007 from 01-01-2007 to 31-12-2007	Four quarters of 2006 from 01-01-2006 to 31-12-2006
I.	Interest income	1 860 514	1 334 383	492 617	342 228
II.	Fee and commission income	566 875	415 391	150 094	106 535
III.	Net trading income	472 361	379 957	125 069	97 447
IV.	Operating profit	788 428	406 371	208 756	104 222
V.	Profit before income tax	788 428	406 371	208 756	104 222
VI.	Net profit	637 231	324 194	168 722	83 146
VII.	Cash flows from operating activities	(4 463 531)	(1 939 081)	(1 181 829)	(497 314)
VIII.	Cash flows from investing activities	(12 887)	(268 237)	(3 412)	(68 795)
IX.	Cash flows from financing activities	3 075 534	3 017 780	814 323	773 968
X.	Net increase / decrease in cash and cash equivalents	(1 400 884)	810 462	(370 918)	207 859
XI.	Total assets	48 409 810	36 862 230	13 514 743	9 621 589
XII.	Amounts due to the Central Bank	-	-	-	-
XIII.	Amounts due to other banks	7 972 900	5 186 286	2 225 824	1 353 698
XIV.	Amounts due to customers	32 734 316	25 934 634	9 138 558	6 769 324
XV.	Equity	3 080 133	2 353 073	859 892	614 187
XVI.	Share capital	118 643	118 064	33 122	30 816
XVII.	Number of shares	29 660 668	29 516 035	29 660 668	29 516 035
XVIII.	Book value per share (in PLN/EUR per share)	103.85	79.72	28.99	20.81
XIX.	Diluted book value per share (in PLN/EUR per share)	103.74	79.25	28.96	20.69
XX.	Capital adequacy ratio	10.66	11.07	10.66	11.07
XXI.	Earnings per 1 ordinary share (in PLN/EUR per share)	21.54	11.05	5.70	2.83
XXII.	Diluted earnings per 1 ordinary share (in PLN/EUR per share)	21.52	10.98	5.70	2.82
XXIII.	Declared or paid dividend per share (in PLN/EUR per share)	-	-	-	-

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

- for balance sheet items – an exchange rate announced by the National Bank of Poland as at December 31, 2007 – 1 EUR = 3.582 PLN and an exchange rate announced by the National Bank of Poland as at December 31, 2006 – 1 EUR = 3.8312 PLN.

- for profit and loss account items – an exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of four quarters of 2007 and 2006: 1 EUR = 3.7768 PLN and 1 EUR = 3.8991 PLN respectively.

Introduction

The profit before tax of the BRE Bank Group in 2007 was PLN 954.5 million, compared to PLN 576.4 million in 2006, up by PLN 378.1 million or 66% year on year. Profitability grew both in continued and discontinued operations of the Group. The profit on continued operations was PLN 845.5 million in 2007, compared to PLN 534.5 million generated in 2006; the profit on discontinued operations was PLN 109.0 million in 2007, compared to PLN 41.9 million in 2006. The major contribution to discontinued operations in 2007 was the profit on the sale of SAMH at PLN 89.5 million; in 2006, the profit on discontinued operations included the year's profit of the subsidiaries Skarbiec Asset Management Holding (SAMH) and PTE Skarbiec Emerytura including consolidation adjustments.

The profit before tax on continued operations in Q4 2007 was PLN 198.9 million, compared to PLN 210.2 million in Q3 2007, mainly due to higher overhead costs, although the Group's income grew by 11.4%. In Q4, the positive trend of steady growth in the net interest income continued; the income was PLN 290 million, recording the highest quarter-on-quarter growth in 2007. The net commission income and the trading income were down quarter on quarter due to less favourable conditions on the securities market. In Q4, the other operating income was above average, mainly due to the sales income of the subsidiary BRE locum. The credit and loans impairment provisions in Q4 were PLN 36.1 million, which was stable quarter on quarter. This caused a much higher charge of credit risk costs to the Group in H2 compared to H1 2007. The provisions were largely driven by the Bank's impairment provisions due to a significant growth of the loans portfolio.

The significant growth in operating income combined with a strict cost discipline in 2007 helped to improve the profitability and productivity ratios year on year.

The Group's profit before tax on continued and discontinued operations as a percentage of average annual funds (ROE before tax) was 35.9% at the end of 2007, compared to 26.9% in 2006 (ROE before tax of continued operations was 31.8%, compared to 24.9%, respectively). The Group's cost/income ratio including discontinued operations (CIR measured as overhead costs and amortisation/depreciation to income including net other operating income and cost) was 55.5% at the end of 2007, compared to 63.7% in 2006. The ratio for continued operations only was 58.1% in 2007 and 64.3% in 2006.

The main drivers of the financial results included:

1. Ongoing growth of the loans portfolio and customers' deposits thanks to expansion of retail banking and continued upturn in the corporate loans market, which was decisive to improvement of the balance-sheet structure in terms of the profitability of business. The loans portfolio as a percentage of the balance-sheet total was over 60% at the end of 2007 compared to 54% in 2006. These trends were reflected in the steady growth of income on the regular business observed throughout 2007.
2. Continued positive trends in the financial and fx markets, especially in H1, enabling a high trading income. A decline of conditions on the market of financial instruments in Q4 affected the quarterly result on these transactions.
3. Significant contribution of the subsidiaries to the Group's results. The accounting profit before tax generated by the Group subsidiaries (including both continued and discontinued operations) totalled PLN 268.1 million, compared to PLN 206 million in 2006, even though SAMH was excluded from the Group.
4. Strict cost discipline, both at the Bank and the subsidiaries.
5. Continued high quality of the loans portfolio resulting in relatively low credit and loans impairment provisions charged to the costs of the Group at PLN 76.8 million in 2007.

Macroeconomics in Q4 2007

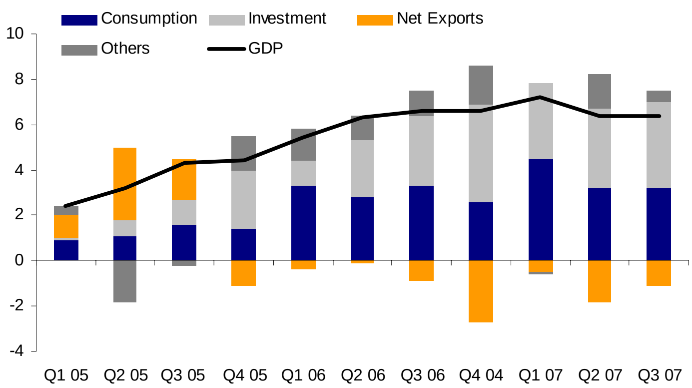
Gross Domestic Product

Macroeconomic data published in Q4 2007 suggest that economic growth remained strong. However, symptoms of growing imbalance became increasingly perceptible; combined with the deteriorating conditions in the external environment, this might weaken the rate of growth of the Polish economy. The GDP growth rate was 6.4% YoY in Q3 2007, the same as in Q2 but much lower than the record-high rate recorded in Q1. It is estimated that GDP growth was close to 6.5% in 2007.

Investments had the largest contribution to GDP growth in Q3, growing by 19.8% YoY. Although the rate was slightly lower than that recorded in the preceding quarter, the contribution of investments to GDP growth rose by 0.3 percentage point (to 3.8 percentage points). The contribution of stocks decreased modestly: in Q3, stocks were growing less fast than investments in fixed assets. Private consumption continued to grow fast (up by 5.2% in Q3) but the growth was slightly lower than suggested by the very high growth of retail sales (up by ca. 15%) and the fast growing household income. The contribution of private consumption to GDP growth was 3.5 percentage points in Q3, stable quarter on quarter.

The growth rate of domestic demand was 7.4% YoY in Q3, which was higher than the GDP growth rate. This means that the situation first observed in Q4 2005 still prevailed as the GDP growth was mainly driven by the fast growing domestic demand rather than net exports. The negative impact of the changing foreign trade balance on GDP growth was estimated at 1.1 percentage points (negative) in Q3. The fast growing domestic demand drove the growth of imports which was 11.4% YoY according to the quarterly national accounts in Q3. Meanwhile, exports grew by only 9.3% YoY; the growth of exports was impeded among others by the strengthening local currency. As a result, the negative foreign trade balance grew to ca. 3% of GDP at the end of Q3.

GDP Growth Rate (% YoY)
and Contribution of Growth Factors (percentage points)



Source: Polish Statistical Office

The negative impact of the foreign trade balance on the current account gap was partly offset by the inflow of current transfers and a surplus of trade in services, but the external imbalance was also driven by the growing deficit in income. The C/A gap was close to 4.0% of GDP at the end of Q3 and probably higher at the end of 2007. In addition to growing inflation and increasing tensions on the labour market, the fast growing C/A gap was a symptom of growing imbalance in the Polish economy.

Labour Market

The high rate of economic growth was accompanied by fast growing employment. The population of employees in the corporate sector was up by 4.9% YoY at the end of December. The growth in employment was corroborated by occupational activity surveys which reported an increase in the population of workers in the national economy by 3.5% YoY in Q3 2007, i.e., up by ca. 530 thousand people. The fast growth in demand for labour, the large-scale economic migration, and negative demographic trends (shrinking population entering the labour market) imply an increasingly acute shortage of qualified employees. According to NBP questionnaire surveys, this was considered one of the main barriers to corporate growth over the past quarters. The fast changing relations between demand and supply on the labour market caused a fast reduction of unemployment. The official unemployment rate was down to 11.2% in November and grew due to seasonal trends to ca. 11.4% at the year's end. According to other sources, the actual unemployment rate was much lower. According to Eurostat estimates, Poland's unemployment rate was down to 8.5% in November, which was not much different than the EU average (6.9%).

The situation on the labour market caused a fast growth in wages. The growth rate of wages in the corporate sector was record-high at 12% in November, partly due to early payment of bonuses in the mining industry. Due to the latter factor, the growth of wages was down to "only" 7.2% YoY in December. The fast growth in wages was also recorded in the national economy (up by 9.7% YoY in Q3).

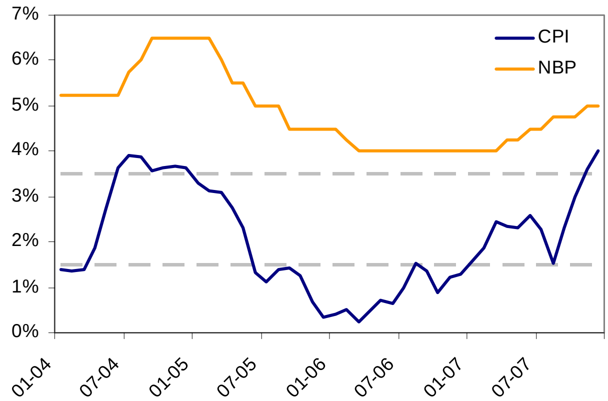
The growth of wages at a rate exceeding the growth in productivity drove unit labour costs (ULC). Wages in the corporate sector were up by 12.5% year on year in December while production was up by 6.2% YoY; as a result, unit labour costs grew by close to 6% YoY. The trend was even more acute in the national economy. Wages grew by 13.8% in Q3, and unit labour costs by ca. 7.0% YoY. The growing ULC drove the inflation pressure and weakened the competitivity of Polish exports.

Official Unemployment Rate (%)
and Growth of Wages in the Corporate Sector (% YoY)

Inflation and NBP Interest Rates

The growth rate of consumer prices increased significantly in Q4. The CPI was 3.6% in November, for the fist time in close to 3 years exceeding the ceiling of the allowed band of deviation from the NBP inflation target. Inflation grew further, reaching 4% in December. This strong growth of the CPI was largely driven by supply shocks which caused a sharp increase in global food and oil prices. The factors driving food prices also include the growing production of biofuels and the changing structure of consumption in China and India due to growing income. The fast economic growth in both countries drives demand for crude oil and other resources. Food prices in Poland grew by 8.2% in 2007 while vehicle fuel prices by as much as 18.1%. The globalisation effect (including mainly the falling prices of clothing, footwear, and electronics) and the appreciation of the zloty continued to reduce the growth of prices, but these factors were insufficient to stop the CPI from rising. Core inflation (excluding food and fuel prices) remained relatively low (1.5% in November, ca. 1.7% in December) but was modestly rising after August and the growth is bound to continue into 2008. The risk of higher core inflation was mainly driven by the high growth in wages.

CPI (% YoY), RPP Inflation Target, NBP Intervention Rate (%)



In response to the mounting threats to price stability, the Monetary Policy Council (RPP) increased interest rates for the fourth time last year in November, bringing the NBP reference rate to 5%. The monetary policy is expected to be further tightened in 2008 by a total of 100 bp according to current market prices. However, the actual scale of a further increase of interest rates will probably depend on how long the recent food and fuel price growth prevails, whether "second round" effects occur, and what the overall GDP growth rate is.

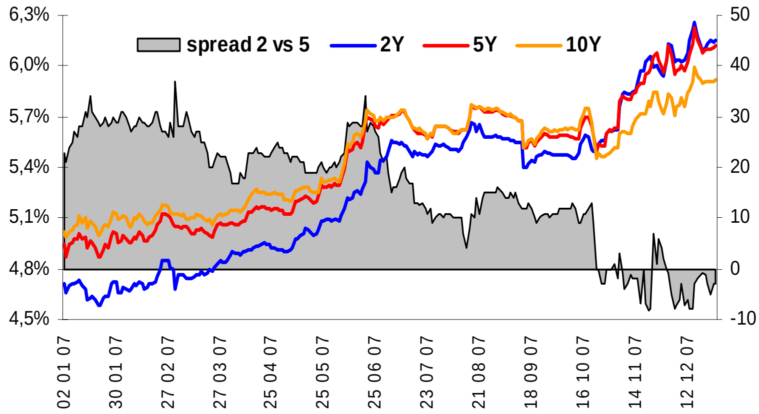
Situation on the Financial Markets

The volatility of the global financial markets triggered by the US subprime mortgage loans crisis continued in Q4 2007. The determined reaction of the US central bank (interest rate cut by 100 bp), the stopped cycle of interest rate hikes in the euroland, and the very active involvement of the ECB and other central banks acting to increase liquidity improved the situation on the interest rate market but a negative sentiment prevailed in the capital market. Price falls on global stock exchanges began with concerns about the situation in the financial sector and deepened with justified fears of a significant decline in the US and euroland economies. The bad sentiment in global markets also affected the Warsaw Stock Exchange. The WIG20 index lost around 12% between the end of October and the year's end, and stock price falls accelerated in the first half of January 2008. The situation in the financial sector remained very tense as demonstrated by increasingly worrying reports of losses incurred by the top global financial institutions as a result of their direct and indirect investment in subprime based instruments.

The volatility of the financial markets and the declining outlook of the US economy caused a further weakening of the US dollar. The US$/EUR exchange rate temporarily approached 1.50 and weakened by close to 3% in Q4. The zloty exchange rate changed differently as the zloty strengthened by close to 7% against the dollar and by over 4% against the euro. The appreciation of the zloty was probably driven by the growing disparity of interest rates and the outcome of the October parliamentary election with speculations over convergence driving demand for Polish debt securities of longer maturities.

The interest rate hikes introduced by the Monetary Policy Council and the strengthening expectations of further tightening of the monetary policy drove a high growth of prices on the Polish money market. WIBOR 1M was by ca. 40 bp and WIBOR 3M by close to 70 bp higher than the NBP intervention rate at the end of Q4. The yields of instruments listed on the interest rate market also grew considerably.

2Y, 5Y, 10Y Security Yields
and 2Y/5Y Spread



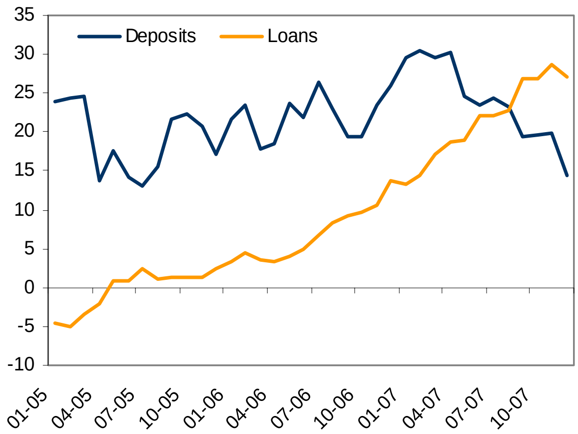
This occurred in particular at the short end of the yield curve as the yields of 2Y bonds grew by close to 90 bp and 5Y bonds by ca. 60 bp in Q4. As a result, the yields at the short end of the curve consolidated: the spread between 2Y and 5Y bonds was below 10 bp. Relatively higher interest in instruments with longer maturities strongly reduced the scale of growth in their yields (only ca. 25 bp for 10Y bonds), which reversed the shape of the yield curve.

Banking Sector

In Q4, the growth rate of bank advances and loans to the non-financial sector and bank amounts due from the sector fell modestly. The lower growth rate of loans (down from 31.0% YoY at the end of Q3 to 29.6% YoY at the end of December) was mainly caused by the lower growth rate of household debt (down from 39.6% YoY to 38.0% YoY) while the growth rate of corporate loans remained stable (slightly over 24% YoY). The growth rate of household loans remained high mainly due to fast growing mortgage loans. In November 2007, mortgage loans grew by 53.3% and their share in total household debt was over 46%. However, the rising interest rates and high real property process will gradually reduce the growth rate of mortgage loans.

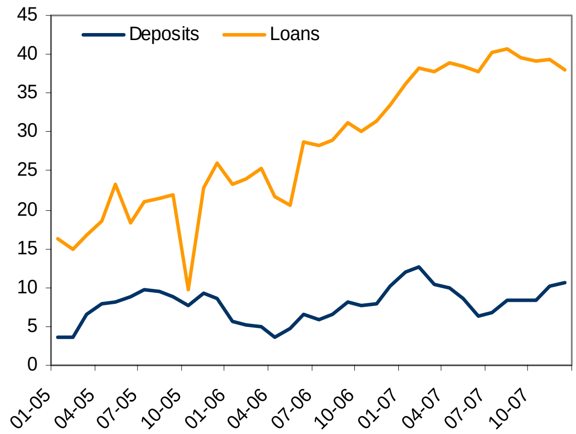
The growth rate of deposits fell at the end of 2007 mainly due to lower growth in corporate deposits (down from 19.4% YoY at the end of Q3 to 14.3% YoY at the end of Q4). This change was probably related to growing demand for funds necessary to complete investments and some deterioration of the terms of access to external financing. The falling growth rate of corporate deposits was partly offset by a higher growth rate of household deposits (up from 8.3% YoY at the end of Q3 to 10.6% YoY at the end of Q4). A sharp increase in the growth rate reported in December was largely driven by the declining situation on the capital market and the resulting withdrawals of cash from investment funds. The overall growth rate of deposits was additionally driven by the high increase in cash placed with social security funds (up by 65.1% in December alone, and up by close to 154% in all of 2007).

Growth Rate (% YoY)
Non-financial Corporate Deposits and Loans



Source: NBP

Growth Rate (% YoY)
Household Deposits and Loans



Source: NBP

Key Drivers of the BRE Bank Group's Performance in Q4 2007

Balance Sheet

The BRE Bank Group's balance sheet total was PLN 56 billion at 31 December 2007, up by 32.3% year on year and up by over 8% quarter on quarter.

Credits and loans grew the fastest in nominal terms, by more than PLN 10.7 bn or 46.3% year on year, well above the average growth in the sector. High growth was reported for both retail loans and corporate loans thanks to the continued upturn in the corporate loans market. The retail loans portfolio grew by over 56.2% year on year while the corporate loans portfolio grew by 36.7%. The growth rate of loans, especially corporate loans, was modestly lower in Q4 2007, but the overall growth in the loans portfolio was relatively high, at close to 7%.

Advances and loans to banks were down, both year on year and quarter on quarter, by 26.4% and 55.3% respectively, but liquid assets (cash with the central bank, advances and loans to banks, securities) remained stable throughout the year, ensuring high safety of the business. However, the structure of liquid assets changed: interbank deposits fell while securities grew. The change occurred at the Bank as a result of management of the balance sheet structure in terms of solvency and the profitability of business. Trading securities were stable year on year at the end of 2007 but grew considerably by over 90% in Q4. The portfolio of investment securities was up by over 100% in 2007 and up by close to 48% quarter on quarter.

Of all sources of funding, amounts due to clients grew the most by value in 2007: they were up by PLN 7.8 billion or 31.4% year on year.

Credit lines, issues of bonds, and subordinated debt were supplementary sources used to finance the growth in assets in 2007. Liabilities to other banks grew by 54.1% year on year in 2007, mainly thanks to obtained credit lines in the Swiss franc used to finance the growing portfolio of housing loans granted mainly in the Swiss franc. Long-term and short-term credit lines obtained in 2007 grew by ca. PLN 3.9 billion.

The share of equity in sources of funding was modestly above 6% of the balance sheet total in 2007.

The capital adequacy ratio was 10.20% at the end of 2007, compared to 10.39% at the end of 2006 and 10.26% at the end of September 2007. The ratio was stable at over 10% despite the significant business expansion mainly due to a significant increase in the BRE Bank Group's equity by the retention of the entire 2006 profit and the H1 2007 net profit under equity, which also allowed for full utilisation of the subordinated loan as supplementary capital. Positive impact was also exerted by a decrease in the goodwill of subsidiaries through the sale of SAMH. As a result, the Group's equity was PLN 4 billion at the end of 2007, compared to PLN 3 billion at the end of 2006, while the capital requirement grew from PLN 2.3 billion to PLN 3.1 billion respectively.

Profit and Loss Account

The BRE Bank Group generated a profit before tax of PLN 954.5 million in 2007, up by 65.6% year on year.

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

The consolidated profit before tax of continued operations grew by 58.2% or over PLN 300 million in 2007 and was PLN 845.6 million thanks to nearly all P&L items.

The net interest income grew significantly, by over 40% year on year. It was PLN 1,027.8 million, compared to PLN 724.2 million in 2006. The higher net interest income was possible thanks to high growth both at the Bank and the subsidiaries. The BRE Bank Group's interest margin (net interest income to average interest-earning assets) was 2.3% in 2007, compared to 2.1% in 2006. The net interest income in 2007 was helped by changes in the balance sheet structure. A more effective balance sheet structure was possible through a higher contribution of Retail Banking to the Bank's assets and liabilities, a growing portfolio of corporate loans, and a better match of the maturity structure of the balance sheet combined with an increase in equity. The growing income from lending and a positive change in the structure of financing enabled a significant growth in the net interest income and growing profitability as measured by the interest margin. The Retail Banking Line made the greatest contribution to the net interest income of the BRE Bank Group (up by close to 50% or PLN 140 million). Meanwhile, the net interest income of Corporates and Financial Markets grew by 36% or PLN 163 million.

The net commission income grew by 35% year on year in 2007 and was PLN 564.2 million, compared to PLN 416.4 million in 2007. The net commission income in 2007 grew year on year both at the Bank and the subsidiaries. The Retail Banking Line reported the highest growth in the net commission income, mainly due to the expansion of its product offer, followed by Corporations and Financial Markets thanks to active investor trading on the Warsaw Stock Exchange, which boosted the income of DI BRE.

Corporations and Financial Markets again made the largest contribution to the net commission income at 64% of the Group's income. Thanks to a high growth by almost 85% year on year, the contribution of the Retail Banking Line to the Group's net commission income grew steadily to 32% at the end of 2007 (up by ca. 10 percentage points).

Trading income at PLN 486.5 million in 2007 grew by 21.7% year on year. Trading and Investments again made the highest contribution to trading income at 40%. Retail Banking (21.4%) and Corporations and Institutions

(38.7%) had a growing share in trading income, mainly thanks to fx margins. The growth in trading income was reported mainly by the Bank whose contribution to the Group's trading income was overwhelming at 97%.

Credit and loans impairment provisions were PLN 76.8 million in 2007, up by 67% year on year, equivalent to a low nominal growth (by PLN 30.8 million) compared to the growth of the loans portfolio (up by ca. PLN 10.7 billion). This was a result of the steady improvement in the quality of the portfolio as well as the repayment of irregular loans at the Bank, especially in H1 2007, and the Bank's efforts aimed at restructuring, sale and write-off of a part of the default portfolio exposures to provisions. Provisions set up in 2007 at the subsidiaries were stable year on year, at PLN 19.8 million, compared to PLN 18.6 million in 2006.

Overhead costs were up by 25.4% or PLN 223.8 million year on year in 2007. The highest growth occurred in payroll costs, up by PLN 145.6 million or 30.6% year on year, mainly due to business expansion necessitating adequate headcount growth as well as created bonus provisions. Maintenance costs grew by 18.5% or PLN 70.3 million year on year. The high growth in maintenance costs was mainly a result of the expanding branch network and the expansion of business operations including mBank's transborder expansion.

It must be stressed that the growth in overhead costs was much lower than the growth in the income of the Group, up by over PLN 540 million or 35.5%; this allowed the Bank and the subsidiaries to set up bonus provisions at a level higher than in 2006. Depreciation and amortisation costs were up by less than 7% in 2007.

Performance of the Business Lines

The results of the BRE Bank Group segments refer to the report covering both continued and discontinued operations under relevant items.

The analysis of segment results was carried out pursuant to the business classification changed in 2007 at the BRE Bank Group and first presented in the Q1 2007 report.

Retail Banking and Private Banking

Financial Results

The Retail Banking and Private Banking Line, which was growing the fastest, reported a profit before tax of PLN 227.5 million in 2007, more than double the profit of 2006. The contribution of the Business Line to the Group's pre-tax profit was up from 20% in 2006 to nearly 24%. Its net interest income (up by 48%), the net commission income (up by 85%) and the trading income (up by 43%) grew faster than the Group average.

The Business Line's contribution to the Group's total net interest and commission income grew from 31.7% in 2006 to 38.3% in 2007.

The significant growth in profit was largely driven by the dynamic growth in the loans portfolio, mainly the portfolio of mortgage loans carrying a low credit risk (Retail Banking mortgage loans portfolio up by 58% or over PLN 4 billion), which boosted a sharp growth in the net interest and commission income offsetting the ongoing credit margin squeeze. The high growth in the net commission income was possible, among others, thanks to new insurance products combined with mortgage loans (bancassurance) offered by the Retail Banking Line as well as income from the sale of investment fund products.

The high growth in the trading income (up by 43%) was driven, among others, by income on the currency conversion of mortgage loans thanks to the advantageous volatility of fx rates.

Thanks to dynamic expansion of the branch network, the Retail Banking Line reported a significant increase in overhead costs, up by approximately 43%, more than the Group's average but much less than the growth rate of the Line's income (up by 56%).

Customers

BRE Bank's Retail Banking Line had 2,038.0 thousand customers at the end of December 2007 (including 1 628.6 thousand at mBank and 409.4 thousand at MultiBank). The number of customers grew by 411.9 thousand year to date (up by 25.3%; 339.1 thousand at mBank, 72.8 thousand at MultiBank). The number of customers grew by 122.1 thousand in Q4 alone (up by 24.7% quarter on quarter).

The Bank had 235.6 thousand microenterprise customers (173.3 thousand at mBank, 62.3 thousand at MultiBank). The number of new microenterprise customers acquired year to date was 50.0 thousand (up by 26.9%; 38.5 thousand at mBank, 11.5 thousand at MultiBank). The number of microenterprise customers grew by 16.8 thousand in Q4 alone (up by 37.7% quarter on quarter).

Accounts

The Retail Banking Line had 2,424.9 thousand accounts at 31 December 2007 (2,172.0 thousand at mBank, 252.9 thousand at MultiBank). The number of accounts grew by 510.9 thousand year to date (up by 26.7%; 468.9

thousand at mBank, 42.0 thousand at MultiBank). The number of accounts grew by 153.7 thousand in Q4 alone (up by 29.7% quarter on quarter).

There were 283.2 thousand microenterprise accounts (221.1 thousand at mBank, 62.1 thousand at MultiBank), up by 61.1 thousand year to date (up by 27.5%; 49.9 thousand at mBank, 11.2 thousand at MultiBank). The number of microenterprise accounts grew by 20.2 thousand in Q4 alone.

Deposits

The retail deposits were PLN 10.363.2 million at the end of 2007 (PLN 7,630.1 million at mBank, PLN 2,733.1 million at MultiBank).

The balance-sheet deposits grew by PLN 3,302.1 million year to date (up by 46.8%; PLN 2,323.3 million at mBank, PLN 978.8 million at MultiBank). The deposits grew by PLN 1,318.7 million in Q4 alone.

According to statistics at the end of November, the market share of the BRE Bank Retail Banking Line deposits was 3.9%.

Investment Funds

Investment fund assets of BRE Bank retail customers were PLN 2,434.4 million at the end of December 2007 (PLN 1,856.1 million at mBank, PLN 578.3 million at MultiBank).

Investment fund assets grew by PLN 846.6 million in January-December 2007 (up by 53.3%; PLN 640.9 million at mBank, PLN 205.7 million at MultiBank). The assets fell by PLN 284.5 million in Q4.

The market share of the BRE Bank Retail Banking Line's investment funds was 1.8% at the end of November 2007.

Loans

Balance-sheet loans were PLN 13,137.3 million at the end of December 2007 (PLN 5,398.8 million at mBank, PLN 7,738.5 million at MultiBank). Loans were up by PLN 4,904.8 million year to date (up by 59.6%; PLN 2,353.8 million at mBank, PLN 2,551.0 million at MultiBank). Balance-sheet loans were up by PLN 963.4 million in Q4.

The BRE Bank Retail Banking Line's market share in retail loans was 5.2% at the end of November 2007.

All microenterprise loans were PLN 1,147.6 million at the end of December 2007 (PLN 143.5 million at mBank, PLN 1,004.1 million at MultiBank), of which 36.7% were mortgage loans (17.7% at mBank, 39.5% at MultiBank).

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

- mBank: 84.1% mortgage loans, 5.1% credit lines, 4.3% credit cards, 6.6% other;

- MultiBank: 84.8% mortgage loans, 5.8% credit lines, 1.5% credit cards, 7.8% other.

The balance-sheet mortgage loans were PLN 11,101.1 million at the end of December (PLN 4,540.8 million at mBank, PLN 6,560.3 million at MultiBank), including mortgage loans to retail customers at PLN 10,679.4 million (PLN 4,515.3 million at mBank, PLN 6,164.1 million at MultiBank). The balance-sheet mortgage loans were up by PLN 4,063.9 million in January-December 2007 (up by 57.7%; PLN 1,915.3 million at mBank, PLN 2,148.6 million at MultiBank). The balance-sheet mortgage loans were up by PLN 748.2 million in Q4.

Mortgage Loans to Retail Customers	Total	PLN	FX
Balance-sheet value (PLN B)	10.7	2.2	8.5
Average maturity (years)	23.3	21.4	23.7
Average value (PLN K)	176.7	204.3	173.0
Average LTV (%)	62.86%	58.38%	63.70%
NPL (%)	0.4%	1.3%	0.2%

As at 31.12.2007

Cards

The number of credit cards issued by the end of December 2007 was 250.7 thousand (162.1 thousand at mBank, 88.6 thousand at MultiBank). The number of credit cards grew by 99.0 thousand year to date (up by 65.3%; 70.8 thousand at mBank, 28.2 thousand at MultiBank). The number of credit cards grew by 30.5 thousand in Q4.

The number of debit cards issued by the end of December 2007 was 1,454.7 thousand (1,110.0 thousand at mBank, 344.7 thousand at MultiBank). The number of debit cards grew by 408.5 thousand year to date (up by 39.0%; 327.7 thousand at mBank, 80.8 thousand at MultiBank). The number of debit cards grew by 131.3 thousand in Q4.

According to data at the end of November 2007, the market share of the BRE Bank Retail Banking Line in credit cards was 3.8% by the amount of credit under cards.

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

Expansion of the Distribution Network:

mBank
mBank's network had 103 locations (61 mKiosks, 15 Financial Centres, 27 Partner mKiosks) in Poland. Outside Poland, mBank had 3 Financial Centers and 1 mKiosk in Czech Republic and 2 Financial Centers and 7 mKiosks in Slovakia.

MultiBank
MultiBank had 109 outlets (65 Financial Services Centres, 44 Partner Outlets including 26 Branches of the Future, both Financial Services Centres and Partner Outlets).

Corporations and Financial Markets

Financial Results

The business segment which covers lending and investment banking products sold to corporate customers generated a profit before tax of PLN 576.7 million in 2007. The segment made the largest contribution to the Group's profit at 60%. Nearly all profit components improved year on year but the core business grew the most. The profit was up by PLN 128.8 million or 28.8% year on year. This was helped by ongoing positive sales trends, the retained high quality of the loans portfolio, and improving productivity.
Both assets (Corporations and Financial Markets assets up by 23% from PLN 35.4 billion to PLN 43.6 billion) and liabilities (up by 24.4% from PLN 33.3 billion to PLN 41.5 billion) grew significantly in 2007. The dynamic growth of business was mainly reflected in the very high net interest income (PLN 620.9 million) and net commission income (PLN 375.2 million). The ongoing positive trends in financial and fx markets enabled an equally high trading income (PLN 382.7 million) including fx transactions and profit on fx financial instruments. The high income was driven, among others, by customers' active trading on the fx market and an effective hedging strategy pursued by BRE Bank.

The contribution of Corporations and Financial Markets subsidiaries to the Line's profit remained high (including the cost of financing and consolidation adjustments) at over 29%. The largest contributions came from DI BRE, BRE Leasing Sp. z o.o., BRE Bank Hipoteczny S.A., and Intermarket Bank AG.

The Corporations and Financial Markets segment includes sub-segments: Corporate Customers and Institutions which covers the key area of customer relations, and Trading and Investments, the area of liquidity and risk management.

Corporate Customers and Institutions

Financial Results

The profit before tax at PLN 444.8 million generated in 2007 was up by approximately 36.6% or PLN 119.1 million year on year, mainly thanks to a higher income on the core business. Particularly high year-on-year growth was reported for the net interest income (up by ca. PLN 124 million) due to strong growth in lending and deposits. In addition, the growth in costs was relatively low, helping the productivity of business.

The contribution of Corporate Customers and Institutions to the profit before tax of Corporations and Financial Markets remained high at 77% as a result of a growing share of regular customer transactions in the Group's results.

Corporate Customers

The Bank's very active customer acquisition produced positive results in 2007. BRE Bank acquired 2,495 new corporate customers year to date, of which 73% were K3 customers and 22% were K2 customers. The number of corporate customers totalled 12,285 companies at the end of 2007, including an actual growth in the number of net customers by 1,159 customers (calculation of increase comparable to 2006), as well as the closing of inactive customer accounts (316) in a one-off initiative of customer base verification.

Corporate Banking Line Customers

	31.12.2006	*31.12.2007*	*Change*	*31.12.2007***
*K1**	969	996	27	996
*K2**	3 470	3 761	291	3 658
*K3**	7 003	7 844	841	7 631
Total	11 442	12 601	1 159	12 285

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

Corporate Customers Deposits

BRE Bank's corporate customers' deposits (including deposits of enterprises) were PLN 19.7 billion at the end of December 2007, up by close to PLN 3.5 billion year on year. Deposits of enterprises were PLN 13.3 billion at the end of December, up by 23.5% year on year. The market share of BRE Bank's corporate deposits was 9.3%, compared to 8.6% in December 2006.

Corporate Customers Loans

BRE Bank's loans granted to corporate customers (including enterprises) were PLN 12.7 billion at the end of December 2007, up by PLN 3.5 billion year on year. Loans to enterprises were PLN 11.5 billion, up by close to 37% year on year. The market share of BRE Bank's loans granted to enterprises was 6.5% at the end of September 2007, compared to 5.9% at the end of 2006.

Strategic Product Lines

Cash Management

Ongoing expansion of the cash management offer supports long-term customer relationships and helps to grow the volume of transactions involving the identification of payments (direct debits, identification of mass payments, identification of trade payments). The number of *direct debits* processed in 2007 was 1,791 thousand, up by 28% year on year. The number of *identifications of mass payments* processed in 2007 was nearly 92 million, stable year on year. The number of *identifications of trade payments* grew the most. In January-December 2007, there were nearly 4.3 million transactions, up by 72% year on year.

Banking Products with EU Financing

BRE Bank's growing position in financing investments supported by EU funding helped to grow the volume of sold banking products with EU financing (commitments, loans, guarantees). The sales of products including EU co-financing in 2007 were up by more than 68.3% year on year and the commission income almost doubled year on year. The Bank was the second largest provided of loans to finance investments involving EU funds (operating under the name "Growing Competitiveness of Companies" of the Sectoral Operational Programme) by volume and by value. BRE Bank's market share was over 15%.

Trade Finance
New iBRE system functionalities were implemented according to the plan in 2007 comprising trade finance service support tools. These include submission of customer orders and exchange of information concerning documentary import letters of credit, advising opened documentary letters of credit to customers, and full documentary collection service.

Financial Instruments

The profit on the sales of financial instruments to corporate customers was over PLN 162 million in January-December 2007, up by 21.8% year on year.

Corporate Branch Network Expansion

In 2007, BRE Bank continued to optimise and rearrange the corporate branch network in order to develop new branch functions and to launch business offices as sales units of the existing branch network. By the end of 2007, 4 Corporate Offices were operational in Koszalin, Toruń, Słupsk, and Piła. In January 2008, another 2 Corporate Offices in Płock and Radom started operation. By the end of H1 2008, another 14-17 offices will open. The refurbishment of 4 Corporate Offices (Wrocław, Kalisz, Olsztyn, Łódź) was completed.

Subsidiaries

<u>BRE Leasing</u>

Leasing contracts executed by BRE Leasing in 2007 totalled almost PLN 2.8 billion (up by 30% year on year). BRE Leasing generated a pre-tax profit of PLN 49.9 million in 2007, up by over 68% year on year.

<u>Factoring – The Intermarket Group</u>

The sales of the Intermarket Group companies totalled EUR 5.7 billion year to date by the end of December 2007, up by 14% year on year. The pre-tax profit of the companies was PLN 51.9 million. The Polish company Polfactor's sales were PLN 3.4 billion, up by 15% year on year. Its pre-tax profit was PLN 12.6 million in Q1-4 2007, up by 9.0% year on year.

<u>DI BRE Banku</u>

DI BRE's share in the options market was over 24.9%. The company ranked second among the most active brokers on the futures market in Q4 2007 with a share of 11.7% in trading. DI BRE retained its high share in stocks trading. In 2007, DI BRE closed 6.64% of all transactions on the stock market, compared to 6.11% in 2006. The company completed a record-high number of 12 IPOs in 2007 totalling over PLN 1.7 billion. Its profit before tax was PLN 53.9 million in 2007 (up by 100% year on year, compared to PLN 26.9 million in 2006).

Forbes gave DI BRE the first position in a ranking of brokerage houses providing top quality service. AQ Research gave the DI BRE Research Team the second position in a ranking of the top CEE teams. Institutional clients (fund managers) gave the DI BRE Research Team the second position in a ranking of the top research teams in 2007.

<u>BRE Corporate Finance</u>

In 2007, the company reported growing interest of large and medium-sized private companies in its services. BRE Corporate Finance SA closed many transactions in its two main core business areas: M&A advisory (8) and public market transactions (11).

Of 5 IPOs completed by the company in 2007, 2 took place in Q4: the IPO of Seco Warwick (offered shares worth PLN 99.3 million) and Nepentes (offered shares worth PLN 75.6 million).

It should be stressed that the company successfully completed 2 projects involving the raising of EU funding for customers in Q4. In addition, the company participated in several long-term M&A projects in Q4; these should be completed in 2008.

The company's sales were PLN 12 million in 2007 (compared to PLN 8.7 million in 2006) and its profit before tax was PLN 2 million (compared to PLN 194 thousand in 2006).

<u>BRE Bank Hipoteczny (BBH)</u>

BBH's loans portfolio was PLN 4.16 billion at the end of December 2007, up by 31.6% year on year. BBH's profit before tax was PLN 42.42 million (compared to PLN 40.24 million in 2006). The bank issued PLN 640 million of mortgage bonds.

In 2007, BBH outperformed is financial targets, mainly due to the improved quality of the loans portfolio and a faster rotation of loans in the assets portfolio. The bank completed the first issued of public mortgage bonds in Poland and issued PLN 470 million of public bonds. The bank reported record-high performance in 2007 in terms of its profit, growth in its loans portfolio, and issues of mortgage bonds.

Trading and Investments

Financial Results

The area's profit before tax at PLN 131.9 million generated in 2007 was up by 7.9% or ca. PLN 10 million year on year.

The structure of the segment's income changed considerably. The net interest income was PLN 64 million in 2007, up by a factor of 2.5 year on year. The trading income was growing less fast (up by 14%) although the nominal growth was considerable at PLN 24 million. The Line's dividend income and profit on investment securities were down year on year due to the lack of capital transactions in the proprietary portfolio which would impact the results, and other operating income was down due to one-off income earned last year.

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

Market Position

BRE Bank had the first position in the market of short-term bank debt securities and the second position in the market of short-term commercial papers, with a share of 27.55% and 17.86% respectively, and the third position in mid-term corporate debt (share of 18.18%). In addition, BRE Bank again ranked first in the Finance Ministry ranking of Treasury securities dealers (2007 ranking).

Thanks to its active presence on the financial markets, the Bank had a share of ca. 19.9% in the market of interest rate derivative instruments and ca. 18.4% in the trading in Treasury bills and bonds. Its share in fx transactions (spot and forward) was 5.7% while its share in WIG20 index options was 16% (as at the end of November 2007).

Proprietary Investments Portfolio

At the end of 2007, the proprietary investments portfolio - totalled PLN 434 million at cost. The portfolio at cost was up by PLN 156.1 million quarter on quarter following the Bank's acquisition of corporate bonds of ABC Data

Holding SA (warrant bonds), Internet Group SA (warrant bonds), Marvipol SA (convertible bonds), JM Holdings S.a.r.l. (convertible bonds).

These are bonds with maturities ranging from 1 to 5 years with an option of early redemption through refinancing in the capital market.

Asset Management

Financial Results

In the presentation of the consolidated profit and loss account, this business is shown as discontinued operations at the pre-tax profit level and includes the profit on the sale of the subsidiary SAMH and the profit of the subsidiary PTE held for sale. In segment reporting, this business is shown under individual P&L items including intra-Group transactions.

According to the internal reporting format, the segment reported a pre-tax profit of PLN 91.3 million in 2007, compared to PLN 24.4 million in 2006. The growth in the operating profit of the business segment was mainly owed to the sale of SAMH. The Bank sold SAMH to Polish Enterprise Fund V at a pre-tax profit of PLN 89.5 million on 8 January 2007.

Quality of the Loans Portfolio

The Bank applies the provisions of the International Financial Reporting Standards (IFRS). The credit risk portfolio is stated under the provisions of IAS 39 and IAS 37.

The default ratio for the risk portfolio under IAS 39 and IAS 37 was 1.5% at the end of 2007, compared to 2.8% at the end of 2006, and 2.2% at the end of H1 2007.

The default ratio for the balance-sheet credit risk portfolio (credit receivables less interest) was 2.2% at the end of 2007 (down from 4.4% at the end of 2006 and 3.4% at the end of H1 2007).

The quality of the balance-sheet credit risk portfolio under the Polish Accounting Standards (rating of loans under the Regulation of the Finance Minister dated 10 December 2003) within the year 2007 also improved. At the end of 2007 irregular loans were 3.6% of the balance-sheet credit risk portfolio, compared to 5.5% at the end of 2006 and 8.5% at the end of 2005. The ratio for the entire credit risk portfolio was 2.7% at the end of 2007, 4.0% at the end of 2006, and 5.4% at the end of 2005.

The growth of the credit risk portfolio and the improvement of its quality as measured by the share of the default portfolio continued after 2006 into 2007.

The main factor of improvement in the quality of the credit risk portfolio was significant growth in the loans portfolio and the sale and write-off to provisions of a part of the default loans portfolio. In addition, the financial standing of companies financed by the Bank improved considerably, restructuring was enforced, and default loans were repaid. This helped to reduce the nominal default portfolio although new exposures were rated as default.

The ratio of provisions to default credit exposure remained stable in 2007: it was 73.2% at the end of 2006 and 73.3% at the end of 2007 for the whole credit risk portfolio. The ratio for the balance-sheet portfolio was down from 78.2% to 75.9%. The main reason was the write-off to provisions of a part of the default loans portfolio.

As the credit risk portfolio grew, the impairment provision (IBNR) for the non-default portfolio grew and was PLN 152 million at the end of 2007, compared to PLN 112 million at the end of 2006.

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

Consolidated Income Statement

	Note	4th Quarter (current year) from 01.10.2007 to 31.12.2007	4 Quarters cumulative (current year) from 01.01.2007 to 31.12.2007	4th Quarter (previous year) from 01.10.2006 to 31.12.2006	4 Quarters cumulative (previous year) from 01.01.2006 to 31.12.2006
Continued operations					
Interest income		686 264	2 355 279	471 072	1 700 551
Interest expense		(395 181)	(1 327 496)	(272 295)	(976 373)
Net interest income	5	**291 083**	**1 027 783**	**198 777**	**724 178**
Fee and commission income		207 533	785 237	176 856	582 771
Fee and commission expense		(71 812)	(221 024)	(49 144)	(166 361)
Net fee and commission income	6	**135 721**	**564 213**	**127 712**	**416 410**
Dividend income	7	90	2 327	1 103	16 865
Net trading income, including:	8	108 388	486 468	112 924	399 585
Foreign exchange result		*111 385*	*434 956*	*97 484*	*354 140*
Other trading income		*(2 997)*	*51 512*	*15 440*	*45 445*
Gains less losses from investment securities	9	(78)	3 834	10 824	22 522
Other operating income	10	136 843	249 220	39 420	229 039
Impairment losses on loans and advances	11	(36 153)	(76 811)	(5 761)	(45 961)
Overhead costs	12	(329 182)	(1 103 303)	(243 869)	(879 492)
Amortization and depreciation		(41 430)	(176 324)	(43 198)	(164 885)
Other operating expenses	13	(66 362)	(131 852)	(37 122)	(183 668)
Operating profit		**198 920**	**845 555**	**160 810**	**534 593**
Share of profit of associates		-	-	-	(112)
Profit before income tax from continued operations		**198 920**	**845 555**	**160 810**	**534 481**
Income tax expense		(47 052)	(184 578)	(49 950)	(124 232)
Net profit from continued operations including minority interest		**151 868**	**660 977**	**110 860**	**410 249**
Discontinued operations	19				
Profit before income tax from discontinued operations		**5 792**	**108 990**	**12 182**	**41 879**
Income tax expense		(1 117)	(22 350)	(1 369)	(5 734)
Net profit from discontinued operations including minority interest		**4 675**	**86 640**	**10 813**	**36 145**
Net profit from continued and discontinued operations including minority interest, of which:		**156 543**	**747 617**	**121 673**	**446 394**
Net profit attributable to minority interest		14 565	37 523	6 461	25 136
Net profit		**141 978**	**710 094**	**115 212**	**421 258**
Net profit from continued operations attributable to the Bank's equity holders			**623 454**		**385 113**
Weighted average number of ordinary shares	14		**29 578 675**		**29 344 158**
Earnings per 1 ordinary share (in PLN per share)	14		**21.08**		**13.12**
Weighted average number of ordinary shares for diluted earnings	14		**29 608 139**		**29 518 255**
Diluted earnings per 1 ordinary share (in PLN per share)	14		**21.06**		**13.05**

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

Consolidated Balance Sheet

	Note	31.12.2007	31.12.2006
ASSETS			
Cash and balances with the Central Bank		2 003 535	3 716 607
Debt securities eligible for rediscounting at the Central Bank		19 195	26 725
Loans and advances to banks		2 094 000	2 844 124
Trading securities	15	3 403 174	3 516 149
Derivative financial instruments		2 272 638	1 413 065
Loans and advances to customers	16	33 706 693	23 044 694
Investment securities	17	6 386 561	3 055 516
- Available for sale		6 386 561	3 055 516
Non-current assets held for sale	19	336 078	385 194
Pledged assets	15, 17	3 708 158	2 702 180
Investments in associates		4 836	5 356
Intangible assets		404 967	381 111
Tangible fixed assets		670 172	580 108
Deferred income tax assets		116 291	65 112
Other assets		880 456	594 640
Total assets		**56 006 754**	**42 330 581**
EQUITY AND LIABILITIES			
Amounts due to other banks		12 286 939	7 972 386
Derivative financial instruments and other trading liabilities		2 164 214	1 253 900
Amounts due to customers	18	32 426 227	24 669 856
Debt securities in issue		2 928 414	3 389 559
Subordinated liabilities		1 661 785	1 547 354
Other liabilities		879 604	759 799
Current income tax liabilities		134 234	20 047
Deferred income tax liabilities		455	312
Provisions		71 016	70 168
Liabilities held for sale	19	12 543	25 001
Total liabilities		**52 565 431**	**39 708 382**
Equity			
Capital and reserves attributable to the Bank's equity holders		**3 324 511**	**2 530 766**
Share capital:		**1 517 432**	**1 496 946**
- Registered share capital		118 643	118 064
- Share premium		1 398 789	1 378 882
Other reserves		**74 204**	**5 110**
Retained earnings:		**1 732 875**	**1 028 710**
- Profit from the previous years		1 022 781	607 452
- Profit for the current year		710 094	421 258
Minority interest		**116 812**	**91 433**
Total equity		**3 441 323**	**2 622 199**
Total equity and liabilities		**56 006 754**	**42 330 581**
Capital adequacy ratio		**10.20**	**10.39**
Book value		**3 324 511**	**2 530 766**
Number of shares		**29 660 668**	**29 516 035**
Book value per share (in PLN)		**112.08**	**85.74**
Diluted number of shares		**29 690 132**	**29 690 132**
Diluted book value per share (in PLN)		**111.97**	**85.24**

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

Consolidated Statements of Changes in Equity

Changes in consolidated equity from 1 January 2007 to 31 December 2007

	Share capital			Retained earnings						
	Registered share capital	Share premium	Other reserves	Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	Minority interest	Total equity
Equity as at 1 January 2007	**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**440 360**	**-**	**91 433**	**2 622 199**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2007	**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**440 360**	**-**	**91 433**	**2 622 199**
Net change in investments available for sale, net of tax	-	-	75 403	-	-	-	-	-	-	75 403
a) increase	-	-	*75 403*	-	-	-	-	-	-	*75 403*
Currency translation differences	-	-	(6 309)	-	-	-	-	-	(3 366)	(9 675)
Net profit/(loss) not recognised in the income statement	**-**	**-**	**69 094**	**-**	**-**	**-**	**-**	**-**	**(3 366)**	**65 728**
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**710 094**	**37 523**	**747 617**
Total profit recognised in the current year	**-**	**-**	**69 094**	**-**	**-**	**-**	**-**	**710 094**	**34 157**	**813 345**
Dividends paid	-	-	-	-	-	-	-	-	(6 360)	(6 360)
Transfer to reserve capital	-	-	-	-	7 318	1 110	(8 428)	-	-	-
Transfer to supplementary capital	-	-	-	312 811	-	-	(312 811)	-	-	-
Issue of shares	579	13 330	-	-	-	-	-	-	-	13 909
Additional shareholder payments	-	-	-	-	-	-	-	-	(2 418)	(2 418)
Stock option program for employees	-	6 577	-	-	(5 929)	-	-	-	-	648
- value of services provided by the employees	-	-	-	-	*648*	-	-	-	-	*648*
- settlement of exercised options	-	*6 577*	-	-	*(6 577)*	-	-	-	-	-
Equity as at 31 December 2007	**118 643**	**1 398 789**	**74 204**	**322 262**	**22 288**	**559 110**	**119 121**	**710 094**	**116 812**	**3 441 323**

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

Changes in consolidated equity from 1 January 2006 to 31 December 2006

	Share capital		Other reserves	Retained earnings					Minority interest	Total equity
	Registered share capital	Share premium		Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year		
Equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**60 675**	**-**	**73 231**	**2 108 470**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**60 675**	**-**	**73 231**	**2 108 470**
Net change in investments available for sale, net of tax	-	-	7 162	-	-	-	-	-	-	7 162
Net change in cash flow hedges, net of tax	-	-	321	-	-	-	-	-	320	641
a) increase	-	-	321	-	-	-	-	-	320	641
Currency translation differences	-	-	602	-	-	-	-	-	231	833
Net profit not recognised in the income statement	**-**	**-**	**8 085**	**-**	**-**	**-**	**-**	**-**	**551**	**8 636**
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**421 258**	**25 136**	**446 394**
Total profit recognised in the current year	**-**	**-**	**8 085**	**-**	**-**	**-**	**-**	**421 258**	**25 687**	**455 030**
Dividends paid	-	-	-	-	-	-	-	-	(5 965)	(5 965)
Transfer to reserve capital	-	-	-	-	31 362	-	(31 362)	-	-	-
Transfer to supplementary capital	-	-	-	9 295	-	-	(9 295)	-		-
Issue of shares	2 128	63 231	-	-	-	-	-	-	-	65 359
Additional shareholder payments	-	-	-	-	-	-	-	-	(1 494)	(1 494)
Change in the scope of consolidation	-	-	-	-	-	-	(918)	-	-	(918)
Other changes	-	(160)	-	156	(467)	-	2	-	(26)	(495)
Stock option program for employees	-	7 904	-	-	(5 692)	-	-	-	-	2 212
- value of services provided by the employees	-	-	-	-	2 212	-	-	-	-	2 212
- settlement of exercised options	-	7 904	-	-	(7 904)	-	-	-	-	-
Equity as at 31 December 2006	**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**19 102**	**421 258**	**91 433**	**2 622 199**

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

Consolidated Cash Flow Statement

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
A. Cash flow from operating activities	**(6 483 598)**	**(1 667 890)**
Profit before income tax	**954 545**	**576 360**
Adjustments:	***(7 438 143)***	***(2 244 250)***
Income taxes paid (negative amount)	(118 959)	(26 598)
Amortisation	176 772	166 603
Foreign exchange gains (losses)	(180 467)	(10 759)
Gains (losses) on investing activities	(88 832)	(225)
Impairment of financial assets	63	1 308
Dividends received	(2 329)	(15 823)
Interest paid	1 160 193	975 650
Change in loans and advances to banks	(274 382)	313 622
Change in trading securities	337 641	556 515
Change in derivative financial instruments	(859 573)	(151 808)
Change in loans and advances to customers	(10 661 999)	(5 730 716)
Change in investment securities	(3 344 788)	(1 900 236)
Change in other assets	(259 834)	(23 289)
Change in amounts due to other banks	(171 403)	(33 971)
Change in financial instruments and other trading liabilities	910 314	(17 190)
Change in amounts due to customers	7 016 384	3 383 950
Change in debt securities in issue	(1 182 611)	85 058
Change in provisions	2 732	(22 147)
Change in other liabilities	102 935	205 806
Net cash from operating activities	**(6 483 598)**	**(1 667 890)**
B.Cash flows from investing activities	**(136 693)**	**(253 180)**
Investing activity inflows	**182 834**	**86 234**
Disposal of shares in associates	-	10 944
Disposal of shares in subsidiaries, net of cash disposed	174 943	36 078
Proceeds from sale of intangible assets and tangible fixed assets	5 562	18 374
Other investing inflows	2 329	20 838
Investing activity outflows	**319 527**	**339 414**
Acquisition of associates	-	3 831
Acquisition of subsidiaries, net of cash acquired	26 453	101 522
Purchase of intangible assets and tangible fixed assets	285 458	135 351
Other investing outflows	7 616	98 710
Net cash used in investing activities	**(136 693)**	**(253 180)**
C. Cash flows from financing activities	**5 093 554**	**2 838 970**
Financing activity inflows	**13 625 000**	**11 933 333**
Proceeds from loans and advances from other banks	6 153 223	5 168 706
Proceeds from other loans and advances	250	30 508
Issue of debt securities	6 227 566	6 478 600
Increase of subordinated liabilities	1 230 052	190 160
Issue of ordinary shares	13 909	65 359
Financing activity outflows	**8 531 446**	**9 094 363**
Repayments of loans and advances from other banks	1 652 481	1 742 666
Repayments of other loans and advances	18 849	71 585
Redemption of debt securities	5 506 100	7 005 337
Decrease of subordinated liabilities	967 075	-
Dividends and other payments to shareholders	10 088	6 728
Other financing outflows	376 853	268 047
Net cash from financing activities	**5 093 554**	**2 838 970**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(1 526 737)**	**917 900**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	(920)	1 526
Cash and cash equivalents at the beginning of the reporting period	9 082 846	8 163 420
Cash and cash equivalents at the end of the reporting period	**7 555 189**	**9 082 846**

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

BRE Bank SA Stand Alone Financial Statements

1. Income Statement

	4th Quarter (current year) from 01.10.2007 to 31.12.2007	4 Quarters cumulative (current year) from 01.01.2007 to 31.12.2007	4th Quarter (previous year) from 01.10.2006 to 31.12.2006	4 Quarters cumulative (previous year) from 01.01.2006 to 31.12.2006
Interest income	543 246	1 860 514	369 540	1 334 383
Interest expense	(317 844)	(1 073 212)	(215 814)	(795 011)
Net interest income	**225 402**	**787 302**	**153 726**	**539 372**
Fee and commission income	151 455	566 875	127 797	415 391
Fee and commission expense	(58 559)	(182 770)	(40 779)	(135 774)
Net fee and commission income	**92 896**	**384 105**	**87 018**	**279 617**
Dividend income	90	37 726	1 103	36 797
Net trading income	105 547	472 361	105 063	379 957
Foreign exchange result	*109 450*	*427 530*	*95 932*	*343 265*
Other trading income	*(3 903)*	*44 831*	*9 131*	*36 692*
Gains less losses from investment securities	(500)	132 038	29 231	40 115
Other operating income	26 758	59 266	11 686	63 244
Impairment losses on loans and advances	(28 777)	(58 223)	(537)	(26 149)
Overhead costs	(265 061)	(867 905)	(191 422)	(697 527)
Amortization and depreciation	(31 413)	(138 951)	(35 569)	(135 779)
Other operating expenses	(8 222)	(19 291)	(19 024)	(73 276)
Operating profit	**116 720**	**788 428**	**141 275**	**406 371**
Profit before income tax	**116 720**	**788 428**	**141 275**	**406 371**
Income tax expense	(29 141)	(151 197)	(38 354)	(82 177)
Net profit	**87 579**	**637 231**	**102 921**	**324 194**

Net profit		**637 231**		**324 194**
Weighted average number of ordinary shares		**29 578 675**		**29 344 158**
Earnings per 1 ordinary share (in PLN per share)		**21.54**		**11.05**
Weighted average number of ordinary shares for diluted earnings		**29 608 139**		**29 518 255**
Diluted earnings per 1 ordinary share (in PLN per share)		**21.52**		**10.98**

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

2. Balance Sheet

as at	31.12.2007	31.12.2006
ASSETS		
Cash and balances with the Central Bank	1 998 380	3 710 737
Debt securities eligible for rediscounting at the Central Bank	23 259	26 725
Loans and advances to banks	2 166 310	3 003 226
Trading securities	3 721 311	3 519 954
Derivative financial instruments	2 263 845	1 411 030
Loans and advances to customers	26 378 887	17 689 756
Investment securities	6 226 318	2 957 221
- Available for sale	6 226 318	2 957 221
Non-current assets held for sale	335 819	361 855
Pledged assets	3 707 359	2 701 491
Investments in subsidiaries	449 098	433 343
Intangible assets	379 504	356 136
Tangible fixed assets	532 175	470 926
Deferred income tax assets	2 824	9 720
Other assets	224 721	210 110
Total assets	**48 409 810**	**36 862 230**
EQUITY AND LIABILITIES		
Amounts due to other banks	7 972 900	5 186 286
Derivative financial instruments and other trading liabilities	2 181 420	1 267 825
Amounts due to customers	32 734 316	25 934 634
Debt securities in issue	36 810	36 215
Subordinated liabilities	1 661 785	1 547 354
Other liabilities	552 894	457 926
Current income tax liabilities	120 659	11 543
Provisions for deferred income tax	62	-
Provisions	68 831	67 374
Total liabilities	**45 329 677**	**34 509 157**
Equity		
Share capital	**1 517 432**	**1 496 946**
- Registered share capital	118 643	118 064
- Share premium	1 398 789	1 378 882
Other capital and reserves	**79 231**	**3 959**
Retained earnings:	**1 483 470**	**852 168**
- Profit for the previous year	846 239	527 974
- Net profit for the current year	637 231	324 194
Total equity	**3 080 133**	**2 353 073**
Total equity and liabilities	**48 409 810**	**36 862 230**
Capital adequacy ratio	**10.66**	**11.07**
Book value	**3 080 133**	**2 353 073**
Number of shares	**29 660 668**	**29 516 035**
Book value per share (in PLN)	**103.85**	**79.72**
Diluted number of shares	**29 690 132**	**29 690 132**
Diluted book value per share (in PLN)	**103.74**	**79.25**

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

3. Statements of Changes in Equity

Changes in equity from 1 January 2007 to 31 December 2007

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

Changes in equity from 1 January 2006 to 31 December 2006

	Share capital		Other capital and reserves	Retained earnings					Total
	Registered share capital	Share premium		Supplementary capital	Other reserve capital	General risk fund	Profit (loss) from previous years	Profit for the current year	
Equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(49 690)**	**-**	**1 954 871**
- reclassification to fair value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(49 690)**	**-**	**1 954 871**
Net change in investments available for sale, net of tax	-	-	6 158	-	-	-	-	-	6 158
Currency translation differences	-	-	438	-	-	-	-	-	438
Net profit not recognised in income statement	**-**	**-**	**6 596**	**-**	**-**	**-**	**-**	**-**	**6 596**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**324 194**	**324 194**
Total profit recognised in the current year	**-**	**-**	**6 596**	**-**	**-**	**-**	**-**	**324 194**	**330 790**
Issue of shares	2 128	63 231	-	-	-	-	-	-	65 359
Other changes	-	(160)	-	-	-	-	1	-	(159)
Stock option program for employees	-	7 904	-	-	(5 692)	-	-	-	2 212
- value of services provided by the employees	-	-	-	-	*2 212*	-	-	-	*2 212*
- settlement of exercised options	-	*7 904*	-	-	*(7 904)*	-	-	-	-
Equity as at 31 December 2006	**118 064**	**1 378 882**	**3 959**	**12 388**	**7 275**	**558 000**	**(49 689)**	**324 194**	**2 353 073**

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

4. Cash Flow Statement

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
A. Cash flow from operating activities - indirect method	**(4 463 531)**	**(1 939 081)**
Profit before income tax	**788 428**	**406 371**
Adjustments:	***(5 251 959)***	***(2 345 452)***
Income taxes paid (negative amount)	(20 624)	33 900
Amortisation	138 951	135 779
Foreign exchange gains (losses)	(187 385)	(16 306)
Gains (losses) on investing activities	(93 263)	(18 442)
Impairment of financial assets	63	1 308
Dividends received	(37 726)	(36 594)
Interest paid	1 057 749	931 569
Change in loans and advances to banks	(157 750)	197 113
Change in trading securities	101 482	687 176
Change in derivative financial instruments	(852 815)	(146 530)
Change in loans and advances to customers	(8 689 131)	(4 711 525)
Change in investment securities	(3 239 864)	(1 897 355)
Change in other assets	(16 460)	48 934
Change in amounts due to other banks	(198 330)	(29 015)
Change in financial instruments and other trading liabilities	913 595	(2 589)
Change in amounts due to customers	5 967 770	2 447 945
Change in debt securities in issue	595	(55 330)
Change in provisions	1 457	(10 735)
Change in other liabilities	59 727	95 245
Net cash from operating activities	**(4 463 531)**	**(1 939 081)**
B.Cash flows from investing activities	**(12 887)**	**(268 237)**
Investing activity inflows	**214 101**	**121 343**
Disposal of shares in associates	-	10 944
Disposal of shares in subsidiaries, net of cash disposed	173 504	55 078
Proceeds from sale of intangible assets and tangible fixed assets	2 871	13 712
Other investing inflows	37 726	41 609
Investing activity outflows	**226 988**	**389 580**
Acquisition of associates	-	38
Acquisition of subsidiaries, net of cash acquired	29 153	230 540
Purchase of intangible assets and tangible fixed assets	197 835	75 221
Other investing outflows	-	83 781
Net cash used in investing activities	**(12 887)**	**(268 237)**
C. Cash flows from financing activities	**3 075 534**	**3 017 780**
Financing activity inflows	**4 368 619**	**4 367 583**
Proceeds from loans and advances from other banks	3 124 658	4 112 064
Increase of subordinated liabilities	1 230 052	190 160
Issue of ordinary shares	13 909	65 359
Financing activity outflows	**1 293 085**	**1 349 803**
Repayments of loans and advances from other banks	124 927	1 174 565
Repayments of other loans and advances	18 849	71 535
Decrease of subordinated liabilities	967 075	-
Other financing outflows	182 234	103 703
Net cash from financing activities	**3 075 534**	**3 017 780**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(1 400 884)**	**810 462**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	(1 023)	1 526
Cash and cash equivalents at the beginning of the reporting period	8 951 008	8 139 020
Cash and cash equivalents at the end of the reporting period	**7 549 101**	**8 951 008**

Explanatory Notes to the Consolidated Financial Statements

1. Information Concerning the Group of BRE Bank SA

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

- Strategic and infrastructural: Shares and equity interests in companies supporting the different particular business lines of the BRE Bank SA (investment banking business, corporate banking, retail banking, asset management), as well as shares and equity interests in companies providing financial infrastructure or handling spheres that are complementary to the statutory scope of business of the BRE Bank SA. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank;
- Long term: Investments with an assumed high rate of return and an investment horizon of not less than 2 years; they also comprise equity investments placed in companies listed on the Warsaw Stock Exchange SA with anticipated duration of not less than 6 months, as well as investments in investment funds (National Investment Funds /NIF/ and foreign closed end funds);
- Other: Company shares and equity interests 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 the BRE Bank SA, which is a joint stock company registered in Poland being a part of Commerzbank AG Group.

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

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

As at 31 December 2007, the BRE Bank's Group covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA; the parent entity

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

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

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

In November of 2007, foreign branches of mBank in Czech Republic and Slovakia came into business within the scope of retail banking of BRE Bank.

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

The Bank may open and maintain accounts with Polish and foreign banks, as well as having the right to possess foreign exchange assets and to trade with them.

The average employment within four quarters of 2007 was: in BRE Bank SA 4 374 persons and in the Group 5 785 persons (in four quarters of 2006: BRE Bank 3 803, Group 5 159).

Corporates and Markets, including:

Corporates and Institutions

- BRE Bank Hipoteczny SA, subsidiary
- BRE Corporate Finance SA, subsidiary

- BRE Leasing Sp. z o.o., subsidiary
- Dom Inwestycyjny BRE Banku SA, subsidiary
- Intermarket Bank AG, subsidiary
- Magyar Factor zRt., subsidiary
- Polfactor SA, subsidiary
- Transfinance a.s., subsidiary

Trading and Investments

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

Retail Banking (including private banking)

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

Asset Management (discontinued operations Note 19)

- Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura SA, subsidiary

Remaining business

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

The detailed description of operations of the companies of the BRE Bank SA Group has been presented in Notes of the consolidated financial statements for the first half of 2007, disclosed to the public on September 10, 2007.

Other information concerning the companies of the Group

BRE.locum SA

On 2 November, 2007 the registration court registered change of the legal form of BRE.locum from a limited liability to joint stock company.

On 12 November, 2007 BRE Bank and Tele-Tech Investment Sp. z o.o. ("TTI"), the Bank's 100% subsidiary, concluded an agreement under which the Bank acquired from TTI 8 306 500 stocks of BRE.locum SA of the nominal value PLN 1 each. The shares taken up by the Bank constitute 30.00% of the share capital of BRE.locum and authorise to exercise 8 306 500 votes which represent 30.00% of general number of votes at the general shareholders meeting of BRE.locum.

The shares were acquired by the Bank for the total amount of PLN 8 411 thousand. The value of the shares, as recorded in the Bank's accounting ledgers, amounts to PLN 8 411 thousand. As a result of the acquisition the Bank holds BRE.locum's shares representing 79.99% of BRE.locum's share capital as well as votes at the general meeting of shareholders.

PTE Skarbiec-Emerytura SA

As at December 31, 2007 stocks of PTE Skarbiec-Emerytura SA met the criteria for classification to non-current assets held for sale, according to IFRS 5 "Non-current assets held for sale and discontinued operations".The carrying value of the Group's investments in PTE Skarbiec-Emerytura has been presented in the balance sheet as separate positions: "the non-current assets held for sale" and "liabilities held for sale".

From the Group point of view, the core business of PTE Skarbiec-Emerytura SA i.e. managing the open pension fund meets the criteria of discontinued operations. So, according to IFRS 5, the result from discontinued operations was separated in the consolidated income statement.

As at 31 December 2006 the profit from discontinued operations included the result of Skarbiec Asset Management Holding SA (SAMH), which stocks were sold by the Bank on January 08, 2007. As at 31 December 2007 the profit from discontinued operations included the result of the Group on sale of SAMH shares in gross amount of PLN 89 458 thousand.

The detailed data concerning discontinued operations were presented in the Note 19 of these consolidated financial statements.

2. Description of Relevant Accounting Policies

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

2.1. Accounting Basis

These Consolidated Financial Statements of BRE Bank Group have been prepared for the 12-month period ended 31 December 2007.

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

Since 1 January 2007 the BRE Bank Group has applied the provisions of International Financial Reporting Standard 7, Financial Instruments: Disclosures, which has been binding as from that date and the amended provisions of International Accounting Standard 1. Since 1 January 2007 the Group has applied where neccessary the provisions of International Financial Reporting Standard 7 in the preparation of quarterly financial statements which include disclosure requirements of International Accounting Standard 34. All disclosures in accordance with IFRS 7 were presented in the consolidated financial statements for the first half of 2007.

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

2.2. Consolidation

Subsidiaries

Subsidiaries comprise any entities (including special purpose vehicles) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of a majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement (see Note 2.15).

Inter-company 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 Business Combination involving entities under common control is reflected under the purchase method in accordance with IFRS 3 "Business Combination".

Such an accounting treatment does not cover those companies whose scale of business operations is immaterial in relation to the volume of business of the Group, as well as companies acquired for the purpose of their resale or liquidation.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.15).

IFRS Consolidated Financial Statements for the fourth quarter of 2007 PLN (000's)

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

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

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

Company	**Share of voting rights (direct and indirect)**	**Consolidation method**
BRE Bank Hipoteczny SA	100%	pełna
BRE Corporate Finance SA	100%	pełna
BRE Wealth Management SA	100%	pełna
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	pełna
Dom Inwestycyjny BRE Banku SA	100%	pełna
emFinanse Sp. z o.o.	100%	pełna
Garbary Sp. z o.o.	100%	pełna
PTE Skarbiec-Emerytura SA	100%	pełna
Tele-Tech Investment Sp. z o.o.	100%	pełna
BRE Finance France SA	99.98%	pełna
BRE.locum SA	79.99%	pełna
Transfinance a.s.	78.12%	pełna
Polfactor SA	78.12%	pełna
Magyar Factor zRt.	78.12%	pełna
Intermarket Bank AG	56.24%	pełna
BRE Leasing Sp. z o.o.	50.004%	pełna

2.3. Interest Income and Expenses

All interest proceeds linked with financial instruments carried at amortised cost using the effective interest rate method are recognised in the Income Statement.

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

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

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

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

Interest income on impaired loans is recognised using the interest used to discount the future cash flows for the purpose of measuring impairment loss.

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

2.4. Fee and Commission Income

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

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

2.5. Segment Reporting

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

2.6. Financial Assets

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

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

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

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

The Group classifies financial assets/financial liabilities as measured at fair value through the Profit and Loss Account if they meet either of the following conditions:

a) financial 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 and being effective hedging instruments),
b) upon initial recognition, assets/liabilities are designated by the entity at fair value through the Profit and Loss Account.

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

a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or

b) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

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

a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
b) a group of financial assets, financial liabilities or both is 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.

Assets and liabilities classified into this category, are valued at fair value upon initial recognition.

Interest income/expense on financial assets designated at fair value, except for derivatives the recognition of which is discussed in Note 2.12, is recognized in net interest income. The valuation and result on disposal of financial assets designated at fair value are recognized in net trading income.

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

<u>Loans and receivables</u>

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

<u>Held to maturity investments</u>

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

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

In all reporting periods presented in these financial statements, the only assets held to maturity occur in PTE and they are recognised in the Balance Sheet, under the item "Non-current assets held for sale".

<u>Available for sale investments</u>

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 investments securities.

Standardized purchases and sales of financial assets at fair value through the Profit and Loss Account, held to maturity and available for sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs, except for financial assets at fair value through the Profit and Loss Account. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Group has transferred substantially all risks and rewards of ownership.

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

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

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

2.7. Offsetting Financial Instruments

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

2.8. Impairment of Financial Assets

Assets carried at amortised cost

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

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

- adverse changes in the payment status of borrowers; or
- economic situation of the country or on the local market causing the impairment of assets belonging to the respective group.

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

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

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

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 security 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 similar risk characteristics.

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

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

When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the required procedures and to determine the amount of the loss. Subsequent recoveries of amounts previously written off decrease (in accordance with IAS 39) the amount of the provision for loan impairment in the Profit and Loss Account.

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

Assets measured at fair value

At each Balance Sheet date the Group estimates whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost resulting from higher credit risk is considered in determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value, less any impairment loss on that financial asset previously recognised in the Profit and Loss Account – is removed from equity and recognised in the Profit and Loss Account. Impairment losses concerning equity instruments recorded in the Profit and Loss Account are not reversed through the Profit and Loss Account, but through equity. If the fair value of a debt instrument classified as available for sale increases in a subsequent period, and such increase can be objectively related to an event occurring after the recording of the impairment loss in the Profit and Loss Account, then the respective impairment loss is reversed in the Profit and Loss Account.

Renegotiated agreements

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

2.9. Financial Guarantee Contracts

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

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

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

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

2.10. Cash and Cash Equivalents

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

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

2.11. Sell-buy-back Contracts

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

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

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

Securities borrowed by the Group are not recognized in the financial statements, unless these are sold to third parties, in which 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.

As a result of concluding sell buy back transactions, the Bank transfers financial assets in such a way that they do not qualify for derecognition. Thus, the Bank retains substantially all risks and rewards of ownership of the financial assets.

2.12. Derivative Financial Instruments and Hedge Accounting

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

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

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

In accordance with IAS 39 AG 30 (g), there is no need to separate the prepayment option from the host debt instrument for the needs of consolidated financial statement, 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 be closely linked to the host debt instrument, the option would be measured and recognised in the consolidated financial statement of the Group.

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

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

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

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

Fair value hedges

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

In case a hedge has ceased to fulfil the criteria of hedge accounting, the adjustment to the carrying value of the hedged item for which the effective interest method is used is amortised to Profit and Loss Account over the period to maturity. The adjustment to the carrying amount of the hedged equity security remains in the revaluation reserve until the disposal of the equity security.

Cash flow hedges

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

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

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

Derivative instruments not fulfilling the criteria of hedge accounting

Changes of the fair value of derivative instruments that do not meet the criteria of hedge accounting are recognised in the Profit and Loss Account of the current period.
The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

a) Forward Rate Agreement (FRA)

b) Interest Rate Swap (IRS), Cross Overnight Index Swap (OIS)
c) Interest Rate Options

Foreign exchange risk instruments:

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

2.13. Gains and Losses on Initial Recognition

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

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

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

2.14. Borrowings

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

2.15. 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.

<u>Goodwill</u>

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 Balance Sheet at cost reduced by accumulated impairment losses. Goodwill impairment losses should not be reversed.

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

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

<u>Computer software</u>

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.

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

Development costs

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

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

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

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

2.16. Tangible Fixed Assets

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

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

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

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

- Buildings and constructed structures	25-40 years,
- Technical plant vehicles	5-15 years,
- Transport vehicles	5 years,
- Information technology hardware	3.33-5 years,
- Investments in the third party's (leased) fixed assets	10-40 years or the period of the lease contract if it is shorter than 25 years,
- Offiice equipment, furniture	5-10 years.

Land and buildings consist mainly of branch outlets and offices.

Residual values and estimated useful life periods are verified at each Balance Sheet date and adjusted accordingly as the need arises.

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

If there is any indication that an asset may be impaired, recoverable amount shall be estimated for the individual asset. 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.

Gains and losses on account of the disposal of fixed assets are determined by comparing the proceeds from their sale against their carrying value in the Balance Sheet and they are recognised in the Profit and Loss Account.

2.17. Non Current Assets Held for Sale and Discontinued Operation

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

Non-current assets held for sale are priced at the lower of: its 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 reclassify 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 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 Bank that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The classification to this category takes places at the moment of sale or when the operation meets criteria of the operation classified as held for sale, if this moment took place previously.
Disposal group which is to be backed out of usage may also be classified as discontinued operation.

2.18. Deferred Income Tax

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

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

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

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

The Group presents the deferred tax assets and liabilities netted in the Balance Sheet (for each subsidiary separately). 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.

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 tax asset was not recognised in the Balance Sheet, and also the amount of temporary differences attached to investments in subsidiaries and associates for which no deferred tax provision has been formed.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is possible that the difference will not reverse in the foreseeable future.

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

2.19. Assets Repossessed for Debt

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

At subsequent measurement the initial amount is tested for impairment.

2.20. Prepayments, Accruals and Deferred Income

Prepayments are recorded if the respective expenses concern the months succeeding the month in which they were incurred. Prepayments are presented in the Balance Sheet under "Other assets".

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

2.21. Leasing

<u>BRE Bank SA Group as a lessor</u>

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

<u>BRE Bank SA Group as a lessee</u>

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.

2.22. Provisions

The value of provisions for contingent liabilities such as unutilised guarantees and (own) 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 reliable estimated.

2.23. Retirement Benefits and Other Employee Benefits

<u>Retirement benefits</u>

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

<u>Benefits based on shares</u>

The Group runs a program of employee remuneration based on and settled in shares. These benefits are accounted for in compliance with IFRS 2 *Share-based Payment*. The fair value of the work performed by employees in return for options granted increases the costs of the respective period, corresponding to equity. The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options to become exercisable are vested is determined on the basis of the fair value of the granted options. There are no market conditions that shall be taken into account when estimating the fair value of share options at the measurement date. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. In accordance with IFRS 2 it is not necessary to recognize the change in fair value of the share-based payment over the term of the program.

2.24. Equity

Equity consists of capital and funds created in compliance with the respective provisions of the law, i.e. the appropriate legislative acts, the bylaw or a founding deed.

Registered share capital

Share capital is presented at its nominal value, in accordance with the Company Articles of Association and with the entry in the business register.

a) Share Issue Costs

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

b) Dividends

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

c) Own Shares

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

Share premium

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

Revaluation reserve

Revaluation reserve is formed as a result of:

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

Retained earnings

Retained earnings include:

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

Other supplementary capital, other reserved capital and general banking risk fund are formed from allocations of profit and are assigned to purposes specified in the bylaw or other regulations of the law.

Hyperinflationary restatements of the equity

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

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

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

Because the effect of the restatement:

- Represents 3.23% of the owners' equity of the Group (the effect of the restatement would represent 7.07% of share capital);
- Consists of re-allocation of funds between various items of the owners' equity, which has no effect on the equity as a whole;
- Has no material effect on the presented financial data, both as a whole and on line items;

The Management Board of the Bank believes that such restatement will have no material effect on the accuracy and fairness of the presentation of the Bank's financial position as at, and for the period ended 31 December 2007.

Hyperinflationary adjustments will also have no material effect for the period ended 31 December 2006 (the effect of the restatement will represent 4.23% of the owners' equity of the Group and 7.16% of share capital).

2.25. Valuation of Items Denominated in Foreign Currencies

Functional currency and presentation currency

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

Transactions and balances

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

Foreign exchange differences arising on account of non-monetary items, such as financial assets measured at fair value through the Profit and Loss Account, are recognised under gains or losses arising in connection with changes of fair value. Foreign exchange differences on account of such non-monetary assets as equity instruments classified as available for sale financial assets are recognised under equity arising on revaluation at fair value.

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

Balance sheet items of foreign branches as well as foreign companies of the Group are converted from functional currency to presentation currency with application of medium exchange rate on the balance sheet date. Income statement items of these entities are converted to presentation currency with application of arithmetical mean of medium exchange rates quoted by the National Bank of Poland on the last day of each of twelve months of the reporting period. Arisen in such way foreign exchange differences are recognized under revaluation reserve.

Companies belonging to the Group

The performance and the financial position of all the entities belonging to the Group, none of which conduct their operations under hyperinflationary conditions, the functional currencies of which do not differ from the reporting currency, are converted to the reporting currency as follows:

a) assets and liabilities in each presented Balance Sheet are converted at the mid rate of exchange of the National Bank of Poland (NBP) in force at the Balance Sheet date;
b) revenues and expenses in each Profit and Loss Account are converted at the rate equal to the arithmetic mean of the mid rates quoted by NBP on the last day of each of nine months of each presented periods; whereas
c) all resulting foreign exchange differences are recognised as a distinct item of equity.

Upon consolidation, foreign exchange differences arising from the conversion of net investments in companies operating abroad, as well as loans, advances and other FX instruments designated as hedges attached to such investments are recognised in equity. Upon the disposal of a company operating abroad, such foreign exchange differences are recognised in the Profit and Loss Account as part of the profit or loss arising upon disposal.

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

Leasing business

Negative or positive foreign exchange differences (gains/losses) from the valuation of liabilities on account of credit financing of purchases of assets under operating leasing schemes are recognised in the Profit and Loss Account. In the operating leasing agreements recognised in the Balance Sheet of the Subsidiary Company (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, but off-Balance Sheet. In case of finance lease agreements the foreign exchange differences arising from the valuation of leasing payments due as well as of liabilities denominated in foreign currency are recognised through the Profit and Loss Account at the Balance Sheet date.

2.26. Custody Services Business

BRE Bank SA operates a custody business including domestic and foreign securities and services provided to investment and pension funds.

Dom Inwestycyjny BRE Banku SA operates a custody business 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 custody business operations.

2.27. Standards, Interpretations and Amendments to Published Standards

Changes in the published Standards and Interpretations that have come into force since 1 January 2007:

- IFRS 7, Financial Instruments: Disclosures, binding from 1 January 2007
- IAS 1, Presentation of Financial Statements - changes related to presentation of information on equity, binding from 1 January 2007
- IFRIC 7, Application of restatements in IAS 29 Financial Reporting in Hyperinflationary Economies, binding in the periods starting after 1 March 2006
- IFRIC 8, Scope of IFRS 2, binding for the annual periods starting after 1 May 2006
- IFRIC 9, Reassessment of Embedded Derivatives, binding for the annual periods starting after 1 June 2006
- IFRIC 10, Interim Financial Reporting and Impairment, binding for the annual periods starting after 1 November 2006

IFRS 7 introduced new requirements concerning disclosures on financial instruments and replaced the currently applied provisions of IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions and some requirements of IAS 32, Financial Instruments: Disclosure and Presentation.

The introduction of IFRS 7 resulted in changes mainly in the following areas: disclosures concerning risks from the point of view of risk managers, extended quantity disclosures concerning risks, introducing a sensitivity analysis, extended disclosures concerning the Group's financial position and results.

Published Standards and Interpretations that have been in force since 1 January 2008:

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

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

- IFRIC 13, Customer Loyalty Programmes, binding for the annual periods starting after 1 July 2008
- IFRS 8, Operating Segments, binding for the annual periods starting after 1 January 2009

IFRICs 12, 13 and 14 were not adopted by the EU.

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

2.28. Comparative Data

The data prepared as at 31 December, 2006 are totally comparable with the data intoduced in the current financial period so they were not adjusted.

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

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

Impairment of loans and advances

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

Fair value of derivative instruments

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

Impairment of equity securities available for sale

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

Impairment of debt instruments available for sale

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

Deferred tax

The Bank analysed the requirements of IAS 12 „Income Taxes" and based on the paragraph 44 did not recognize deferred tax asset in relation to impairment losses of shares of PTE Skarbiec Emerytura SA in the consolidated financial statement. If the deferred tax was recognized, the Group would found the asset in the amount of PLN 81.1 million.

4. Business Segments

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

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

1. Retail Banking, including private banking services, current accounts for retail customers, savings accounts, deposits, investment products, custody services, credit and debit cards, consumer and mortgage loans, term deposits for retail customers, small and medium-sized enterprises, financial settlements, operations on bills of exchange, checks and guarantees issue.

   Since the beginning of the fourth quarter of 2007, results of retail banking includes the results of foreign branches of mBank: mBank Czech Republic and mBank Slovakia. Within the year 2007 the branches provided basic products as current and savings accounts as well as cash credits and mortgage loans. The target aim is to activate operating activity within the full scope of services typical of retail banking.

Beginning from 2007 Retail Banking also includes the results of BRE Wealth Management SA and emFinanse Sp. z o.o. BRE Wealth Management SA provides corporate finance services and complex asset management services for wealthy private banking clients. emFinanse Sp z o.o. acts on financial advisors and agents market, and deals with sales of bank products (cash credit, credit on car, mortgage loan) and insurance products.

2. Corporates and Markets - consists of two main sub-segments:

2.1 Corporates and Institutions, including current accounts, savings accounts and term deposits, FX products and derivative instruments, sell buy back and buy sell back transactions, offering of investment products, credit cards and debit cards, business loans, as well as financial and operating leasing of vehicles, machines, office equipment, leasing of real estates, as well as administration support in leasing of the above indicated fixed assets. Within that sub-segment, the Bank solely, or in consortium with other Banks, covenants financing large projects with loans.

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

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

Corporates and Institutions sub-segment includes the results of the following subsidiaries: BRE Bank Hipoteczny SA, BRE Leasing Sp. z o.o., Dom Inwestycyjny BRE Banku SA, BRE Corporate Finance SA, Intermarket Bank AG, Polfactor SA, Transfinance a.s. and Magyar Factor zRt. Subsidiaries enrich Bank's offer by commercial real estates financing, leasing, factoring, publicly traded stocks and securities, purchase and sales of securities in the name of client, merger and acquisition advisory, corporate restructuring consulting and performing any corporate privatizing activities.

2.2 Trading and Investments, including financial instruments dealing, purchasing and sales of stocks and securities on primary and secondary market, which are: transactions on bills, bonds, Treasury Bills, Treasury Bonds, monetary bills of the National Bank of Poland, investment-deposit and FX SWAP transactions. The Bank also participates on the securities market, focusing on trading of securities on the primary and secondary markets, as well as repo and reverse repo transactions. Moreover the Bank is engaged in sell buy back and buy sell back transactions on the inter-bank market. The Bank also participates in money market inter-bank transactions.

Within Trading and Investments sub-segment, the Bank solely, or in consortium with other Banks, underwrites securities' issue (bonds, investment bills and certificates of deposit).

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

3. Asset Management (discontinued activity), including the results of: Skarbiec Asset Management Holding SA (until 31. December 2006) and PTE Skarbiec-Emerytura SA. Due to the sale of SAMH that took place on January 8, 2007 and the intention to sell PTE, asset management activity is being considered as discontinued activity of the Group.

4. The remaining business of the Group includes results on transactions not classified as strict business areas and the results of the companies BRE Locum SA and CERI Sp. z o.o.

The rules of the division of the Group's activities are described below.

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

Funds are allocated to particular business segments, which results in funding cost transfers. Interest charged for these funds is based on the Group's weighted average cost of capital and presented in operating income.

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

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

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

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

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

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

	Corporates & Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investments					
Net interest income	**556 947**	**63 964**	**431 516**	**(12 979)**	**(1 129)**	**(7 129)**	**1 031 190**
- sales to external clients	633 704	73 846	327 355	3 407	7	(7 129)	1 031 190
- sales to other segments	(76 757)	(9 882)	104 161	(16 386)	(1 136)	-	-
Net fee and commission income	**392 592**	**(17 400)**	**189 977**	**26 978**	**(712)**	**-**	**591 435**
- sales to external clients	374 271	(1 808)	192 706	26 978	(712)	-	591 435
- sales to other segments	18 321	(15 592)	(2 729)	-	-	-	-
Unallocated costs	-	-	-	-	-	-	-
Gross profit / (loss) of the segment	**444 811**	**131 930**	**227 507**	**91 285**	**80 808**	**(21 796)**	**954 545**
Profit on operating acitivities	-	-	-	-	-	-	954 545
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit (before tax)	-	-	-	-	-	-	954 545
Corporate income tax	-	-	-	-	-	-	(206 928)
Net profit attributable to minority interest	-	-	-	-	-	-	37 523
Net profit (after tax)	-	-	-	-	-	-	710 094
Asset of the segment	**22 328 368**	**21 272 628**	**14 201 223**	**501 522**	**759 334**	**(3 056 321)**	**56 006 754**
Total assets	-	-	-	-	-	-	56 006 754
Segment's liabilities	**31 558 604**	**9 911 580**	**12 927 618**	**12 543**	**632 240**	**(2 477 154)**	**52 565 431**
Total liabilities	-	-	-	-	-	-	52 565 431
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(170 508)	(12 094)	(91 711)	(1 853)	(9 292)	-	(285 458)
Amortisation/depreciation	(99 443)	(7 937)	(63 136)	(1 117)	(3 057)	(2 082)	(176 772)
Losses on credits and loans	(233 292)	(6 409)	(38 039)	-	(1 221)	-	(278 961)
Other costs/ income without cash outflows/ inflows	-	(51 781)	(1)	-	-	-	(51 782)
- other costs without outflows	-	*(1 308 542)*	*(1)*	-	-	-	*(1 308 543)*
- other income without inflows	-	*1 256 761*	-	-	-	-	*1 256 761*

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2006 to 31.12.2006
(PLN'000)

	Corporates & Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investments					
Net interest income	**433 224**	**24 280**	**291 587**	**(18 531)**	**(2 374)**	**(442)**	**727 744**
- sales to external clients	556 091	54 482	113 759	4 225	(371)	(442)	727 744
- sales to other segments	(122 867)	(30 202)	177 828	(22 756)	(2 003)	-	-
Net fee and commission income	**335 370**	**(20 817)**	**102 618**	**105 803**	**(464)**	**(5 378)**	**517 132**
- sales to external clients	320 057	(6 603)	103 715	105 803	(462)	(5 378)	517 132
- sales to other segments	15 313	(14 214)	(1 097)	-	(2)	-	-
Unallocated costs	-	-	-	-	-	-	-
Gross profit / (loss) of the segment	**325 689**	**122 250**	**114 799**	**24 424**	**20 429**	**(31 231)**	**576 360**
Profit on operating acitivities	-	-	-	-	-	-	576 472
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	-	-	-	(112)	(112)
Gross profit (before tax)	-	-	-	-	-	-	576 360
Corporate income tax	-	-	-	-	-	-	(129 966)
Net profit attributable to minority interest	-	-	-	-	-	-	25 136
Net profit (after tax)	-	-	-	-	-	-	421 258
Asset of the segment	**16 929 805**	**18 465 591**	**9 118 674**	**654 743**	**782 036**	**(3 620 268)**	**42 330 581**
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	42 330 581
Segment's liabilities	**23 587 882**	**9 740 397**	**9 490 966**	**262 241**	**516 290**	**(3 620 268)**	**39 977 508**
Total liabilities	-	-	-	-	-	-	39 977 508
Other items of the segment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expenditures incurred on fixed assets and intangible assets	(74 269)	(12 255)	(49 422)	(1 514)	(76)	-	(137 536)
Amortisation/depreciation	(89 899)	(8 973)	(60 480)	(2 798)	(2 372)	(2 081)	(166 603)
Losses on credits and loans	(339 352)	(8 545)	(43 351)	-	(2 874)	-	(394 122)
Other costs/ income without cash outflows/ inflows	10 837	148 468	-	-	-	-	159 305
- other costs without outflows	*(552)*	*(1 251 420)*	-	-	-	-	*(1 251 972)*
- other income without inflows	*11 389*	*1 399 888*	-	-	-	-	*1 411 277*

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5. Net Interest Income

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Interest income		
Cash and short-term investments	268 495	218 880
Investment securities	184 481	89 573
Amounts arising from purchased securities with a sale clause	-	139
Loans and advances including the unwind of the impairment provision discount	1 736 197	1 222 860
Trading debt securities	154 418	135 004
Other	11 688	34 095
	2 355 279	**1 700 551**
Interest expense		
Arising from amounts due to banks and customers	(1 095 479)	(742 603)
Arising from issue of debt securities	(168 682)	(159 414)
Other borrowed funds	(58 460)	(69 025)
Trading debt securities	(831)	(2 605)
Other	(4 044)	(2 726)
	(1 327 496)	**(976 373)**

Interest income related to financial assets which have been impaired amounted to PLN 7 215 thousand (PLN 14 854 thousand as at 31 December of 2006).

6. Net Fee and Commission Income

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Fee and commission income		
Credit related fees and commissions	219 268	132 176
Fees from brokerage activity	120 858	79 514
Fees from portfolio-management services and other management-related fees	10 755	15 048
Commission on trust activities	10 997	2 708
Guarantees granted and trade finance commissions	39 182	26 946
Commissions from credit cards	152 787	104 316
Commissions from money transfers	76 074	67 753
Commissions from bank accounts	45 398	39 111
Other	109 918	115 199
	785 237	**582 771**
Fee and commission expense		
Brokerage fees	(24 094)	(24 499)
Credit cards related fees	(106 854)	(77 427)
Other discharged fees	(90 076)	(64 435)
	(221 024)	**(166 361)**

7. Dividend Income

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Trading securities	2	140
Securities available for sale	2 325	16 725
Dividend income, total	**2 327**	**16 865**

IFRS Financial Statements for the fourth quarter of 2007 PLN (000's)

8. Net Trading Income

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Foreign exchange result	**434 956**	**354 140**
Foreign exchange differences from the translation (net)	500 351	226 231
Net transaction gains and losses	(65 395)	127 909
Other net trading income	**51 512**	**45 445**
Interest-bearing instruments	18 522	21 431
Equities	23 444	6 560
Market risk instruments	9 546	17 454
Total net trading income	**486 468**	**399 585**

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

9. Gains less Losses from Investment Securities

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Sale/redemption by the issuer of the financial assets available for sale	3 882	23 289
Impairment of available for sale equity securities	(48)	(767)
Total gains and losses from investment securities	**3 834**	**22 522**

10. Other Operating Income

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Income from sale of tangible and intangible fixed assets and assets held for resale	148 449	118 567
Income from the release of impairment provisions for tangible and intangible assets	1 830	-
Income from recovering previously designated as uncollectible receivables	2 553	5 765
Income from compensation, penalties and fines received	513	1 093
Income due to release of other provisions	15 777	20 377
Proceeds from services provided	49 417	69 729
Other	30 681	13 508
Total other operating income	**249 220**	**229 039**

11. Impairment Losses on Loans and Advances

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Amounts due from other banks	(632)	(4 578)
Off-balance sheet contingent liabilities due to other banks	-	(397)
Loans and advances to customers	(63 488)	(53 129)
Off-balance sheet contingent liabilities due to customers	(12 691)	12 143
Total impairment losses on loans and advances	**(76 811)**	**(45 961)**

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12. Overhead Costs

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Staff-related expenses (Note 12A)	(621 547)	(475 925)
Material costs	(449 356)	(379 077)
Taxes and fees	(12 191)	(12 568)
Contributions and transfers to the Banking Guarantee Fund	(5 438)	(4 160)
Contribution to the Social Benefits Fund	(4 326)	(3 601)
Other	(10 445)	(4 161)
Total overhead costs	**(1 103 303)**	**(879 492)**

Staff-related Expenses (12A)

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Wages and salaries	(515 032)	(385 835)
Social security expenses	(63 781)	(57 578)
Pension fund expenses	(3 433)	(1 383)
Salaries in form of share option program for employees	(648)	(2 212)
Other staff expenses	(38 653)	(28 917)
Staff-related expenses, total	**(621 547)**	**(475 925)**

The average level of employment in the Group in four quarters of 2007 was 5 785 persons (vs. 5 159 in four quarters of 2006).

13. Other Operating Expenses

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Costs of selling or liquidation of fixed assets, intangible assets and assets held for resale	(89 775)	(95 388)
Impairment provisions created for tangible and intangible assets	(6 235)	(2 229)
Impairment provisions created for other receivables (excluding loans and advances)	(1 111)	(1 376)
Receivables and liabilities recognised as expired, written off and unrecoverable	(3 698)	(5 266)
Compensation, penalties and fines paid	(402)	(11 429)
Donations made	(2 630)	(2 366)
Impairment losses on other non-financial assets	-	(828)
Provisions for future commitments	(8 565)	(20 116)
Costs of sale of services	(3 957)	(32 910)
Other operating costs	(15 479)	(11 760)
Total other operating expenses	**(131 852)**	**(183 668)**

14. Earnings per Share

Earnings per share for 12 months – continued operations

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Basic:		
Net profit from continued operations attributable to the shareholders	623 454	385 113
Weighted average number of ordinary shares	29 578 675	29 344 158
Net basic profit per share (in PLN per share)	**21.08**	**13.12**
Diluted:		
Net profit from continued operations attributable to the shareholders, applied for calculation of diluted earnings per share (in PLN thousands)	623 454	385 113
Weighted average number of ordinary shares	29 578 675	29 344 158
Adjustments for:		
- stock options for employees	29 464	174 097
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 608 139	29 518 255
Diluted earnings per share (in PLN per share)	**21.06**	**13.05**

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

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Basic:		
Net profit from continued and discontinued operations attributable to the shareholders	710 094	421 258
Weighted average number of ordinary shares	29 578 675	29 344 158
Net basic profit per share (in PLN per share)	**24.01**	**14.36**
Diluted:		
Net profit from continued and discontinued operations attributable to the shareholders, applied for calculation of diluted earnings per share (in PLN thousands)	710 094	421 258
Weighted average number of ordinary shares	29 578 675	29 344 158
Adjustments for:		
- stock options for employees	29 464	174 097
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 608 139	29 518 255
Diluted earnings per share (in PLN per share)	**23.98**	**14.27**

15. Trading Securities and Pledged Assets

	31.12.2007	31.12.2006
Debt securities:	**7 026 627**	**6 148 676**
Government bonds included in cash equivalents and pledged government bonds (sell buy back transactions), including:	4 774 608	2 746 486
- pledged government bonds (sell buy back transactions)	3 613 322	1 921 475
Treasury bills included in cash equivalents and pledged treasury bills (sell buy back transactions), including:	25 623	829 649
- pledged treasury bills (sell buy back transactions)	14 394	723 289
Other debt securities:	2 226 396	2 572 541
Equity securities:	**4 263**	**12 237**
- listed	4 263	12 237
Debt and equity securities, including:	**7 030 890**	**6 160 913**
- Trading securities	*3 403 174*	*3 516 149*
- Pledged assets	*3 627 716*	*2 644 764*

IFRS Financial Statements for the fourth quarter of 2007 PLN (000's)

The note above does not include securities pledged as security for the Bank Guarantee Fund in the amount of PLN 80 442 thousand (31 December 2006: PLN 57 416 thousand relatively), which have been presented as investment securities (Note 17).

16. Loans and Advances to Customers

	31.12.2007	31.12.2006
Loans and advances to individuals	13 878 534	8 885 243
Loans and advances to corporate entities	19 486 364	14 251 424
Loans and advances to public sector	611 969	429 443
Other receivables	412 529	315 666
Total (gross) loans and advances to customers	**34 389 396**	**23 881 776**
Provisions for loans and advances to customers (negative amount)	(682 703)	(837 082)
Total (net) loans and advances to customers	**33 706 693**	**23 044 694**
Short-term (up to 1 year)	13 862 903	10 364 072
Long-term (over 1 year)	19 843 790	12 680 622

The Group presents loans to microenterprises supported by retail banking of BRE Bank (mBank and MultiBank) under the item - loans and advances to individuals. Loans to microenterprises in presented reporting periods amount to relatively: 31 December 2007 – PLN 1 148 thousand, 31 December 2006 – PLN 668 512 thousand.

Receivables purchased, realised guarantees and warranties in the Note "Loans and advances to customers" of financial statements for previous reporting periods were presented in separate items. Since the beginning of the second quarter of 2007 receivables purchased, realised guarantees and warranties have been included in loans and advances to individuals, corporate or public sector customers relatively.

The amount of reclassified items in the above note, in comparative data (31 December 2006) amounted to - receivables purchased: PLN 1 108 495 thousand; realised guarantees and warranties: PLN 6 325 thousand.

17. Investment Securities and Pledged Assets

	31.12.2007	31.12.2006
Debt securities	**6 078 433**	**2 842 902**
- listed	6 012 451	2 806 229
- unlisted	65 982	36 673
Equity securities	**388 570**	**270 030**
- listed	10 021	10 411
- unlisted	378 549	259 619
Total investment securities and pledged assets, including:	**6 467 003**	**3 112 932**
- Available for sale securities	*6 386 561*	*3 055 516*
- Pledged assets	*80 442*	*57 416*
Short-term (up to 1 year)	3 166 419	933 582
Long-term (over 1 year)	3 300 584	2 179 350

The presented above, valued at fair value equity securities include impairment in the amount of PLN 29 076 thousand as at 31 December 2007 (31 December 2006 PLN 29 015 thousand).

The above indicated note comprises treasury bills and monetary bills pledged as security for the Bank Guarantee Fund, which are presented in the Balance Sheet in a separate position "Pledged assets".

IFRS Financial Statements for the fourth quarter of 2007 PLN (000's)

18. Amounts due to Customers

	31.12.2007	31.12.2006
Corporate customers	18 789 231	15 077 796
Individual customers	12 932 341	9 435 881
Public sector customers	704 655	156 179
Total amounts due to customers	**32 426 227**	**24 669 856**
Short-term (up to 1 year)	31 790 009	23 847 669
Long-term (over 1 year)	636 218	822 187

The Group presents amounts due to microenterprises supported by retail banking of BRE Bank (mBank and MultiBank) under the item – amounts due to individuals. The value of commitments due to current accounts as well as commitments due to term deposits taken from microenterprises in presented reporting periods amounts to: 31 December 2007 – PLN 1 316 thousand, 31 December 2006 – PLN 849 875 thousand relatively.

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

Bank supports its strategy concerning the sale of pension business of PTE Skarbiec-Emerytura SA that from the point of view of BRE Bank is not considered as continued business. On June 29, 2007 the Bank concluded with Aegon Woningen Nova B.V. holding 100% of the shares of Powszechne Towarzystwo Emerytalne Ergo Hestia SA (Aegon PTE SA at present) "Agreement to Merge Aegon PTE SA and PTE Skarbiec-Emerytura" and "The Optional Agreement". The integration will be carried out on the basis of article 492, paragraph 1, item 1 of Code of Commercial Companies through taking over the property of PTE Skarbiec Emerytura by PTE Ergo Hestia.

On 28 September 2007 the Bank was informed on the decision of the President of Office of Competition and Consumer Protection (Polish abbreviation is "UOKiK") as of 27 September 2007, concerning the consent on concentration that lies in the integration of Aegon PTE SA and PTE Skarbiec-Emerytura SA. The consent is one of the necessary terms to carry out the integration of the above indicated general pension funds.

The integration of the companies depends on getting the consent of Polish Financial Supervision Authority (Polish abbreviation is "KNF") .

The Option Agreement contains the put and call options, in the form of irrevocable offers pursuant to article 66 of the Civil Code, entitling the Parties to purchase (sell) all the shares of the merger issue held by BRE Bank SA following the merger.

The sale of shares as a consequence of acceptance of the offer and payment for the shares may take place once the consent from KNF is obtained.

The share price (the "Price") is going to be the sum of the following:
- PLN 385 million, subject to adjustment of the said amount resulting from the number of members of OFE Skarbiec-Emerytura, published in the last report of KNF before the date of the merger (date of entry of the merger in the National Court Register maintained for PTE Ergo Hestia); and
- the net value of current assets of PTE Skarbiec-Emerytura, calculated as the value of current assets, minus liabilities and provisions of PTE Skarbiec-Emerytura as of the end of the last calendar month preceding the date of the merger.

If the merger is not carried out until June 30, 2008, each of the Parties will have the right to rescind the "Agreement to Merge PTE Ergo Hestia and PTE Skarbiec-Emerytura". The option agreement will expire as of the date of termination the "Agreement to Merge PTE Ergo Hestia and PTE Skarbiec-Emerytura", if the consent for the merger is not obtained from KNF.

According to the rules described under the point 2.17 of Explanatory notes to the consolidated financial statements, as at 30 September 2007 the Bank classified PTE Skarbiec Emerytura SA as non-current assets held for sale and discontinued operations. In accordance with IFRS 5 "Non-current Assets held for Sale and Discontinued Operations" all requirements set out in IFRS 5 to present PTE pension business as asset held for sale were met, except the expectation to complete a sale within 12 months in relation to primal timing of classification (December 2005). The delay in sale is caused by events outside the Bank's control (the requirement of gaining the assent on sale from the market regulator). The Bank believes that the facts meet the requirement of IFRS 5, Appendix B to justify an extension to the 12-month period in which PTE should be recognized as assets (or disposal group) held for sale.

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The Group analysed the requirements of IAS 12 „Income Taxes" and based on the paragraph 44 did not recognize deferred tax asset in relation to provision for impairment of shares of PTE in the consolidated financial statements. If the deferred tax was recognized, the Group would found the asset in the amount of PLN 81.1 million.

The activity of PTE and SAMH was presented in the business segment reporting in the "Asset Management-discontinued operations" segment (Note 4).

In consolidated financial statements prepared for the reporting periods in 2006 the Bank also classified Skarbiec Asset Management Holding SA as non-current assets held for sale and discontinued operations.

On 8 January 2007 in relation to the agreement of 25 September 2006 on sale of shares of Skarbiec Asset Management Holding SA for the Polish Enterprise Fund V, L.P. ("PEF V"), BRE Bank sold 72 582 shares of SAMH of face value PLN 1 000 each.

The Bank sold the aforementioned shares for a total amount of PLN 155 000 000.The price for shares was paid on 8 January 2007. Ownership of those shares was transferred to PEF V on 8 January 2007. The value of sold shares of net assets of SAMH was PLN 57 927 thousand. After the transaction the Bank does not possess any shares of SAMH. The gain to the Group on sale of shares of SAMH in the amount of PLN 89 458 thousand was included in the result of discontinued operations.

The below indicated financial data concern non-current assets (disposal groups) held for sale and discontinued operations as at 31 December 2007 and 31 December 2006.

Financial data concerning balance sheet items related to assets held for sale as at December 31, 2007, and December 31, 2006 are as follows:

	31.12.2007	**31.12.2006**
Assets held for sale, including:		
Cash and balances with the Central Bank	-	3
Loans and advances to banks	4 064	10 550
Trading securities	-	6 548
Investment securities	88 744	63 055
- available for sale	-	10 642
- held to maturity	88 744	52 413
Intangible assets (including goodwill)	221 012	250 625
Tangible fixed assets	1 336	5 550
Deferred income tax assets	1 307	7 268
Other assets	19 615	41 595
Total assets held for sale	**336 078**	**385 194**

	31.12.2007	**31.12.2006**
Liabilities held for sale, including:		
Other liabilities	10 596	23 288
Provisions	1 947	1 713
Total liabilities held for sale	**12 543**	**25 001**

Financial data concerning income statement items related to assets held for sale and discontinued operations for the period from 1 January to 31 December 2007 and the period from 1 January to 31 December 2006 are as follows:

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Interest income	3 407	3 631
Interest expense	-	(65)
Net interest income	**3 407**	**3 566**
Fee and commission income	46 347	140 530
Fee and commission expense	(19 125)	(39 808)
Net fee and commission income	**27 222**	**100 722**
Net trading income, including:	(4)	695
Foreign exchange result	*(4)*	-
Other trading income	-	*695*
Gains less losses from investment securities	2 731	212
Other operating income	38	152
Overhead costs	(8 290)	(44 281)
Amortization and depreciation	(448)	(1 718)
Other operating expenses	(5 124)	(17 469)
Operating profit	**19 532**	**41 879**
Income from sale of assets held for disposal	89 458	-
Profit (loss) before income tax from discontinued operations	**108 990**	**41 879**
Income tax expense	(22 350)	(5 734)
Net profit (loss) from discontinued operations including minority interest	**86 640**	**36 145**
Net profit attributable to minority interest	-	-
Net profit (loss) from discontinued operations	**86 640**	**36 145**

Financial data concerning cash flows related to assets held for sale and discontinued operations for the period from 1 January to 31 December 2007 and the period from 1 January to 31 December 2006 are as follows:

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Cash flow from operating activities	97 301	(15 050)
Cash flows from investing activities	153 915	27 229

Earnings per share for 12 months – discontinued operations

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Basic:		
Net profit from discontinued operations attributable to shareholders	86 640	36 145
Weighted average number of ordinary shares	29 578 675	29 344 158
Net basic profit per share (in PLN per share)	**2.93**	**1.23**
Diluted:		
Net profit from discontinued operations attributable to the shareholders, applied for calculation of diluted earnings per share (in PLN thousands)	86 640	36 145
Weighted average number of ordinary shares	29 578 675	29 344 158
Adjustments for:		
- stock options for employees	29 464	174 097
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 608 139	29 518 255
Diluted earnings per share (in PLN per share)	**2.93**	**1.22**

Selected explanatory information

1. Compliance with International Financial Reporting Standards

The presented concise report for the fourth quarter of 2007 fulfills the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to the interim financial reports.

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

A detailed description of the accounting policy principles of the Group are presented under items 2 and 3 of the Consolidated Financial Statements for the fourth quarter of 2007. The accounting policies were applied consistently over all of the presented periods.

3. Seasonal or cyclical nature of the business

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

4. The nature and values of items affecting assets, liabilities, equity, net profit/(loss) or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact

- On 31 October, 2007 BRE Bank and Landesbank Hessen-Thüringen Gz signed an agreement under which the Bank received the loan of CHF 250 000 thousand (the equivalent of PLN 541 450 thousand at the average rate of exchange announced by National Bank of Poland on 31 October 2007) to fulfill its financial needs.

- On 26 November, 2007 BRE Bank signed two sernice sub-issue agreements with BRE Bank Hipoteczny SA ("BBH"), the Bank's 100 % subsidiary. Under these agreements the Bank took over 3-year mortgage bonds issued by BBH, up to PLN 170 000 thousand, and 3-year public mortgage bonds issued by BBH, up to PLN 170 000 thousand. The above mortgage bonds will be quote at CeTo. The mortgage bonds were acquired by the Bank on 28 November, 2007.

- On 12 December 2007, BRE Bank entered into the following agreements with Commerzbank AG (the Bank is a direct subsidiary of Commerzbank AG):

  The highest value agreements are as follows:

  1. Bonds Issuance Agreement under which Commerzbank undertook itself to take up floating rate subordinated bonds with unspecified redemption date, issued on the basis of article 127 section 3 item 2 letter d) of the Banking Law, with total nominal value of CHF 170 000 thousand (PLN 373 388 thousand according to NBP's medium exchange rate as of 9 January 2008). The Bank issued the bonds on 9 January 2008. On 24 December 2007 the Bank obtained the Banking Supervision Commission's consent to classify funds from the issued bonds into its supplementary funds.

  2. Together with the above agreement, the Bank concluded an agreement on redemption of the Bank's subordinated bonds in the amount of EUR 100 000 thousand (PLN 357 730 thousand at the NBP's medium exchange rate as of 12 December 2007), with floating rate and unspecified redemption date. The bonds were issued by the Bank under the agreement as of 2005, between the Bank and AT BRE COM LTD, a subsidiary of the Commerzbank. In 2006 Commerzbank took up issuance from AT BRE COM LTD.The redemption of the bonds with value of EUR 100 000 thousand is associated with issuance of the bonds, described in point. The above bonds were repurchased by the Bank on 16 January 2008 and they were redeemed on the same day. The main reason for the subordinated bonds repurchase and redemption was the change in the currency of the Bank's subordinated commitment from EUR to CHF.

  3. The agreement under which on 18 December 2007 Commerzbank granted to the Bank 10-year subordinated loan amounting to CHF 120 000 thousand (PLN 261 612 thousand according to NBP's medium exchange rate as af 18 December 2007). On 24 December 2007 the Bank obtained the Banking Supervision Commission's consent to classify subordinated loan into supplementary funds on the basis of aricle 127 section 3 letter b) of the Banking law.

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

In the fourth quarter of 2007 there were no significant changes in estimate values of items presented in the previous financial periods.

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

In the fourth quarter of 2007 BRE Hipoteczny issued bonds amounting to PLN 1 217 160 thousand as well as mortgage bonds amounting to PLN 340 000 thousand. The mortgage bonds were took up entirely by BRE Bank as described under point 26 of Selected explanatory information. In the same period the company repurchased bonds amounting to PLN 1 159 800 thousand.

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

The General Meeting of Shareholders of BRE Bank SA on 16 March 2007 adopted the resolution not to pay any dividend for the year 2006.

8. Income and profit by business segment

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

9. Significant events after the end of the fourth quarter of 2007, which were not reflected in the financial statement

In accordance with the agreement on sale of shares of Vectra SA ("Vectra") as of 25 January 2008 BRE Bank disposed 9 045 404 shares with nominal value PLN 10 each. The Bank disposed the above indicated shares with total amount of PLN 264 035 thousand. Payment for shares took places on transaction date. The shares disposed by the Bank represent 19.95% of share capital and 11.20% of general meeting of shareholders of Vectra.

The value of disposed shares of Vectra, as recorded in the accounting ledgers of the Bank, amounted to PLN 264 035 thousand. After the transaction the Bank has had no Vectra's shares.

Gross profit of BRE Bank Group due to the above indicated transaction will amount to PLN 137 673 thousand, including transaction costs, in the first quarter of 2008.

10. The effect of changes in the structure of the entity in the fourth quarter of 2007, including business combinations, acquisitions or disposal of subsidiaries, and long-term investments, restructuring, and discontinuation of business activities

In the fourth quarter of 2007, the above indicated events did not occur in material range from the Group's point of view.

11. Changes in contingent liabilities and commitments

In the fourth quarter of 2007 there were no changes in contingent liabilities and commitments of a credit nature, i.e. guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

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

The above indicated events did not occur in the Bank.

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

In the fourth quarter of 2007 no significant impairment loss write-offs were recorded in relation to any tangible fixed assets, intangible assets, and other assets, nor were any significant reversals on such account recorded in the Group.

14. Reversals of provisions against restructuring costs

The above indicated events did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the fourth quarter of 2007 there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and developer operations that are performed by the companies of the Group.

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

The above indicated events did not occur in the Bank.

17. Corrections of errors from previous reporting periods

In the fourth quarter of 2007 there were no corrections of errors from previous reporting periods.

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

The above indicated events did not occur in the Group.

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

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

20. Registered share capital

The total number of ordinary shares as at 31 December 2007 was 29 660 668 shares (vs. 29 516 035 as at 31 December 2006) with PLN 4 nominal value each (PLN 4 in 2006). All issued shares were fully paid.

Issue of 45 696 shares in the fourth quarter of 2007 resulted from realization of the option program.

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REGISTERED SHARE CAPITAL								
Series / issue	**Share type**	**Type of privilege**	**Type of limitation**	**Numebr of shares**	**Series / issue value**	**Paid up**	**Registered on**	**Dividend right since**
11-12-86	ordinary bearer**	-	-	9 972 500	39 890 000	fully paid up in cash	23-12-86	01-01-89
11-12-86	ordinary registered**	-	-	27 500	110 000	fully paid up in cash	23-12-86	01-01-89
20-10-93	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	04-03-94	01-01-94
18-10-94	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	17-02-95	01-01-95
28-05-97	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	10-10-97	10-10-97
27-05-98	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	20-08-98	01-01-99
24-05-00	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	15-09-00	01-01-01
21-04-04	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	30-06-04	01-01-04
21-05-03	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	01-01-05
21-05-03	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	01-01-05
21-05-03	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-05*	01-01-05
21-05-03	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-05*	01-01-05
21-05-03	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-05*	01-01-05
21-05-03	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-05*	01-01-05
21-05-03	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-05*	01-01-05
21-05-03	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-05*	01-01-05
21-05-03	ordinary bearer	-	-	53 320	213 280	fully paid up in cash	10-01-06*	10-01-06*
21-05-03	ordinary bearer	-	-	3 040	12 160	fully paid up in cash	10-01-06*	10-01-06*
21-05-03	ordinary bearer	-	-	46 230	184 920	fully paid up in cash	08-02-06*	08-02-06*
21-05-03	ordinary bearer	-	-	19 700	78 800	fully paid up in cash	08-02-06*	08-02-06*
21-05-03	ordinary bearer	-	-	92 015	368 060	fully paid up in cash	09-03-06*	09-03-06*
21-05-03	ordinary bearer	-	-	19 159	76 636	fully paid up in cash	09-03-06*	09-03-06*
21-05-03	ordinary bearer	-	-	8 357	33 428	fully paid up in cash	11-04-06*	11-04-06*
21-05-03	ordinary bearer	-	-	800	3 200	fully paid up in cash	11-04-06*	11-04-06*
21-05-03	ordinary bearer	-	-	108 194	432 776	fully paid up in cash	16-05-06*	16-05-06*
21-05-03	ordinary bearer	-	-	20 541	82 164	fully paid up in cash	16-05-06*	16-05-06*
21-05-03	ordinary bearer	-	-	17 000	68 000	fully paid up in cash	09-06-06*	09-06-06*
21-05-03	ordinary bearer	-	-	2 619	10 476	fully paid up in cash	09-06-06*	09-06-06*
21-05-03	ordinary bearer	-	-	33 007	132 028	fully paid up in cash	10-07-06*	10-07-06*
21-05-03	ordinary bearer	-	-	2 730	10 920	fully paid up in cash	10-07-06*	10-07-06*
21-05-03	ordinary bearer	-	-	48 122	192 488	fully paid up in cash	09-08-06*	09-08-06*
21-05-03	ordinary bearer	-	-	700	2 800	fully paid up in cash	12-09-06*	12-09-06*
21-05-03	ordinary bearer	-	-	3 430	13 720	fully paid up in cash	11-10-06*	11-10-06*
21-05-03	ordinary bearer	-	-	38 094	152 376	fully paid up in cash	10-11-06*	10-11-06*
21-05-03	ordinary bearer	-	-	15 005	60 020	fully paid up in cash	08-12-06*	08-12-06*
21-05-03	ordinary bearer	-	-	800	3 200	fully paid up in cash	10-01-07*	10-01-07*
21-05-03	ordinary bearer	-	-	200	800	fully paid up in cash	16-02-07*	16-02-07*
21-05-03	ordinary bearer	-	-	1 150	4 600	fully paid up in cash	09-03-07*	09-03-07*
21-05-03	ordinary bearer	-	-	9 585	38 340	fully paid up in cash	09-03-07*	09-03-07*
21-05-03	ordinary bearer	-	-	600	2 400	fully paid up in cash	11-04-07*	11-04-07*
21-05-03	ordinary bearer	-	-	32 964	131 856	fully paid up in cash	17-05-07*	17-05-07*
22-05-03	ordinary bearer	-	-	2 700	10 800	fully paid up in cash	15-06-07*	15-06-07*
21-05-03	ordinary bearer	-	-	8 640	34 560	fully paid up in cash	12-07-07*	12-07-07*
21-05-03	ordinary bearer	-	-	41 898	167 592	fully paid up in cash	14-08-07*	14-08-07*
21-05-03	ordinary bearer	-	-	400	1 600	fully paid up in cash	14-09-07*	14-09-07*
21-05-03	ordinary bearer	-	-	2 540	10 160	fully paid up in cash	11-10-07*	11-10-07*
21-05-03	ordinary bearer	-	-	30 807	123 228	fully paid up in cash	15-10-07*	15-10-07*
22-05-03	ordinary bearer	-	-	12 349	49 396	fully paid up in cash	13-12-07*	13-12-07*
Total number of shares				**29 660 668**				
Total registered share capital					**118 642 672**			
Nominal value per share			**4**					

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

21. Material share packages

There was a change in the holding of material share packages of BRE Bank SA in the fourth quarter of 2007.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 December 2007 it held 69.8558% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2006 – 70.20%).

Moreover, in accordance with the notification sent to BRE Bank, BZ WBK AIB Asset Management SA held 1 486 325 shares of BRE Bank, which as at 31 December 2007 represented 5.0111% of share capital of BRE Bank and gave 1 486 325 rights to vote at the General Meeting of BRE Bank, which represented 5.0111% of general number of votes at the General Meeting of BRE Bank as at 31 December 2007. The shares were deposited on accounts of clients of BZ WBK AIB Asset Management SA. The above indicated figures also included shares of BRE Bank, being the property of investment funds managed by BZ WBK AIB TFI SA. BZ WBK AIB TFI SA informed BRE Bank about holding 1 484 452 shares of BRE Bank by the investments funds managed by BZ WBK AIB TFI SA. The shares represented 5.0048% of share capital of BRE Bank as at 31 December 2007 and gave 1 484 452 rights to vote at the General Meeting of BRE Bank, which represented 5.0048% of general number of votes at the General Meeting of BRE Bank as at 31 December 2007.

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

	Number of shares held as at the date of publishing the report for Q3 2007	Number of shares acquired from the date of publishing the report for Q3 2007 to the date of publishing the report for Q4 2007	Number of shares sold from the date of publishing the report for Q3 2007 to the date of publishing the report for Q4 2007	Number of shares held as at the date of publishing the report for Q4 2007
Management Board				
1. Sławomir Lachowski	100	7 888	2 000	5 988
2. Bernd Loewen	-	-	-	-
3. Jerzy Jóźkowiak	1 374	5 609	-	6 983
4. Jarosław Mastalerz	-	-	-	-
5. Rainer Ottenstein	5 609	-	5 609	-
6. Wiesław Thor	-	5 609	-	5 609
7. Janusz Wojtas	-	-	-	-

	Number of options held as at the date of publishing the report for Q3 2007	Number of options acquired from the date of publishing the report for Q3 2007 to the date of publishing the report for Q4 2007	Number of options realised from the date of publishing the report for Q3 2007 to the date of publishing the report for Q4 2007	Number of options held as at the date of publishing the report for Q4 2007
Management Board				
1. Sławomir Lachowski	7 888	-	7 888	-
2. Bernd Loewen	-	-	-	-
3. Jerzy Jóźkowiak	5 609	-	5 609	-
4. Jarosław Mastalerz	-	-	-	-
5. Rainer Ottenstein	-	-	-	-
6. Wiesław Thor	5 609	-	5 609	-
7. Janusz Wojtas	5 609	-	-	5 609

The Members of Supervisory Board of BRE Bank SA hold neither Bank shares nor Bank share options.

23. Earnings per share (stand alone data)

<u>Earnings per share for 12 months</u>

the period	from 01.01.2007 to 31.12.2007	from 01.01.2006 to 31.12.2006
Basic:		
Net profit	637 231	324 194
Weighted average number of ordinary shares	29 578 675	29 344 158
Net basic profit per share (in PLN per share)	**21.54**	**11.05**
Diluted:		
Net profit attributable to the shareholders, applied for calculation of diluted earnings per share (in thousand PLN)	637 231	324 194
Weighted average number of ordinary shares in issue	29 578 675	29 344 158
Adjustments for:		
- stock options for employees (in thousand PLN)	29 464	174 097
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 608 139	29 518 255
Diluted earnings per share (in PLN per share)	**21.52**	**10.98**

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

As at 31 December 2007, BRE 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 value would be equal to or greater than 10% of the Bank's equity. The total value of claims concerning liabilities of the Bank in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2007 was PLN 312 718 thousand, equal to 10.15% of the issuer's equity.

Report on major proceedings concerning contingent liabilities of the Bank or its subsidiaries

1. Lawsuit initiated by ART-B Sp. z o.o. Eksport – Import in Katowice ("ART-B") under liquidation, against BRE Bank

   Claim was filed on 30 August 1994. On 26 July 2004 the Court of the first instance adopted a decision in favour of the Bank. Pursuant to the decision, the original claims for PLN 99.1 million plus statutory interest accrued since 1991 were dismissed by the Court as in the course of the proceedings the claimant withdrew the claims and presented a new calculation of losses and a new factual basis of the claims. The claims for PLN 17.4 million raised in the course of the proceedings were dismissed due to limitation and lack of sufficient evidence. On 4 July 2005, the Appeal Court in Warsaw dismissed the entire appeal of the claimant. The amount of claim in the proceedings of the second instance was PLN 17.4 mln. The claimant filed the last resort appeal for the ruling of the Court of Appeal. The Highest Court on the May 17, 2006 issued the verdict, according to which the claims of ART-B in the amount of PLN 3 697 thousand was sent back for further recognition to the Court of Appeal and the claims above that amount were dismissed. On Nevember 8, 2006, the Court of Appeal dismissed the claim in part, which was send back for further recognition by the Supreme Court. The claimant filed the last resort appeal for the ruling of the Supreme Court on 17 February 2007. On 18 May 2007 the Highest Court dismissed the ruling as of 8 November 2006 of the Court of Appeal and referred the case back to the Court of Appeal in Warsaw. On 13 December 2007 the Court of Appeal in Warsaw changed partly proceeded judgement of the District Court in Warsaw as of 26 June 2007 in point dismissing the claims in this way that adjudged the amount of PLN 858 thousand plus statutory interest since 9 April 2007 till payment date from the Bank in favour of ART-B and dismissed the appeal in part concerning dismissal of the appeal on further amount of PLN 2 840 thousand plus interest as well as in part relating to dismissal of the appeal on adjudgement statutory interest on the amount of PLN 858 thousand for the period from 7 April 1993 to 8 April 2003.

   Proceedings for the claims were also opened against BRE Bank SA in the Court of Jerusalem, Israel, and the value of the dispute is USD 43.4 million (PLN 105.7 million according to the average exchange rate of the National Bank of Poland on 31 December 2007). In these proceedings, BRE Bank SA assists the main defendant, Bank Leumi Le Israel. BRE Bank SA's liability is under recourse, and depends on whether the court grants ART-B's claims against Bank Leumi. Only then will the court consider Bank Leumi's claims against BRE Bank SA. The Israeli proceedings are still at the pre-trial stage (prior to the first hearing). Bank Leumi and ART-B have come to an agreement concerning arbitration. For reasons of procedure, BRE Bank SA has joined the process, which does not imply its acceptance of the claims or readiness to make a settlement. At present Bank Leumi and ART-B are on the final stage of establishing conditions of reconciliation to which the Bank is not going to accede. If the Bank does not accede to the consent in the future. Acceding to no agreement by the Bank may have effects in Bank Leumi's recourse claims against the Bank, however probability of taking into account Bank Leumi's claims against the Bank is low in connection with favourable decisions for the Bank in Poland.

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

   The receiver of bankrupt Zakłady Mięsne POZMEAT with registered office in Poznań ("POZMEAT") brought the case against BRE Bank SA ("Bank") and Tele-Tech Investment Sp. z o.o. ("TTI") to court on 29 July 2005. The value of the dispute amounted to PLN 100 000 thousand. The purpose was to cancel Pozmeat's agreements to sell Garbary shares to TTI and then to the Bank. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings, representing the only assets of Garbary Sp. z o.o. on the date of sale of Pozmeat's interest in Garbary Sp. z o.o. (19 July 2001). In the opinion of the Bank's legal counsellors in charge, there is a basis to assume that the accusation is illegitimate.

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

   Bank BPH SA brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 854 thousand. The purpose was to recognize actions related to the creation of Garbary Sp. z o.o. and the contribution in kind as ineffective. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that Zakłady Mięsne POZMEAT with registered office in

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Poznań contributed in kind to Garbary Sp. z o.o. as payment for Pozmeat's share in the PLN 100 000 thousand share capital of Garbary. On June 6, 2006 the District Court in Poznań issued the verdict according to which the claims were dismissed in its entire. The claimant filed an appeal against that verdict. On 6 February 2007 the Appeal Court dismissed the claimant's appeal. The claimant filed the last resort appeal for the ruling of the Appeal Court. On 2 October 2007 the Highest Court revoked the ruling of the Appeal Court and referred the case back for further recognition.

4. Lawsuit against Dom Inwestycyjny BRE Banku SA („DI BRE") by the Katarzyna and Leon Praśniewski

On 19 October 2007 the settlement was concluded. As a result of realization of conditions of the settlement, both parties resigned all claims.

Litigious cases are treated by the Group as contingent commitments.

As at 31 December 2007, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2007 did not go beyond 10 % of the issuer's equity.

Contingent commitments of DI BRE due to Investor Compensation Scheme

DI BRE forecasts that in connection with declaring bankruptcy by brokerage house Warszawska Grupa Inwestycyjna (WGI) the amount due to Investor Compensation Scheme (KSR) for claims of WGI's clients might increase. Owing to the lack of possibility to estimate amount of claims of WGI's clients and the fact, that National Depository for Securities (KDPW) did not announce the information on possible payments to Investor Compensation Scheme, DI BRE did not create the provision. The provision will be created when KDPW confirms the necessity of additional payments to KSR.

Taxes

In the fourth quarter of 2007 tax audits concerning correctness of the settlements due to deferred corporate income tax with the national budget for the year 2002 were carried out in the Bank and the arrangements of the audits were presented in the protocol as of 21 December 2007. The audits did not indicate any uncorretnesses so BRE Bank did not have any reservations or explanations about the protocol.

There were no tax audits in the companies of the Group within the year 2007 or tax authorities did not carry out any full-scope tax audits in the Bank or in the companies of the Group within the year 2006.

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 Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

25. Off-balance sheet liabilities

Off-balance sheet liabilities as at 31 December 2007 and 31 December 2006.

Consolidated data

as at	31.12.2007	31.12.2006
Contingent liabilities granted and received	**19 321 333**	**15 318 164**
Commitments granted	**17 109 821**	**14 254 978**
- financing	13 383 689	10 751 379
- guarantees and other financial facilities	2 516 054	2 697 823
- other commitments	1 210 078	805 776
Commitments received	**2 211 512**	**1 063 186**
- financing	1 317 516	117 665
- guarantees	640 267	945 521
- other commitments	253 729	-
Liabilities related to purchase/sale transactions	**636 990 965**	**541 501 749**
Total off-balance sheet items	**656 312 298**	**556 819 913**

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Stand-alone data

as at	31.12.2007	31.12.2006
Contingent liabilities granted and received	**17 131 217**	**14 950 693**
Liabilities granted	**16 147 207**	**14 134 181**
- financing	12 409 672	9 783 948
- guarantees	3 219 625	4 166 433
- others	517 910	183 800
Liabilities received	**984 010**	**816 512**
- financing	500 000	651
- guarantees	484 010	815 861
Liabilities arising from purchase/sale operations	**636 193 783**	**542 547 690**
Total off-balance sheet items	**653 325 000**	**557 498 383**

26. Transactions with related entities

All transactions between the Bank and related entities, exceeding the equivalent of EUR 500 000 and represented in PLN, were transactions concluded on market terms, and with the exception of the transaction described below, they were also typical and routine transactions and their nature and conditions resulted from the current operating activities conducted by the Bank. Transactions concluded with related entities as a part of regular operating activities include loans, deposits and foreign currency transactions.

On 9 November 2007 the Bank incurred cost in connection with settlement the agreement concluded between the Bank and person fulfilling criteria of definition of the Bank's key executive personnel before that person started performing functions classifying the person into key executive personnel of the Bank, amounting to PLN 3 307 thousand. The agreement related to possibility and terms of share in equity of the above indicated person in one of the subsidiaries of BRE Bank. The transaction was concluded on market terms.

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

- On 12 November, 2007 BRE Bank and Tele-Tech Investment Sp. z o.o. ("TTI"), the Bank's 100% subsidiary, signed an agreement under which the Bank acquired from TTI 8 306 500 stocks of BRE.locum SA ("BRE.locum") of the nominal value PLN 1 each. The shares taken up by the Bank constitute 30.00% of the share capital of BRE.locum and authorise to exercise 8 306 500 votes which represent 30.00% of general number of votes at the general shareholders meeting of BRE.locum.

  The shares were acquired by the Bank for the total amount of PLN 8 411 thousand. The value of the shares, as recorded in the Bank's accounts, amounts to PLN 8 411 thousand. The acquisition was financed from the Bank's own funds. As a result of the acquisition the Bank holds stocks representing 79.99% of BRE.locum's share capital as well as votes at the general meeting of shareholders.

- On 28 November, 2007 BRE Bank under the agreement signed with BRE Bank Hipoteczny SA ("BBH"), the Bank's 100 % subsidiary, on 26 November, 2007, concerning sernice sub-issue took over 3-year mortgage bonds issued by BBH, up to PLN 170 000 thousand, and 3-year public mortgage bonds issued by BBH, up to PLN 170 000 thousand. The above mortgage bonds will be quote at CeTo.

- On 12 December 2007, BRE Bank entered into the following agreements with Commerzbank AG:

  The highest value agreements are as follows:

  1. Bonds Issuance Agreement under which Commerzbank undertook itself to take up floating rate subordinated bonds with unspecified redemption date, issued on the basis of article 127 section 3 item 2 letter d) of the Banking Law, with total nominal value of CHF 170 000 thousand (PLN 373 388 thousand according to NBP's medium exchange rate as of 9 January 2008). The Bank issued bonds on 9 January 2008.

On 24 December 2007 the Bank obtained the Banking Supervision Commission's (Polish abbreviation is "KNB") consent to classify funds from the issued bonds into its supplementary funds.

2. Together with the above agreement, the Bank concluded an agreement on redemption of the Bank's subordinated bonds in the amount of EUR 100 000 thousand (PLN 357 730 thousand at the NBP's medium exchange rate as of 12 December 2007), with floating rate and unspecified redemption date. The bonds were issued by the Bank under the agreement as of 2005, between the Bank and AT BRE COM LTD, a subsidiary of the Commerzbank. In 2006 Commerzbank took up issuance from AT BRE COM LTD.The redemption of the bonds with value of EUR 100 000 thousand is associated with issuance of the bonds, described in point 1. The above bonds were repurchased by the Bank on 16 January 2008 and they were redeemed on the same day. The main reason for the subordinated bonds repurchase and redemption was the change in the currency of the Bank's subordinated commitment from EUR to CHF.

3. The agreement under which on 18 December 2007 Commerzbank granted to the Bank 10-year subordinated loan amounting to CHF 120 000 thousand (PLN 261 612 thousand according to NBP's medium exchange rate as af 18 December 2007). On 24 December 2007 the Bank obtained the Banking Supervision Commission's consent to classify subordinated loan into supplementary funds on the basis of aricle 127 section 3 letter b) of the Banking law.

In all reporting periods there were no mutual transactions with direct parent entity of BRE Bank.

The amounts of transactions with related entities, i.e. balance sheet balances and related expenses and income as at 31 December 2007 and 31 December 2006 were as follows:

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Numerical data concerning transactions with affiliated entities - 31 December 2007

No.	Company's name	Balance sheet		Income Statement				Off-balance sheet items	
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	ServicePoint Sp. z o.o.	155	74	1	(14)	10	0	345	0
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	0	1	0	(8)	1	0	0	0
3	BRE Holding Sp. z o.o.	0	98	0	0	0	0	0	0
4	BREL-MAR Sp. z o.o.	0	1	0	0	1	0	0	0
5	AMBRESA Sp. z o.o.	0	354	0	0	2	0	0	0
6	BRE Ubezpieczenia TU SA	0	8 383	0	(121)	2	0	0	0
	Associated								
	Xtrade S.A.	0	61	0	(4)	7	0	0	0
	Ultimate Parent Group								
	Commerzbank AG Group	387 525	9 861 963	25 838	(246 096)	0	0	54 308	106 369

Numerical data concerning transactions with affiliated entities - 31 December 2006

No.	Company's name	Balance sheet		Income Statement				Off-balance sheet items	
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	emFinanse Sp. z o.o.	6 385	11	88	(2)	57	0	5 216	0
2	ServicePoint Sp. z o.o.	0	822	0	(4)	3	0	0	0
3	FAMCO SA	0	3 850	0	(144)	4	0	0	0
4	BRELINVEST Sp. z o.o. Fly 2 Commandite company	0	19	0	(6)	1	0	0	0
5	BRELIM Sp. z o.o.	0	13	49	0	1	0	0	0
6	BREL-MAR Sp. z o.o.	0	3	0	0	1	0	0	0
7	BREL-RES Sp. z o.o.	16 253	205	2 528	(121)	27	0	0	0
8	AMBRESA Sp. z o.o.	0	866	0	(2)	2	0	0	0
9	BRE Ubezpieczenia Sp. z o.o.	0	2 516	0	(47)	2	0	0	0
	Associated								
	Xtrade SA	0	88	2	(2)	7	0	0	0
	Ultimate Parent Group								
	Commerzbank AG Group	536 360	6 274 002	13 036	(128 374)	0	0	197 869	204 986

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

The Bank's exposure under extended guarantees in excess of 10% of the equity as at 31 December 2007 relates to:
- two guarantees of the redemption of euronotes issued by order of BRE Finance France SA (issuer of euronotes), a 100%-owned subsidiary of BRE Bank SA. The guarantee of USD 10 million took effect in December 2004 with the expire date till December 2009. The second guarantee of EUR 200 million took effect in June 2004 with the expire date till June 2008. The guarantee of EUR 225 million, granted in October 2004, was repaid in October 2007.

28. Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance, and their changes, as well as information relevant to an assessment of the issuer's capacity to meet its liabilities

Such pieces of information do not occur.

29. Factors affecting the results in the coming quarter

Sale of Vectra's shares by the Bank will have significant impact on the results in the first quarter of 2008. The transaction is described under point 9 of selected explanatory information.

Gross profit of BRE Bank Group due to the above indicated transaction will amount to PLN 137 673 thousand, including transaction costs, in the first quarter of 2008.