BRE BANK SA

BRE Bank SA Group

IFRS Consolidated Financial Statements for the third quarter of 2009

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Selected financial data

	SELECTED FINANCIAL DATA FOR THE GROUP	in PLN '000		in EUR '000	
		III Quarters of 2009 from 01.01.2009 to 30.09.2009	III Quarters of 2008 from 01.01.2008 to 30.09.2008	III Quarters of 2009 from 01.01.2009 to 30.09.2009	III Quarters of 2008 from 01.01.2008 to 30.09.2008
I.	Interest income	2 618 876	2 554 822	595 294	745 999
II.	Fee and commission income	734 962	653 430	167 063	190 799
III.	Net trading income	323 513	421 947	73 537	123 207
IV.	Operating profit	127 486	955 202	28 979	278 916
V.	Profit before income tax	127 486	955 202	28 979	278 916
VI.	Net profit attributable to Owners of BRE Bank SA	88 150	822 269	20 037	240 100
VII.	Net profit attributable to non-controlling interests	(294)	29 612	(67)	8 647
VIII.	Net cash flows from operating activities	(2 589 861)	(3 015 726)	(588 698)	(880 581)
IX.	Net cash flows from investing activities	(128 862)	15 707	(29 291)	4 586
X.	Net cash flows from financing activities	(625 235)	5 461 981	(142 121)	1 594 879
XI.	Net increase / decrease in cash and cash equivalents	(3 343 958)	2 461 962	(760 111)	718 884
XII.	Earnings on continued operations per 1 ordinary share (in PLN/EUR)	2.97	25.13	0.67	7.34
XIII.	Diluted earnings on continued operations per 1 ordinary share (in PLN/EUR)	2.97	25.12	0.67	7.33
XIV.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

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

	SELECTED FINANCIAL DATA FOR THE GROUP	in PLN '000			in EUR '000		
		As at 30.09.2009	As at 31.12.2008	As at 30.09.2008	As at 30.09.2009	As at 31.12.2008	As at 30.09.2008
I.	Total assets	78 570 248	82 605 202	67 728 071	18 607 078	19 798 006	19 871 511
II.	Amounts due to the Central Bank	1 243 280	1 302 469	-	294 435	312 163	-
III.	Amounts due to other banks	26 163 651	27 488 807	17 935 202	6 196 100	6 588 248	5 262 213
IV.	Amounts due to customers	39 440 109	37 750 027	38 096 701	9 340 243	9 047 557	11 177 626
V.	Equity attributable to Owners of BRE Bank SA	4 035 511	3 894 452	3 987 394	955 693	933 384	1 169 907
VI.	Non-controlling interests	154 129	153 584	137 891	36 501	36 810	40 457
VII.	Share capital	118 764	118 764	118 764	28 126	28 464	34 846
VIII.	Number of shares	29 690 882	29 690 882	29 690 882	29 690 882	29 690 882	29 690 882
IX.	Book value per share (in PLN/EUR)	135.92	131.17	134.30	32.19	31.44	39.40
X.	Diluted book value per share (in PLN/EUR)	135.76	131.08	134.26	32.15	31.41	39.39
XI.	Capital adequacy ratio	11.38	10.04	10.51	11.38	10.04	10.51

	SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000		in EUR'000	
		III Quarters of 2009 the period from 01.01.2009 to 30.09.2009	III Quarters of 2008 the period from 01.01.2008 to 30.09.2008	III Quarters of 2009 the period from 01.01.2009 to 30.09.2009	III Quarters of 2008 the period from 01.01.2008 to 30.09.2008
I.	Interest income	2 148 173	2 055 569	488 299	600 219
II.	Fee and commission income	574 021	528 162	130 480	154 221
III.	Net trading income	310 618	398 424	70 606	116 338
IV.	Operating profit	70 580	919 356	16 043	268 449
V.	Profit before income tax	70 580	919 356	16 043	268 449
VI.	Net profit	50 171	840 152	11 404	245 321
VII.	Net cash flows from operating activities	(2 978 156)	(2 066 714)	(676 961)	(603 473)
VIII.	Net cash flows from investing activities	(82 385)	167 259	(18 727)	48 839
IX.	Net cash flows from financing activities	(369 219)	4 358 940	(83 927)	1 272 795
X.	Net increase / decrease in cash and cash equivalents	(3 429 760)	2 459 485	(779 615)	718 161
XXI.	Earnings per 1 ordinary share (in PLN/EUR)	1.69	28.31	0.38	8.27
XXII.	Diluted earnings per 1 ordinary share (in PLN/EUR)	1.69	28.30	0.38	8.26
XXIII.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

	SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000			in EUR'000		
		As at 30.09.2009	As at 31.12.2008	As at 30.09.2008	As at 30.09.2009	As at 31.12.2008	As at 30.09.2008
I.	Total assets	68 882 325	72 355 392	58 692 892	16 312 775	17 341 432	17 220 577
II.	Amounts due to the Central Bank	1 243 280	1 302 469	-	294 435	312 163	-
III.	Amounts due to other banks	19 339 758	20 142 760	12 157 380	4 580 059	4 827 620	3 566 992
IV.	Amounts due to customers	38 837 011	37 438 494	37 667 198	9 197 417	8 972 892	11 051 609
V.	Own equity	3 730 914	3 624 147	3 774 742	883 558	868 600	1 107 515
VI.	Share capital	118 764	118 764	118 764	28 126	28 464	34 846
VII.	Number of shares	29 690 882	29 690 882	29 690 882	29 690 882	29 690 882	29 690 882
VIII.	Book value per share (in PLN/EUR)	125.66	122.06	127.13	29.76	29.25	37.30
IX.	Diluted book value per share (in PLN/EUR)	125.52	121.98	127.10	29.72	29.23	37.29
X.	Capital adequacy ratio	11.60	10.04	11.12	11.60	10.04	11.12

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

- for items of the Statement of Financial Position – exchange rate announced by the National Bank of Poland as at 30 September 2009: EUR 1 = PLN 4.2226, exchange rate announced by the National Bank of Poland as at 31 December 2008: EUR 1 = PLN 4.1724 and exchange rate announced by the National Bank of Poland as at 30 September 2008: EUR 1 = PLN 3.4083.

- for items of the Income Statement – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of three quarters of 2009 and 2008: 1 EUR = 4.3993 PLN and 1 EUR = 3.4247 PLN respectively.

Introduction

Net profit attributable to the shareholders of the holding company of BRE Bank Group was PLN 88.2 million and the profit before tax reached PLN 127.5 million at the end of September 2009. The 2009 profit was affected by negative market trends, already reflected in the Group's results in Q4 2008, as well as by the lack of significant one-off transactions, unlike in 2008 when the pre-tax profit including one-offs stood at PLN 955.2 million (net profit PLN 822.3 million).

The income 2009 on the core business grew year on year, while overhead costs remained stable thanks to the effectively implemented cost reduction programme BREnova. Profit before tax was down considerably year on year due to loan loss provisions, up by ca. PLN 760 million, and non-occurence of income on one-off transactions.

The net interest income was the main driver of growth in the Group's income in 2009: it grew by 23% YoY (PLN 233 million). Despite a slow-down in business, including volumes of new lending, the net commission income grew by almost 5% YoY (PLN 20 million). The trading income was down by 23% year on year (PLN 98 million, including PLN 24.5 million of negative valuation of derivative instruments) due to weak economic conditions.

BRE Bank Group's cost reduction measures helped to reduce overhead costs by 2.5% year on year while depreciation was up by 22%.

Profit before tax amounted to PLN 111.3 million in Q3. Hence, the highest quarterly profit year to date was achieved. The profit included a relatively high net interest income, significantly higher than the 2008 quarterly average and modestly lower than in Q2/09. The net commission income was higher than in the other quarters of 2009 or 2008. The trading income was stable quarter on quarter. Administrative expenses of Q3 were comparable to the other quarters of the year while loan loss provisions were down strongly quarter on quarter. The total income of Q3 stood at PLN 724 million and was higher than in Q2 or Q1 2009 (up by PLN 10 million and PLN 52 million respectively).

BRE Bank Group's return on equity (profit before tax on continued and discontinued operations to the average equity excluding the profit of the period) was 4.2% p.a. in Q1-3 2009, compared to 38.9% in Q1-3 2008 (30.5% net of one-off transactions).

The Group's cost/income ratio (CIR measured as overhead costs and depreciation to income including net other operating income and cost) decreased in Q3 to reach 51.5% at the end of September 2009. This ratio should be compared to a CIR of 55.1% (net of one-off transactions) after 9M/2008.

Main drivers of the financial results in 2009 included:

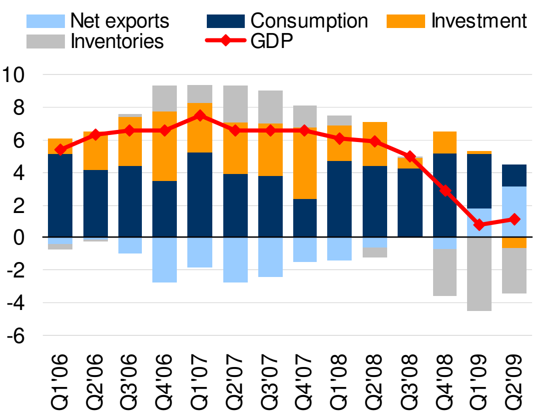
1. High share of loans in the Group's balance sheet, mainly due to significant loan growth in Q4 2008, also due to YoY depreciation of the zloty. In particular retail loans grew by over 40% year on year (more than 60% of the growth was attributable to the depreciation of the zloty). The growth rate of loans dropped sharply in 2009. Net loans fell by 3.5% quarter on quarter in Q3 2009 mainly driven by the effect of the QoQ appreciation of the zloty.
2. Continuous upward trend (growth by ca. 7 percentage points year on year) of the share of retail clients in the loans portfolio, which had a positive impact on the structure of the balance sheet in terms of profitability and risk diversification.
3. Growth of the deposit base, mainly driven by retail clients' deposits, which grew in Q2 and Q3 2009. The negative trend observed in Q4 2008 and Q1 2009 was reversed thanks to effective deposit gathering campaigns. Amounts due to clients grew by 3.5% year on year (including retail clients' deposits up by 20%) and by 1.5% quarter on quarter (including retail clients' deposits up by 5.7%). The growth in client deposits was lower than the growth in the loans portfolio. This increased demand for financing in the interbank market and the relative cost of funding which negatively influenced net interest margins.
4. Downward trend of market interest rates, causing an interest margin decrease, in particular concerning attracted short-term customer deposits.
5. However, the net interest margin of BRE Bank Group was maintained at 2.3% both in a QoQ and in a YoY comparison.
6. Significant volatility of the foreign exchange rates, impacting both balance-sheet items and foreign exchange profit.
7. Impact of declining market conditions and low liquidity including more limited opportunities to generate income, growing cost of new funding, and negative impact on the valuation of financial instruments.
8. Strongly increased charge of loan loss provisions in the Group as a result of the effects of the market downturn to the standing of customers of the Bank (including over 30% of credit provisions related to asymmetric derivative instruments).
9. Strict cost discipline, both at the Bank and the subsidiaries, with the implementation of the BREnova programme.

Macroeconomics in Q3 2009

GDP

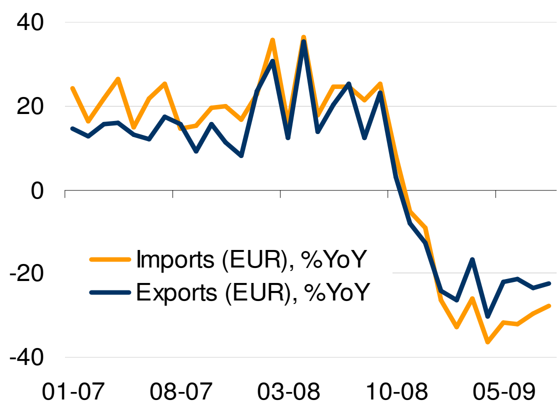
The Polish GDP rate slowed down sharply in 2009. This was caused by strong reduction in external demand following dramatic deterioration of the economic situation in the EU countries (in particular Germany, Poland's largest trade partner) and strong reduction in investments related to the drop in foreign direct investments and the credit crunch in the banking sector. While the GDP rate fell to 0.8% YoY in Q1 2009 (the lowest rate since 2002), the Q2 data were positively surprising: GDP grew by 1.1% YoY in Q2. The fear that the GDP rate would fall quarter to quarter turned out to be unfounded. It should be stressed that Poland was the only EU member state whose economy did not shrink in Q2 2009. By comparison, the EU GDP according to Eurostat methodology fell by 4.8% YoY in Q1 and by 4.9% YoY in Q2.

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



Poland's positive GDP rate in Q2 2009 was mainly driven by the positive contribution of consumption (1.4 percentage points) and net exports (3.1 percentage points). Private consumption continued to grow in Q2 but its rate fell from 3.3% YoY in Q1 to 1.9% YoY in Q2, which suggests that consumer demand continues to fall. The positive contribution of net exports was not driven by growth in Polish exports: it was the statistical effect of imports falling more than exports. The strong positive contribution of net exports driven by fast falling imports combined with the prevailing growing rate of private consumption (in large part driven by imports) suggest that imported goods are being substituted by domestic goods, which is good for the GDP. Importantly, the growth rate of investments in Q2 was negative for the first time since the previous slow-down of the Polish economy (down by 2.9% YoY vs. up by 1.2% YoY in Q1).

Imports and exports growth rate (%YoY)

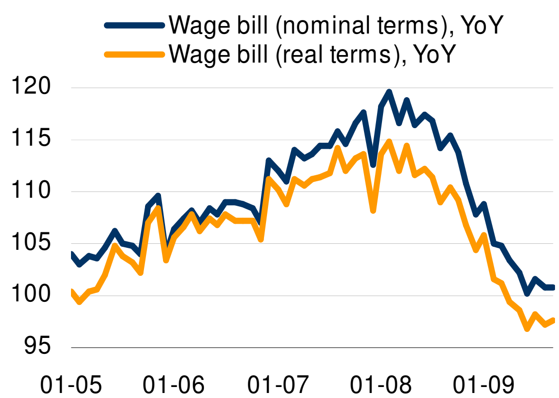


The latest macroeconomic data from the Polish economy (including industrial output, retail sales) suggest that the economic slow-down is turning into a modest recovery. While the conditions on the Polish labour market are worsening sharply, which slows down private consumption considerably, Poland will probably report an increase in private consumption in 2009 and see its positive contribution to GDP growth. Net exports should also make a positive contribution to economic growth. In turn, investments will continue to fall in the coming quarters. We estimate Polish GDP growth in 2009 at some 1.5%. This would mean that Poland is one of few European countries to avoid economic recession in 2009.

Labour Market

The economic slow-down caused a significant deterioration of the situation on the Polish labour market in H1 2009 as demonstrated by the falling rate of wages and salaries and falling demand for labour.

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



The situation on the labour market stabilised in Q3. First of all, the fall in the rate of wages and salaries reported in H1 slowed down considerably. After the nominal growth rate of wages and salaries in the corporate sector fell to 2.0% YoY in June (compared to 8.1% YoY at the beginning of the year and the 2008 average of 10.6% YoY), the rate stabilised at 3-4% YoY in the next months. Second, while the negative rate of employment continued to deepen (-2.4% YoY in September compared to -1.9% YoY in June), the reduction of employment was moderate in Q3 (3-7 thousand jobs per month) as compared to much bigger reductions in H1 (up to 17 thousand jobs per month in Q2 and 27 thousand jobs in Q1).

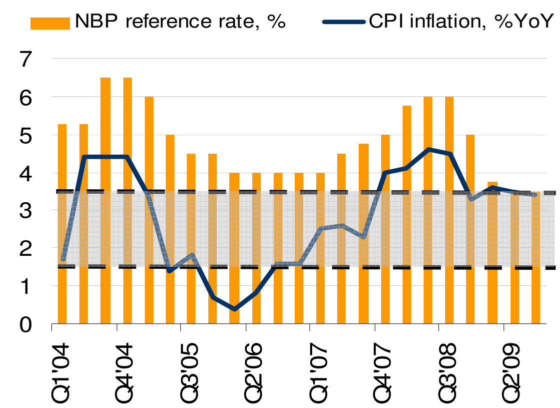
Importantly, as the fall in wages and salaries and the fall in employment became less steep, total salaries also stabilised: they fell by 2.4% YoY in real terms in September, compared to a decrease by 3.2% YoY in June. The improvement will drive growth in private consumption. The unemployment rate also stabilised and was around 10.8% in Q3 2009.

The negative trends on the Polish labour market gradually slowed down as economic activity started to pick up, as demonstrated by market conditions, the industrial output and retail sales data.

Inflation and Interest Rates

The sharp depreciation of the zloty in H2 2008 and in early 2009 drove inflation in H1 2009 from 2.8% YoY in January to 4.0% YoY in April. The CPI fell to 3.5% YoY at the end of Q2 and rose temporarily to 3.7% YoY in Q3, closing at 3.4% YoY at the end of Q3. Inflation in the past few months was driven by the most variable categories: food, fuel and energy prices. The growth rate of food prices gradually decreased (3.6% YoY in September compared to 4.7% YoY in June) due to deeper than seasonal price cuts. Inflation also fell thanks to the prices of energy as a result of high prices in the statistical base last year (electricity price rises in the autumn of 2008). In turn, inflation was driven by transport prices: despite the recently falling prices of fuel, transport prices were rising due to low prices in the statistical base last year (sharp cuts of fuel prices in H2 2008).

CPI inflation (%YoY) and NBP reference rate (%)

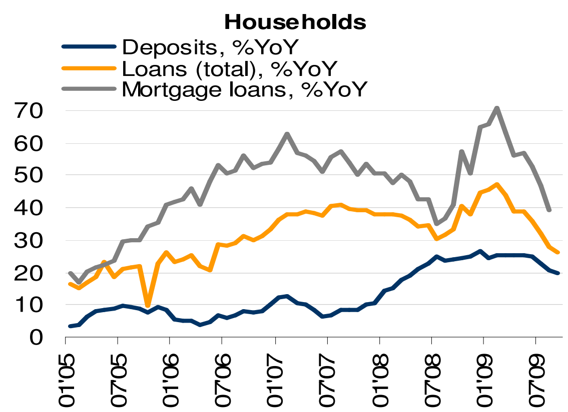


The Polish Monetary Policy Council (RPP) cut the interest rates by 25 basis points (reference rate down to 3.50%) in June in what seems to be the last cut in the current monetary relaxation cycle (the Council kept the interest rates unchanged in Q3). The market is not expecting the rates to change until the end of the term of this Council (the last meeting of this term is scheduled in December). The Council stopped the cycle of reducing the cost of money mainly due to observed improvements of economic conditions, both in Poland and globally, over the past months; however, in its official statements the Council made the reservation that it is difficult to predict how long the recovery will last, and stressed the relatively high inflation. Concerning inflation, the Council stressed that weaker consumer demand did not offset the strong effect of the depreciation of the zloty driving inflation. What's important, at the October meeting the Council changed its policy bias from easing to neutral after the release of the new inflation projection, which showed increase of GDP and inflation forecasts.

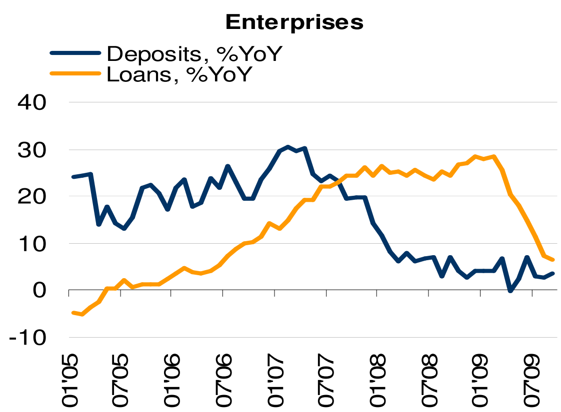
Money Supply and the Banking Sector

The growth rate of household deposits fell even more sharply in Q3 2009, from 24.7% YoY at the end of Q2 to 19.8% YoY in September. Retail deposits grew by only PLN 1.4 billion in Q3 2009, compared to PLN 13.2 billion of

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



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



growth in Q3 2008. The growth rate of household deposits was adversely affected by the deteriorating situation on the labour market resulting in decreasing total salaries as well as a stronger outflow of cash to investment funds (the balance of payments and withdrawals in investment funds was PLN 2.4 billion in Q3 compared to PLN 0.4 billion in Q2) and continued decrease in interest rates on term deposits. The growth rate of corporate deposits fell from 7.2% YoY at the end of Q2 to 3.6% YoY in September (the volume of deposits fell by PLN 0.5 billion in Q3 2009 compared to an increase by PLN 4.2 billion in Q3 2008) mainly due to weaker corporate financial results.

Due to tighter conditions of lending, the growth rate of household loans fell sharply in Q3 (from 35.7% YoY at the end of Q2 to 26.2% YoY in September) but the volumes grew by PLN 5.8 billion. Net of the fx effect (fx loans, mainly in CHF, currently account for ca. 37% of the total value of household loans), the growth rate of retail loans fell from 20.1% YoY in June to 15.4% YoY in September. The tighter conditions of lending in the context of higher risks (growing share of NPLs) and reduced economic activity drove a further sharp decrease in the growth rate of corporate loans (from 14.7% YoY at the end of Q2 to 6.5% YoY in September): the volume of corporate loans fell by PLN 3.5 billion in Q3 2009 compared to PLN 12.2 billion of growth in Q3 2008. Net of the fx effect (fx loans account for ca. 24% of total corporate loans), the growth rate of corporate loans fell from 7.3% YoY at the end of Q2 to 1.6% YoY in September.

A milestone in the context of the situation in the banking sector was the adoption of the guidelines for the 2010 monetary policy by the Monetary Policy Council at its September meeting. The monetary policy next year will include a new instrument: "bill-of-exchange credit" (to finance new bank lending to corporate clients), a part of the National Bank of Poland's package stimulating new lending. The guidelines for the 2010 monetary policy do not include the NBP's plan of open-market buy transactions of bank-issued bonds. The NBP Governor announced postponement of the launch of 12-month repo operations until 2010 (it was originally scheduled for November 2009).

Key Factors Driving the Results of BRE Bank Group in Q3 2009

Statement of Financial Position

BRE Bank Group's balance sheet total was PLN 78.6 billion at 30 September 2009, up by 16% year on year and down by 2.9% quarter on quarter.

Credits and loans grew the fastest in nominal terms, by PLN 9.3 billion or 21.4% year on year. A dynamic growth trend was reported in particular for retail loans, up by 43.2% or PLN 8.6 billion year on year. Meanwhile, the corporate loans portfolio was up by 6.4% or PLN 1.5 billion. It should be noted that over 60% of the reported growth in the loans portfolio was a result of the depreciation of the zloty and the conversion of the existing portfolio of fx loans (mainly in CHF) at a rate higher by over 30% compared to the previous year.

Loans fell by 4% or PLN 2.2 billion net and by 3.5% or PLN 1.9 billion gross in Q3 2009; this was mainly driven by the appreciation of the zloty and the falling value of reverse repo transactions with clients. As a result, retail loans fell by PLN 0.5 billion or 1.9% while corporate loans fell by PLN 1.4 billion or 5.5% in Q3.

Advances and loans to banks fell by PLN 4.3 billion or 62.5% year on year and grew by PLN 0.6 billion or 30.8% quarter on quarter. The portfolio of securities held for trading followed a similar trend: it was down by PLN 3.2 billion year on year and up by PLN 0.1 billion quarter on quarter. Meanwhile, investment securities grew by PLN 6.6 billion year on year and by PLN 1.4 billion quarter on quarter. These changes occurred mainly within the structure of short-term assets while the latter remained at around 25% of total assets, a safe level from the perspective of liquidity.

Amounts due to clients, the Group's major source of funding, were up by 3.5% or PLN 1.3 billion year on year, reaching PLN 39.4 billion or 53% of the total liabilities in 2009, compared to 59.9% at the end of September 2008 and 48.1% at the end of 2008. Amounts due to retail clients as well as amounts due to corporate clients were down in early 2009 but the trend reversed and the deposit base was gradually rebuilt. As a result, the total amounts due to retail clients grew by 5.7% or PLN 1.2 billion in Q3 while the amounts due to corporate clients fell by 4.6% or PLN 0.8 billion, exclusively driven by the falling value of repo transactions (down by PLN 0.9 billion).

The trends observed in deposits were driven on the one hand by the behaviour of clients deriving from the need of financing the current business and diversification of risks, and the behaviour of banks looking to attract funding at the time of low liquidity on the market.

As the YoY growth rate of deposits was lower than the growth rate of loans, additional funding from the interbank market increased in this period. Interbank loans increased by PLN 9.4 billion or 52.8% year on year, mainly driven by CHF credit lines obtained by the Bank and used to finance the portfolio of housing loans granted in CHF. The liabilities to other banks fell quarter on quarter as credit lines decreased by ca. PLN 1 billion, largely driven by falling fx rates.

The share of the Group's equity in the sources of funding was 5.3% at the end of September 2009, compared to 6.1% at the end of Q3 2008 and 5% at the end of H1 2009; this demonstrates a stable share of equity over this period.

The capital adequacy ratio increased to 11.38% at the end of September 2009, compared to 10.51% at the end of Q3 2008 and 11.08% at the end of June 2009. The ratio rose as the equity was rising faster than the capital requirement; in addition, the credit risk capital requirement was on the decrease quarter on quarter.

The equity increased year on year due to an increase in supplementary capital following the conversion of subordinated loans at a higher PLN/CHF exchange rate and an increase in tier one capital after retention of the full profit.

As a result, the own funds of the Group were PLN 6.3 billion at the end of September 2009, up by PLN 0.8 billion year on year and stable quarter on quarter. Meanwhile, the capital requirement was up from PLN 4.2 billion at the end of September 2008 to PLN 4.5 billion at the end of June 2009 and down modestly to PLN 4.4 billion at the end of September 2009. The capital requirement decreased QoQ largely due to the falling credit risk capital requirement following a change of the structure of assets and appreciation of the zloty.

Income Statement

BRE Bank Group generated a profit before tax of PLN 127.5 million in Q1-3 2009, fully achieved by continued operations.

BRE Bank Group's income of the period was PLN 2,111.5 million, up by 0.9% or PLN 18.8 million year on year and up by 8% or PLN 156.5 million net of the one-off transactions in 2008 (sale of Vectra S.A.). The growth was mainly driven by the growing net interest income of the Bank and the subsidiaries and a modest growth in the net commission income combined with a decrease in the trading profit.

Net interest income grew by 23.1% year on year and reached PLN 1,240.6 million, compared to PLN 1,008.0 million in Q1-3 2008.

BRE Bank Group's interest margin (net interest income to average interest-earning assets) was 2.3% p.a. in Q1-3 2009, stable year on year. In 2009, the margin development was driven by opposite trends in the assets and the liabilities. On the one hand, there were positive drivers in the structure of assets and rising margins on some credit products. On the other hand, changes in the structure of liabilities had the opposite effect, including the growing share of interbank funding and the deposit interest margin reduction caused by growing competition.

Net interest income of the Retail Banking Line, up by 50% or PLN 241 million year on year, was the main driver of growth of the net interest income of BRE Bank Group.

Net interest income in Q3 was down by 4.5% quarter on quarter, driven by a modest decrease in interest income and increasingly high interest cost.

BRE Bank Group's net commission income was up by 4.7% year on year. Commission income from payment cards, brokerage and lending, and bank accounts grew the fastest.

Commission income of Q3 reached the highest quarterly level this year: it was up by 2.9% compared to Q2 and up by 33.6% compared to Q1 2009.

Trading income stood at PLN 323.5 million at the end of September 2009, down by 23.3% or PLN 98 million year on year. The income was mainly affected by a decrease in fx income, including PLN 24 million of negative valuation of fx options. The lower fx income was a result of less active fx trading by clients and lower currency conversion income. The trading income of Q3 2009 was stable quarter on quarter: fx income was up while the other trading income (mainly the valuation of interest rate instruments) was down.

Trading and Investments reported an increase in the trading income year on year. Meanwhile, the trading income of Corporates and Retail Banking was down year on year. As a result, the share of the trading income of 'Trading and Investments Activity' in the Group's trading income grew from 27% in 2008 to 38%.

No capital transactions were closed in 2009, while 2008 results included capital gains of PLN 137.7 million on the sale of Vectra in Q1 as a part of continued operations.

In 2009, the loss on investment securities relates to the negative valuation of the Romanian subsidiary of Intermarket Group (ca. PLN 16 million) and a positive result of a reversal of provisions at BRE.locum Sp. z o.o. relating to the sale of property by a subsidiary (ca. PLN 20 million).

The other operating income (net other operating income and cost) was PLN 98.5 million in 2009, stable year on year despite a write-off of PLN 18.0 million due to the impairment of assets related to the financing of the Romanian subsidiary Compania de Factoring in Intermarket Bank AG Group.

2009 results of the Group were largely driven by the net loan loss provisions of PLN 897.6 million, compared to PLN 138.7 million in the same period of 2008. Higher by PLN 759 million level YoY includes Bank contribution (increase YoY by PLN 681 million) and the subsidiaries contribution (increase YoY by PLN 78 million). Over 40% or ca. PLN 278.6 million of provisions set up at the Bank in 2009 (PLN 7 million of net released provisions in Q3 2009) were loan loss provisions against clients holding liabilities under derivative transactions. The amount of provisions set up against derivative instruments results from conservative assumptions made as part of restructuring measures taken by the Bank.

Loan loss provisions were up year on year mainly in Corporates and Financial Markets (up by PLN 507.1 million); more than a half of these provisions were set up against loans related to derivative transactions. The provisions also grew significantly in Retail Banking (up by PLN 261.8 million), mainly provisions against consumer loans for new clients of mBank. Marketing of this product was stopped in May 2009.

Administrative costs were down by 2.5% or PLN 23.1 million year on year, mainly due to cost reductions in the Bank while the overhead costs of the subsidiaries increased modestly. It should be stressed that the higher costs of the subsidiaries were mainly driven by fx effects and by business expansion (mainly DI BRE and BRE Ubezpieczenia).

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The Group's costs were down due to personnel costs, down by PLN 63.3 million year on year. The reduction was reported mainly in the Bank thanks to workforce reduction as well as due to lower bonus and management options provisions (related to generated results).

Employment of BRE Bank Group (FTE)	*31.12.2008*	*30.06.2009*	*30.09.2009*	*% change (since the end of 2008)*
	6 133	5 641	5 641	-8%

Maintenance costs grew year on year, mainly driven by:
- growing fixed costs, i.e., rents, property maintenance, post and telephone fees;
- growing energy and fuel prices;
- branch network expansion last year (both retail and corporate branches);
- BFG and KNF fees which more than doubled.

The share of depreciation in the costs of the Group was growing steadily, up by PLN 31.8 million or 21.9% year on year in 2009. The growth in depreciation was mainly driven by the expansion of the branch network, development of banking systems, and growth in leased assets following growth in sales in 2008.

The effectively implemented programme BREnova comprising strict cost discipline and effective management of resources helped the Group to report good productivity as measured by the cost/income ratio which was 51.5% at the end of September 2009 compared to 55.1% at the end of September 2008 net of the one-off transaction.

Performance of the Business Lines

The presented results of the BRE Bank Group segments refer to the report covering both continued and discontinued operations under relevant items. The 2009 results presented below are compared to results of the same period of 2008 under the applicable presentation of the financial results of the segments.

The 2008 results were updated compared to the version published after Q3/08 in order to include the effect of consolidation of the subsidiary BRE Ubezpieczenia as of the beginning of 2008 and organisational changes in the Bank having a minor effect on the structure of the Group's results by segment.

Considering the increase of provisions and the much lower income on one-off transactions, the profit before tax of all business lines in 2009 was down year on year.

Retail Banking and Private Banking

Financial Results

The Retail Banking Line (RBL) and Private Banking (PB), which had grown the fastest in the previous periods, reported an income of PLN 1,022 million in Q1-3 2009, up by over 30% or PLN 245 million year on year.

The high growth was mainly driven by the net interest income (up by 50%); as a result, the share of the Line in the Group's net interest income grew by over 10 pp to 58%. This growth of income was largely driven by the growth of the loans portfolio, mainly mortgage loans (up by 41% or PLN 6.7 billion year on year and up by 5% or PLN 1.0 billion year to date) due to both business expansion and fx rate effects.

The Line's net commission income was down by PLN 8 million year on year in 2009, mainly due to the slow-down of the new lending business.
As a result, the Line's contribution to the Group's total net commission income dropped modestly from 32% in 2008 to 29% in 2009.

The strong growth of the Line's overall income was coupled with a lower growth in administrative costs (by only 5.8%). This was owed to the imposed cost discipline across the Group.

Despite the positive trends in income and productivity, the Line's profit before tax in 2009 was down by PLN 41.9 million year on year. This was driven by credit provisions which were up by a factor of 4 or by PLN 262 million year on year. The provisions charged against the profit were much higher this year. The quarterly increase in provisions was much higher than the growth of the loans portfolio. By comparison, in 2008 the increase in provisions was closely correlated to the fast growth in the loans portfolio.

The provisions grew in particular in Q2 2009, mainly provisions against consumer loans as this portfolio deteriorated.

Income remained high in Q3, growing by ca. 2% quarter on quarter; meanwhile, costs remained stable. Thanks to a modestly lower increase in provisions, the profit before tax of PLN 72.7 million in Q3 was up by over PLN 10 million quarter on quarter (PLN 61.5 million in Q2).

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

mBank and MultiBank: Operation in Poland

Customers

BRE Bank's Retail Banking Line (RBL) had 2,761.7 thousand customers at the end of Q3 2009 (including 2,211.8 thousand at mBank and 549.9 thousand at MultiBank). The number of customers grew by 76.1 thousand in Q3 (up by 2.8%; 57.2 thousand at mBank, 18.9 thousand at MultiBank).

The Bank had 343.8 thousand microenterprise customers (257.4 thousand at mBank, 86.4 thousand at MultiBank). The number of new microenterprise customers acquired in Q3 was 4.5 thousand (up by 1.3%; 0.1 thousand at mBank, 4.4 thousand at MultiBank).

Accounts

The Retail Banking Line had 3,621.3 thousand accounts at 30 September 2009 (3,263.6 thousand at mBank, 357.7 thousand at MultiBank). The number of accounts grew by 178.6 thousand in Q3 (up by 5.2%; 165.2 thousand at mBank, 13.4 thousand at MultiBank).

There were 416.8 thousand microenterprise accounts (330.6 thousand at mBank, 86.2 thousand at MultiBank), up by 6.4 thousand in Q3 (up by 1.6%; 2.0 thousand at mBank, 4.4 thousand at MultiBank).

Deposits

BRE Bank retail deposits were PLN 15,966.4 million at the end of September 2009 (PLN 11,484.8 million at mBank, PLN 4,481.6 million at MultiBank).

The balance-sheet deposits grew by PLN 940.9 million in Q3 (up by 6.3%; PLN 461.0 million at mBank, PLN 479.9 million at MultiBank).

The balance-sheet microenterprise deposits were PLN 1,491.0 million at the end of September 2009 (PLN 747.9 million at mBank, PLN 743.1 million at MultiBank). The deposits were down by PLN 59.9 million year to date (down by 3.9%; down by PLN 60.0 million at mBank, up by PLN 0.1 million at MultiBank).

According to statistics at the end of August 2009, the market share of the BRE Bank retail deposits (including PB) was 4.8%.

Investment Funds

Investment fund assets of BRE Bank retail customers were PLN 1,511.5 million at the end of September 2009 (PLN 1,199.5 million at mBank, PLN 312.0 million at MultiBank).

Investment fund assets grew by PLN 279.4 million in Q3 (up by 22.7%; PLN 220.3 million at mBank, PLN 59.1 million at MultiBank).

The market share of BRE Bank Retail Banking Line's investment funds was 1.7% at the end of Q3 2009.

Loans

Balance-sheet loans stood at PLN 26,767.9 million at the end of September 2009 (PLN 11,747.2 million at mBank, PLN 15,020.7 million at MultiBank). Loans were down by PLN 550.6 million year to date (down by 2.0%; down by PLN 219.5 million at mBank, down by PLN 331.1 million at MultiBank) mainly due to the appreciation of the zloty.

BRE Bank Retail Banking Line's market share in retail loans (including PB) was 6.8% at the end of August 2009.

All microenterprise loans were PLN 2,532.5 million at the end of September 2009 (PLN 695.8 million at mBank, PLN 1,836.7 million at MultiBank), of which 28% were mortgage loans (33% at mBank, 27% at MultiBank).

Structure of the Credit Portfolio:

- mBank: 81.7% mortgage loans, 5.7% credit lines, 4.7% credit cards, 7.9% other;
- MultiBank: 83.8% mortgage loans, 5.8% credit lines, 1.6% credit cards, 8.8% other.

The RBL balance-sheet mortgage loans were PLN 21,457.8 million at the end of September 2009 (PLN 9,361.4 million at mBank, PLN 12,096.4 million at MultiBank). The balance-sheet mortgage loans were down by PLN 777.4 million in Q3 (down by 3.5%; down by PLN 332.4 million at mBank, down by PLN 445.0 million at MultiBank) mainly due to the appreciation of the zloty.

The market share of the RBL in housing loans was 10.6% at the end of August 2009.

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Mortgage Loans to Retail Customers	*Total*	*PLN*	*FX*
Balance-sheet value (PLN B)	21.46	2.33	19.12
Average maturity (years)	23.23	20.40	23.66
Average value (PLN thou.)	254.72	209.39	261.63
Average LTV (%)	80.8%	57.2%	84.5%
NPL	0.47%	1.59%	0.33%

Cards

The number of credit cards issued by the end of September 2009 was 481.6 thousand (330.7 thousand at mBank, 150.9 thousand at MultiBank). The number of credit cards grew by 18.4 thousand in Q3 (up by 4.0%; 14.1 thousand at mBank, 4.3 thousand at MultiBank).

The number of debit cards issued by the end of September 2009 was 2,368.6 thousand (1,853.4 thousand at mBank, 515.2 thousand at MultiBank). The number of debit cards grew by 116.6 thousand in July-September 2009 (up by 5.2%; 93.8 thousand at mBank, 22.8 thousand at MultiBank).

According to data at the end of August 2009, the market share of the BRE Bank Retail Banking Line in credit cards was 5.4% by the amount of debt under cards.

Distribution Network

mBank

mBank's distribution network had 150 locations (66 mKiosks, 21 Financial Centres, 63 Partner mKiosks).

MultiBank

MultiBank's distribution network had 134 outlets (76 Financial Services Centres and 58 Partner Outlets including 50 Branches of the Future, which can be either Financial Services Centres or Partner Outlets).

mBank: Foreign Operations

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

Customers

mBank in the Czech Republic and Slovakia had 353.9 thousand customers at the end of Q3 2009 (including 266.1 thousand at mBank CZ and 87.8 thousand at mBank SK). The number of customers grew by 31.0 thousand in Q3 (up by 9.6%; 21.6 thousand at mBank CZ, 9.4 thousand at mBank SK).

Accounts

mBank in the Czech Republic and Slovakia had 694.1 thousand accounts at 30 September 2009 (535.6 thousand at mBank CZ, 158.5 thousand at mBank SK). The number of accounts grew by 70.5 thousand in Q3 2009 (up by 11.3%; 48.1 thousand at mBank CZ, 22.4 thousand at mBank SK).

Deposits

mBank in the Czech Republic and Slovakia had deposits at EUR 1,076.8 million at the end of Q3 2009 (EUR 818.2 million at mBank CZ, EUR 258.6 million at mBank SK). Total deposits grew by EUR 98.4 million in Q3 (up by 10.1%; EUR 73.1 million at mBank CZ, EUR 25.3 million at mBank SK).

Loans

Balance-sheet loans were EUR 275.4 million at the end of September 2009 (EUR 190.2 million at mBank CZ, EUR 85.2 million at mBank SK). Loans grew by EUR 38.4 million in Q3 2009 (up by 16.2%; EUR 38.1 million at mBank CZ, EUR 0.3 million at mBank SK).

Expansion of the Distribution Network

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

The distribution network of mBank SK has 16 locations (9 mKiosks, 7 Financial Centres).

Private Banking (PB)

Customers

PB had 5,462 customers at the end of September 2009, down by 25.6% (1,879 customers) year to date. Restructuring improved the quality of the customer base (average assets under management per client grew by 31% year to date).

BRE Private Banking & Wealth Management (BRE PB&WM) was named the Best Private Banking in Poland in the annual global ranking of private banking institutions by *Euromoney* magazine.

Loans

The loans of PB customers were PLN 598.0 million at the end of Q3 2009, up by PLN 25.2 million (4.4%) quarter on quarter.

Assets under Management

Customers' assets under management invested via BRE PB (including deposits, asset management products and financial market products) totalled PLN 4,453.9 million at the end of September 2009, up by PLN 328.2 million (8.0%) quarter on quarter. In addition to new investments, the result was largely driven by improved conditions on the capital market and the resulting increasing valuation of financial instruments held by BRE PB&WM customers.

Main improvements of the product offering in 2009:

- BRE PB&WM offers art banking services as an alternative to capital market investments.
- The investment programme 'Akumulacja' was added to the offer; it combines security and return on high-interest bank deposits with the advantages of a selected, top-class investment product.
- TFI Allianz Polska and TFI Ipopema investment funds were added to the offering.

BRE Ubezpieczenia

BRE Ubezpieczenia TU SA has a growing contribution to the results of BRE Bank Group. The company launched its business in January 2007. It sells own insurance products via an on-line insurance platform developed in co-operation with BRE Bank retail branches as well as traditional bancassurance products to BRE Bank clients via the insurance agent BRE Ubezpieczenia Sp. z o.o. In addition to these two business lines (direct insurance over the online platform and bancassurance), the insurance companies offer services to BRE Leasing (insurance products, sales support, claims handling monitoring).

The profit before tax of BRE Ubezpieczenia grew by 37% YoY to PLN 22.4 million in Q1-3 2009 driven by new income from services to BRE Leasing and a significant reduction of marketing expenses. In Q3 alone, BRE Ubezpieczenia generated a profit before tax of PLN 7.3 million. The gross premiums written under programmes serviced by BRE Ubezpieczenia totalled PLN 384 million in January-September 2009.

According to our estimates, BRE Ubezpieczenia is Poland's fifth largest direct insurer with a 9% market share (at the end of H1 2009).

Corporates and Financial Markets

Financial Results

The Line generated a loss before tax of PLN 116.4 million in Q1-3 2009, down by PLN 722.3 million year on year. The decline was mainly driven by loan loss provisions, up by PLN 497 million; the one-off sale of Vectra at a capital gain of PLN 137.7 million included in the results of 2008; and additional costs of Compania de Factoring, a Romanian subsidiary of the Intermarket Bank Group, charged to the results of the Line (ca. PLN 35 million).

Net interest and commission income was stable year on year in 2009 while the trading income was down, affecting to total income of the Line.

Commission income was up by 9.9% (PLN 25.6 million) year on year and net interest income was down by 4.5% (PLN 25.1 million) mainly due to the growing cost of funding at the Bank. The trading income was down by 26.4% (PLN 77.8 million) year on year due to the valuation of fx options and a lower fx income related with the economic downturn.

The assets of Corporations and Financial Markets grew by 7% or PLN 3.6 billion in the period while the liabilities of the Line grew more sharply, by 18.9% or PLN 8.5 billion.

The contribution of the subsidiaries to the profit of the Line was PLN 60.5 million in 2009 compared to PLN 139.7 million in 2008, mainly due to the lower profit of Intermarket Bank, down by ca. PLN 40 million, and that of BRE Leasing, down by almost PLN 30 million due to high credit provisions.

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

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Corporates and Institutions

Financial Results

The segment reported a loss of PLN 276.8 million in Q1-3 2009, mainly due to high credit provisions at PLN 554.7 million, up by PLN 507.1 million year on year. The sharp increase in provisions was mainly caused by provisions set up against loans related to derivative transactions (PLN 278.6 million).

Net interest income grew by 10.1% while the net commission income grew by 5.5% in the period. The trading income was down by over PLN 85 million or 47.6% year on year due to the negative valuation of fx options and the less active business by clients.

The administrative costs were down modestly by 1% in 2009 driven mainly by cost reductions by 5.4% in the Bank; which proves high effectiveness of optimization activites.

In Q3 the income of the segment was up by ca. PLN 10 million or 3.7% combined with overhead costs down by ca. 1% and much lower credit provisions (down by ca. PLN 187 million QoQ).

Corporate Customers

BRE Bank acquired 1,303 new corporate customers in January-September 2009, of which 77.6% were K3 customers and 19.7% were K2 customers. The number of corporate customers totalled 12,992 companies at the end of September 2009, up by 146 companies year on year. The customer base was stable in 2009. The number of corporate customers did not change quarter on quarter in Q3.

Corporate Banking Customers

	30.09.2008	*30.09.2009*	*Change 2009*
K1*	946	908	-38
K2*	3 853	3 875	+22
K3*	8 047	8 209	+162
Total	12 846	12 992	+146

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

Corporate Customers Deposits

BRE Bank's corporate customers' deposits (including deposits of enterprises) were PLN 15.7 billion at the end of September 2009, down by 1.1% year to date.

Deposits of enterprises were PLN 13.3 billion at the end of September 2009, up by 1.4% quarter on quarter and down by 2.7% year to date. The total deposits of enterprises in the sector were down by 2.0% year to date. The market share of BRE Bank's deposits of enterprises was 9.0% at the end of September, compared to 8.8% in June 2009 and 9.1% at the end of 2008.

Corporate Customers Loans

BRE Bank's corporate customers' loans (including loans to enterprises) were PLN 15.3 billion at the end of September 2009, down by 2.5% year to date.

Loans to enterprises were PLN 14.67 billion at the end of September 2009, down by 2.9% quarter on quarter and up by 0.4% year to date. The total loans to enterprises in the sector were down by 1.1% quarter on quarter and down by 0.9% year to date. The market share of BRE Bank's loans to enterprises was 6.4% at the end of September 2009, compared to 6.6% in June 2009 and 6.4% at the end of December 2008.

Strategic Product Lines

Cash Management

The constantly developed cash management offer supports long-term customer relationships and helps to grow the volume of transactions involving the identification of payments and the number of customers using advanced cash management products. The number of direct debits processed in 2009 was 1,795 thousand, up by 1.1% year on year. The number of *identifications of trade payments* grew dynamically: close to 5.4 million transactions were processed in January-September 2009, up by 13.5% year on year. The number of customers using the most advanced bank account consolidation facilities grew by 17.8% year on year in 2009; 463 customers were using Cash Pooling and Shared Balances services at the end of September 2009.

Banking Products with EU Financing

The sales of products related to EU financing grew by 7.4% year on year in 2009. The sales followed the start of application rounds for measures addressed to entrepreneurs under the Operational Programme – Innovative Economy (Measure 4.2, Measure 4.4, Measure 1.4/4.1).

Financial Instruments

The profit on the sales of financial instruments to corporate customers stood at around PLN 30.5 million in Q3 2009, down by 7.3% quarter on quarter.

Corporate Network

The BRE Bank corporate branch network included 24 Branches and 22 Corporate Offices at the end of September 2009. One Corporate Office was closed on 1 October.

Expansion of the Offering

The product offering was largely expanded in Q3 2009 including major implementations:

- BRE AUTO Overnight Progressive – new functionality of the Automatic Deposit Account. The new feature customises the Account to clients' specific needs (the option of using different interest rates for deposits depending on the amount of the deposit);
- iBRE Depo Plus – unique solution for courts and public prosecution offices. The product ensures full automation of the management of deposits in the financial and accounting system;
- iBRE Cash – a new iBRE Cash module, enabling clients to place cash orders via the iBRE platform, was launched in August. In addition, work is in progress to expand the availability of cash services for corporate clients through access to the MultiBank branch network. Moreover, cash management optimisation efforts include the introduction of the functionality of cash monitors in order to track and monitor the amount of cash at each stage of the process.

Proprietary Investments Portfolio

The portfolio of proprietary and mezzanine investments totalled PLN 241 million at cost at the end of Q3 2009, down by PLN 10 million year to date following the sale of a stake in Xtrade S.A. and the acquisition of Internet Group SA shares in an exercised call option.

BRE Bank Group Subsidiaries:

Dom Inwestycyjny BRE Banku (DI BRE)

DI BRE generated a profit before tax of over PLN 27.9 million in Q1-3 2009. DI BRE is the leader in options trading with a share exceeding 33.7%. DI BRE ranked as the second most active broker in the futures market in Q1-3 2009, reporting a market share of 15.9%. DI BRE also retained a high share in equities trading: 7.35% of all transactions on the stock market were handled by DI BRE in Q1-3 2009.

The growing share in trading on the futures market and the equities market is a result of stable growth in trading by all client groups.

BRE Corporate Finance SA (BRE CF)

BRE CF's sales stood at PLN 3.7 million at the end of Q3 2009, compared to PLN 4.1 million in Q1-3 2008. The company's net loss was PLN 1.37 thousand in Q1-3 2009, compared to a net loss of PLN 1.73 thousand at the end of Q3 2008. The fall of BRE CF's income was driven by prolonged decision-making on the part of clients and prolonged approval procedures of BRE CF's projects delaying the invoicing of due fees.

Modest market recovery was observed in Q3 2009, as demonstrated by the growing number of requests for proposals received by BRE CF. The company took part in several tenders for advisory services. It was appointed advisor of PKP SA in the privatisation process of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. In Q3, BRE CF acquired several small mergers and acquisitions (M&A) projects and signed several new corporate finance service contracts. In addition, the company continued to work on the preparation of WZF Polfa Warszawa SA for its planned sale by the State Treasury.

BRE Bank Hipoteczny (BBH)

BBH's total credit portfolio stood at PLN 4.8 billion at the end of September 2009, down by 0.7% year on year. Its balance sheet total was up by 13.4% year on year and reached PLN 4.63 billion. Its 9M/09 profit before tax was PLN 26.4 million (compared to PLN 38.2 million at the end of September 2008). BBH's ROE stood at 11.3%, compared to 18.9% a year earlier. Its C/I ratio was up from 41.2% in Q3 2008 to 49.6% in Q3 2009.

The Bank issued mortgage bonds totalling PLN 360 million in Q1-3 2009.

BRE Leasing

Leasing contracts executed by BRE Leasing in Q3 2009 totalled PLN 370 million, down by 48.4% quarter on quarter (as property leasing contracts had improved to the sales results of the previous quarter). Leasing contracts executed by the company in 2009 totalled PLN 1,490 million, down by 39.5% year on year. The sales fell due to diminished demand for leasing services. BRE Leasing posted a loss of PLN 1.2 million in Q3 2009 as a result of lower sales and higher provisions resulting from the difficult market situation. The 9M/09 profit before tax of BRE Leasing was PLN 3.6 million.

Factoring – The Intermarket Group

The sales of the Intermarket Group companies totalled EUR 1.4 billion in Q3 2009, up by 11% quarter on quarter. Total sales of Intermarket Group amounted to EUR 3.8 billion year to date, down by 17% year on year as a result of less active business by existing clients and a rising number of bankruptcies. The pre-tax profit of Intermarket Group companies consolidated by BRE Bank was PLN 9.6 million in Q3 2009. The Q1-3 loss was PLN 11.0 million, mainly driven by write-offs (PLN 34.4 million) for the investment in Intermarket Bank's Romanian subsidiary. Polfactor, the subsidiary operating in Poland, reported sales at PLN 1.2 billion in Q3, up by 16% quarter on quarter, and sales of PLN 2.9 billion year to date (up by 15.0% YoY). The profit before tax of Polfactor was PLN 3.0 million in Q3 2009 and its cumulative profit before tax was PLN 7.9 million at the end of September (down by 19.6% YoY).

Trading and Investments

Financial Results

The business area generated a profit before tax of PLN 160.4 million in Q1-3 2009, compared to PLN 227 million in Q1-3 2008, the latter included PLN 137.7 million on the one-off transaction of the sale of Vectra SA. As a result, the recurrent profit almost doubled YoY.

The structure of the segment's results in 2009 was dominated by the foreign exchange income at PLN 142.6 million, up by 5.7% or PLN 7.7 million year on year. The other trading income was affected by negative market trends and was negative at PLN 19.7 million in 2009 (also negative in 2008), mainly due to the negative valuation of securities.

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

The net interest income was up but the fx income was down in Q3. The other trading income was modestly positive at PLN 0.8 million. The profit before tax of PLN 41 million in Q3 was down by ca. PLN 20 million quarter on quarter.

Market Position

BRE Bank ranks first in mid-term bank debt securities with a market share of 26.5%, third in mid-term corporate bonds with a market share of 21.6% and third in short-term debt securities with a market share of 18.0% (all data as at the end of September 2009).

The Bank remains very active in financial market trading: its share in interest rate derivatives was ca. 19.3% and in Treasury bonds and bills ca. 5.2%. Its share in fx spots and forwards was 6.1% and in WIG-20 index options ca. 17.6% (all data as at the end of August 2009).

Asset Management

Financial Results

This business is shown separately as discontinued operations under profit before tax in the presentation of the consolidated profit and loss account; in 2008, it mainly included the results of the subsidiary PTE Skarbiec-Emerytura which was later sold. The BRE Bank Group did not have discontinued operations in 2009.

Quality of the Loans Portfolio

A major criterion of the evaluation of the quality of the credit risk portfolio is the portfolio structure and valuation based on the provisions of the International Accounting Standards (IAS) 39 and 37 concerning the identified impairment exposures portfolio and relevant provisions.

The default ratio for the risk portfolio under IAS 39 and IAS 37 was 4.0% at the end of Q3 2009, compared to 3.5% at the end of Q2 2009 and 1.6% at the end of 2008.
The default ratio for the balance-sheet credit risk portfolio (credit receivables less interest) was 4.8% at the end of Q3 2009 (up from 4.3% at the end of Q2 2009 and 2.1% at the end of 2008).

The main driver of the falling quality of the credit risk portfolio in Q3 2009 was significant growth in the default loans portfolio.

The absolute value of the default portfolio grew significantly in Q3 2009 (from PLN 2,144 million in Q2 2009 to PLN 2,330 million at the end of Q3 2009) due to the declining financial standing of customers and the resulting customer default rating. The ratio of provisions to default credit exposure grew to 56.2% in Q3 2009 from 52.8% at the end of Q2 2009. The ratio for the balance-sheet portfolio was up from 54.0% (end of Q2 2009) to 58.0%. The main reason for the increase in the ratio was the increase in provisions.

As the credit risk portfolio grew significantly while its quality declined, the incurred but not reported loss (IBNR) reserve for the non-default portfolio grew and was PLN 302 million at the end of Q3 2009, compared to PLN 268 million at the end of Q2 2008 and PLN 211 million at the end of 2008.

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Consolidated Income Statement

	Note	IIIrd Quarter (current year) from 01.07.2009 to 30.09.2009	III Quarters cumulative (current year) from 01.01.2009 to 30.09.2009	IIIrd Quarter (previous year) from 01.07.2008 to 30.09.2008	III Quarters cumulative (previous year) from 01.01.2008 to 30.09.2008
Continued operations					
Interest income		828 190	2 618 876	954 583	2 552 392
Interest expense		(416 138)	(1 378 234)	(589 737)	(1 544 361)
Net interest income	5	**412 052**	**1 240 642**	**364 846**	**1 008 031**
Fee and commission income		259 347	734 962	212 601	628 054
Fee and commission expense		(96 589)	(292 240)	(77 575)	(205 288)
Net fee and commission income	6	**162 758**	**442 722**	**135 026**	**422 766**
Dividend income	7	18	2 840	10	3 743
Net trading income, including:	8	99 551	323 513	167 758	421 948
Foreign exchange result		*96 919*	*339 066*	*175 390*	*435 851*
Other trading income		*2 632*	*(15 553)*	*(7 632)*	*(13 903)*
Gains less losses from investment securities	9	20 346	3 196	97	137 914
Other operating income	10	47 138	203 871	37 529	218 224
Net impairment losses on loans and advances	11	(248 770)	(897 622)	(70 808)	(138 676)
Overhead costs	12	(304 820)	(909 320)	(312 512)	(932 421)
Amortization and depreciation		(59 248)	(177 038)	(51 299)	(145 251)
Other operating expenses	13	(17 727)	(105 318)	(16 542)	(119 984)
Operating profit		**111 298**	**127 486**	**254 105**	**876 294**
Share of profit (loss) of associates		-		-	-
Profit before income tax from continued operations		**111 298**	**127 486**	**254 105**	**876 294**
Income tax expense		(34 050)	(39 630)	(50 125)	(100 985)
Net profit from continued operations		**77 248**	**87 856**	**203 980**	**775 309**
Discontinued operations	19				
Profit before income tax from discontinued operations		**-**	**-**	**-**	**78 908**
Income tax expense		-	-	-	(2 336)
Net profit from discontinued operations		**-**	**-**	**-**	**76 572**
Net profit from continued and discontinued operations		**77 248**	**87 856**	**203 980**	**851 881**
Net profit from continued and discontinued operations, attributable to:					
- Owners of BRE Bank SA		72 486	88 150	198 460	822 269
- Non-controlling interests		4 762	(294)	5 520	29 612
Net profit from continued operations attributable to Owners of BRE Bank SA			**88 150**		**745 697**
Weighted average number of ordinary shares	14		**29 690 882**		**29 677 096**
Earnings on continued operations per 1 ordinary share (in PLN)	14		**2.97**		**25.13**
Weighted average number of ordinary shares for diluted earnings	14		**29 724 581**		**29 686 312**
Diluted earnings on continued operations per 1 ordinary share (in PLN)	14		**2.97**		**25.12**

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Consolidated Statement of Comprehensive Income

	IIIrd Quarter (current year) from 01.07.2009 to 30.09.2009	III Quarters cumulative (current year) from 01.01.2009 to 30.09.2009	IIIrd Quarter (previous year) from 01.07.2008 to 30.09.2008	III Quarters cumulative (previous year) from 01.01.2008 to 30.09.2008
Financial result	**77 248**	**87 856**	**203 980**	**851 881**
Other comprehensive income subject to taxation	**40 402**	**59 335**	**12 086**	**(158 991)**
Exchange differences on translating foreign operations (net)	(8 969)	5 727	748	(5 472)
Available-for-sale financial assets (net)	49 371	53 608	11 338	(153 519)
Total comprehensive income net of tax, total	**117 650**	**147 191**	**216 066**	**692 890**
Total comprehensive income (net), attributable to:				
- Owners of BRE Bank SA	117 154	145 705	210 076	664 993
- Non-controlling interests	496	1 486	5 990	27 897

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Consolidated Statement of Financial Position

	Note	30.09.2009	30.06.2009	31.12.2008	30.09.2008
ASSETS					
Cash and balances with the Central Bank		3 454 658	4 333 799	2 512 333	1 143 209
Debt securities eligible for rediscounting at the Central Bank		17 094	12 284	9 238	17 377
Loans and advances to banks		2 609 026	1 994 169	6 104 093	6 957 057
Trading securities	15	966 667	835 309	4 624 621	4 200 312
Derivative financial instruments		2 532 859	3 533 056	5 632 872	1 756 862
Loans and advances to customers	16	52 697 836	54 893 997	52 142 477	43 418 786
Investment securities	17	11 168 841	9 752 875	5 502 312	4 543 022
- Available for sale		11 168 841	9 752 875	5 502 312	4 543 022
Non-current assets held for sale	19	-	-	-	416 150
Pledged assets	15, 17	2 521 524	2 927 131	3 445 281	2 828 170
Investments in associates		1 182	1 251	16 953	13 892
Intangible assets		437 154	439 932	438 452	432 894
Tangible fixed assets		785 486	795 728	814 469	746 951
Deferred income tax assets		342 679	359 560	327 558	293 498
Other assets		1 035 242	1 053 366	1 034 543	959 891
Total assets		**78 570 248**	**80 932 457**	**82 605 202**	**67 728 071**
EQUITY AND LIABILITIES					
Amounts due to the Central Bank		1 243 280	1 537 154	1 302 469	-
Amounts due to other banks		26 163 651	27 189 396	27 488 807	17 935 202
Derivative financial instruments and other trading liabilities		2 402 074	3 860 602	6 174 491	2 025 092
Amounts due to customers	18	39 440 109	38 859 124	37 750 027	38 096 701
Debt securities in issue		1 478 610	1 607 461	1 790 745	2 163 375
Subordinated liabilities		2 661 985	2 789 358	2 669 453	2 057 959
Other liabilities		786 333	800 756	996 280	956 256
Current income tax liabilities		6 143	2 019	218 807	217 466
Deferred income tax liabilities		1 469	1 884	81	782
Provisions		196 954	213 585	166 006	149 953
Total liabilities		**74 380 608**	**76 861 339**	**78 557 166**	**63 602 786**
Equity					
Equity attributable to Owners of BRE Bank SA		**4 035 511**	**3 917 541**	**3 894 452**	**3 987 394**
Share capital:		**1 521 683**	**1 521 683**	**1 521 683**	**1 521 683**
- Registered share capital		118 764	118 764	118 764	118 764
- Share premium		1 402 919	1 402 919	1 402 919	1 402 919
Retained earnings:		**2 670 641**	**2 597 339**	**2 587 137**	**2 548 783**
- Profit from the previous years		2 582 491	2 581 675	1 729 678	1 726 514
- Profit for the current year		88 150	15 664	857 459	822 269
Other components of equity		**(156 813)**	**(201 481)**	**(214 368)**	**(83 072)**
Non-controlling interests		**154 129**	**153 577**	**153 584**	**137 891**
Total equity		**4 189 640**	**4 071 118**	**4 048 036**	**4 125 285**
Total equity and liabilities		**78 570 248**	**80 932 457**	**82 605 202**	**67 728 071**
Capital adequacy ratio		**11.38**	**11.08**	**10.04**	**10.51**
Book value		**4 035 511**	**3 917 541**	**3 894 452**	**3 987 394**
Number of shares		**29 690 882**	**29 690 882**	**29 690 882**	**29 690 882**
Book value per share (in PLN)		**135.92**	**131.94**	**131.17**	**134.30**
Diluted number of shares		**29 724 581**	**29 717 904**	**29 711 586**	**29 700 098**
Diluted book value per share (in PLN)		**135.76**	**131.82**	**131.08**	**134.26**

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Consolidated Statements of Changes in Equity

Changes from 1 January to 30 September 2009

	Share capital		Retained earnings					Other components of equity				
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available for sale financial assets	Equity attributable to Owners of BRE Bank SA, total	Non-controlling interests	Total equity
Equity as at 1 January 2009	**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**958 791**	**-**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2009	**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**958 791**	**-**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**
Total comprehensive income							**88 150**	**4 004**	**53 551**	**145 705**	**1 486**	**147 191**
Dividends paid	-	-	-	-	-	-	-	-	-	-	(940)	(940)
Transfer to General Risk Fund	-	-	-	-	105 900	(105 900)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	13 711	-	(13 711)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	789 858	-	-	(789 858)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Stock option program for employees	-	-	-	(4 646)	-	-	-	-	-	(4 646)	-	(4 646)
- value of services provided by the employees	-	-	-	*(4 646)*	-	-	-	-	-	*(4 646)*	-	*(4 646)*
Equity as at 30 September 2009	**118 764**	**1 402 919**	**1 761 399**	**52 560**	**719 210**	**49 322**	**88 150**	**(135)**	**(156 678)**	**4 035 511**	**154 129**	**4 189 640**

Changes from 1 January to 31 December 2008

	Share capital		Retained earnings					Other components of equity				
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available for sale financial assets	Equity attributable to Owners of BRE Bank SA, total	Non-controlling interest	Total equity
Equity as at 1 January 2008	**118 643**	**1 398 789**	**322 262**	**22 288**	**559 110**	**829 215**	**-**	**(7 579)**	**81 783**	**3 324 511**	**116 812**	**3 441 323**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- change in the scope of consolidation	-	-	-	-	-	(6 789)	-	-	-	(6 789)	-	(6 789)
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**322 262**	**22 288**	**559 110**	**822 426**	**-**	**(7 579)**	**81 783**	**3 317 722**	**116 812**	**3 434 534**
Total comprehensive income							**857 459**	**3 440**	**(292 012)**	**568 887**	**42 014**	**610 901**
Dividends paid	-	-	-	-	-	-	-	-	-	-	(12 419)	(12 419)
Transfer to General Risk Fund	-	-	-	-	54 200	(54 200)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	10 440	-	(10 440)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	653 929	-	-	(653 929)	-	-	-	-	-	-
Loss coverage with supplementary capital	-	-	(2 731)	-	-	2 731	-	-	-	-	-	-
Issue of shares	121	2 784	-	-	-	-	-	-	-	2 905	-	2 905
Additional shareholder payments	-	-	-	-	-	-	-	-	-	-	2	2
Change in the scope of consolidation	-	-	(1 919)	-	-	1 919	-	-	-	-	-	-
Other changes	-	-	-	-	-	(7 175)	-	-	-	(7 175)	7 175	-
Stock option program for employees	-	1 346	-	10 767	-	-	-	-	-	12 113	-	12 113
- value of services provided by the employees	-	-	-	*12 113*	-	-	-	-	-	*12 113*	-	*12 113*
- settlement of exercised options	-	*1 346*	-	*(1 346)*	-	-	-	-	-	-	-	-
Equity as at 31 December 2008	**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**101 332**	**857 459**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Changes from 1 January to 30 September 2008

	Share capital		Retained earnings					Other components of equity				
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available for sale financial assets	Equity attributable to Owners of BRE Bank SA, total	Non-controlling interest	Total equity
Equity as at 1 January 2008	**118 643**	**1 398 789**	**322 262**	**22 288**	**559 110**	**829 215**	**-**	**(7 579)**	**81 783**	**3 324 511**	**116 812**	**3 441 323**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- change in the scope of consolidation	-	-	-	-	-	(6 789)	-	-	-	(6 789)	-	(6 789)
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**322 262**	**22 288**	**559 110**	**822 426**	**-**	**(7 579)**	**81 783**	**3 317 722**	**116 812**	**3 434 534**
Total comprehensive income							**822 269**	**(3 757)**	**(153 519)**	**664 993**	**27 897**	**692 890**
Dividends paid	-	-	-	-	-	-	-	-	-	-	(12 418)	(12 418)
Transfer to General Risk Fund	-	-			54 200	(54 200)	-	-	-	-	-	-
Transfer to reserve capital	-	-		8 607		(8 607)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	653 888			(653 888)	-	-	-	-	-	-
Loss coverage with supplementary capital	-	-	(2 731)			2 731	-	-	-	-	-	-
Issue of shares	121	2 784	-	-	-	-	-	-	-	2 905	-	2 905
Additional shareholder payments	-	-	-	-	-	-	-	-	-	-	2	2
Other changes	-	-	-	-	-	(5 598)	-	-	-	(5 598)	5 598	-
Stock option program for employees	-	1 346	-	6 026	-	-	-	-	-	7 372	-	7 372
- value of services provided by the employees	-	-	-	*7 372*	-	-	-	-	-	*7 372*	-	*7 372*
- settlement of exercised options	-	*1 346*	-	*(1 346)*	-	-	-	-	-	-	-	-
Equity as at 30 September 2008	**118 764**	**1 402 919**	**973 419**	**36 921**	**613 310**	**102 864**	**822 269**	**(11 336)**	**(71 736)**	**3 987 394**	**137 891**	**4 125 285**

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Consolidated Statement of Cash Flows

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
A. Cash flow from operating activities	**(2 589 861)**	**(3 015 726)**
Profit before income tax	**127 486**	**955 202**
Adjustments:	***(2 717 347)***	***(3 970 928)***
Income taxes paid (negative amount)	(391 380)	(167 842)
Amortisation	177 038	145 496
Foreign exchange (gains) losses	(37 620)	19 259
(Gains) losses on investing activities	(1 319)	(213 037)
Impairment of financial assets	35 381	-
Dividends received	(2 862)	(3 786)
Interest received	(1 617 549)	(1 624 917)
Interest paid	1 206 767	1 189 581
Change in loans and advances to banks	516 393	167 193
Change in trading securities	3 432 397	(1 433 618)
Change in derivative financial instruments	3 100 013	515 776
Change in loans and advances to customers	904 908	(8 345 662)
Change in investment securities	(5 592 796)	1 564 867
Change in other assets	93 832	(136 340)
Change in amounts due to other banks	(1 277 952)	99 314
Change in other trading liabilities	(3 772 417)	(139 122)
Change in amounts due to customers	939 675	4 443 021
Change in debt securities in issue	(268 462)	(186 867)
Change in provisions	30 948	69 678
Change in other liabilities	(192 342)	66 078
Net cash from operating activities	**(2 589 861)**	**(3 015 726)**
B.Cash flows from investing activities	**(128 862)**	**15 707**
Investing activity inflows	**34 615**	**278 263**
Disposal of shares in subsidiaries, net of cash disposed	17 163	-
Disposal of intangible assets and tangible fixed assets	14 374	8 592
Other investing inflows	3 078	269 671
Investing activity outflows	**163 477**	**262 556**
Acquisition of shares in subsidiaries, net of cash acquired	272	-
Purchase of intangible assets and tangible fixed assets	162 461	262 556
Other investing outflows	744	-
Net cash used in investing activities	**(128 862)**	**15 707**
C. Cash flows from financing activities	**(625 235)**	**5 461 981**
Financing activity inflows	**2 435 419**	**13 271 001**
Proceeds from loans and advances from other banks	835 133	8 660 079
Proceeds from other loans and advances	-	400 662
Issue of debt securities	1 599 801	3 460 503
Increase of subordinated liabilities	-	746 852
Issue of ordinary shares	-	2 905
Other financing inflows	485	-
Financing activity outflows	**3 060 654**	**7 809 020**
Repayments of loans and advances from other banks	1 020 268	3 093 379
Repayments of other loans and advances	23 752	24 809
Redemption of debt securities	1 650 419	4 038 675
Decrease of subordinated liabilities	-	359 500
Payments of financial lease liabilities	36	-
Dividends and other payments to shareholders	981	12 266
Other financing outflows	365 198	280 391
Net cash from financing activities	**(625 235)**	**5 461 981**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(3 343 958)**	**2 461 962**
Increase / decrease in cash and cash equivalents in respect of foreign exchange gains and losses	44 959	(24 662)
Cash and cash equivalents at the beginning of the reporting period	8 693 728	7 516 362
Cash and cash equivalents at the end of the reporting period	**5 394 729**	**9 953 662**

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

BRE Bank SA Stand-alone Financial Statements

Income Statement

	Note	IIIrd Quarter (current year) from 01.07.2009 to 30.09.2009	III Quarters cumulative (current year) from 01.01.2009 to 30.09.2009	IIIrd Quarter (previous year) from 01.07.2008 to 30.09.2008	III Quarters cumulative (previous year) from 01.01.2008 to 30.09.2008
Interest income		689 303	2 148 173	775 347	2 055 569
Interest expense		(354 693)	(1 138 049)	(476 037)	(1 242 715)
Net interest income		**334 610**	**1 010 124**	**299 310**	**812 854**
Fee and commission income		201 116	574 021	186 683	528 162
Fee and commission expense		(92 579)	(275 280)	(76 270)	(196 667)
Net fee and commission income		**108 537**	**298 741**	**110 413**	**331 495**
Dividend income		7	37 652	-	62 995
Net trading income, including:		98 329	310 618	155 545	398 424
Foreign exchange result		*95 172*	*327 694*	*163 810*	*415 030*
Other trading income		*3 157*	*(17 076)*	*(8 265)*	*(16 606)*
Gains less losses from investment securities		108	1 032	97	264 434
Other operating income		10 843	57 088	6 044	27 737
Impairment losses on loans and advances		(216 655)	(795 334)	(55 829)	(119 444)
Overhead costs		(233 772)	(697 202)	(247 660)	(731 371)
Amortization and depreciation		(46 388)	(139 023)	(39 815)	(113 881)
Other operating expenses		(4 129)	(13 116)	(4 475)	(13 887)
Operating profit		**51 490**	**70 580**	**223 630**	**919 356**
Profit before income tax		**51 490**	**70 580**	**223 630**	**919 356**
Income tax expense		(25 268)	(20 409)	(43 550)	(79 204)
Net profit		**26 222**	**50 171**	**180 080**	**840 152**
Net profit			**50 171**		**840 152**
Weighted average number of ordinary shares	23		**29 690 882**		**29 677 096**
Earnings per 1 ordinary share (in PLN)	23		**1.69**		**28.31**
Weighted average number of ordinary shares for diluted earnings	23		**29 724 581**		**29 686 312**
Diluted earnings per 1 ordinary share (in PLN)	23		**1.69**		**28.30**

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Statement of Comprehensive Income

	IIIrd Quarter (current year) from 01.07.2009 to 30.09.2009	III Quarters cumulative (current year) from 01.01.2009 to 30.09.2009	IIIrd Quarter (previous year) from 01.07.2008 to 30.09.2008	III Quarters cumulative (previous year) from 01.01.2008 to 30.09.2008
Financial result	**26 222**	**50 171**	**180 080**	**840 152**
Other comprehensive income subject to taxation	**30 977**	**61 242**	**11 004**	**(155 819)**
Exchange differences on translating foreign operations (net)	(1 248)	1 958	1	(2 258)
Available-for-sale financial assets (net)	32 225	59 284	11 003	(153 561)
Total comprehensive income net of tax, total	**57 199**	**111 413**	**191 084**	**684 333**

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Statement of Financial Position

	30.09.2009	30.06.2009	31.12.2008	30.09.2008
ASSETS				
Cash and balances with the Central Bank	3 450 194	4 292 521	2 491 851	1 137 552
Debt securities eligible for rediscounting at the Central Bank	17 094	12 284	9 238	17 377
Loans and advances to banks	2 488 764	1 945 098	6 065 581	7 069 461
Trading securities	1 178 096	1 070 844	4 969 212	4 668 279
Derivative financial instruments	2 513 395	3 507 647	5 612 313	1 757 100
Loans and advances to customers	43 249 190	45 031 342	42 257 165	34 449 405
Investment securities	11 471 674	10 209 373	5 498 171	4 458 986
- Available for sale	11 471 674	10 209 373	5 498 171	4 458 986
Non-current assets held for sale	-	-	-	468 039
Pledged assets	2 523 995	2 924 565	3 443 989	2 827 321
Investments in subsidiaries	469 620	474 393	457 305	446 877
Intangible assets	402 354	405 121	406 360	402 176
Tangible fixed assets	574 016	593 113	601 649	548 595
Deferred income tax assets	129 186	157 963	156 747	134 471
Other assets	414 747	398 116	385 811	307 253
Total assets	**68 882 325**	**71 022 380**	**72 355 392**	**58 692 892**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank	1 243 280	1 537 154	1 302 469	-
Amounts due to other banks	19 339 758	20 017 301	20 142 760	12 157 380
Derivative financial instruments and other trading liabilities	2 407 764	3 865 038	6 211 316	2 042 445
Amounts due to customers	38 837 011	38 449 245	37 438 494	37 667 198
Debt securities in issue	-	-	7 829	23 163
Subordinated liabilities	2 661 985	2 789 358	2 669 453	2 057 959
Other liabilities	539 050	560 972	654 676	669 508
Current income tax liabilities	-	-	214 145	211 645
Provisions for deferred income tax	82	86	81	65
Provisions	122 481	130 327	90 022	88 787
Total liabilities	**65 151 411**	**67 349 481**	**68 731 245**	**54 918 150**
Equity				
Share capital	**1 521 683**	**1 521 683**	**1 521 683**	**1 521 683**
- Registered share capital	118 764	118 764	118 764	118 764
- Share premium	1 402 919	1 402 919	1 402 919	1 402 919
Retained earnings:	**2 369 292**	**2 342 254**	**2 323 767**	**2 329 647**
- Profit for the previous year	2 319 121	2 318 305	1 494 236	1 489 495
- Net profit for the current year	50 171	23 949	829 531	840 152
Other components of equity	**(160 061)**	**(191 038)**	**(221 303)**	**(76 588)**
Total equity	**3 730 914**	**3 672 899**	**3 624 147**	**3 774 742**
Total equity and liabilities	**68 882 325**	**71 022 380**	**72 355 392**	**58 692 892**
Capital adequacy ratio	**11.60**	**11.08**	**10.04**	**11.12**
Book value	**3 730 914**	**3 672 899**	**3 624 147**	**3 774 742**
Number of shares	**29 690 882**	**29 690 882**	**29 690 882**	**29 690 882**
Book value per share (in PLN)	**125.66**	**123.70**	**122.06**	**127.13**
Diluted number of shares	**29 724 581**	**29 717 904**	**29 711 586**	**29 700 098**
Diluted book value per share (in PLN)	**125.52**	**123.59**	**121.98**	**127.10**

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Statements of Changes in Equity

Changes from 1 January to 30 September 2009

	Share capital		Retained earnings					Other components of equity		
	Registered share capital	**Share premium**	**Other supplementary capital**	**Other reserve capital**	**General Risk Fund**	**Profit from the previous years**	**Profit for the current year**	**Exchange differences on translating foreign operations**	**Available-for-sale financial assets**	**Total**
Equity as at 1 January 2009	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**829 531**	**-**	**(10 610)**	**(210 693)**	**3 624 147**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2009	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**829 531**	**-**	**(10 610)**	**(210 693)**	**3 624 147**
Total income							**50 171**	**1 958**	**59 284**	**111 413**
Transfer to reserve capital	-	-	-	-	100 000	(100 000)	-	-	-	-
Loss coverage with reserve capital	-	-	729 531	-	-	(729 531)	-	-	-	-
Stock option program for employees	-	-	-	(4 646)	-	-	-	-	-	(4 646)
- value of services provided by the employees	-	-	-	*(4 646)*	-	-	-	-	-	*(4 646)*
Equity as at 30 September 2009	**118 764**	**1 402 919**	**1 603 654**	**7 467**	**708 000**	**-**	**50 171**	**(8 652)**	**(151 409)**	**3 730 914**

Changes from 1 January to 31 December 2008

	Share capital		Retained earnings					Other components of equity		
	Registered share capital	**Share premium**	**Other supplementary capital**	**Other reserve capital**	**General Risk Fund**	**Profit from the previous years**	**Profit for the current year**	**Exchange differences on translating foreign operations**	**Available-for-sale financial assets**	**Total equity**
Equity as at 1 January 2008	**118 643**	**1 398 789**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**(2 552)**	**81 783**	**3 080 133**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**(2 552)**	**81 783**	**3 080 133**
Total income							**829 531**	**(8 058)**	**(292 476)**	**528 997**
Transfer to General Risk Fund	-	-	-	-	50 000	(50 000)	-	-	-	-
Transfer to supplementary capital	-	-	587 231	-	-	(587 231)	-	-	-	-
Issue of shares	121	2 784	-	-	-	-	-	-	-	2 905
Other changes	-	-	(1)	-	-	-	-	-	-	(1)
Stock option program for employees	-	1 346	-	10 767	-	-	-	-	-	12 113
- value of services provided by the employees	-	-	-	*12 113*	-	-	-	-	-	*12 113*
- settlement of exercised options	-	*1 346*	-	*(1 346)*	-	-	-	-	-	-
Equity as at 31 December 2008	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**-**	**829 531**	**(10 610)**	**(210 693)**	**3 624 147**

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Changes from 1 January to 30 September 2008

	Share capital		Retained earnings					Other components of equity		
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available-for-sale financial assets	Total equity
Equity as at 1 January 2008	**118 643**	**1 398 789**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**(2 552)**	**81 783**	**3 080 133**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**(2 552)**	**81 783**	**3 080 133**
Total income							**840 152**	**(2 258)**	**(153 561)**	**684 333**
Transfer to General Risk Fund	-	-	-	-	50 000	(50 000)	-	-	-	-
Transfer to supplementary capital	-	-	587 231	-	-	(587 231)	-	-	-	-
Issue of shares	121	2 784	-	-	-	-	-	-	-	2 905
Other changes	-	-	(1)	-	-	-	-	-	-	(1)
Stock option program for employees	-	1 346	-	6 026	-	-	-	-	-	7 372
- value of services provided by the employees	-	-	-	*7 372*	-	-	-	-	-	*7 372*
- settlement of exercised options	-	*1 346*	-	*(1 346)*	-	-	-	-	-	-
Equity as at 30 September 2008	**118 764**	**1 402 919**	**874 123**	**7 372**	**608 000**	**-**	**840 152**	**(4 810)**	**(71 778)**	**3 774 742**

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Statement of Cash Flows

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
A. Cash flow from operating activities	**(2 978 156)**	**(2 066 714)**
Profit before income tax	**70 580**	**919 356**
Adjustments:	***(3 048 736)***	***(2 986 070)***
Income taxes paid (negative amount)	(299 178)	(118 445)
Amortisation	139 023	113 881
Foreign exchange (gains) losses	(37 892)	21 539
(Gains) losses on investing activities	(1 556)	(276 324)
Impairment of financial assets	-	11 020
Dividends received	(37 652)	(61 111)
Interest received	(1 675 842)	(1 624 917)
Interest paid	1 198 680	1 187 890
Change in loans and advances to banks	516 793	156 290
Change in trading securities	3 540 042	(1 633 663)
Change in derivative financial instruments	3 098 918	506 745
Change in loans and advances to customers	526 535	(6 680 059)
Change in investment securities	(5 867 598)	1 475 505
Change in other assets	53 998	(70 009)
Change in amounts due to other banks	(939 416)	359 996
Change in financial instruments and other trading liabilities	(3 803 552)	(138 975)
Change in amounts due to customers	617 946	3 633 325
Change in debt securities in issue	171	553
Change in provisions	32 459	19 956
Change in other liabilities	(110 615)	130 733
Net cash from operating activities	**(2 978 156)**	**(2 066 714)**
B.Cash flows from investing activities	**(82 385)**	**167 259**
Investing activity inflows	**40 602**	**325 356**
Disposal of shares in subsidiaries	1 369	-
Disposal of intangible assets and tangible fixed assets	1 365	211
Other investing inflows	37 868	325 145
Investing activity outflows	**122 987**	**158 097**
Acquisition of shares in subsidiaries	11 980	5
Purchase of intangible assets and tangible fixed assets	110 263	158 092
Other investing outflows	744	-
Net cash used in investing activities	**(82 385)**	**167 259**
C. Cash flows from financing activities	**(369 219)**	**4 358 940**
Financing activity inflows	**390 780**	**7 163 854**
Proceeds from loans and advances from other banks	390 780	6 023 660
Proceeds from other loans and advances	-	390 437
Increase of subordinated liabilities	-	746 852
Issue of ordinary shares	-	2 905
Financing activity outflows	**759 999**	**2 804 914**
Repayments of loans and advances from other banks	392 297	2 181 424
Repayments of other loans and advances	11 506	-
Redemption of debt securities	8 000	14 200
Decrease of subordinated liabilities	-	359 500
Payments of financial lease liabilities	9 657	6 747
Other financing outflows	338 539	243 043
Net cash from financing activities	**(369 219)**	**4 358 940**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(3 429 760)**	**2 459 485**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	44 959	(26 872)
Cash and cash equivalents at the beginning of the reporting period	8 513 263	7 508 153
Cash and cash equivalents at the end of the reporting period	**5 128 462**	**9 940 766**

Explanatory Notes to the Consolidated Financial Statements

1. Information Concerning the Group of BRE Bank SA

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

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

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

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

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

As at 30 September 2009, the BRE Bank SA Group covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA; the parent entity

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

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

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

Foreign branches of mBank in both the Czech Republic and Slovakia conduct business under the retail banking umbrella of BRE Bank.

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

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

The average employment in three quarters of 2009 was: in BRE Bank SA 5 254 persons and in the Group 8 166 persons (2008: the Bank 5 217, the Group 6 770).

Corporates and Financial Markets, including:

Corporates and Institutions

- BRE Bank Hipoteczny SA, subsidiary
- BRE Corporate Finance SA, subsidiary
- BRE Holding Sp. z o.o., subsidiary
- BRE Leasing Sp. z o.o., subsidiary
- Dom Inwestycyjny BRE Banku SA, subsidiary
- Garbary Sp. z o.o., subsidiary
- Intermarket Bank AG, subsidiary
- Magyar Factor zRt., subsidiary
- Polfactor SA, subsidiary
- Tele-Tech Investment Sp. z o.o., subsidiary
- Transfinance a.s., subsidiary

Trading and Investment Activity

- BRE Finance France SA, subsidiary

Retail Banking (including private banking)

- Aspiro Sp. z o.o. (previously emFinanse Sp. z o.o.), subsidiary
- BRE Wealth Management SA, subsidiary
- BRE Ubezpieczenia TU SA, subsidiary
- BRE Ubezpieczenia Sp. z o.o., subsidiary

Asset Management (discontinued operations Note 19)

After 30 December 2008 the Group had no shares in companies which activities were presented in previous periods as discontinued operations under asset management segment.

Detailed information concerning assets held for sale and discontinued operations was presented in financial statements of BRE Bank and consolidated financial statements of BRE Bank Group for the year 2008 published on 27 February 2009.

Information concerning assets held for sale and discontinued operations was presented in comparative data under Note 19 of these financial statements.

Remaining business

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

Other information concerning companies of the Group

On 2 October 2009, in accordance with the decision of the District Court in Łódź, the change of the firm of the company emFinanse Sp. z o.o. into Aspiro Sp. z o.o. was registered in the National Court Registry.

A detailed description of the business of the companies of BRE Bank SA Group was presented in the Explanatory Notes to the Consolidated Financial Statement for 2008, published on 27 February 2009.

Additionally, information concerning the business conducted by the Group's entities is presented under the Note 4 "Business Segments" of these consolidated financial statements.

2. Description of Relevant Accounting Policies

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

2.1 Accounting Basis

These Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 9 - month period ended 30 September 2009.

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

The Group, drafting BRE Bank SA Group Concise IFRS Consolidated Financial Statements for the third quarter of 2009, applied the provisions of revised International Accounting Standard (IAS) 1, Presentation of Financial Statements, which has been binding from 1 January 2009. The revised IAS 1 was applied with reference to all reporting periods presented in financial statements.

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

2.2 Consolidation

Subsidiaries

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

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

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

The company also applies accounting policy in line with IFRS 3 for business combinations under common control.

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

Associates

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

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

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

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

Company	**30.09.2009 Share in voting rights (directly and indirectly)**	**Consolidation method**	**30.09.2008 Share in voting rights (directly and indirectly)**	**Consolidation method**
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Corporate Finance SA	100%	full	100%	full
BRE Holding Sp. z o.o.	100%	full	100%	full
BRE Wealth Management SA	100%	full	100%	full
BRE Ubezpieczenia TU SA	100%	full	100%	full
BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
Aspiro Sp. z o.o. (previously emFinanse Sp. z o.o.)	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full
Tele-Tech Investment Sp. z o.o.	100%	full	100%	full
BRE Finance France SA	99.98%	full	99.98%	full
BRE.locum SA	79.99%	full	79.99%	full
Polfactor SA	78.12%	full	78.12%	full
Magyar Factor zRt.	78.12%	full	78.12%	full
Transfinance a.s.	78.12%	full	78.12%	full
Intermarket Bank AG	56.24%	full	56.24%	full
BRE Leasing Sp. z o.o.	50.004%	full	50.004%	full
Aegon PTE SA			49.67%	Non-current assets held for sale

2.3 Interest Income and Expenses

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

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

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

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

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

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

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

2.4 Fee and Commission Income

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

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

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

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

2.5 Insurance premium revenue

Insurance premium revenue accomplished upon insurance activity is recognised at the policy issue date and calculated proportionally over the period of insurance protection. Insurance premium revenue is recognised under other operating income in the Consolidated Financial Statements of the Group.

2.6 Compensations and benefits, net

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

2.7 Segment Reporting

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

2.8 Financial Assets/Liabilities

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

Financial assets valued at fair value through the income statement

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

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

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

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

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

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

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

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

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

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

The Group did not designate any financial assets/financial liabilities as measured at fair value through the Income Statement at the initial recognition.

Loans and Receivables

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

Held to Maturity Investments

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

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

In reporting periods presented in these consolidated financial statements, there were no assets held to maturity at the Group.

Available for Sale Investments

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

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

Standardized purchases and sales of financial assets at fair value through the Income Statement, held to maturity and available for sale are recognised on the settlement date – the date on which the Group delivers or receives the asset. 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 Income Statement. Financial assets are excluded from the Statement of Financial Position when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Group has transferred substantially all risks and rewards of ownership.

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

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

If the application of valuation techniques does not ensure obtaining a reliable fair value of investments in equity instruments not quoted on an active market they are stated at cost.
Investments in associates are initially recognized at cost and settled using the equity method of accounting.

2.9 Reinsurance assets

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

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

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

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

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

2.10 Offsetting Financial Instruments

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

2.11 Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

Assets Measured at Fair Value

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

Renegotiated agreements

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

2.12 Financial Guarantee Contracts

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

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

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

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

2.13 Cash and Cash Equivalents

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

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

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

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

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

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

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

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

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

2.15 Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

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

The Group documents the objectives of risk management and the strategy of concluding hedging transactions, as well as at the time of concluding the respective transactions, the relationship between the hedging instrument and the hedged item. The Group also documents its own assessment of 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 Income Statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

Cash Flow Hedges

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

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

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

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

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

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

2.16 Gains and Losses on Initial Recognition

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

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

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

2.17 Borrowings

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

2.18 Intangible Assets

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

Goodwill

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

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

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

Computer software

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

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

Development costs

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

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

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

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

2.19 Tangible Fixed Assets

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

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

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Accounting principles concerning assets held for liquidation or withdrawal from usage were described under Note 2.20.

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

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

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

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

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

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

2.20 Non-Current Assets Held for Sale and Discontinued Operation

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

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

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

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

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

2.21 Deferred Income Tax

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

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

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

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

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

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

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

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

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

2.22 Assets Repossessed for Debt

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

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

2.23 Prepayments, Accruals and Deferred Income

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

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

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

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

2.24 Leasing

<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.

BRE Bank SA Group as a Lessee

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

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

2.25 Provisions

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

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

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

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

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

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

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

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

2.26 Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

2.27 Equity

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

Registered share capital

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

a) Share Issue Costs

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

b) Dividends

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

c) Own Shares

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

Share premium

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

Retained earnings

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

Other components of equity

Other components of equity result from:

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

2.28 Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

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

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

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

Companies Belonging to the Group

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

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

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

Leasing Business

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

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

2.29 Trust and Fiduciary Activities

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

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

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

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

2.30 New Standards, Interpretations and Amendments to Published Standards

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

- IFRIC 13, Customer Loyalty Programmes, binding for annual periods starting on or after 1 January 2009.
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, binding for annual periods starting on 1 January 2009.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, binding for annual periods starting on or after 1 October 2008.
- IFRS 1 (Revised), First-Time Adoption of International Accounting Standards and IAS 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting on or after 1 January 2009.
- IFRS 2 (Revised), Share-based Payment, binding for annual periods starting on or after 1 January 2009.
- IFRS 8, Operating Segments, binding for annual periods starting on or after 1 January 2009.
- IAS 1 (Revised), Presentation of Financial Statements, binding for annual periods starting on or after 1 January 2009.
- IAS 23 (Revised), Borrowing Costs, binding for annual periods starting on or after 1 January 2009.
- IAS 32 (Revised), Financial Instruments: Presentation and IAS 1 (Revised), Presentation of Financial Statements-Puttable Financial Instruments and Obligation arising on Liquidation, binding for annual periods starting on or after 1 January 2009.

- Improvements to IFRS 2008 revising 20 standards, binding mostly for annual periods starting on 1 January 2009.

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

- IFRIC 12, Service Concession Arrangements, binding for annual periods starting on 29 March 2009. Interpretation has not been approved by the European Union yet.
- IFRIC 15, Agreements for the Construction of Real Estate, binding for annual periods starting on or after 1 January 2009.
- IFRIC 17, Distribution of Non-Cash Assets to Owners, binding for annual periods starting after 1 July 2009. Interpretation has not been approved by the European Union yet.
- IFRIC 18, Transfers of Assets from Customers, binding for annual periods starting after 1 July 2009. Interpretation has not been approved by the European Union yet.
- IFRS 1 (Revised), Additional exemptions in first-time adoption of IFRS, binding for annual periods starting on or after 1 January 2010. Revise has not been approved by the European Union yet.
- IFRS 2 (Revised), Share-based Payment, binding for annual periods starting on or after 1 January 2010. Revise has not been approved by the European Union yet.
- IFRS 3 (Revised), Business Combinations, binding prospectively to business combinations for which the acquisition date is on or after 1 July 2009.
- IFRS 7 (Revised) Financial Instruments: Disclosures, binding for annual periods starting on or after 1 January 2009.
- IAS 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting after 1 July 2009.
- IAS 39 (Revised), Financial Instruments: Recognition and Measurement – criteria of qualification as hedged item, binding for annual periods starting on or after 1 July 2009.
- Embedded Derivatives, Amendments to IFRIC 9 and IAS 39, binding for annual periods ended after 30 June 2009. Revise has not been approved by the European Union yet.
- Improvements to IFRS 2009 revising 12 standards, binding mostly for annual periods starting on 1 January 2010. Improvements have not been approved by the European Union yet.

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.

The Group did not take the opportunity of reclassification of financial instruments to other categories based on amendment to IAS 39 and IFRS 7, binding since 1 July 2008.

2.31 Comparative Data

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

Beginning from the financial statements for the fourth quarter of 2008 the Group included into consolidation two insurance companies: BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. applying full consolidation method. In that connection the Group adjusted financial data as at 31 March 2008, 30 June 2008 and 30 September 2008 and the opening Statement of Financial Position as at 1 January 2008 in order to provide comparability of financial data of the BRE Bank Group in particular quarters of 2008.

The following combinations present the impact of the restatements on comparative data presented in the Consolidated Financial Statements.

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

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

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

IFRS Consolidated Financial Statements for the third quarter of 2009 PLN (000's)

Detailed restatements of the Consolidated Statement of Financial Position prepared as at 30 September 2008 in connection with consolidation of the insurance companies for the first time.

	30.09.2008 before adjustments	the impact of consolidation of the insurance entities	30.09.2008 after adjustments
ASSETS			
Cash and balances with the Central Bank	1 143 209	-	1 143 209
Debt securities eligible for rediscounting at the Central Bank	17 377	-	17 377
Loans and advances to banks	6 957 057	-	6 957 057
Trading securities	4 168 661	31 651	4 200 312
Derivative financial instruments	1 756 862	-	1 756 862
Loans and advances to customers	43 427 592	(8 806)	43 418 786
Investment securities	4 569 375	(26 353)	4 543 022
- Available for sale	4 569 375	(26 353)	4 543 022
Non-current assets held for sale	416 150	-	416 150
Pledged assets	2 828 170	-	2 828 170
Investments in associates	13 892	-	13 892
Intangible assets	430 175	2 719	432 894
Tangible fixed assets	745 919	1 032	746 951
Deferred income tax assets	283 153	10 345	293 498
Other assets	965 644	(5 753)	959 891
Total assets	**67 723 236**	**4 835**	**67 728 071**
EQUITY AND LIABILITIES			
Amounts due to other banks	17 935 202	-	17 935 202
Derivative financial instruments and other trading liabilities	2 025 092	-	2 025 092
Amounts due to customers	38 123 174	(26 473)	38 096 701
Debt securities in issue	2 163 375	-	2 163 375
Subordinated liabilities	2 057 959	-	2 057 959
Other liabilities	956 398	(142)	956 256
Current income tax liabilities	217 466	-	217 466
Deferred income tax liabilities	426	356	782
Provisions	91 522	58 431	149 953
Total liabilities	**63 570 614**	**32 172**	**63 602 786**
Equity			
Equity attributable to Owners of BRE Bank SA	**4 014 731**	**(27 337)**	**3 987 394**
Share capital:	**1 521 683**	**-**	**1 521 683**
- Registered share capital	118 764	-	118 764
- Share premium	1 402 919	-	1 402 919
Retained earnings:	**2 576 120**	**(27 337)**	**2 548 783**
- Profit from the previous years	1 733 303	(6 789)	1 726 514
- Profit for the current year	842 817	(20 548)	822 269
Other components of eguity	**(83 072)**	**-**	**(83 072)**
Non-controlling interests	**137 891**	**-**	**137 891**
Total equity	**4 152 622**	**(27 337)**	**4 125 285**
Total equity and liabilities	**67 723 236**	**4 835**	**67 728 071**

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

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

Impairment of loans and advances

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

Fair value of derivative instruments

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

Impairment of equity securities available for sale

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

Impairment of debt instruments available for sale

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

Technical-insurance provisions

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

As at 30 September 2009 provision for losses arisen but not raised to the insurer (IBNR) yet, was calculated using Naive Loss Ratio ULR (Ultimate Loss Ratio) method which lies in establishing the value of loss on the only basis of expected loss-based ratio. The expected loss-based ratios are composed on the basis of available market studies concerning loss arising from given group of risks.

4. Business Segments

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

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

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

The results of Retail Banking include the results of foreign branches of mBank: mBank Czech Republic and mBank Slovakia. The branches provide basic products such as current and savings accounts as well as cash loans and mortgage loans, debit and credit cards. The aim is to operate a full scope of services typical of retail banking (offer for entrepreneurs and individual customers).

Retail Banking also includes the results of BRE Wealth Management SA, Aspiro Sp. z o.o. (till 2 October 2009: emFinanse Sp. z o.o.) as well as two insurance companies: BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. BRE Wealth Management SA provides corporate finance advisory and complex asset management services for wealthy private banking clients. Until the second half of 2008 the company emFinanse operated on the market of financial agents and advisors, selling bank products. In June 2008 the restructuring process began in order to strengthen the sales network of BRE Bank Retail Banking products through the change of emFinanse outlets into a sales network of BRE Bank Retail Banking products. The restructuring process was definitely completed. Within three quarters of 2009 emFinanse concentrated on activities aimed at preparing the new operational activity which consists of selling mBank and MultiBank credit products and widening the product offer. For this purpose, the process of transferring the sales force from mBank and MultiBank to the structures of the Company was completed and advanced negotiations with providers of the products were conducted. On 25 June, BRE Bank, being the only shareholder of the Company, decided to invest PLN 10 million to recapitalize the Company. The funds will be allocated for financing the Company's operations by the time it reaches the target model. The core business of BRE Ubezpieczenia TU SA is insurance activity within the scope of the second division of underwriting – Other personal insurances and property insurances. The company sells its products both through the Internet platform produced in cooperation with retail branches of BRE Bank and typical products known as bancassurance for customers of BRE Bank by hand of an underwriter, the company BRE Ubezpieczenia Sp. z o.o. Apart from services of an underwriter, the business of BRE Ubezpieczenia Sp. z o.o. includes services within the scope of settlements due to insurance agreements of insured persons.

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

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

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

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

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

The Bank also benefits from capital gains on its own investments portfolio, including direct and indirect stakes acquired with the objective of high long-term yields. Apart from the specialized organizational unit of the Bank managing the long-term investment portfolio, the business line 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. This business line also includes the results of Garbary Sp. z o.o.

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

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

Proprietary investment also includes the results of BRE Finance France SA.

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

The Group has ceased to separate the segment "Asset Management – discontinued operations" since 1 January 2009. Till 31 December 2008 the segment included the result of the company PTE Skarbiec-Emerytura SA (PTE) generated up to 30 June 2008, when PTE Skarbiec Emerytura SA and Aegon PTE SA were merged. On 30 December 2008 the Bank sold the shares of Aegon PTE SA, which were taken over as a result of the merger of both companies. Results of the transations of merger and sale were also included in the results of this area in 2008.

Detailed information concerning assets held for sale and discontinued operations which were presented by the Group in previous reporting periods were introduced under the Note 19 of these financial statements.

Beginning from the year 2009, as a result of organization changes consisting in transfering the Bank organization unit managing long-term investments from Investment to Corporate Banking, the Bank's income in the form of capital profit on own investments portfolio comprising the company's exposures in the companies Garbary Sp. z o.o. and Tele-Tech Investment Sp. z o.o. undertaken in order to reach high long-term rate of return is presented under the Corporates and Institutions sub-segment.

As a result, as starting from January 1, 2009 the operations of Garbary Sp. z o.o. and Tele-Tech Investment Sp. z o.o. have been reclassified from the sub-segment Trading and Investment Activity to Corporates and Institutions, the comparative data for three quarters of 2008 and the whole year 2008 concerning the business segments of BRE Bank SA Group has been adjusted accordingly to ensure the comparability of the data between reporting periods.

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

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

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

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

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

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

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

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

Business segment reporting on the activities of BRE Bank Group for the period from 01.01.2009 to 30.09.2009 (PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**531 224**	**(4 547)**	**721 522**	**(3 861)**	**(3 696)**	**1 240 642**	**1 240 642**
- sales to external clients	538 531	251 720	456 987	(2 900)	(3 696)	1 240 642	
- sales to other segments	(7 307)	(256 267)	264 535	(961)	-	-	
Net fee and commission income	**292 497**	**(7 487)**	**130 519**	**(1 801)**	**28 994**	**442 722**	**442 722**
- sales to external clients	281 678	17	133 834	(1 801)	28 994	442 722	
- sales to other segments	10 819	(7 504)	(3 315)	-	-	-	
Trading income	**94 542**	**122 861**	**106 487**	**1 216**	**(1 593)**	**323 513**	**323 513**
Gains less losses from investment securities	**(16 346)**	**986**	**(1 000)**	**19 794**	**(238)**	**3 196**	**3 196**
Net impairment losses on loans and advances	**(554 731)**	**(4 156)**	**(338 732)**	**(3)**	**-**	**(897 622)**	**(897 622)**
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit of the segment	**(276 800)**	**160 385**	**208 252**	**33 252**	**2 397**	**127 486**	**127 486**
Income tax						(39 630)	(39 630)
Net profit attributable to Owners of BRE Bank SA						88 150	88 150
Net profit attributable to non-controlling interests						(294)	(294)
Assets of the segment	**28 727 292**	**22 617 025**	**29 247 495**	**1 212 888**	**(3 234 452)**	**78 570 248**	**78 570 248**
Liabilities of the segment	**47 940 999**	**5 107 444**	**23 371 918**	**522 097**	**(2 561 850)**	**74 380 608**	**74 380 608**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(100 477)	(6 895)	(52 992)	(2 097)	-	(162 461)	
Amortisation/depreciation	(98 943)	(6 156)	(70 080)	(2 142)	283	(177 038)	(177 038)
Losses on credits and loans	(955 600)	(7 374)	(352 732)	(838)	-	-	
Other costs/ income without cash outflows/ inflows*	14 320	(57 891)	203	(65)	-	(43 433)	
- other non-cash costs	*(582)*	*(4 564 030)*	*(3)*	*(65)*	-	*(4 564 680)*	
- other non-cash income	*14 902*	*4 506 139*	*206*	-	-	*4 521 247*	

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

Since 30 December 2008 the Group has not held shares in the companies whose activity was presented in previous periods as discontinued operations under asset management segment.

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

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity						
Net interest income	**652 320**	**94 488**	**680 076**	**(18 910)**	**(13 092)**	**-**	**1 394 882**	**1 394 882**
- sales to external clients	772 689	235 726	394 932	2 430	(10 895)	-	1 394 882	
- sales to other segments	(120 369)	(141 238)	285 144	(21 340)	(2 197)	-	-	
Net fee and commission income	**376 225**	**(23 696)**	**163 040**	**13 795**	**(1 795)**	**37 690**	**565 259**	**565 259**
- sales to external clients	353 561	(5 028)	167 036	13 795	(1 795)	37 690	565 259	
- sales to other segments	22 664	(18 668)	(3 996)	-	-	-	-	
Trading income	**177 200**	**142 114**	**164 515**	**(1)**	**26**	**-**	**483 854**	**483 854**
Gains less losses from investment securities	**(349)**	**137 114**	**(1 000)**	**121 313**	**(54)**	**-**	**257 024**	**257 024**
Net impairment losses on loans and advances	**(120 064)**	**(14 402)**	**(134 749)**	**-**	**71**	**-**	**(269 144)**	**(269 144)**
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-	-
Gross profit of the segment	**342 628**	**274 774**	**241 510**	**109 768**	**27 813**	**3 622**	**1 000 115**	**1 000 115**
Income tax							(110 771)	(110 771)
Net profit attributable to Owners of BRE Bank SA							31 885	31 885
Net profit attributable to non-controlling interests							857 459	857 459
Assets of the segment	**29 270 216**	**27 720 756**	**27 276 331**	**-**	**981 555**	**(2 643 656)**	**82 605 202**	**82 605 202**
Liabilities of the segment	**44 576 787**	**13 473 269**	**21 980 940**	**-**	**531 864**	**(2 005 694)**	**78 557 166**	**78 557 166**
Other items of the segment								
Expenditures incurred on fixed assets and intangible assets	(201 046)	(11 826)	(145 769)	(764)	(18 824)	-	(378 229)	
Amortisation/depreciation	(114 336)	(10 492)	(75 005)	(963)	(3 300)	376	(203 720)	(203 720)
Losses on credits and loans	(416 655)	(5 332)	(89 873)	-	(208)	-	(512 068)	
Other costs/ income without cash outflows/ inflows*	-	(78 385)	(63 726)	-	(3)	-	(142 114)	
- other non-cash costs	-	*(4 067 265)*	*(63 730)*	-	*(3)*	-	*(4 130 998)*	
- other non-cash income	-	*3 988 880*	*4*	-	-	-	*3 988 884*	

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

The above combination comprises financial data concerning continued and discontinued operations jointly.

Business segment reporting on the activities of BRE Bank Group
for the period from 01.01.2008 to 30.09.2008
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity						
Net interest income	**482 705**	**69 042**	**480 090**	**(12 651)**	**(8 725)**	**-**	**1 010 461**	**1 010 461**
- sales to external clients	588 864	155 744	270 459	2 430	(7 036)	-	1 010 461	
- sales to other segments	(106 159)	(86 702)	209 631	(15 081)	(1 689)	-	-	
Net fee and commission income	**277 281**	**(17 859)**	**138 568**	**13 795**	**(1 317)**	**26 091**	**436 559**	**436 559**
- sales to external clients	260 027	(3 474)	141 437	13 795	(1 317)	26 091	436 559	
- sales to other segments	17 254	(14 385)	(2 869)	-	-	-	-	
Trading income	**180 504**	**114 699**	**126 727**	**(1)**	**18**	**-**	**421 947**	**421 947**
Gains less losses from investment securities	**(327)**	**138 241**	**-**	**67 198**	**-**	**-**	**205 112**	**205 112**
Net impairment losses on loans and advances	**(47 600)**	**(14 164)**	**(76 968)**	**-**	**56**	**-**	**(138 676)**	**(138 676)**
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-	-
Gross profit of the segment	**378 905**	**226 997**	**250 206**	**62 677**	**32 635**	**3 782**	**955 202**	**955 202**
Income tax							(103 321)	(103 321)
Net profit attributable to Owners of BRE Bank SA							822 269	822 269
Net profit attributable to non-controlling interests							29 612	29 612
Assets of the segment	**27 227 825**	**21 186 934**	**20 753 707**	**399 231**	**885 718**	**(2 725 344)**	**67 728 071**	**67 728 071**
Liabilities of the segment	**37 034 417**	**8 134 576**	**19 704 671**	**9 127**	**781 130**	**(2 061 135)**	**63 602 786**	**63 602 786**
Other items of the segment								
Expenditures incurred on fixed assets and intangible assets	(145 924)	(7 714)	(90 816)	(530)	(17 572)	-	(262 556)	
Amortisation/depreciation	(82 427)	(7 086)	(53 193)	(722)	(2 351)	283	(145 496)	(145 496)
Losses on credits and loans	(197 435)	(15 447)	(108 175)	-	-	-	(321 057)	
Other costs/ income without cash outflows/ inflows*	-	(62 265)	8	-	-	-	(62 257)	
- other non-cash costs	-	*(1 399 867)*	*8*	-	-	-	*(1 399 859)*	
- other non-cash income	-	*1 337 602*	-	-	-	-	*1 337 602*	

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

The above combination comprises financial data concerning continued and discontinued operations jointly.

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5. Net Interest Income

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Interest income		
Loans and advances including the unwind of the impairment provision discount	1 977 737	1 881 596
Cash and short-term placements	164 084	265 546
Investment securities	387 369	197 887
Trading debt securities	77 134	180 920
Other	12 552	26 443
	2 618 876	**2 552 392**

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Interest expense		
Arising from amounts due to banks and customers	(1 258 521)	(1 368 550)
Arising from issue of debt securities	(73 189)	(116 380)
Other borrowed funds	(45 344)	(57 194)
Other	(1 180)	(2 237)
	(1 378 234)	**(1 544 361)**

Interest income related to financial assets which have been impaired amounted to PLN 65 034 thousand (30 September 2008: PLN 15 287 thousand).

6. Net Fee and Commission Income

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Fee and commission income		
Credit activity-related fees and commissions	151 371	126 859
Commissions from payment cards	210 844	148 500
Commissions from insurance activity	55 793	74 283
Fees from brokerage activity	81 249	54 077
Commissions from money transfers	53 549	53 654
Commissions from bank accounts	63 949	46 254
Commissions due to guarantees granted and trade finance commissions	34 940	29 323
Commissions on trust and fiduciary activities	7 379	7 761
Fees from portfolio management services and other management-related fees	6 192	6 386
Other	69 696	80 957
	734 962	**628 054**
Fee and commission expense		
Payment cards-related fees	(136 038)	(99 729)
Discharged brokerage fees	(20 441)	(15 045)
Other discharged fees	(135 761)	(90 514)
	(292 240)	**(205 288)**

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

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Fee and commission income from insurance contracts		
- Income from insurance policies administration	10 573	5 977
- Income from insurance intermediation	45 220	68 306
Total fee and commission income	**55 793**	**74 283**

7. Dividend Income

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Trading securities	114	1 698
Securities available for sale	2 726	2 045
Dividend income, total	**2 840**	**3 743**

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8. Net Trading Income

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Foreign exchange result	**339 066**	**435 851**
Net exchange differences on translating foreign operations	(745 779)	457 845
Net transaction gains and losses	1 084 845	(21 994)
Other net trading income	**(15 553)**	**(13 903)**
Interest-bearing instruments	(25 716)	(16 154)
Equity instruments	6 668	(4 133)
Market risk instruments	3 495	6 384
Total net trading income	**323 513**	**421 948**

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

9. Gains less Losses from Investment Securities

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Sale/redemption of the financial assets available for sale by the issuer	794	137 914
Impairment of available for sale equity securities	2 402	-
Total gains and losses from investment securities	**3 196**	**137 914**

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

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

Simultaneously, the item comprises the amount of reversal due to prior impairment of Czwarty Polski Fundusz Rozwoju Sp. z o.o. in the amount of PLN 19 794 thousand made by BRE.locum Sp. z o.o. in connection with the sale of real estate being the only asset belonging to the company Czwarty Polski Fundusz Rozwoju Sp. z o.o., a subsidiary which is 100% held by BRE.locum.

10. Other Operating Income

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Income from sale or liquidation of tangible fixed assets and intangible assets and assets held for disposal	84 864	153 282
Income due to release of provisions for future commitments	25 460	3 167
Income from insurance activity net	37 562	12 338
Income from services provided	36 259	36 507
Income from compensations, penalties and fines received	3 244	227
Income from recovering receivables recognised as expired, written off and unrecoverable	3 481	4 860
Income from the release of impairment provisions for tangible fixed assets and intangible assets under financial lease agreements and rentals	28	-
Donations received	-	2
Other	12 973	7 841
Total other operating income	**203 871**	**218 224**

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

Income from services provided concerns non-banking services.

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

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Income from insurance activity net generated within three quarters of 2009 and 2008 is presented below.

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Income from premiums		
- Premiums attributable	54 582	77 194
- Change in provision for premiums	8 408	(48 044)
Premium revenue	**62 990**	**29 150**
Reinsurance contracts		
- Premiums attributable	(18 817)	(15 124)
- Change in provision for premiums	601	4 720
Premiums on reinsurer's share	**(18 216)**	**(10 404)**
Net premiums	**44 774**	**18 746**
Compensations and benefits		
- Compensations and benefits paid out in the current year including costs of liquidation before tax	(12 527)	(6 868)
- Change in provision for compensations and benefits paid out in the current year including costs of liquidation before tax	(12 359)	(9 791)
- Compensations and benefits paid out in the current year including reinsurer's share of costs of liquidation	12 245	5 815
- Change in provision for compensations and benefits paid out in the current year including reinsurer's share of costs of liquidation	5 387	5 653
Compensations and benefits net	**(7 254)**	**(5 191)**
- Other costs on own share	164	(1 243)
- Other operating income	77	26
- Costs of expertise and certificates concerning risk assessment	(199)	-
Income from insurance activity net, total	**37 562**	**12 338**

11. Impairment Losses on Loans and Advances

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Impairment losses on amounts due from other banks	(16 267)	(15 097)
Impairment losses on off-balance sheet contingent liabilities due to other banks	(132)	(1 100)
Impairment losses on loans and advances to customers	(847 562)	(109 241)
Impairment losses on off-balance sheet contingent liabilities due to customers	(33 661)	(13 238)
Total impairment losses on loans and advances	**(897 622)**	**(138 676)**

12. Overhead Costs

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Staff-related expenses (Note 12A)	(468 319)	(531 599)
Material costs	(397 765)	(367 387)
Taxes and fees	(21 054)	(18 495)
Contributions and transfers to the Bank Guarantee Fund	(17 244)	(5 267)
Contributions to the Social Benefits Fund	(3 141)	(4 706)
Other	(1 797)	(4 967)
Total overhead costs	**(909 320)**	**(932 421)**

Staff-related Expenses (12A)

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Wages and salaries	(391 462)	(431 272)
Social security expenses	(54 160)	(62 546)
Pension fund expenses	(966)	(707)
Salaries settled in the form of employee share options	(1 088)	(10 203)
Other staff expenses	(20 643)	(26 871)
Staff-related expenses, total	**(468 319)**	**(531 599)**

The average level of employment in the Group in three quarters of 2009 was 8 166 persons (6 770 persons in three quarters of 2008).

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13. Other Operating Expenses

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Costs of sale or liquidation of tangible fixed assets, intangible assets and assets held for disposal	(65 326)	(99 447)
Costs of receivables and liabilities recognised as expired, written off and unrecoverable	(201)	(1 191)
Donations made	(2 878)	(3 320)
Provisions for future commitments	(1 333)	(352)
Costs of sale of services	(850)	(1 550)
Compensation, penalties and fines paid	(487)	(456)
Impairment provisions created for other receivables (excluding loans and advances)	(19 116)	(4 610)
Impairment provisions created for tangible fixed assets and intangible assets	-	(43)
Other operating costs	(15 127)	(9 015)
Total other operating expenses	**(105 318)**	**(119 984)**

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

In 2009, impairment provisions created for other receivables (excluding loans and advances) include the amount of PLN 18 476 thousand of provision created by Intermarket Bank AG due to impaired receivables from Compania de Factoring IFN, Romania, which was in 50% held by Intermarket. On October 28, 2009, Intermarket Bank AG sold all it's own shares in the company Compania de Factoring IFN SA.

Costs of sale of services concern non-banking services.

14. Earnings per Share

Earnings per share for 9 months – continued operations

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Basic:		
Net profit from continued operations attributable to Owners of BRE Bank SA	88 150	745 697
Weighted average number of ordinary shares	29 690 882	29 677 096
Net basic profit per share (in PLN per share)	**2.97**	**25.13**
Diluted:		
Net profit from continued operations attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	88 150	745 697
Weighted average number of ordinary shares	29 690 882	29 677 096
Adjustments for:		
- stock options for employees	33 699	9 216
Weighted average number of ordinary shares for calculation of diluted earnings per	29 724 581	29 686 312
Diluted earnings per share (in PLN per share)	**2.97**	**25.12**

Earnings per share for 9 months – continued and discontinued operations

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Basic:		
Net profit from continued and discontinued operations attributable to Owners of BRE Bank SA	88 150	822 269
Weighted average number of ordinary shares	29 690 882	29 677 096
Net basic profit per share (in PLN per share)	**2.97**	**27.71**
Diluted:		
Net profit from continued and discontinued operations attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	88 150	822 269
Weighted average number of ordinary shares	29 690 882	29 677 096
Adjustments for:		
- stock options for employees	33 699	9 216
Weighted average number of ordinary shares for calculation of diluted earnings per	29 724 581	29 686 312
Diluted earnings per share (in PLN per share)	**2.97**	**27.70**

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15. Trading Securities and Pledged Assets

	30.09.2009	30.06.2009	31.12.2008	30.09.2008
Debt securities:	**1 168 700**	**1 397 994**	**5 713 217**	**4 719 426**
Government bonds included in cash equivalents and pledged government bonds (sell-buy-back transactions), including:	143 626	548 358	836 767	2 169 836
- pledged government bonds (sell-buy-back transactions)	45 486	417 493	716 356	159 208
Treasury bills included in cash equivalents and pledged treasury bills (sell-buy-back transactions), including:	453 964	240 269	874 579	1 092 974
- pledged treasury bills (sell-buy-back transactions)	163 629	152 551	380 428	366 790
Other debt securities:	571 110	609 367	4 001 871	1 456 616
Equity securities:	**7 082**	**7 359**	**8 188**	**6 884**
- listed	7 082	7 359	8 188	6 884
Debt and equity securities, including:	**1 175 782**	**1 405 353**	**5 721 405**	**4 726 310**
- Trading securities	*966 667*	*835 309*	*4 624 621*	*4 200 312*
- Pledged assets	*209 115*	*570 044*	*1 096 784*	*525 998*

The note above includes neither treasury bills and government bonds pledged under the Bank Guarantee Fund in the amount of PLN 184 954 thousand (30 June 2009: PLN 184 558 thousand, 31 December 2008: PLN 176 592 thousand, 30 September 2008: PLN 95 589 thousand) nor investment government bonds pledged in sell-buy-back transactions in the amount of PLN 2 127 455 thousand (30 June 2009: PLN 2 172 529 thousand, 31 December 2008: PLN 2 171 905 thousand, 30 September 2008: PLN 2 206 583 thousand), which have been classified as investment securities (Note 17).

16. Loans and Advances to Customers

	30.09.2009	30.06.2009	31.12.2008	30.09.2008
Loans and advances to individuals	28 387 976	28 937 733	26 653 688	19 824 143
Loans and advances to corporate entities	24 799 076	26 230 823	25 016 257	23 310 853
Loans and advances to public sector	649 911	642 180	663 580	666 718
Other receivables	603 643	583 230	668 684	355 056
Total (gross) loans and advances to customers	**54 440 606**	**56 393 966**	**53 002 209**	**44 156 770**
Provisions for loans and advances to customers (negative amount)	(1 742 770)	(1 499 969)	(859 732)	(737 984)
Total (net) loans and advances to customers	**52 697 836**	**54 893 997**	**52 142 477**	**43 418 786**
Short-term (up to 1 year)	18 599 083	17 446 363	16 241 124	14 331 434
Long-term (over 1 year)	34 098 753	37 447 634	35 901 353	29 087 352

The Group presents loans to microenterprises supported by retail banking of BRE Bank (mBank and MultiBank) under the item - loans and advances to individuals. Loans to microenterprises in presented reporting periods amount to respectively: 30 September 2009 – PLN 2 532 500 thousand, 30 June 2009 – PLN 2 417 000 thousand, 31 December 2008 – PLN 1 971 300 thousand, 30 September 2008 – PLN 1 742 500 thousand.

17. Investment Securities and Pledged Assets

	30.09.2009	30.06.2009	31.12.2008	30.09.2008
Debt securities	**13 378 022**	**12 009 230**	**7 754 415**	**6 747 984**
Listed, including:	13 319 572	11 950 060	7 702 443	6 706 645
- pledged government bonds (sell-buy-back transactions)	2 127 455	2 172 529	2 171 905	2 206 583
- government bonds pledged under the Bank Guarantee Fund	143 351	143 438	175 300	94 740
- Treasury bills pledged under the Bank Guarantee Fund	41 603	41 120	1 292	849
Unlisted	58 450	59 170	51 972	41 339
Equity securities	**103 228**	**100 732**	**96 394**	**97 210**
- listed	10 742	13 156	7 958	8 038
- unlisted	92 486	87 576	88 436	89 172
Total investment securities and pledged assets, including:	**13 481 250**	**12 109 962**	**7 850 809**	**6 845 194**
- Available for sale securities	*11 168 841*	*9 752 875*	*5 502 312*	*4 543 022*
- Pledged assets	*2 312 409*	*2 357 087*	*2 348 497*	*2 302 172*
Short-term (up to 1 year)	7 242 864	5 850 848	1 545 996	1 953 047
Long-term (over 1 year)	6 238 386	6 259 114	6 304 813	4 892 147

The above presented equity securities, valued at fair value, include provisions for impairment in the amount of PLN 2 148 thousand as at 30 September 2009 (30 June 2009: PLN 21 941 thousand, 31 December 2008: PLN 20 941 thousand, 30 September 2008: PLN 29 077 thousand).

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

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18. Amounts due to Customers

	30.09.2009	30.06.2009	31.12.2008	30.09.2008
Individual customers	22 440 861	21 223 914	21 047 662	18 686 203
Corporate customers	16 469 635	17 258 476	16 626 162	19 303 201
Public sector customers	529 613	376 734	76 203	107 297
Total amounts due to customers	**39 440 109**	**38 859 124**	**37 750 027**	**38 096 701**
Short-term (up to 1 year)	38 628 359	38 063 327	37 079 660	37 401 019
Long-term (over 1 year)	811 750	795 797	670 367	695 682

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: 30 September 2009 – PLN 1 491 000 thousand, 30 June 2009 – PLN 1 419 700 thousand, 31 December 2008 – PLN 1 550 900 thousand, 30 September 2008 – PLN 1 360 153 thousand.

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

Beginning from 30 December 2008 the Group has had no shares in the companies whose activities were presented in previous periods as discontinued operations under asset management segment.

Detailed information concerning assets held for sale and discontinued operations were presented in BRE Bank financial statements and BRE Bank Group consolidated financial statements for the year 2008, published on 27 February 2009.

Financial data presented below concern non-current assets (disposal groups) held for sale and discontinued operations in comparative periods presented in financial statements.

Financial data as at 30 September 2008 concerning items of the Statement of Financial Position connected with the assets held for sale.

	30.09.2008
Assets held for sale, including:	
Investments in associates	416 150
Total assets held for sale	**416 150**

Financial data for the period from 1 January to 30 September 2008 concerning Income Statement items related to assets held for sale and discontinued operations:

the period	from 01.01.2008 to 30.09.2008
Interest income	2 430
Net interest income	**2 430**
Fee and commission income	25 376
Fee and commission expense	(11 583)
Net fee and commission income	**13 793**
Net trading income, including:	(1)
Foreign exchange result	*(1)*
Other operating income	701
Overhead costs	(4 935)
Amortization and depreciation	(245)
Other operating expenses	(33)
Operating profit	**11 710**
Income from sale / income from merger of assets held for disposal*	67 198
Profit before income tax from discontinued operations	**78 908**
Income tax expense	(2 336)
Net profit from discontinued operations	**76 572**
Net profit from discontinued operations, attributable to:	
- Owners of BRE Bank SA	76 572
- Non-controlling interests	-

The amount of PLN 67 198 thousand is a result of the Group on the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA.

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Financial data for the period from 1 January to 30 September 2008 concerning cash flows related to assets held for sale and discontinued operations:

the period	from 01.01.2008 to 30.09.2008
Cash flow from operating activities	10 680

Earnings per share for 9 months of the year 2008 – discontinued operations

the period	from 01.01.2008 to 30.09.2008
Basic:	
Net profit from discontinued operations attributable to Owners of BRE Bank SA	76 572
Weighted average number of ordinary shares	29 677 096
Net basic profit per share (in PLN per share)	**2.58**
Diluted:	
Net profit from discontinued operations attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	76 572
Weighted average number of ordinary shares	29 677 096
Adjustments for:	
- stock options for employees	9 216
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 686 312
Diluted earnings per share (in PLN per share)	**2.58**

Selected explanatory information

1. Compliance with International Financial Reporting Standards

The presented consolidated report for the third quarter of 2009 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 Statements

A detailed description of the accounting policy principles of the Group is presented under items 2 and 3 of the Notes to the Consolidated Financial Statements for the third quarter of 2009. The accounting policies were applied consistently over all the periods presented in the financial statements.

3. Seasonal or Cyclical Nature of the Business

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

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

On 28 August 2009 BRE Bank was notified that on 27 August the Bank's client (the 'Issuer') concluded an Agreement on underwriting and servicing issue of bonds with a syndicate of banks, including BRE Bank. Performances from the agreement are guaranteed by the Treasury of the Republic of Poland. Under the Agreement, the Bank is to underwrite 5-year bonds of the Issuer, of the total nominal value of PLN 200 000 thousand, and to act as a sub-agent in terms of payments and a depository maintaining register of the Issuer's bonds. The issue of the Issuer's bonds took place on 4 September 2009.

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

In the third quarter of 2009 there were no significant changes in estimate values of items presented in the previous reporting period.

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

In the third quarter of 2009 BRE Bank Hipoteczny issued bonds in the amount of PLN 334 000 thousand and redeemed bonds in the amount of PLN 500 000 thousand.

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

Pursuant to the resolution on profit distribution for the year 2008, adopted on 16 March 2009 by the 22nd Ordinary General Shareholders Meeting of BRE Bank SA, no dividend for the year 2008 will be paid.

8. Income and Profit by Business Segment

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

9. Significant Events After the end of the Third Quarter of 2009, which are not Reflected in the Financial Statements

The above indicated events had no significant impact on the Group.

10. Effect of Changes in the Structure of the Entity in the Third Quarter of 2009, Including Business Combinations, Acquisitions or Disposal of Subsidiaries, Long-term Investments, Restructuring, and Discontinuation of Business Activities

On 13 October 2009, BRE Bank SA and Commerzbank AG, the ultimate parent group, concluded the agreement on terms and procedure for sale of the banking enterprise of the Commerzbank AG SA Branch in Poland (former branch of Dresdner Bank AG in Poland) (the "Branch") to BRE Bank SA. On 14 October 2009, BRE Bank SA put a motion to the Polish Financial Supervision Authority for consent to the purchase of the banking enterprise of the Branch.

11. Changes in Contingent Liabilities and Commitments

In the third quarter of 2009 there were no changes in contingent liabilities and commitments of a credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

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

The above indicated events did not occur in the Group.

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

In the third quarter of 2009, the company BRE.locum reversed the impairment of Czwarty Polski Fundusz Rozwoju Sp. Z o.o. in the amount of PLN 19 794 thousand in connection with sale of the real estate being the only assets of the company Czwarty Polski Funusz Rozwoju Sp. z o.o., a subsidiary which is in 100% hold by BRE.locum.

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 third quarter of 2009, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and developer operations that are performed by the companies of the Group.

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

The above indicated events did not occur in the Group.

17. Corrections of Errors from Previous Reporting Periods

In the third quarter of 2009, there were no corrections of errors from previous reporting periods.

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

The above indicated events did not occur in the Group.

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

BRE Bank did not publish a performance forecast for the year 2009. The description of the business strategy and goals of the Bank published in current report no. 25/2007 is not a performance forecast in the sense of § 5.1.25 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic reports published by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws from 2009, No. 33, item 259).

20. Registered Share Capital

The total number of ordinary shares as at 30 September 2009 was 29 690 882 shares (29 690 882 as at 30 September 2008) with PLN 4 nominal value each (PLN 4 in 2008). All issued shares were fully paid.

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REGISTERED SHARE CAPITAL (THE STRUCTURE)

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

* date of registration of shares in National Securities Deposit (KDPW SA)
** as at the end of the reporting period

21. Material Share Packages

There was a change in the holding of material share packages of the Bank in three quarters of 2009.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 September 2009 it held 69.7847% of the share capital and votes at the General Meeting of BRE Bank SA (as at 30 June 2009 – 69.7847%).

The Bank, in accordance with the notification sent to it on 7 November 2008, informed in the Current Report No. 139/2008 that Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK held 1 498 598 shares of BRE Bank, which currently constitute 5.05% of the share capital of BRE Bank SA and authorize to exercise 1 498 598 votes at the General Meeting of BRE Bank SA, representing 5.05% of general number of votes at the General Meeting of BRE Bank SA.

In accordance with the notification as of 11 August 2009 sent to BRE Bank by ING Powszechne Towarzystwo Emerytalne SA, the Bank informed in the Current Report No. 44/2009 that ING Otwarty Fundusz Emerytalny held 1 474 015 shares of BRE Bank, which currently constitute 4.96% of the share capital of BRE Bank SA and authorize to exercise 1 474 015 votes at the General Meeting of BRE Bank SA, representing 4.96% of general number of votes at the General Meeting of BRE Bank SA.

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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 the first half of 2009	Number of shares acquired from the date of publishing the report for the first half of 2009 to the date of publishing the report for Q3 2009	Number of shares sold from the date of publishing the report for the first half of 2009 to the date of publishing the report for Q3 2009	Number of shares held as at the date of publishing the report for Q3 2009
Management Board				
1. Mariusz Grendowicz	-	-	-	-
2. Wiesław Thor	5 609	-	-	5 609
3. Przemysław Gdański	-	-	-	-
4. Karin Katerbau	-	-	-	-
5. Hans-Dieter Kemler	-	-	-	-
6. Jarosław Mastalerz	-	-	-	-
7. Christian Rhino	-	-	-	-

As at the date of publishing the report for the first half of 2009 and as at the date of publishing the report for the third quarter of 2009, the Members of the Management Board had no Bank share options and they have no Bank share options.

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

23. Earnings per Share (Stand-Alone Data)

Earnings per share for 9 months

the period	from 01.01.2009 to 30.09.2009	from 01.01.2008 to 30.09.2008
Basic:		
Net profit	50 171	840 152
Weighted average number of ordinary shares	29 690 882	29 677 096
Net basic profit per share (in PLN per share)	**1.69**	**28.31**
Diluted:		
Net profit attributable to the shareholders, applied for calculation of diluted earnings per share	50 171	840 152
Weighted average number of ordinary shares in issue	29 690 882	29 677 096
Adjustments for:		
- stock options for employees	33 699	9 216
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 724 581	29 686 312
Diluted earnings per share (in PLN per share)	**1.69**	**28.30**

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

As at 30 September 2009, BRE Bank SA ("Bank") was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries whose value would be equal to or greater than 10% of the Bank's equity. Moreover, the total value of claims concerning liabilities of the issuer or its subsidiary in all proceedings before a court, an arbitration body or a public administration authority underway at 30 September 2009 also was not greater than 10% of the issuer's equity.

Report on major proceedings concerning contingent liabilities of the issuer

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

   At present proceedings against BRE Bank in the Court of Jerusalem takes place initiated by Bank Leumi and an insurance company of Bank Leumi, Migdal Insurance Company. It is an action for indemnity in the amount of USD 13.5 million (PLN 39.0 million according to the average exchange rate of the National Bank of Poland of 30 September 2009). This action was originally initiated by ART-B Sp. z o.o. Eksport – Import with its registered office in Katowice, under liquidation ("Art-B") against the main defendant Bank Leumi, whereas BRE Bank was garnished by Bank Leumi. Considering a settlement concluded between ART-B and Bank Leumi, and Migdal Insurance Company, on the basis of which ART-B received from Bank Leumi and Migdal Insurance Company an amount of USD 13.5 million, Bank Leumi and Migdal Insurance Company claim from BRE Bank refund of the amount paid to ART-B that is USD 13.5 million. BRE Bank's liability towards Bank Leumi and Migdal Insurance Company is under recourse. The proceeding is at a pre-trial stage, i.e., prior to the first hearing. Parties of the lawsuit handed over a case to mediation in order that an independent specialist should examine legal status of the actual condition arisen.

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

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

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

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

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

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

   Bank BPH SA on 17 November 2007 brought to court a case to pay damages in the amount of PLN 34 880 thousand plus statutory interest from 20 November 2004 to the day of payment, due to alleged illegal actions such as the sale by ZM Pozmeat SA to Tele-Tech Investment Sp. z o.o. of all shares in the equity of Garbary Sp. z o.o. (previously Milenium Center Sp. z o.o.), an important part of its assets, when insolvency was a threat to the company.

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

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

5. Claims of the clients of Interbrok

   As at 3 November 2009 the Bank was requested by 62 entities who were the client of Interbrok Investment E. Drożdż i Spółka Spółka jawna (further referred to as Interbrok) to pay compensation claims in a total amount of PLN 139 120 thousand. 59 entities called the Bank for settlement of the matter amicably via the District Court in Warsaw. Additionally, by 3 November 2009 8 legal suits have been delivered to the Bank where former clients of Interbrok claimed compensation in the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. In all court cases the Bank moves for dismissal of the claims wholly and objects to charges included in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the discussed case. Therefore BRE Bank Group SA did not create provisions for the above claims.

   On 8 June 2009 the District Court in Warsaw settled one of the aforementioned court cases and dismissed an action of the former client of Interbrok. The verdict is not in force yet.

As at 30 September 2009, 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 30 September 2009 did not go above 10% of the issuer's equity.

Taxes

Within the period from 20 March to 8 April 2009, the officers of the First Mazowiecki Treasury Office carried out tax audits, concerning correctness of the settlement, tax return and advance payments for personal income tax to the Treasury for the period from 1 January to 31 December 2007. The audits did not indicate any irregularities.

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

There were no tax audits at the other companies of the Group within the year 2009 or 2008.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year and may impose additional tax assessments and penalties. The Management Board is not aware of any circumstances which may give rise to a potential tax liability in this respect.

25. Off-balance Sheet Liabilities

Off-balance sheet liabilities as at 30 September 2009, 30 June 2009, 31 December 2008 and 30 September 2008.

Consolidated data

		30.09.2009	30.06.2009	31.12.2008	30.09.2008
1.	**Contingent liabilities granted and received**	**14 363 250**	**16 123 284**	**20 735 831**	**22 862 428**
	Commitments granted	**13 446 476**	**15 465 704**	**19 152 615**	**20 248 909**
	- financing	10 578 424	12 973 497	15 940 051	16 389 479
	- guarantees	2 560 857	2 491 299	3 027 249	2 883 969
	- other commitments	307 195	908	185 315	975 461
	Commitments received	**916 774**	**657 580**	**1 583 216**	**2 613 519**
	- financing	429 330	59 105	956 208	1 746 072
	- guarantees	487 444	598 475	627 008	585 782
	- other commitments	-	-	-	281 665
2.	**Derivative financial instruments**	**376 178 936**	**467 036 780**	**654 609 081**	**775 907 437**
	Interest rate derivatives	306 745 611	382 896 802	561 929 698	674 670 294
	FX derivatives	67 494 684	82 255 847	91 281 575	97 988 449
	Market risk derivatives	1 938 641	1 884 131	1 397 808	3 248 694
	Total off-balance sheet items	**390 542 186**	**483 160 064**	**675 344 912**	**798 769 865**

Stand-alone data

		30.09.2009	30.06.2009	31.12.2008	30.09.2008
1.	**Contingent liabilities granted and received**	**14 311 917**	**15 362 703**	**18 976 682**	**19 607 996**
	Commitments granted	**13 474 118**	**14 852 115**	**18 419 046**	**18 721 779**
	- financing	10 285 833	12 065 909	14 963 786	14 643 886
	- guarantees	2 631 785	2 536 206	3 020 853	2 853 236
	- other commitments	556 500	250 000	434 407	1 224 657
	Commitments received	**837 799**	**510 588**	**557 636**	**886 217**
	- financing	422 610	41 580	74 057	446 485
	- guarantees	415 189	469 008	483 579	439 732
2.	**Derivative financial instruments**	**377 124 374**	**469 006 080**	**656 809 303**	**776 781 828**
	Interest rate derivatives	307 716 897	384 615 348	563 830 533	675 350 408
	FX derivatives	67 468 836	82 506 601	91 580 962	98 182 726
	Market risk derivatives	1 938 641	1 884 131	1 397 808	3 248 694
	Total off-balance sheet items	**391 436 291**	**484 368 783**	**675 785 985**	**796 389 824**

26. Transactions with Related Entities

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

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

On 13 October 2009, BRE Bank SA and Commerzbank AG, the ultimate parent group, concluded the agreement on terms and procedure for sale of the banking enterprise of the Commerzbank AG SA Branch in Poland (former branch of Dresdner Bank AG in Poland) (the "Branch") to BRE Bank SA. On 14 October 2009, BRE Bank SA put a motion to the Polish Financial Supervision Authority for consent to the purchase of the banking enterprise of the Branch.

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

The amounts of transactions with related entities, i.e., receivable balances and commitment balances and related expenses and income as at 30 September 2009, 31 December 2008 and 30 September 2008 are as follows:

Numerical data concerning transactions with related entities (in PLN '000) as at 30 September 2009

No.	Company's name	Statement of Financial Position		Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	726	-	-	2	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	13	-	(3)	1	-	-	-
3	BRE Systems Sp. z o.o. (previously ServicePoint Sp. z o.o.)	958	231	13	(1)	25	-	52	-
	Ultimate Parent Group								
	Commerzbank AG Capital Group	772 428	24 446 442	11 680	(373 362)	-	-	1 197 996	161 500

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

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

Numerical data concerning transactions with related entities (in PLN '000) as at 30 September 2008

No.	Company's name	Statement of Financial Position		Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	354	1	-	-	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	65	-	-	1	-	-	-
3	BREL-MAR Sp. z o.o.	-	-	-	-	1	-	-	-
4	ServicePoint Sp. z o.o.	-	447	5	(4)	12	-	500	-
	Associates								
1	Aegon PTE SA	-	447	-	(345)	10	-	77	-
2	Xtrade SA	-	71	-	(4)	6	-	-	-
	Ultimate Parent Group								
	Grupa Kapitałowa Commerzbank AG	2 108 141	15 212 218	24 340	(354 723)	-	-	577 059	442 176

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

As at 30 September 2009 no exposure under guarantees granted in excess of 10% of the equity occurred at the Group.

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

In accordance with the resolution of the BRE Bank SA Supervisory Board as of 10 July 2009, Mr Hans-Dieter Kemler was appointed a Member of the Management Board, Bank Director as of 10 July 2009, responsible for investment banking for the period until the end of the current term of office of the Management Board.

Ms Karin Katerbau, who has performed the function of a Member of the BRE Bank SA Management Board, Bank Director since 5 September 2008, was appointed a Vice-President of the Bank's Management Board, Bank Director as of 1 October 2009 under the resolution of the BRE Bank SA Supervisory Board.

29. Factors Affecting the Results in the Coming Quarter

As a result of the agreement between the Polish State Treasury and Eureko BV, (investors in PZU SA), signed on 1 October 2009 and as a result of a resolution of the Management Board of PZU SA, dated 1 October 2009, the Management Board of PZU SA has taken on the same date a decision to pay a dividend. The date of determining shareholders' entitlements is set for 19 November 2009 and the date of payment is set for 26 November 2009. The Bank will be entitled to receive a dividend in the amount of PLN 96 512.9 thousand before tax.

Furthermore, as a result of the above developments, the Bank is considering to value the shares of PZU SA to the fair value in the 4th quarter of 2009. The revaluation would not have an impact on BRE Bank Group Income Statement, but it would have an impact on Other components of equity.

Having in mind the one-off income from PZU dividend, the Bank is also considering granting approval for some projects and actions to be implemented, therefore some additional expenses may be incurred in the 4th quarter of 2009.

Apart from the events described above and operating activity of the Bank and BRE Bank Group companies, there are no other events expected in the 4th quarter 2009 that would have a significant impact on the profit of this period.