BRE BANK SA

Our people make the difference.

BRE Bank SA Group

IFRS Consolidated Financial Statements for the fourth quarter of 2010

Contents

Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP	in PLN'000		in EUR'000	
	IV Quarters of 2010 the period from 01.01.2010 to 31.12.2010	IV Quarters of 2009 the period from 01.01.2009 to 31.12.2009	IV Quarters of 2010 the period from 01.01.2010 to 31.12.2010	IV Quarters of 2009 the period from 01.01.2009 to 31.12.2009
I. Interest income	3 421 704	3 453 207	854 486	795 560
II. Fee and commission income	1 178 745	1 001 287	294 362	230 679
III. Net trading income	410 672	406 374	102 555	93 622
IV. Operating profit	872 511	209 389	217 888	48 240
V. Profit before income tax	872 511	209 389	217 888	48 240
VI. Net profit attributable to Owners of BRE Bank SA	641 602	128 928	160 224	29 703
VII. Net profit attributable to non-controlling interests	19 263	1 595	4 810	367
VIII. Net cash flows from operating activities	(1 155 672)	(670 775)	(288 601)	(154 535)
IX. Net cash flows from investing activities	(133 763)	(126 806)	(33 404)	(29 214)
X. Net cash flows from financing activities	737 505	(983 417)	184 174	(226 562)
XI. Net increase / decrease in cash and cash equivalents	(551 930)	(1 780 998)	(137 831)	(410 311)
XII. Earnings per 1 ordinary share (in PLN/EUR)	17.49	4.34	4.37	1.00
XIII. Diluted earnings per 1 ordinary share (in PLN/EUR)	17.48	4.34	4.37	1.00
XIV. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP	in PLN'000 As at		in EUR'000 As at	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
I. Total assets	90 051 459	81 023 886	22 738 545	19 722 478
II. Amounts due to the Central Bank	79	2 003 783	20	487 752
III. Amounts due to other banks	28 727 008	25 019 805	7 253 745	6 090 211
IV. Amounts due to customers	47 420 057	42 791 387	11 973 855	10 416 091
V. Equity attributable to Owners of BRE Bank SA	6 909 303	4 120 187	1 744 641	1 002 918
VI. Non-controlling interests	167 982	150 967	42 416	36 748
VII. Share capital	168 347	118 764	42 509	28 909
VIII. Number of shares	42 086 674	29 690 882	42 086 674	29 690 882
IX. Book value per share (in PLN/EUR)	164.17	138.77	41.45	33.78
X. Diluted book value per share (in PLN/EUR)	164.05	138.59	41.42	33.73
XI. Capital adequacy ratio	15.90	11.50	15.90	11.50

SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000		in EUR'000	
	IV Quarters of 2010 the period from 01.01.2010 to 31.12.2010	IV Quarters of 2009 the period from 01.01.2009 to 31.12.2009	IV Quarters of 2010 the period from 01.01.2010 to 31.12.2010	IV Quarters of 2009 the period from 01.01.2009 to 31.12.2009
I. Interest income	2 973 672	2 865 773	742 601	660 225
II. Fee and commission income	894 050	777 932	223 267	179 222
III. Net trading income	392 518	385 267	98 022	88 759
IV. Operating profit	681 961	98 878	170 303	22 780
V. Profit before income tax	681 961	98 878	170 303	22 780
VI. Net profit	517 724	57 143	129 289	13 165
VII. Net cash flows from operating activities	(2 616 012)	(2 076 159)	(653 284)	(478 312)
VIII. Net cash flows from investing activities	(110 819)	(49 500)	(27 674)	(11 404)
IX. Net cash flows from financing activities	2 143 949	191 435	535 398	44 103
X. Net increase / decrease in cash and cash equivalents	(582 882)	(1 934 224)	(145 560)	(445 612)
XI. Earnings per 1 ordinary share (in PLN/EUR)	14.11	1.92	3.52	0.44
XII. Diluted earnings per 1 ordinary share (in PLN/EUR)	14.10	1.92	3.52	0.44
XIII. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000 As at		in EUR'000 As at	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
I. Total assets	83 520 654	72 607 181	21 089 477	17 673 721
II. Amounts due to the Central Bank	79	2 003 783	20	487 752
III. Amounts due to other banks	24 880 962	19 184 949	6 282 595	4 669 916
IV. Amounts due to customers	47 067 347	42 414 412	11 884 793	10 324 330
V. Own equity	6 530 958	3 813 626	1 649 107	928 296
VI. Share capital	168 347	118 764	42 509	28 909
VII. Number of shares	42 086 674	29 690 882	42 086 674	29 690 882
VIII. Book value per share (in PLN/EUR)	155.18	128.44	39.18	31.26
IX. Diluted book value per share (in PLN/EUR)	155.07	128.28	39.16	31.23
X. Capital adequacy ratio	16.91	11.73	16.91	11.73

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

- for items of the Statement of Financial Position – exchange rate announced by the National Bank of Poland as at 31 December 2010: EUR 1 = 3.9603 and exchange rate as at 31 December 2009: EUR 1 = PLN 4.1082.
- 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 four quarters of 2010 and 2009: 1 EUR = 4.0044 PLN and 1 EUR = 4.3406 PLN respectively.

Introduction

Main Achievements of BRE Bank Group in Q4 2010

BRE Bank Group generated very good financial results in 2010. Profit before tax reached PLN 872.5 million, up by 317% YoY as compared to PLN 209.4 million in 2009. Net profit attributable to the owners of BRE Bank increased to PLN 641.6 million and grew even more dynamically (up by 398% YoY) compared to PLN 128.9 million in 2009.

Profit before tax stood at PLN 263.8 million in Q4 2010 alone, down by PLN 16.1 million or 5.8% QoQ (in Q3 BRE Bank Group recorded an additional income from the sale of PZU shares by its subsidiary BRE Gold FIZ at PLN 30.5 million). Q4 profit before tax was up by PLN 181.9 million or 222.1% v. Q4 2009.

The Group achieved its very good financial results in Q4 2010 thanks to continuing positive business development of the Bank and Group's subsidiaries. Among others the following factors contributed to this development:

- Continued effective acquisition of retail customers: 3,655.5 thousand customers at the end of 2010, i.e., 393.9 thousand or +12.1% new customers YoY (83.8 thousand in Q4), i.e., 32.8 thousand new customers on average every month, which suggests that the target of 4 million customers by 2012 will be achieved earlier.
- Growth of the number of corporate customers by 145 to the historically highest level of 13,271 at the end of Q4.
- Increase of gross loans by 8.4% QoQ. Excluding fx effect the loan portfolio increased by 6.4% QoQ. All loan portfolios grew in Q4 including gross corporate loan portfolio up by 10.2%, retail loan portfolio up by 5.7%, and gross portfolio of loans to the public sector up by 33.2%.
- Growth of deposit volumes by 6.5% compared to September 2010. In particular, corporate deposits grew dynamically (+10.1% QoQ). Retail deposits went up by 1.8% QoQ. It should be also noted that the volume of public sector deposits doubled QoQ.
- Improvement of the cost of risk to 88 bps in Q4 2010 v. 93 bps in Q3 2010. For the full year 2010, cost of risk amounted to 114 bps and was significantly lower than in 2009 (210 bps).

The strong Q4 2010 pre-tax profit was mainly driven by the highest recurrent income generation in BRE Bank's history and lower provisions owing to the improved standing of customers.

Income growth in Q4 2010 (up by 2.3% QoQ and up by 14.1% YoY) was achieved thanks to:

- High net interest income (up by 4.6% QoQ and up by 20.5% YoY) thanks to lower cost of deposits following the strategic decision to reduce offered interest rates as well as due to higher income on loans.
- Maintained high level of net fee and commission income (up by 0.6% QoQ and up by 31.8% YoY) as a result of growing sales of products and improved cross-selling to the customer base.
- Improved trading income (up by 18.3% QoQ and up by 25.8% YoY) thanks to a higher fx result as well as an increased result on market risk instruments.

Costs including depreciation stood at PLN 454.6 million in Q4 (up by 9.0% QoQ and down by 0.8% YoY).

As a result of higher costs, typical for the last quarter of the year, the cost/income ratio increased to 51.8% compared to 51.0% at the end of Q3. However, C/I ratio decreased by 2.4 percentage points YoY (down from 54.2% at 2009 year-end).

The financial standing of customers continued to improve in Q4, which resulted in the lowest quarterly loan loss provisions in 2010. The Group set up loan loss provisions of PLN 126.0 million in Q4, down by 1.7% QoQ and down by 36.9% YoY.

The positive developments in the Income Statement also translate into a further improvement of the profitability indicators:

- ROE before tax grew to 15.6% v. 15.3% at the end of Q3 2010 and 5.1% a year ago;
- ROE net up to 11.8% v. 3.2% a year ago (stable QoQ).

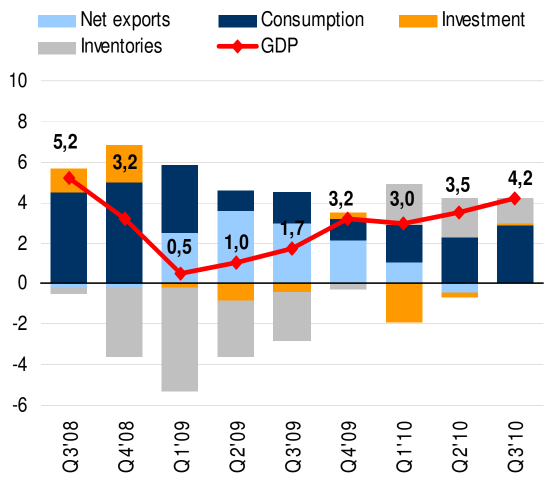
Despite the growth of lending, capital adequacy ratios remained at a solid and high level:

- CAR stood at 15.90% v. 15.89% at the end of Q3 and 11.50% a year ago;
- Core Tier 1 ratio was 10.40% v. 10.62% at the end of Q3 and 6.62% a year ago.

Macroeconomic environment in Q4 2010

The rate of GDP growth increased from 3.5% YoY in Q2 to 4.2% YoY in Q3. Like in the preceding quarter, the biggest contribution to GDP growth came from consumption (2.9 percentage points) and inventories (1.2 percentage points).

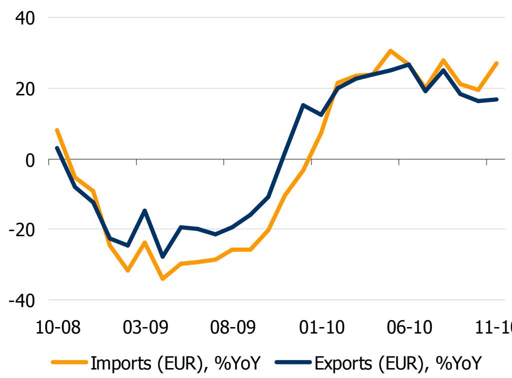
Contributions of main categories to real GDP growth



The growth rate of private consumption continued to rise for the third consecutive quarter (from 3.0% YoY in Q2 to 3.5% YoY in Q3), supported by continued improvement of the situation on the labour market.

Investments grew in Q4 (up by 0.4% YoY v. down by 1.7% YoY in Q2) while they were falling sharply in early 2010 (down by 12.8% YoY in Q1). Importantly, the growth of investments was driven by private sector investments (investments of large companies grew by 3.4% YoY in Q3) while it was the public sector which mainly invested in fixed assets (road infrastructure) in previous quarters. In Q3, investments increased mainly in the energy sector (rebuilding its production capacity) and in construction while industrial processing still reported a decrease of investments. However, the processing sector should also increase investments in fixed assets in the coming quarters as domestic and foreign demand grows, followed by increased utilisation of the production capacity.

Imports and exports growth rate (%YoY)



Companies continued to rebuild their inventories in Q3 as economic activity grew (contribution of 1.2 percentage points to GDP growth), which should continue in the coming quarters.

With the sustained strong momentum of the German economy, exports remain the driver of Polish economic growth. Exports rose by ca. 21% YoY in Q3 (in EUR fixed prices) and continued to increase dynamically in October and November (ca. 17% YoY). Continued stimulation of the Polish economy by growing foreign demand in Q4 resulted in sustained high growth rate of industrial output sold (ca. 9.8% YoY in Q4 v. 10.8% YoY in Q3). Domestic demand continued to grow as indicated by the rising growth rate of retail sales (8.7% YoY in October-November v. 6.4% YoY in Q3).

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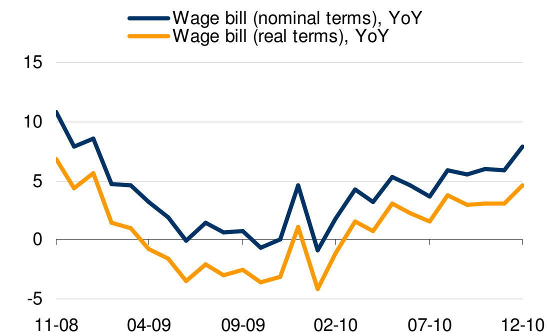
Labour Market

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



The situation on the domestic labour market continued to improve gradually in Q4. The growth of employment in the corporate sector continued to rise from 1.8% YoY in September to 2.4% YoY in December. Employment increased by ca. 15.5 thousand full time equivalents (FTE) in Q4; new jobs were mainly formed in industrial processing, trade, repairs as well as administration and auxiliary activities. As a result of a seasonal increase of unemployment in the winter, the official unemployment rate grew from 11.5% in September to 12.3% in Q4 (according to preliminary estimates of the Ministry of Labour and Social Policy); after peaking in January-February, the rate should start falling again.

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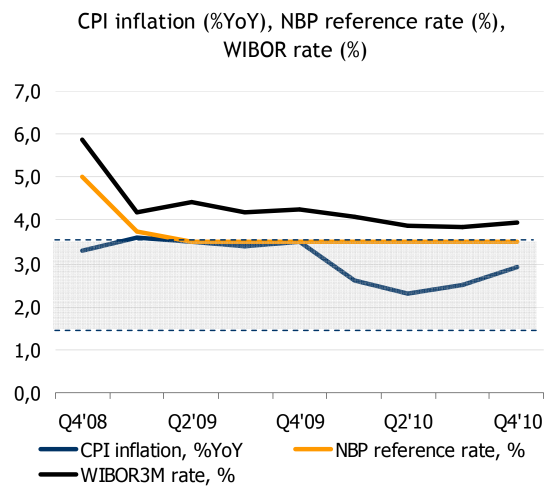
The growth rate of wages and salaries in the corporate sector increased considerably in Q4 and reached 5.4% YoY at year-end v. 3.7% YoY at the end of Q3; the rate in industrial processing was significantly higher (5-6% YoY).

As a result of stronger growth in employment and salaries, the growth rate of total real remunerations increased from 3.0% YoY at the end of Q3 to 4.6% YoY at the end of Q4 despite significant increase of inflation at the end of the year, which strongly supports the growth of private consumption.

Inflation and Interest Rates

The CPI increased from 2.5% YoY at the end of Q3 to 3.1% YoY at 2010 year-end. After a decrease in previous quarters (mainly due to the negative effect of a high statistical base in 2009), inflation started an upward trend in late 2010.



Consumer price growth was mainly driven by rising fuel prices (as a result of the global growth of oil prices) and energy prices (gas prices were raised in October). After a long stabilisation at 1.2% YoY, the lowest level in three years, core inflation (net of food and energy) bounced to ca. 1.6% YoY in December, mainly due to the effect of a low statistical base in late 2009.

As a result of mounting demand pressure related to continued recovery in the Polish economy as well as cost pressure (high PPI in the last months), the CPI should continue to grow in the coming months, but less dynamically than in Q4. This will largely depend on the inflation expectations of households, which have recently risen sharply (expected 12-month inflation rose from 2.1% YoY in September to 2.9% YoY in December).

Despite the deteriorating inflation outlook, the Monetary Policy Council (RPP) maintained the reference interest rate at 3.50% in Q4 and only decided to raise it (by 25 basis points) in January 2011. In October 2010, the Council only raised the mandatory reserve rate from 3.00% back to 3.50% as before the crisis, sending another signal of normalisation in the banking sector after NBP stopped supporting repo operations and fx swaps.

The tone of communications published after RPP meetings in Q4 remained rather dovish and did not announce a quick onset of monetary tightening. The Council's key arguments in favour of keeping the rates unchanged included limited inflation and salary pressure, uncertainty about the lasting nature of global recovery, and the threat of excessive appreciation of the zloty as a result of increased inflow of capital due to prolonged expansive monetary policy of the leading central banks. Importantly, the Council skipped the last argument in its December communication, which signalled a slight tightening of its position. The key signal of the Council's tightening position and upcoming interest rate hikes came with hawkish statements of NBP Governor Marek Belka in January. As a result, RPP decided to raise the rates by 25 basis points in January, quoting accelerated economic growth which could intensify salary and inflation pressure in the mid-term. It seems very likely that the January hike was the first in a series; the next hike (by another 25 basis points) could take place in March (RPP will hold no decision-making meeting in February); however, the outcome of the meeting largely depends on the EUR/PLN rate.

Money Supply and Banking Sector

The growth rate of retail deposits remained stable at around 10% YoY in Q4 2010 (9.8% YoY at the end of December v. 9.8% YoY at the end of September). Retail deposits rose by PLN 18.2 billion in Q4 2010 v. PLN 16.6 billion in Q4 2009; the higher growth was mainly driven by the improvements on the labour market. On the other hand, the growth of household deposits was curbed by a growing inflow of capital to investment funds (net payments stood at ca. PLN 2.8 billion in Q4 2010 v. PLN 1.7 billion in Q4 2009).

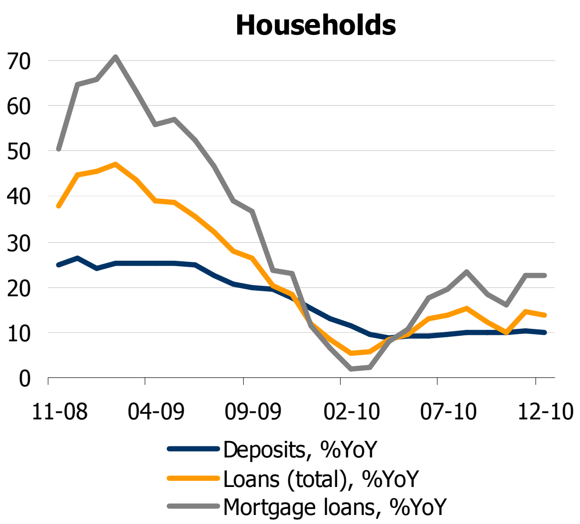
The growth rate of corporate deposits fell from 12.6% YoY at the end of September to 9.9% YoY at the end of December. The volume of corporate deposits increased by PLN 15.5 billion in Q4 2010 v. PLN 17.8 billion in Q4 2009: the gradually falling growth rate of deposits combined with the improving financial standing of companies suggest that the investment activity of the private sector is recovering and it is initially being financed with companies' own funds.

The growth rate of household loans increased from 12.4% YoY at the end of September to 13.9% YoY at the end of December; the volumes increased by PLN 15.8 billion in Q4 2010 v. PLN 8.5 billion in Q4 2009. The growth of retail loans is supported by the standing of households, which improves thanks to recovery on the labour market.

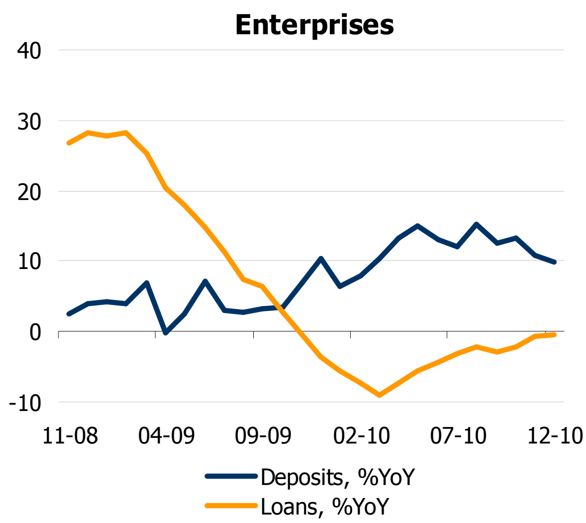
However, net of the fx effect, the growth rate of retail loans was much lower at the end of Q4 (8.5% YoY), which suggests that the high growth rate of loans is largely a result of the depreciation of the zloty against the Swiss franc, the currency of the majority of housing loans (the growth rate of housing loans was 22.7% YoY in November, or 14.6% YoY net of the fx effect).

The growth rate of corporate loans was negative throughout Q4 but it continued to rise and reached -0.3% YoY at year-end v. -3.0% YoY at the end of September; the volumes fell by PLN 1.6 billion in Q4 2010 v. PLN 7.7 billion in Q4 2009. Importantly, net of the fx effect, the volume of corporate loans increased for the first time since September 2009 (by 0.5% YoY) as a result of gradually recovering corporate investments in Poland as the utilisation of the production capacity is rising. However, the deployment of corporate deposits (evident through the falling growth rate of corporate deposits) will continue to curb the growth rate of corporate lending, albeit to a lesser degree.

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



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



Key Factors Driving the Results of BRE Bank Group in Q4 2010

Income Statement of BRE Bank Group

BRE Bank Group generated a profit before tax of PLN 872.5 million in 2010 v. PLN 209.4 million in 2009. The profit before tax stood at PLN 263.8 million in Q4, down by PLN 16.1 million or 5.8% QoQ. Net of additional revenue from the sale of PZU shares in Q3 (PLN 30.5 million), the profit before tax of the Group was up by 5.8% QoQ, mainly thanks to higher net interest income and trading income as well as lower loan loss provisions.

Income

Income generated by BRE Bank Group in 2010 at PLN 3,124.6 million was the highest in the history of the Group, up by PLN 273.3 million or 9.6% YoY. Income was driven by growth of all main income items, only dividend income decreased significantly (due to a dividend payment received on the PZU shareholding in 2009).

Accounting for 57.9% of BRE Bank Group's income, net interest income was the Group's main source of revenue in 2010. It stood at PLN 1,811.0 million, up by PLN 152.8 million or 9.2% YoY.

The main source of interest income (71.3%) were loans and advances. Interest income on loans and advances was PLN 183.9 million lower YoY due to lower nominal reference interest rates in 2010. As a result of a significant growth in the volume of investment securities, interest income from investment securities increased by PLN 239.3 million or 45.1% YoY. Reduced nominal interest rates caused a decrease in interest income on short-term placements. Interest income from debt securities held for trading decreased as the volume of this asset category went down.

Interest expenses due to banks and customers decreased (down by PLN 154.8 million or 9.4% YoY), as did the interest expenses arising from issues of debt securities (down by PLN 21.9 million or 24.3% YoY).

Net interest income in Q4 was the highest in all of 2010. It amounted to PLN 503.1 million, up by PLN 22.1 million or 4.6% QoQ. Net interest income improved thanks to growing volumes of loans as well as higher interest margins on deposit products.

BRE Bank Group's interest margin (calculated as net interest income to average interest-earning assets) was 2.2% p.a. at the end of December 2010 v. 2.1% p.a. at the end of September 2010 and 2.3% p.a. at the end of December 2009. YoY the margin development was driven by changes in the structure of assets with a growing share of investment securities compared to 2009. At the same time the interest margin improved QoQ mainly thanks to the improvement of deposit margins.

Net commission income accounted for 23.9% of BRE Bank Group's income and grew by PLN 151.2 million or 25.4% YoY in 2010. Commission income from insurance activities, commissions on clients' accounts, and commissions on payment cards grew the most dynamically. The growth of commission income from insurance activities (up by 89.2% YoY) resulted from improved cross-selling and growing sales of insurance products including bancassurance by the subsidiary BRE Ubezpieczenia. Growth of commission income on clients' accounts and on payment cards was driven by dynamic growth of the customer base of BRE Bank Group.

Net commission income in Q4 was the highest in 2010. After a record level of net commission income had been achieved in Q3, the income grew slightly by PLN 1.2 million or 0.6% QoQ and was mainly driven by growing fee income on loans and client's accounts.

Net trading income stood at PLN 410.7 million at the end of 2010, up by PLN 4.3 million or 1.1% YoY. Trading income increased as a result of higher other trading income, up by PLN 49.4 million or 17.0% YoY, mainly driven by a positive valuation of interest-rate derivative instruments in 2010 as well as higher income on market risk instruments. At the same time, fx result was down by PLN 45.1 million or 10.9% YoY. This was mainly due to less active trading by clients on the fx market, resulting in a smaller number of concluded fx transactions.

Net trading income increased by PLN 16.1 million or 18.3% QoQ. The development was driven by higher fx income in Q4 and by higher other trading income (mainly as a result of higher income on market risk instruments, what was caused by a positive valuation amounting to PLN 11.1 million of subscription warrants taken up by the Bank in connection with mezzanine financing).

Result on investment securities reached PLN 45.1 million in 2010 and mainly included income on the partial sale of the Bank's shareholding in PZU by the subsidiary BRE Gold FIZ (PLN 17.0 million in Q2 and PLN 30.5 million in Q3).

Other operating result (net other operating income and expenses) increased to PLN 103.7 million at the end of 2010 v. PLN 93.7 million a year earlier. In 2009, the income was burdened with provisions of PLN 18.5 million against impairment of assets related to financing of Compagnia de Factoring, a subsidiary of the Intermarket Bank AG Group (this subsidiary was sold in Q4 2009).

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Other operating result in Q4 2010 was up by PLN 16.2 million QoQ. The growth was due to the release of cost and tax provisions in Q4. Additionally, the Bank received a repayment of a surplus of 2009 advance payments from the Polish Financial Supervision Authority.

Loan Loss Provisions

Net loan loss provisions of BRE Bank Group stood at PLN 634.8 million at the end of 2010 v. PLN 1,097.1 million at the end of 2009, down by PLN 462.4 million or 42.1%. Provisions decreased significantly both in the Bank (PLN 561.9 million at year-end 2010 v. PLN 966.6 million at year-end 2009) and in the subsidiaries (PLN 72.9 million in 2010 v. PLN 130.5 million in 2009).

The cost of credit risk decreased as a result of the general improvement in the financial standing of the Group's clients and in particular due to a significant decrease of provisions in the area of Corporates and Institutions. As a result of adequate provisions set up in previous periods and undertaken restructuring measures, loan loss provisions in this business area decreased from PLN 629.5 million at the end of 2009 to PLN 279.6 million in 2010.

Changes to the credit policy towards retail clients introduced in 2009, mainly including the withdrawal from granting cash loans to clients without a previous relationship with the Bank, helped to reduce net loan loss provisions in Retail Banking (PLN 339.6 million at year-end 2010 v. PLN 440.6 million in 2009).

The cost of risk decreased further QoQ. Net loan loss provisions stood at PLN 126.0 million in Q4 2010, down by PLN 2.2 million or 1.7% QoQ. Provisions decreased in Corporates and Institutions (down by PLN 11.2 million QoQ), whereas provisions in Retail Banking were up by PLN 3.1 million or 4.5% QoQ.

Overhead Costs of BRE Bank Group

In 2010, overhead costs were up by PLN 94.9 million or 7.4% YoY. Costs including depreciation stood at PLN 1,617.3 million, up by 4.7% YoY. The cost increase was mainly driven by personnel costs (up by PLN 99.6 million or 15.5%) as a result of accruals for bonuses and employee stock options. Also, sales bonuses in Retail Banking increased due to improved business development. The growth in personnel costs was also related to an increase of the headcount of BRE Bank Group by 8.1% YoY, driven by the continuous business growth.

BRE Bank Group headcount (FTEs)	*31.12.2010*	*30.09.2010*	*31.12.2009*	*% change YoY*
	6,018	5,894	5,566	+8.1%

Despite the sound income development and as a result of implemented cost optimisation initiatives in BRE Bank Group, material costs were down by PLN 5.9 million or 1.0% v. 2009 and amounted to PLN 579.3 million. In Q4 2010 overhead costs including depreciation grew due to seasonal effects characteristic for the last quarter of the calendar year (up by PLN 37.7 million or 9.1% QoQ). This included an increase of personnel costs, up by PLN 25.1 million or 12.9% QoQ, and material costs, up by PLN 17.1 million or 11.5% QoQ, mainly driven by higher costs of advertising campaigns in retail banking as well as by promotional activities in corporate banking.

At the same time the Group's cost/income ratio decreased to 51.8% in 2010 down from 54.2% in 2009.

<u>Changes in Consolidated Statement of Financial Position at the End of Q4 2010</u>

BRE Bank Group's balance sheet total was PLN 90,051.5 million at the end of 2010, up by 11.1% YoY and up by 6.7% QoQ.

Assets of BRE Bank Group

Loans and advances to customers of PLN 59,370.4 million at year-end 2010 remained the largest asset category with a share of 65.9% of total assets (as compared to 64.7% at the end of September 2010). Loans and advances to customers grew by PLN 6,901.6 million or 13.2% YoY. In Q4, the volume of loans and advances to customers grew dynamically by PLN 4,782.2 million or 8.8% net and by PLN 4,815.9 million or 8.4% gross. Loans and advances to corporate clients grew by PLN 2,161.0 million or 9.3% mainly as a result of higher volumes of repo transactions at the end of 2010. Loans and advances to retail clients grew by PLN 2,037.1 million or 6.4% in Q4, strongly driven by the depreciation of the zloty against foreign currencies. Loans and advances to the public sector increased dynamically by PLN 479.2 million or 33.2% QoQ.

Investment securities were the second largest category of assets. They decreased by PLN 481.5 million or 2.5% in Q4 2010.

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Loans and advances to banks fell by PLN 417.0 million or 14.2% QoQ. The decrease was related to the Group's lower participation in interbank market transactions.

The decrease in the volume of investment securities and loans and advances to banks was coupled with an increase of cash and balances with the Central Bank. Operations with the central bank increased by PLN 1,023.6 million or 76.6% in Q4 2010.

Liabilities of BRE Bank Group

Amounts due to customers, BRE Bank Group's main source of funding, were up by PLN 4,628.7 million or 10.8% YoY. Amounts due to corporate clients grew the most in nominal terms (up by PLN 3,943.3 million or 22.6% YoY), Amounts due to the public sector almost tripled YoY and reached PLN 928.6 million. Despite changes in the pricing policy (reductions of deposit interest rates offered to customers) amounts due to retail clients remained stable YoY. As a result, amounts due to clients stood at PLN 47,420.1 million and made up 57.2% of total liabilities at year-end 2010 v. 55.8% in 2009 and 57.5% at the end of September 2010.

Amounts due to customers grew strongly in Q4 2010, up by PLN 2,902.6 million or 6.5%. The growth was mainly driven by an increase in amounts due to corporate clients, up by PLN 1,972.9 million or 10.1% QoQ, reflecting the overliquidity of this market segment and higher volumes of repo transactions at the end of 2010. Amounts due to the public sector increased by PLN 484.8 million or 109.3% in Q4. The volume of amounts due to retail clients noted a slight increase in Q4 2010 (+1.8%).

Amounts due to banks grew by PLN 2,752.2 million or 10.6% QoQ in Q4 2010. The growth resulted from an increase in the Group's exposure to sell-buy-back transactions.

The share of BRE Bank Group's equity in liabilities was 7.7% at the end of 2010, compared to 8.0% at the end of September 2010.

Performance Indicators

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

	31.12.2010	30.09.2010	31.12.2009
ROA net	0.77%	0.74%	0.16%
ROE before tax	15.6%	15.3%	5.1%
ROE net	11.8%	11.8%	3.2%
C/I	51.8%	51.0%	54.2%
CAR	15.90%	15.89%	11.50%
Core Tier 1	10.40%	10.62%	6.62%

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

The capital adequacy ratio of BRE Bank Group reached 15.90% at the end of December 2010 v. 15.89% at the end of September 2010 and 11.50% at the end of 2009. Core Tier 1 ratio was 10.40% at the end of 2010 v. 10.62% at the end of September 2010 and 6.62% at the end of 2009.

Contribution of Consolidated Subsidiaries to the Results of BRE Bank Group

The consolidated subsidiaries jointly generated a profit before tax of PLN 217.6 million in 2010 v. PLN 169.0 million a year earlier. Among others, the results of the following major subsidiaries improved YoY: BRE Leasing (profit before tax of PLN 44.1 million in 2010 v. profit before tax of PLN 5.3 million in 2009), BRE Bank Hipoteczny (profit before tax of PLN 37.8 million in 2010 v. profit before tax of PLN 32.5 million in 2009), BRE Wealth Management (profit before tax of PLN 10.7 million in 2010 v. profit before tax of PLN 6.1 million in 2009) and Intermarket Bank (profit before tax of PLN 10.7 million in 2010 v. loss before tax of PLN 14.9 million in 2009).

Performance of the Business Segments

The Retail Banking Segment made the biggest contribution to the income of the Group (49.6%), followed by Corporates and Institutions (35.4%) and Trading and Investments (13.7%).

Retail Banking (incl. Private Banking)

Financial Results

The segment generated a profit before tax of PLN 455.6 million in 2010 v. PLN 216.3 million in 2009. The growth of the profit before tax by PLN 239.4 million or 110.7% was mainly driven by:

- Higher net interest income (up by PLN 42.1 million or 4.4% YoY), mainly due to growing loan volumes and improved margins on deposit products.
- High growth of net commission income (up by PLN 137.8 million or 79.4% YoY). The income grew mainly thanks to income from the insurance business, commissions on bank accounts, commissions on payment cards, and commissions on sales of quasi-banking products like investment fund units. The improved net commission income was driven by several factors including mainly: increased sales of loans (mainly non-mortgage loans), expanding business of the Group's insurance activities and investment fund sales, a growing number of clients' accounts and issued cards as a result of increased cross-selling on the one hand and effective new customer acquisition on the other.
- Loan loss provisions (down by PLN 101.0 million or 22.9%) owing to changes of the lending policy applicable to retail clients (mainly withdrawal from sales of cash loans to clients without a previous relationship with the Bank). As a result, provisions set up against mBank's cash loans portfolio stood at PLN 78.6 million at the end of Q4 2010 v. PLN 247.8 million at the end of 2009.

The Retail Banking segment generated a profit before tax of PLN 114.3 million in Q4 2010 v. PLN 151.0 million in Q3 2010. The segment's income of the quarter was PLN 410.5 million, stable QoQ (PLN 413.3 million in Q3). The segment generated record-high quarterly net interest income and net commission income. Loan loss provisions were PLN 71.8 million, up by PLN 3.1 million QoQ. The lower profitability in Q4 2010 was due to higher overhead costs, up by PLN 30.8 million or 15.9% QoQ, mainly due to higher spending on marketing campaigns characteristic for the last quarter of the year and higher bonus accruals as a result of the sound business development.

mBank and MultiBank: Operations in Poland

Customers

BRE Bank's Retail Banking Line had 3,172.9 thousand customers at the end of Q4 2010 (including 2,580.9 thousand at mBank and 592.0 thousand at MultiBank).

The number of customers grew by 69.8 thousand in Q4 2010 (up by 2.2%; 70.2 thousand at mBank, -0.5 thousand at MultiBank). YoY it grew by 306.6 thousand (up by 10.7%; 284.9 thousand at mBank, 21.7 thousand at MultiBank).

The Bank had 389.7 thousand microenterprise customers (292.1 thousand at mBank, 97.6 thousand at MultiBank). The number of new microenterprise customers acquired YoY was 33.6 thousand (up by 9.4%; 26.9 thousand at mBank, 6.8 thousand at MultiBank).

Accounts

There were 4,449.7 thousand accounts at the end of December 2010 (4,063.5 thousand at mBank, 386.1 thousand at MultiBank). The number of accounts grew by 101.6 thousand in Q4 2010 (up by 2.3%; 107.2 thousand at mBank, -5.6 thousand at MultiBank). The number of accounts grew by 596.8 thousand YoY (up by 15.5%; 583.5 thousand at mBank, 13.2 thousand at MultiBank).

There were 471.9 thousand microenterprise accounts (375.5 thousand at mBank, 96.4 thousand at MultiBank).

The number of microenterprise accounts grew by 7.7 thousand in Q4 2010 (up by 1.7%; 7.5 thousand at mBank, 0.2 thousand at MultiBank). YoY the number of microenterprise accounts increased by 39.7 thousand (up by 9.2%; 34.0 thousand at mBank, 5.7 thousand at MultiBank).

Deposits

The Retail Banking Line's deposits reached PLN 19,434.3 million at the end of December 2010 (PLN 14,340.9 million at mBank, PLN 5,093.3 million at MultiBank).

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They increased by PLN 432.2 million in Q4 2010 (up by 2.3%; PLN 504.6 million at mBank, -PLN 72.4 million at MultiBank). The balance-sheet deposits grew by PLN 1,476.6 million YoY (up by 8.2%; PLN 1,632.2 million at mBank, -PLN 155.7 million at MultiBank).

Microenterprises' balance-sheet deposits reached PLN 1,958.3 million at the end of December 2010 (PLN 1,059.5 million at mBank, PLN 898.8 million at MultiBank). The deposits increased by PLN 251.7 million QoQ (up by 14.8%; PLN 193.3 million at mBank, PLN 58.5 million at MultiBank).

Investment Funds

Investment fund assets of BRE Bank retail customers grew dynamically and stood at PLN 2,219.0 million at the end of December 2010 (PLN 1,685.0 million at mBank, PLN 534.0 million at MultiBank).

They grew by PLN 159.6 million in Q4 2010 (up by 7.8%; PLN 114.5 million at mBank, PLN 45.1 million at MultiBank).

YoY investment fund assets grew by PLN 578.1 million (up by 35.2%; PLN 386.0 million at mBank, PLN 192.1 million at MultiBank).

Loans

Balance-sheet loans stood at PLN 31,076.3 million at the end of December 2010 (PLN 13,679.5 million at mBank, PLN 17,396.8 million at MultiBank).

They were up by PLN 1,184.1 million in Q4 2010 (up by 4.0%; PLN 518.5 million at mBank, PLN 666.4 million at MultiBank).

YoY balance-sheet loans were up by PLN 4,295.1 million (up by 16.0%; PLN 1,921.3 million at mBank, PLN 2,373.7 million at MultiBank).

Microenterprises' loans stood at PLN 2,935.6 million at the end of December 2010 (PLN 899.5 million at mBank, PLN 2,036.1 million at MultiBank), the same level as at the end of September 2010.

Structure of the Loan Portfolio:

- mBank: 78.8% mortgage loans, 7.1% cash loans, 6.1% credit lines, 4.9% credit cards, 3.2% other;

- MultiBank: 82.9% mortgage loans, 5.5% credit lines, 2.1% cash loans, 1.6% credit cards, 7.9% other.

The balance-sheet retail mortgage loans increased to PLN 24,757.2 million at the end of Q4 2010 (PLN 10,773.2 million at mBank, PLN 13,984.1 million at MultiBank).

They were up by PLN 1,070.0 million in Q4 2010 (up by 4.5%; PLN 474.7 million at mBank, PLN 595.3 million at MultiBank).

YoY balance-sheet mortgage loans were up by PLN 3,352.9 million (up by 15.7%; PLN 1,425.2 million at mBank, PLN 1,927.7 million at MultiBank).

Mortgage loans to retail customers at 31 December 2010

Mortgage Loans to Retail Customers	Total	PLN	FX
Balance-sheet value (PLN B)	24.76	2.29	22.47
Average maturity (years)	22.75	20.00	23.14
Average value (PLN thou.)	278.32	206.28	288.59
Average LTV (%)	82%	56%	86%
NPL	0.84%	4.00%	0.52%

Cards

The number of credit cards issued by the end of December 2010 reached 570.5 thousand (394.4 thousand at mBank, 176.1 thousand at MultiBank).

It grew by 14.4 thousand in Q4 2010 (up by 2.6%; 10.2 thousand at mBank, 4.2 thousand at MultiBank).

YoY the number of credit cards grew by 71.5 thousand (up by 14.3%; 52.5 thousand at mBank, 19.0 thousand at MultiBank).

The number of debit cards issued by the end of December 2010 stood at 3,024.8 thousand (2,369.1 thousand at mBank, 655.7 thousand at MultiBank). The number of debit cards grew by 134.8 thousand in Q4 2010 (up by 4.7%; 101.5 thousand at mBank, 33.3 thousand at MultiBank).

The number of debit cards grew by 518.9 thousand YoY (up by 20.7%; 403.6 thousand at mBank, 115.2 thousand at MultiBank).

Distribution Network

mBank

At year-end the distribution network operated by Aspiro had 115 locations (24 Financial Centres, 65 mKiosks, 26 Partner mKiosks) across Poland as well as 32 Agent Service Points.

MultiBank

MultiBank's distribution network comprises 133 branches (72 Financial Services Centres and 61 Partner Outlets including 51 Branches of the Future, which can be either Financial Services Centres or Partner Outlets).

mBank: Foreign Operations

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

Customers

mBank in the Czech Republic and Slovakia had 478.1 thousand customers at the end of Q4 2010 (including 350.3 thousand at mBank CZ and 127.8 thousand at mBank SK).

The number of customers grew by 14.2 thousand in Q4 2010 (up by 3.1%; 9.2 thousand at mBank CZ, 5.0 thousand at mBank SK).

The number of customers grew by 88.3 thousand YoY (up by 22.7%; 61.5 thousand at mBank CZ, 26.9 thousand at mBank SK).

Accounts

mBank in the Czech Republic and Slovakia had 924.4 thousand accounts at 31 December 2010 (685.9 thousand at mBank CZ, 238.5 thousand at mBank SK).

The number of accounts grew by 22.6 thousand in Q4 2010 (up by 2.5%; 14.3 thousand at mBank CZ, 8.3 thousand at mBank SK). The number of accounts grew by 149.4 thousand YoY (up by 19.3%; 101.4 thousand at mBank CZ, 48.0 thousand at mBank SK).

Deposits

Deposits of mBank in the Czech Republic and Slovakia stood at EUR 927.2 million at the end of Q4 2010 (EUR 630.1 million at mBank CZ, EUR 297.1 million at mBank SK).

Balance-sheet deposits decreased by EUR 63.4 million in Q4 2010 (down by 6.4%; -EUR 52.3 million at mBank CZ, -EUR 11.1 million at mBank SK). The deposit volume decreased by EUR 212 million YoY as a result of a gradual reduction of interest rates offered to clients.

Loans

Balance-sheet loans stood at EUR 356.6 million at the end of December 2010 (EUR 274.5 million at mBank CZ, EUR 82.2 million at mBank SK).

Balance-sheet loans grew by EUR 6.5 million in Q4 2010 (up by 1.9%; EUR 8.7 million at mBank CZ, EUR -2.2 million at mBank SK). YoY they increased by EUR 97.8 million YoY (up by 37.8%; EUR 101.8 million at mBank CZ, EUR -4.0 million at mBank SK).

Distribution Network

The distribution network of mBank CZ had 26 locations (9 Financial Centres, 17 mKiosks).

The distribution network of mBank SK had 9 locations (4 Financial Centres, 5 mKiosks).

Private Banking (PB)

Number of Customers

Private Banking had 4,511 customers at the end of December 2010, down by ca. 19% (-1,076 customers) YoY.

The decrease resulted from continued refocusing of the Bank's activities towards its target customer segment with the aim of servicing target customers with liquid assets of at least PLN 1 million.

Loans

The loans of Private Banking customers reached PLN 652.8 million, up by 13.8% or almost PLN 80 million YoY.

Assets under Management

Customers' assets under management invested via BRE PB totalled PLN 5,966 million at the end of December 2010 and were up by 0.5% YoY. A positive development was achieved with the change in the structure of assets under management. In 2010, deposit products were being gradually replaced by investment products (as demonstrated by assets in investment funds which increased by over 110% and in insurance capital funds, up by almost 56%).

Retail Banking subsidiaries

BRE Ubezpieczenia

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

On the internet platform, gross premiums written by BRE Ubezpieczenia in 2010 totalled PLN 89.6 million, up by 33% YoY. Sales via this channel mainly include car insurance products, accounting for 94% of premiums written. The remaining products are property insurance and travel insurance. In bancassurance, premiums written totalled PLN 629.3 million, up by 35% YoY. 70% of the gross premiums written came from investment products. Very good sales in November and December increased gross premiums written in co-operation with BRE Leasing to ca. PLN 108 million.

The consolidated profit before tax (including BRE Ubezpieczenia Sp. z o.o.) according to the statutory financial statements (including deferred acquisition costs) of the company was PLN 17.0 million in 2010 v. PLN 25.0 million in 2009. The financial results were down mainly due to reduced margins on bridge insurance for mortgage products. As a result, according to the statutory consolidated financial statements of the company, the company's contribution margin before administrative costs on bancassurance amounted to PLN 25 million, down by PLN 5 million YoY. The growing premiums written by the direct business generated a contribution margin before administrative costs of PLN 9.9 million v. PLN 9 million in 2009. Contribution margin before administrative costs on the co-operation with BRE Leasing was PLN 6.3 million v. PLN 7.7 million in 2009. Result on investments was PLN 5.5 million, up by PLN 1.8 million YoY.

Aspiro

Aspiro significantly increased the sales of products offered by third-party banks in Q4 2010. Sales of third-party bank products accounted for 59% of total sales in Q4 v. 22% in Q3.

Such growth in sales of partners' products was possible as Aspiro added products of new Business Partners to its offering.

Aspiro is now selling 44 products from 21 Partners. Clients can apply in Aspiro branches and via mobile agents for mortgage loans, business products, cash loans, insurance products and leasing.

The distribution network covers all of Poland and includes 24 Financial Centres, 65 mKiosks, 26 Partner mKiosks, and 32 Agent Service Points.

Aspiro closed the year 2010 with a profit before tax of PLN 7.9 million.

BRE Wealth Management

The company generated a profit before tax of PLN 10.7 million in 2010, up by 76% YoY. Its net commission income was over PLN 20 million, compared to PLN 13 million in 2009. Due to expansion initiatives, overhead costs increased YoY (PLN 9.8 million, up by 72%).

The company offers model portfolios (aggressive, balanced, stable and conservative) and individual investment strategies. BRE Wealth Management also offers an asset allocation service, where it provides advisory on the client's strategic asset allocation including financial and non-financial assets. In Q4, three closed-end investment funds were closed, eight tax optimisation deals were concluded and 20 new tax optimisation projects were opened. The transborder structures offering was expanded.

Corporates and Financial Markets

The Corporates and Financial Markets segment includes 2 sub-segments (business lines): Corporates and Institutions which covers the key area of corporate and institutional customer relations, and Trading and Investments, the area of liquidity and risk management. At the beginning of Q3 2010 certain activities that are presented in the segment

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Corporates and Financial Markets were reassigned among its two sub-segments. The reassignment comprised a shift of the following areas from Corporates and Institutions to Trading and Investments: (a) Financial Institutions, (b) Subsidiaries: DI BRE Bank SA, BRE Bank Hipoteczny SA and BRE Corporate Finance SA. The amendments were made in order to better reflect business lines organisational responsibilities and performance measurement requirements and to better leverage the existing cooperation areas between business lines at Bank level with subsidiaries.

Corporates and Institutions

Financial Results

The business line generated a profit before tax of PLN 179.1 million in 2010 v. a loss of PLN 268.5 million in 2009. The strong improvement in profit in 2010 was mainly due to:

- Much lower loan loss provisions. In particular, loan loss provisions related to derivative instruments decreased: PLN 23.3 million of such provisions were released in Q1-4 2010 while PLN 275.1 million of provisions were set up in 2009.
- Increased income from the core business: net interest income was up by PLN 86.7 million, net commission income increased by PLN 9.8 million and net trading income was up by PLN 42.0 million.
- The sale of part of PZU shares at PLN 47.5 million v. a loss from investment securities of PLN 19.8 million in 2009 due to the negative valuation of a Romanian subsidiary (sold in Q4 2009) recognised by Intermarket Bank.

The segment of Corporates and Institutions significantly improved its profitability in Q4 2010. The segment's profit before tax was PLN 81.1 million in Q4 v. PLN 75.1 million in Q3 2010. This was mainly driven by the highest quarterly income and lower loan loss provisions (down from PLN 60.5 million in Q3 to PLN 49.4 million in Q4). The segment's overhead costs were up by PLN 6.0 million or 3.6% QoQ driven by promotional activities and business growth.

Number of Corporate Customers

BRE Bank acquired 2,232 new corporate customers in 2010, over 24% more than in 2009; 59.7% of the new customers were K3 customers while 32.7% were K2 customers. The number of corporate customers totalled 13,271 companies at the end of December 2010, up by 145 companies compared to the end of September 2010 and up by 435 companies compared to the end of December 2009.

Number of Corporate Banking Customers

	31.12.2009	30.09.2010	31.12.2010
*K1**	898	1 083	1 101
*K2**	3 810	3 905	3 993
*K3**	8 128	8 138	8 177
Total	12 836	13 126	13 271

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

Corporate Customers' Deposits

BRE Bank's corporate customer deposits reached 21.3 bilion at year-end 2010. Excluding repo transactions they stood at PLN 18.6 billion at the end of December 2010, up by 8.7% compared to the end of September 2010 and up by 14.7% compared to the end of December 2009.

Deposits of enterprises were PLN 16.1 billion at the end of December 2010, up by 8.2% compared to the end of September 2010 and up by 10.4% compared to the end of December 2009. Total deposits of enterprises in the sector at the end of 2010 were up by 9.3% QoQ and up by 10.3% YoY. The market share of BRE Bank in this area was stable at 8.6% at the end of December 2010 compared to 8.7% at the end of September 2010 and 8.6% at the end of December 2009.

Corporate Customers' Loans

BRE Bank's corporate customer loans amounted to PLN 19.5 billion at year-end (+22.7% QoQ). Excluding repo transactions they stood at PLN 16.2 billion at the end of December 2010, up by 3.8% compared to the end of September 2010 and up by 1.4% compared to the end of December 2009.

Loans to enterprises were PLN 13.5 billion at the end of December 2010, down by 1.1% compared to the end of September 2010 and down by 3.8% compared to the end of December 2009. Total loans to enterprises in the sector were down by 1.1% compared to the end of Q3 2010 and down by 1.6% compared to the end of 2009. The market share of BRE Bank's loans to enterprises was 6.2% at the end of December 2010 compared to 6.2% in September 2010 and 6.3% in December 2009. Loans to the public sector stood at almost PLN 1.4 billion at the end of December, up by PLN 1.2 billion in 2010. The market share of BRE Bank's public sector loans increased to 4.1% at the end of December 2010 compared to 2.0% at the end of September 2010 and 0.8% at the end of December 2009.

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 Q4 2010 was 835.0 thousand, up by 17.6% QoQ. The number of identifications of trade payments and income from such services grew also. Close to 2.4 million transactions were processed in October-December 2010, up by 6.4% QoQ and up by 24.1% YoY. The number of customers using the most advanced bank account consolidation facilities grew by 5.0% QoQ at the end of December 2010; 589 customers were using Cash Pooling and Shared Balances services at the end of December 2010.

Banking Products with EU Financing

Income from sales of products related to EU financing was down by 13.2% in Q4 2010 compared to the average quarterly sales last year due to very low demand for bank commitments as there were no new application rounds. Income from loans related to EU financing grew by 46.9% YoY.

Corporate Network

BRE Bank's corporate network included 24 Corporate Branches and 21 Corporate Offices at the end of December 2010.

Proprietary Investment Portfolio

The proprietary and mezzanine investment portfolio stood at PLN 199.1 million at cost at the end of Q4 2010. The value of the portfolio was stable QoQ.

Corporate and Institutions subsidiaries:

BRE Leasing

Leasing contracts executed by BRE Leasing in Q4 2010 totalled PLN 590 million (down by 2.3% QoQ and up by 54.8% YoY). BRE Leasing did not conclude any real estate contracts in Q4 2010 while the value of movables contracts rose by 18.8%. BRE Leasing recorded a profit before tax of PLN 0.5 million in Q4 2010, down by 96.7% QoQ. The decrease resulted from a one-off payment in Q4 2010 of PLN 17.5 million of additional VAT for 2006-2010 due to a change of the interpretation of tax regulations following a decision of the Supreme Administrative Court of November 2010. The company has applied to the Tax Office for return of the surplus tax paid.

On 31 January 2011, a 49.9% stake in BRE Leasing Sp. z o.o. was acquired by BRE Holding Sp. z o.o. (wholly owned by BRE Bank) from Commerz Real AG (wholly owned by Commerzbank AG). The purchase price amounted to EUR 17.1 million (equal to PLN 66.9 million). As a result of this transaction, BRE Bank Group holds 100% of BRE Leasing, the third biggest leasing company in Poland.

Factoring – Intermarket Group

Sales of the Intermarket Group subsidiaries totalled EUR 6.3 billion in Q4 2010 and EUR 22.7 billion in all of 2010 (up by 4.5% YoY). Sales in Q4 were up by 6.6% v. Q3. Polfactor, the subsidiary operating in Poland, grew more dynamically (+18.7% QoQ).

Profit before tax of Intermarket Group subsidiaries consolidated by BRE Bank was PLN 0.5 million in Q4 2010 v. PLN 1.1 million in Q3 2010. The decrease of profit before tax was due to provisions against debt set up in the Czech and Austrian subsidiaries. Profit before tax at the end of 2010 reached PLN 15.1 million as compared to a loss of PLN 4.9 million in 2009.

Polfactor maintained a growth of sales, which reached PLN 4.5 billion in 2010 (up by 8.0% YoY). Profit before tax was PLN 3.7 million in Q4 2010, up by 19.6% QoQ. Full-year profit stood at PLN 12.0 million (+85.7% YoY).

Trading and Investments

Financial Results

The business line generated a profit before tax of PLN 229.3 million in 2010 v. PLN 238.7 million in 2009. The decrease of the line's profit was mainly caused by trading income, down by PLN 41.1 million or 28.9%, due to a very high fx income in 2009 when large volumes of fx derivative transactions were settled. The business line's net interest income grew by PLN 24.0 million or 11.1% thanks to a bigger investment securities portfolio, while its net commission income (mainly generated by DI BRE) grew by PLN 8.3 million or 10.8%.

Trading and Investments generated a profit before tax of PLN 61.4 million in Q4 2010, up by PLN 1.1 million or 1.8% QoQ. Net interest income grew by PLN 2.7 million or 4.0%, net commission income improved by PLN 4.3 million or 20.6% and net trading income increased by PLN 2.3 million or 12.7% QoQ. Costs were up by PLN 1.4 million or 3.1% QoQ.

Market Position

BRE Bank ranks first in mid-term bank debt securities with a market share of 22.5%, fourth in short-term debt securities with a market share of 14.6%, and second in mid-term corporate bonds with a market share of 18.1% (all data as at the end of December 2010).

The Bank remains very active in financial market trading: its share in interest rate derivatives was 19.0% and in Treasury bonds and bills 5.7%. Its share in fx spots and forwards was 5.2% (data as at the end of November 2010).

Trading and Investments subsidiaries:

Dom Inwestycyjny BRE Banku (DI BRE)

The company maintained focus on the activity of its target customer groups: domestic institutional and individual clients. Its share in equities trading was 4.6%, ensuring the ninth position on the market. The company's share in bonds trading was 3.8%, ranking seventh on the market. DI BRE strengthened its leader's position in futures trading with a 15.8% market share. DI BRE ranked sixth in options trading with a market share of 7.4%. The number of accounts operated by DI BRE keeps growing and reached 283 thousand at the end of 2010 thanks to an increasing number of accounts opened by mBank and MultiBank customers.

DI BRE generated a profit before tax of PLN 37.1 million in 2010 v. PLN 42.2 million in 2009. Net commission income was PLN 76 million, up by 2% YoY. Overhead costs stood at PLN 49.6 million v. PLN 52 million in 2009. DI BRE generated a profit before tax of PLN 10.3 million in Q4 2010 v. PLN 9.8 million in Q3 2010.

BRE Bank Hipoteczny (BBH)

BBH's balance sheet loan portfolio stood at PLN 3.8 billion at the end of 2010 v. PLN 4.1 billion at the end of 2009. BBH's profit before tax increased to PLN 37.8 million in 2010 v. PLN 32.5 million in 2009. Profit before tax was PLN 5.3 million in Q4 2010 v. PLN 10.0 million in Q3 2010 and PLN 6.0 million in Q4 2009. BBH's ROE before tax stood at 11.2% in 2010 v. 10.4% in 2009. Its C/I ratio decreased from 48.3% at the end of 2009 to 45.3% at the end of 2010.

BBH issued PLN 550 million of mortgage bonds in 2010 v. PLN 360 million in 2009, which is a signal for an improving market environment for mortgage banks in Poland.

Quality of the Loan Portfolio

The share of default exposures in loans and advances to BRE Bank Group clients at the end of 2010 was 5.3% vs. 6.0% in September 2010 and 4.7% at the end of 2009.

Provisions for loans and advances increased from PLN 1,964.8 million at the end of 2009 and PLN 2,416.0 million at the end of September 2010 to PLN 2,449.7 million at the end of 2010, including PLN 215.9 million of IBNI (Incurred But Not Identified) provisions. The level of IBNI at the end of September 2010 stood at PLN 223.6 million and at PLN 232.5 million at the end of 2009.

The ratio of provisions to default loans increased up to 67.8% at the end of 2010 vs. 64.1% at the end of September 2010 and 67.6% at the end of 2009.

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Consolidated Income Statement

	Note	IVth Quarter (current year) from 01.10.2010 to 31.12.2010	IV Quarters cumulative (current year) from 01.01.2010 to 31.12.2010	IVth Quarter (current year) from 01.10.2009 to 31.12.2009	IV Quarters cumulative (current year) from 01.01.2009 to 31.12.2009
Interest income		876 721	3 421 704	834 331	3 453 207
Interest expense		(373 596)	(1 610 740)	(416 796)	(1 795 030)
Net interest income	5	**503 125**	**1 810 964**	**417 535**	**1 658 177**
Fee and commission income		314 840	1 178 745	266 325	1 001 287
Fee and commission expense		(114 474)	(432 826)	(114 324)	(406 564)
Net fee and commission income	6	**200 366**	**745 919**	**152 001**	**594 723**
Dividend income	7	10	8 173	96 227	99 067
Net trading income, including:	8	104 274	410 672	82 861	406 374
Foreign exchange result		*88 604*	*369 982*	*75 982*	*415 048*
Other trading income		*15 670*	*40 690*	*6 879*	*(8 674)*
Gains less losses from investment securities	9	(1 352)	45 148	(3 968)	(772)
Other operating income	10	102 076	311 271	59 651	263 522
Net impairment losses on loans and advances	11	(125 988)	(634 779)	(199 512)	(1 097 134)
Overhead costs	12	(394 941)	(1 380 351)	(376 105)	(1 285 425)
Amortization and depreciation		(59 711)	(236 918)	(82 324)	(259 362)
Other operating expenses	13	(64 053)	(207 588)	(64 463)	(169 781)
Operating profit		**263 806**	**872 511**	**81 903**	**209 389**
Profit before income tax		**263 806**	**872 511**	**81 903**	**209 389**
Income tax expense		(70 267)	(211 646)	(39 236)	(78 866)
Net profit		**193 539**	**660 865**	**42 667**	**130 523**
Net profit attributable to:					
- Owners of BRE Bank SA		195 482	641 602	40 778	128 928
- Non-controlling interests		(1 943)	19 263	1 889	1 595

Net profit attributable to Owners of BRE Bank SA			**641 602**		**128 928**
Weighted average number of ordinary shares	14		**36 679 683**		**29 690 882**
Earnings per 1 ordinary share (in PLN)	14		**17.49**		**4.34**
Weighted average number of ordinary shares for diluted earnings	14		**36 709 325**		**29 729 741**
Diluted earnings per 1 ordinary share (in PLN)	14		**17.48**		**4.34**

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

Consolidated Statement of Comprehensive Income

	IVth Quarter (current year) from 01.10.2010 to 31.12.2010	IV Quarters cumulative (current year) from 01.01.2010 to 31.12.2010	IVth Quarter (current year) from 01.10.2009 to 31.12.2009	IV Quarters cumulative (current year) from 01.01.2009 to 31.12.2009
Financial result	**193 539**	**660 865**	**42 667**	**130 523**
Other comprehensive income subject to taxation	**(54 035)**	**172 788**	**40 119**	**99 454**
Exchange differences on translating foreign operations (net)	(632)	(5 231)	387	6 114
Available-for-sale financial assets (net)	(53 403)	178 019	39 732	93 340
Total comprehensive income net of tax, total	**139 504**	**833 653**	**82 786**	**229 977**
Total comprehensive income (net), attributable to:				
- Owners of BRE Bank SA	142 188	816 638	83 701	229 406
- Non-controlling interests	(2 684)	17 015	(915)	571

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

Consolidated Statement of Financial Position

ASSETS	Note	31.12.2010	30.09.2010	31.12.2009
Cash and balances with the Central Bank		2 359 912	1 336 340	3 786 765
Debt securities eligible for rediscounting at the Central Bank		3 686	10 149	9 134
Loans and advances to banks		2 510 892	2 927 913	2 530 572
Trading securities	15	1 565 656	766 471	1 065 190
Derivative financial instruments		1 226 653	1 506 159	1 933 627
Loans and advances to customers	16	59 370 365	54 588 181	52 468 812
Investment securities	17	18 762 688	19 244 196	13 120 687
- Available-for-sale		18 762 688	19 244 196	13 120 687
Pledged assets	15, 17	1 830 803	1 624 629	3 516 525
Investments in associates		317	1 116	1 150
Intangible assets	18	427 837	402 685	441 372
Tangible fixed assets	19	777 620	756 483	786 446
Current income tax assets		5 922	2 966	125 308
Deferred income tax assets		325 390	321 026	331 828
Other assets		883 718	933 489	906 470
Total assets		**90 051 459**	**84 421 803**	**81 023 886**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		79	133	2 003 783
Amounts due to other banks		28 727 008	25 974 779	25 019 805
Derivative financial instruments and other trading liabilities		1 363 508	1 592 915	1 935 495
Amounts due to customers	20	47 420 057	44 517 409	42 791 387
Debt securities in issue		1 371 824	1 478 620	1 415 711
Subordinated liabilities		3 010 127	2 849 798	2 631 951
Other liabilities		871 130	869 106	776 195
Current income tax liabilities		25 469	16 725	904
Deferred income tax liabilities		9 647	1 000	544
Provisions		175 325	185 939	176 957
Total liabilities		**82 974 174**	**77 486 424**	**76 752 732**
Equity				
Equity attributable to Owners of BRE Bank SA		**6 909 303**	**6 764 713**	**4 120 187**
Share capital:		**3 491 812**	**3 487 850**	**1 521 683**
- Registered share capital		168 347	168 311	118 764
- Share premium		3 323 465	3 319 539	1 402 919
Retained earnings:		**3 356 345**	**3 162 423**	**2 712 394**
- Profit from the previous years		2 714 743	2 716 303	2 583 466
- Profit for the current year		641 602	446 120	128 928
Other components of equity		**61 146**	**114 440**	**(113 890)**
Non-controlling interests		**167 982**	**170 666**	**150 967**
Total equity		**7 077 285**	**6 935 379**	**4 271 154**
Total equity and liabilities		**90 051 459**	**84 421 803**	**81 023 886**
Capital adequacy ratio		**15.90**	**15.89**	**11.50**
Book value		**6 909 303**	**6 764 713**	**4 120 187**
Number of shares		**42 086 674**	**42 077 777**	**29 690 882**
Book value per share (in PLN)		**164.17**	**160.77**	**138.77**
Diluted number of shares		**42 116 316**	**42 119 912**	**29 729 741**
Diluted book value per share (in PLN)		**164.05**	**160.61**	**138.59**

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

Consolidated Statement of Changes in Equity

Changes from 1 January to 31 December 2010

	Share capital		Retained earnings					Other components of equity				
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available for sale financial assets	Equity attributable to Owners of BRE Bank SA, total	Non-controlling interests	Total equity
Equity as at 1 January 2010	118 764	1 402 919	1 761 960	53 158	719 210	178 066	-	3 017	(116 907)	4 120 187	150 967	4 271 154
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2010	118 764	1 402 919	1 761 960	53 158	719 210	178 066	-	3 017	(116 907)	4 120 187	150 967	4 271 154
Total income							641 602	(2 967)	178 003	816 638	17 015	833 653
Transfer to General Risk Fund	-	-	-	-	59 743	(59 743)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	52 994	-	-	(52 994)	-	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	(207)	-	207	-	-	-	-	-	-
Issue of shares	49 583	1 929 907	-	-	-	-	-	-	-	1 979 490	-	1 979 490
Issue expenses	-	(13 287)	-	-	-	-	-	-	-	(13 287)	-	(13 287)
Stock option program for employees	-	3 926	-	2 349	-	-	-	-	-	6 275	-	6 275
- value of services provided by the employees	-	-	-	*7 070*	-	-	-	-	-	*7 070*	-	*7 070*
- settlement of exercised options	-	*3 926*	-	(4 721)	-	-	-	-	-	(795)	-	*(795)*
Equity as at 31 December 2010	168 347	3 323 465	1 814 954	55 300	778 953	65 536	641 602	50	61 096	6 909 303	167 982	7 077 285

Changes from 1 January to 31 December 2009

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

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

Consolidated Statement of Cash Flows

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
A. Cash flow from operating activities	(1 155 672)	(670 775)
Profit before income tax	872 511	209 389
Adjustments:	*(2 028 183)*	*(880 164)*
Income taxes paid (negative amount)	(76 690)	(466 859)
Amortisation	236 918	259 362
Foreign exchange (gains) losses	2 821 505	5 783
(Gains) losses on investing activities	(43 783)	(13 197)
Impairment of financial assets	97	17 840
Dividends received	(8 525)	(99 092)
Interest received	(2 031 189)	(2 116 956)
Interest paid	1 476 674	1 561 443
Change in loans and advances to banks	26 917	929 627
Change in trading securities	330 575	3 730 876
Change in derivative financial instruments	706 974	3 699 245
Change in loans and advances to customers	(4 956 689)	1 655 068
Change in investment securities	(3 664 405)	(8 066 164)
Change in other assets	27 036	144 518
Change in amounts due to other banks	165 778	(1 251 740)
Change in other trading liabilities	(571 987)	(4 238 996)
Change in amounts due to customers	3 418 561	3 840 382
Change in debt securities in issue	30 515	(271 183)
Change in provisions	(1 632)	10 951
Change in other liabilities	85 167	(211 072)
Net cash from operating activities	(1 155 672)	(670 775)
B.Cash flows from investing activities	(133 763)	(126 806)
Investing activity inflows	105 970	133 776
Disposal of shares in subsidiaries, net of cash disposed	-	17 181
Disposal of intangible assets and tangible fixed assets	29 553	17 287
Other investing inflows	76 417	99 308
Investing activity outflows	239 733	260 582
Acquisition of shares in subsidiaries, net of cash acquired	-	272
Purchase of intangible assets and tangible fixed assets	239 733	259 566
Other investing outflows	-	744
Net cash used in investing activities	(133 763)	(126 806)
C. Cash flows from financing activities	737 505	(983 417)
Financing activity inflows	4 113 662	4 637 079
Proceeds from loans and advances from other banks	1 929 382	2 432 049
Proceeds from other loans and advances	199 260	209 030
Issue of debt securities	18 817	1 996 000
Issue of ordinary shares	1 966 203	-
Financing activity outflows	3 376 157	5 620 496
Repayments of loans and advances from other banks	2 912 297	3 024 300
Repayments of other loans and advances	17 236	25 774
Redemption of debt securities	96 714	2 105 515
Payments of financial lease liabilities	207	342
Dividends and other payments to shareholders	2 272	3 187
Interest payments on loans received from banks and subordinated liabilities	347 431	461 378
Net cash from financing activities	737 505	(983 417)
Net increase / decrease in cash and cash equivalents (A+B+C)	(551 930)	(1 780 998)
Increase / decrease in cash and cash equivalents in respect of foreign exchange gains and losses	(24 107)	(44 849)
Cash and cash equivalents at the beginning of the reporting period	6 867 880	8 693 727
Cash and cash equivalents at the end of the reporting period	6 291 843	6 867 880

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

BRE Bank SA Stand-alone Financial Information

Income Statement

	Note	IVth Quarter (current year) from 01.10.2010 to 31.12.2010	IV Quarters cumulative (current year) from 01.01.2010 to 31.12.2010	IVth Quarter (current year) from 01.10.2009 to 31.12.2009	IV Quarters cumulative (current year) from 01.01.2009 to 31.12.2009
Interest income		764 484	2 973 672	717 600	2 865 773
Interest expense		(332 131)	(1 440 820)	(370 707)	(1 508 756)
Net interest income		**432 353**	**1 532 852**	**346 893**	**1 357 017**
Fee and commission income		236 114	894 050	203 911	777 932
Fee and commission expense		(88 422)	(360 109)	(103 423)	(378 703)
Net fee and commission income		**147 692**	**533 941**	**100 488**	**399 229**
Dividend income		7	19 277	22 086	59 738
Net trading income, including:		95 732	392 518	74 649	385 267
Foreign exchange result		*83 099*	*357 027*	*74 421*	*402 115*
Other trading income		*12 633*	*35 491*	*228*	*(16 848)*
Gains less losses from investment securities		10 469	11 362	54 314	55 346
Other operating income		31 659	66 617	11 389	68 477
Impairment losses on loans and advances		(89 531)	(561 942)	(171 318)	(966 652)
Overhead costs		(316 822)	(1 080 399)	(296 180)	(993 382)
Amortization and depreciation		(44 553)	(178 692)	(68 919)	(207 942)
Other operating expenses		(13 019)	(53 573)	(45 104)	(58 220)
Operating profit		**253 987**	**681 961**	**28 298**	**98 878**
Profit before income tax		**253 987**	**681 961**	**28 298**	**98 878**
Income tax expense		(63 837)	(164 237)	(21 326)	(41 735)
Net profit		**190 150**	**517 724**	**6 972**	**57 143**

Net profit			**517 724**		**57 143**
Weighted average number of ordinary shares	14		**36 679 683**		**29 690 882**
Earnings per 1 ordinary share (in PLN)	14		**14.11**		**1.92**
Weighted average number of ordinary shares for diluted earnings	14		**36 709 325**		**29 729 741**
Diluted earnings per 1 ordinary share (in PLN)	14		**14.10**		**1.92**

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

BRE Bank SA Stand-alone Financial Information

Statement of Comprehensive Income

	IVth Quarter (current year) from 01.10.2010 to 31.12.2010	IV Quarters cumulative (current year) from 01.01.2010 to 31.12.2010	IVth Quarter (current year) from 01.10.2009 to 31.12.2009	IV Quarters cumulative (current year) from 01.01.2009 to 31.12.2009
Financial result	**190 150**	**517 724**	**6 972**	**57 143**
Other comprehensive income subject to taxation	**(53 027)**	**227 130**	**74 765**	**136 007**
Exchange differences on translating foreign operations (net)	683	(1 173)	6 043	8 001
Available-for-sale financial assets (net)	(53 710)	228 303	68 722	128 006
Total comprehensive income net of tax, total	**137 123**	**744 854**	**81 737**	**193 150**

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

BRE Bank SA Stand-alone Financial Information

Statement of Financial Position

ASSETS	31.12.2010	30.09.2010	31.12.2009
Cash and balances with the Central Bank	2 340 672	1 323 709	3 771 992
Debt securities eligible for rediscounting at the Central Bank	3 686	10 149	9 134
Loans and advances to banks	3 764 172	4 058 462	2 497 397
Trading securities	1 731 030	987 685	1 234 792
Derivative financial instruments	1 221 565	1 498 733	1 931 868
Loans and advances to customers	51 662 336	46 655 411	44 260 700
Investment securities	19 195 574	19 598 704	13 397 725
- Available-for-sale	19 195 574	19 598 704	13 397 725
Pledged assets	1 828 724	1 622 570	3 513 782
Investments in subsidiaries	491 761	481 605	480 709
Intangible assets	379 981	357 182	396 121
Tangible fixed assets	534 450	506 736	555 864
Current income tax assets	-	-	116 081
Deferred income tax assets	62 291	65 965	108 975
Other assets	304 412	339 974	332 041
Total assets	**83 520 654**	**77 506 885**	**72 607 181**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	79	133	2 003 783
Amounts due to other banks	24 880 962	21 861 815	19 184 949
Derivative financial instruments and other trading liabilities	1 361 907	1 598 537	1 933 149
Amounts due to customers	47 067 347	44 093 717	42 414 412
Subordinated liabilities	3 010 127	2 849 798	2 631 951
Other liabilities	573 450	608 100	516 443
Current income tax liabilities	19 689	1 084	-
Provisions for deferred income tax	77	77	79
Provisions	76 058	102 191	108 789
Total liabilities	**76 989 696**	**71 115 452**	**68 793 555**
Equity			
Share capital	**3 491 812**	**3 487 850**	**1 521 683**
- Registered share capital	168 347	168 311	118 764
- Share premium	3 323 465	3 319 539	1 402 919
Retained earnings:	**2 897 312**	**2 708 722**	**2 377 239**
- Profit for the previous year	2 379 588	2 381 148	2 320 096
- Net profit for the current year	517 724	327 574	57 143
Other components of equity	**141 834**	**194 861**	**(85 296)**
Total equity	**6 530 958**	**6 391 433**	**3 813 626**
Total equity and liabilities	**83 520 654**	**77 506 885**	**72 607 181**
Capital adequacy ratio	**16.91**	**16.92**	**11.73**
Book value	**6 530 958**	**6 391 433**	**3 813 626**
Number of shares	**42 086 674**	**42 077 777**	**29 690 882**
Book value per share (in PLN)	**155.18**	**151.90**	**128.44**
Diluted number of shares	**42 116 316**	**42 119 912**	**29 729 741**
Diluted book value per share (in PLN)	**155.07**	**151.74**	**128.28**

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

BRE Bank SA Stand-alone Financial Information

Statement of Changes in Equity

Changes from 1 January to 31 Decebmer 2010

	Share capital		Retained earnings					Other components of equity		Total
	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 as at 1 January 2010	**118 764**	**1 402 919**	**1 603 654**	**8 442**	**708 000**	**57 143**	**-**	**(2 609)**	**(82 687)**	**3 813 626**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2010	**118 764**	**1 402 919**	**1 603 654**	**8 442**	**708 000**	**57 143**	**-**	**(2 609)**	**(82 687)**	**3 813 626**
Total income							**517 724**	**(1 173)**	**228 303**	**744 854**
Transfer to General Risk Fund	-	-	-	-	57 143	(57 143)	-	-	-	-
Issue of shares	49 583	1 929 907	-	-	-	-	-	-	-	1 979 490
Issue expenses	-	(13 287)	-	-	-	-	-	-	-	(13 287)
Stock option program for employees	-	3 926	-	2 349	-	-	-	-	-	6 275
- value of services provided by the employees	*-*	*-*	*-*	*7 070*	*-*	*-*	*-*	*-*	*-*	*7 070*
- settlement of exercised options	*-*	*3 926*	*-*	*(4 721)*	*-*	*-*	*-*	*-*	*-*	*(795)*
Equity as at 31 December 2010	**168 347**	**3 323 465**	**1 603 654**	**10 791**	**765 143**	**-**	**517 724**	**(3 782)**	**145 616**	**6 530 958**

Changes from 1 January to 31 December 2009

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

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

BRE Bank SA Stand-alone Financial Information

Statement of Cash Flows

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
A. Cash flow from operating activities	**(2 616 012)**	**(2 076 159)**
Profit before income tax	**681 961**	**98 878**
Adjustments:	***(3 297 973)***	***(2 175 037)***
Income taxes paid (negative amount)	(20 614)	(346 752)
Amortisation	178 692	207 942
Foreign exchange (gains) losses	2 821 496	5 276
(Gains) losses on investing activities	3 593	(58 107)
Impairment of financial assets	(12 692)	6 632
Dividends received	(19 277)	(59 738)
Interest received	(2 163 569)	(2 204 176)
Interest paid	1 479 279	1 545 552
Change in loans and advances to banks	(1 274 168)	936 880
Change in trading securities	241 752	3 625 024
Change in derivative financial instruments	710 303	3 680 445
Change in loans and advances to customers	(5 391 230)	12 702
Change in investment securities	(3 593 364)	(8 181 074)
Change in other assets	27 589	84 584
Change in amounts due to other banks	844 320	(764 295)
Change in financial instruments and other trading liabilities	(571 242)	(4 278 167)
Change in amounts due to customers	3 417 474	3 734 094
Change in debt securities in issue	-	171
Change in provisions	(32 731)	18 767
Change in other liabilities	56 416	(140 797)
Net cash from operating activities	**(2 616 012)**	**(2 076 159)**
B.Cash flows from investing activities	**(110 819)**	**(49 500)**
Investing activity inflows	**20 542**	**134 975**
Disposal of shares in subsidiaries	-	1 369
Disposal of intangible assets and tangible fixed assets	1 265	1 367
Other investing inflows	19 277	132 239
Investing activity outflows	**131 361**	**184 475**
Acquisition of shares in subsidiaries	-	11 980
Purchase of intangible assets and tangible fixed assets	131 361	171 751
Other investing outflows	-	744
Net cash used in investing activities	**(110 819)**	**(49 500)**
C. Cash flows from financing activities	**2 143 949**	**191 435**
Financing activity inflows	**3 892 958**	**1 723 058**
Proceeds from loans and advances from other banks	1 727 495	1 514 028
Proceeds from other loans and advances	199 260	209 030
Issue of ordinary shares	1 966 203	-
Financing activity outflows	**1 749 009**	**1 531 623**
Repayments of loans and advances from other banks	1 400 142	1 082 533
Repayments of other loans and advances	9 454	11 506
Redemption of debt securities	-	8 000
Payments of financial lease liabilities	6 947	10 674
Interest payments on loans received from banks and subordinated liabilities	332 466	418 910
Net cash from financing activities	**2 143 949**	**191 435**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(582 882)**	**(1 934 224)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	(24 107)	(44 849)
Cash and cash equivalents at the beginning of the reporting period	6 534 190	8 513 263
Cash and cash equivalents at the end of the reporting period	**5 927 201**	**6 534 190**

Explanatory Notes to the Consolidated Financial Statements

1. Information Concerning the Group of BRE Bank SA

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

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

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

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

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

As at 31 December 2010, 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 in the 'Banks' sector of the 'Finance' macro-sector.

According to the By-laws of the Bank, the scope of its business consists of providing banking services and consulting and advisory services in financial matters, as well as the conduct of business activities within the scope described in its By-laws. The Bank operates within the scope of corporate, institutional and retail banking (including private banking) throughout the whole country and operates trade and investment activity.
The Bank provides services to Polish and international corporations and individuals, both in the local currency (Polish Zloty, PLN) and in foreign currencies. In particular, the Bank supports all kinds of activities leading to the development of exports.

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

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

As at 31 December 2010 the headcount of BRE Bank SA amounted to 4 416 FTEs and of the Group to 6 018 FTEs (31 December 2009: Bank 4 051 FTEs, Group 5 566 FTEs).

As at 31 December 2010 the employment in BRE Bank SA was 5 300 persons and in the Group 7 023 persons (31 December 2009: Bank 4 901 persons, Group 6 483 persons).

Corporates and Financial Markets Segment, including:

Corporates and Institutions

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

Trading and Investment Activity

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

Retail Banking Segment (including Private Banking)

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

Remaining business

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

Other information concerning companies of the Group

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

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

2.1 Accounting Basis

These Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 12-month period ended 31 December 2010.

The presented Consolidated Financial Statements for the four quaters of 2010 fulfill the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting', concerning interim 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 where estimates or judgments are material to 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 manage their financial and operating policies generally accompanying a shareholding of a majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement (see Note 2.18).

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

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

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

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

Associates

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

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

Unrealised gains on transactions between the Group and its associates are eliminated proportionally to the extent of the Group's interest in the respective associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. 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	31.12.2010		31.12.2009	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
Aspiro SA	100%	full	100%	full
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Holding Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia TUiR SA	100%	full	100%	full
BRE Wealth Management SA	100%	full	100%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full
BRE Finance France SA	99.98%	full	99.98%	full
BRE.locum SA	79.99%	full	79.99%	full
Magyar Factor zRt.	78.12%	full	78.12%	full
Polfactor SA	78.12%	full	78.12%	full
Transfinance a.s.	78.12%	full	78.12%	full
Intermarket Bank AG	56.24%	full	56.24%	full
BRE Leasing Sp. z o.o.	50.004%	full	50.004%	full
BRE GOLD FIZ Aktywów Niepublicznych	100% of certificates	full	-	-
BRE Corporate Finance SA	-	-	100%	full
Tele-Tech Investment Sp. z o.o.	-	-	100%	full

Starting from the consolidated financial statements for the third quarter of 2010 the Bank stopped the consolidation of two subsidiaries, BRE Corporate Finance SA and Tele-Tech Sp. z o.o. The financial statements of these two subsidiaries are immaterial for the Group activity.

2.3 Interest Income and Expenses

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

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

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

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

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

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

2.4 Fee and Commission Income

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

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

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

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

2.5 Insurance premium revenue

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

2.6 Compensations and benefits, net

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

2.7 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's chief operating decision-maker to make

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

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

2.8 Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

<u>Loans and Receivables</u>

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

Held to Maturity Investments

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

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

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

Available for Sale Investments

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

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

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

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

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

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

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

2.9 Reinsurance assets

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

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

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

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

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

2.10 Offsetting Financial Instruments

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

2.11 Impairment of Financial Assets

Assets Carried at Amortised Cost

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

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

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

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

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

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

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

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

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

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

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

Assets Measured at Fair Value

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

Renegotiated agreements

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

2.12 Financial Guarantee Contracts

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

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

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

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

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise items with maturities of up to three months from the date of their acquisition, including: cash in hand and cash held at the Central Bank with unlimited availability for disposal, Treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, and 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. Securities purchased together with a resale clause (reverse repos) are recognised as loans and advances to other banks or other customers, depending on their nature.

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

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

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

2.15 Derivative Financial Instruments and Hedge Accounting

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

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

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

In accordance with IAS 39 AG 30 (g), there is no need to separate the prepayment option from the host debt instrument for the needs of consolidated financial statements, because the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument. If the value of prepayment option was not to be closely linked to the underlying debt instrument, the option should be separated and fair valued in the consolidated financial statements of the Group.
The method of recognising the resulting fair value gain or loss depends on whether the given derivative instrument is designated as a hedging instrument, and if it is, it also depends on the nature of the hedged item. The Group designates some derivative instruments either as (1) fair value hedges against a recognised asset or liability or against a binding contractual obligation (fair value hedge), or as (2) hedges against highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Derivative instruments designated as hedges against positions maintained by the Group are recorded by means of hedge accounting, subject to the fulfilment of the criteria specified in IAS 39:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instruments effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
- The hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.
- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

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

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

Fair Value Hedges

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

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

Cash Flow Hedges

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

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

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

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

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

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

2.16 Gains and Losses on Initial Recognition

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

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

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable 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.

<u>Goodwill</u>

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

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

<u>Computer software</u>

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

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

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

<u>Development costs</u>

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

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

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

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

2.19 Tangible Fixed Assets

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

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

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

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

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

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

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

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

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

2.20 Inventories

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

2.21 Non-Current Assets Held for Sale and Discontinued Operation

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

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

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

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

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

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

2.22 Deferred Income Tax

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

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

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

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

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

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

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

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

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

2.23 Assets Repossessed for Debt

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

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

2.24 Prepayments, Accruals and Deferred Income

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

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

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

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

2.25 Leasing

BRE Bank SA Group as a Lessor

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

BRE Bank SA Group as a Lessee

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

2.26 Provisions

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

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

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

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

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

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

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

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

2.27 Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

2.28 Equity

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

Registered share capital

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

- 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.

- Dividends

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

- Own Shares

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

Share premium

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

Retained earnings

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

Other components of equity

Other components of equity result from:

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

2.29 Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

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

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

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

Companies Belonging to the Group

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

- assets and liabilities in each presented Statement of Financial Position are converted at the average rate of exchange of the National Bank of Poland (NBP) in force at the end of this reporting period;
- revenues and expenses in each Income Statement are converted at the rate equal to the arithmetical mean of the average rates quoted by NBP on the last day of each of twelve months of each presented periods; whereas
- all resulting foreign exchange differences are recognised as a distinct item of equity.

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

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

Leasing Business

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

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

2.30 Trust and Fiduciary Activities

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

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

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

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

2.31 New Standards, Interpretations and Amendments to Published Standards

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

Standards and Interpretations approved by the European Union:

- IFRIC 12, Service Concession Arrangements, binding for annual periods starting on 29 March 2009.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, binding for annual periods starting on or after 1 July 2009.
- IFRIC 17, Distribution of Non-Cash Assets to Owners, binding for annual periods starting after 1 November 2009.
- IFRIC 18, Transfers of Assets from Customers, binding for annual periods starting after 1 November 2009.
- IFRS 1 (Revised), Additional Exemptions in First-time Adoption of IFRS, binding for annual periods starting on or after 1 January 2010.
- IFRS 2 (Revised), Share-based Payment, binding for annual periods starting on or after 1 January 2010.
- IFRS 3 (Revised), Business Combinations, binding prospectively to business combinations for which the acquisition date is on or after 1 July 2009.
- IAS 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting after 1 July 2009.
- IAS 39 (Revised), Financial Instruments: Recognition and Measurement – criteria of qualification as hedged item, binding for annual periods starting on or after 1 July 2009.
- Improvements to IFRS 2009 revising 12 standards, binding mostly for annual periods starting on 1 January 2010. Improvements have been approved by the European Union.

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

Standards and Interpretations approved by the European Union:

- IFRIC 14, (Revised), Prepayments of a Minimum Funding Requirement, binding for annual periods starting on or after 1 January 2011.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, binding for annual periods starting on or after 1 July 2010.
- IFRS 1 (Revised), Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, binding for annual periods starting on or after 1 July 2010.
- IAS 24, Related Party Disclosures, retrospectively binding for annual periods starting on or after 1 January 2011.
- IAS 32 (Revised), Classification of Rights Issues, binding for annual periods starting on or after 1 February 2010.

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

- IFRS 7 (Revised), Disclosures - Transfers of financial assets, binding for annual periods starting on or after 1 July 2011.
- IFRS 9, Financial Instruments, binding for annual periods starting on or after 1 January 2013.
- Improvements to IFRS, in majority binding for annual periods starting on or after 1 January 2011.

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

2.32 Comparative Data

At the beginning of Q3 2010 certain activities that are presented in the segment Corporates and Financial Markets were reassigned within its two sub-segments. The reassignment comprised a shift of the following activities from Corporates and Institutions to Trading and Investments:

- Financial Institutions,
- Subsidiaries: DI BRE Bank SA, BRE Bank Hipoteczny SA and BRE Corporate Finance SA.

The amendments were made in order to better reflect business lines organisational responsibilities and performance measurement requirements and to better leverage the existing cooperation areas between business lines at Bank level and with subsidiaries.

In connection with above mentioned, the comparative data concerning presentation of 'Business Segments' have been adjusted so as to reflect the changes in presentation in the current year.

All other data prepared as at 31 December 2009 are totally comparable with data intoduced in the current financial period so they were not adjusted.

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

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

Impairment of loans and advances

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

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 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 the issuer incurs a loss not covered by its equity capital over a period of one year or in the event of other circumstances indicating impairment. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Income Statement.

Technical-insurance provisions

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

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

4. Business Segments

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

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

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

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

- The Corporates and Financial Markets segment, which is divided into two sub-segments:

- *Corporates and Institutions* sub-segment (business line), which targets small, medium and large-sized companies and public sector entities. The key products offered to these customers include transactional banking products and services including current account products, multi-functional internet banking, tailor-made cash management and trade finance services, term deposits, foreign exchange transactions, a comprehensive offering of short-term financing and investment loans, cross-border credit, project finance, structured and mezzanine finance services, investment banking products including foreign exchange options, forward contracts, interest rate derivatives and commodity swaps and options, structured deposit products with embedded options (interest on structured deposit products are directly linked to the performance of certain underlying financial instruments such as foreign exchange options, interest rate options and stock options), debt origination for corporate clients, treasury bills and bonds, non-government debt, medium-term bonds, buy sell back and sell buy back transactions and repo transactions, as well as leasing and factoring services. The Corporates and Institutions sub-segment includes the results of the following subsidiaries:, BRE Leasing Sp. z o.o., Intermarket Bank AG, Polfactor SA, BRE Holding Sp. z o.o., Transfinance a.s., Magyar Factor zRt., Garbary Sp. z o.o. as well as BRE Gold Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, all of whose investment certificates were acquired by BRE Bank in November 2009. The main item of assets of BRE Gold FIZ Aktywów Niepublicznych is a shareholding in PZU, owned previously by BRE Bank.

- *The Trading and Investment Activity* sub-segment (business line) consists primarily of treasury, financial markets, and financial institutions operations, and manages the liquidity, interest rate and foreign exchange risks of the Bank, its trading and investment portfolios, and conducts market making in PLN denominated cash and derivative instruments, debt origination for financial institutions and financial institutions' coverage. The Bank also maintains an extensive correspondent banking network and also develops relationships with other banks providing products such as current accounts, overdrafts, stand alone and syndicated loans and loans insured by KUKE to support the Polish export market. This sub-segment also includes the results of BRE Finance France SA, BRE Bank Hipoteczny SA and DI BRE Bank SA.

- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment were reported under 'Remaining Business' below. This segment includes the results of BRE.locum SA and Centrum Rozliczeń i Informacji CERI Sp. z o.o..

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

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

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

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

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

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

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

The primary and unique basis used by the Group in the segment reporting is business line division.

Business segment reporting on the activities of BRE Bank Group
for the period from 01.01.2010 to 31.12.2010
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**632 199**	**140 447**	**1 048 413**	**(2 480)**	**(7 615)**	**1 810 964**	**1 810 964**
- sales to external clients	871 219	401 349	546 016	(5)	(7 615)	1 810 964	
- sales to other segments	(239 020)	(260 902)	502 397	(2 475)	-	-	
Net fee and commission income	**318 820**	**84 587**	**311 427**	**(1 578)**	**32 663**	**745 919**	**745 919**
- sales to external clients	308 473	91 325	315 033	(1 575)	32 663	745 919	
- sales to other segments	10 347	(6 738)	(3 606)	(3)	-	-	
Trading income	**160 452**	**101 145**	**152 151**	**568**	**(3 644)**	**410 672**	**410 672**
Gains less losses from investment securities	**46 478**	**(1 330)**	**-**	**-**	**-**	**45 148**	**45 148**
Net impairment losses on loans and advances	**(279 571)**	**(15 572)**	**(339 634)**	**(2)**	**-**	**(634 779)**	**(634 779)**
Gross profit of the segment	**179 111**	**229 316**	**455 642**	**15 210**	**(6 768)**	**872 511**	**872 511**
Income tax						(211 646)	(211 646)
Net profit attributable to Owners of BRE Bank SA						641 602	641 602
Net profit attributable to non-controlling interests						19 263	19 263
Assets of the segment	**28 822 880**	**32 371 414**	**33 649 201**	**1 004 509**	**(5 796 545)**	**90 051 459**	**90 051 459**
Liabilities of the segment	**52 522 165**	**8 895 006**	**25 768 464**	**456 141**	**(4 667 602)**	**82 974 174**	**82 974 174**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(149 832)	(24 149)	(81 998)	(981)	-	(256 960)	
Amortisation/depreciation	(121 267)	(23 266)	(88 872)	(3 645)	132	(236 918)	(236 918)
Losses on credits and loans	(1 231 139)	(21 374)	(526 581)	(3)	-	(1 779 097)	
Other costs/ income without cash outflows/ inflows*	9 894	(177 675)	3 037	138	(3 644)	(168 250)	
- other non-cash costs	*(77)*	*(1 037 423)*	*(3)*	*-*	*1 891*	*(1 035 612)*	
- other non-cash income	*9 971*	*859 748*	*3 040*	*138*	*(5 535)*	*867 362*	

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

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

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**601 791**	**110 660**	**955 375**	**(4 671)**	**(4 978)**	**1 658 177**	**1 658 177**
- sales to external clients	899 506	175 137	591 869	(3 357)	(4 978)	1 658 177	
- sales to other segments	(297 715)	(64 477)	363 506	(1 314)	-	-	
Net fee and commission income	**309 056**	**76 305**	**173 585**	**(1 504)**	**37 281**	**594 723**	**594 723**
- sales to external clients	298 456	82 472	178 018	(1 504)	37 281	594 723	
- sales to other segments	10 600	(6 167)	(4 433)	-	-	-	
Trading income	**118 432**	**142 220**	**142 647**	**(452)**	**3 527**	**406 374**	**406 374**
Gains less losses from investment securities	**(19 806)**	**986**	**(1 508)**	**19 794**	**(238)**	**(772)**	**(772)**
Net impairment losses on loans and advances	**(629 516)**	**(26 974)**	**(440 647)**	**3**	**-**	**(1 097 134)**	**(1 097 134)**
Gross profit of the segment	**(268 515)**	**238 706**	**216 253**	**17 132**	**5 813**	**209 389**	**209 389**
Income tax						(78 866)	(78 866)
Net profit attributable to Owners of BRE Bank SA						128 928	128 928
Net profit attributable to non-controlling interests						1 595	1 595
Assets of the segment	**24 401 128**	**30 241 236**	**29 152 371**	**1 243 486**	**(4 014 335)**	**81 023 886**	**81 023 886**
Liabilities of the segment	**44 601 816**	**9 419 292**	**25 577 889**	**373 356**	**(3 219 621)**	**76 752 732**	**76 752 732**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(158 847)	(23 071)	(85 234)	(2 883)	-	(270 035)	
Amortisation/depreciation	(130 648)	(18 630)	(107 476)	(2 984)	376	(259 362)	(259 362)
Losses on credits and loans	(1 368 850)	(47 738)	(527 981)	(933)	-	(1 945 502)	
Other costs/ income without cash outflows/ inflows*	11 801	18 164	(97)	(55)	-	29 813	
- other non-cash costs	*(925)*	*(5 465 237)*	*(97)*	*(55)*	-	*(5 466 314)*	
- other non-cash income	*12 726*	*5 483 401*	-	-	-	*5 496 127*	

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

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5. Net Interest Income

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Interest income		
Loans and advances including the unwind of the impairment provision discount	2 439 980	2 623 911
Investment securities	769 664	530 331
Cash and short-term placements	158 293	190 829
Trading debt securities	41 674	94 442
Other	12 093	13 694
Total interest income	**3 421 704**	**3 453 207**
Interest expense		
Arising from amounts due to banks and customers	(1 487 979)	(1 642 814)
Arising from issue of debt securities	(68 206)	(90 102)
Other borrowed funds	(50 352)	(58 180)
Other	(4 203)	(3 934)
Total interest expense	**(1 610 740)**	**(1 795 030)**

Interest income related to financial assets which have been impaired amounted to PLN 195 943 thousand (31 December 2009: PLN 105 363 thousand).

6. Net Fee and Commission Income

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Fee and commission income		
Payment cards-related fees	321 626	289 104
Credit-related fees and commissions	221 279	203 877
Commissions from insurance activity	150 287	79 443
Fees from brokerage activity	113 743	107 574
Commissions from bank accounts	104 168	86 149
Commissions from money transfers	78 599	73 139
Commissions due to guarantees granted and trade finance commissions	41 334	46 371
Commissions on trust and fiduciary activities	11 972	10 171
Fees from portfolio management services and other management-related fees	11 644	10 612
Other	124 093	94 847
Total fee and commission income	**1 178 745**	**1 001 287**
Fee and commission expense		
Payment cards-related fees	(187 586)	(188 796)
Commissions paid to external entities for sale of the Bank's products	(88 506)	(111 400)
Insurance activity-related fees	(37 153)	(2 096)
Discharged brokerage fees	(27 274)	(26 365)
Other discharged fees	(92 307)	(77 907)
Total fee and commision expense	**(432 826)**	**(406 564)**

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Fee and commission income from insurance contracts		
- Income from insurance intermediation	135 164	66 384
- Income from insurance policies administration	15 123	13 059
Total fee and commission income from insurance contracts	**150 287**	**79 443**

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7. Dividend Income

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Trading securities	26	117
Securities available for sale	8 147	98 950
Total dividend income	**8 173**	**99 067**

8. Net Trading Income

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Foreign exchange result	**369 982**	**415 048**
Net exchange differences from the conversion	447 469	(333 488)
Net transaction gains and losses	(77 487)	748 536
Other net trading income	**40 690**	**(8 674)**
Interest-bearing instruments	16 058	(20 803)
Equity instruments	3 918	4 081
Market risk instruments	20 714	8 048
Total net trading income	**410 672**	**406 374**

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

9. Gains and Losses from Investment Securities

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Sale/redemption of the financial assets available for sale	46 046	(2 725)
Impairment of available for sale equity securities	(97)	1 953
Impairment of investments in associates	(801)	-
Total gains and losses from investment securities	**45 148**	**(772)**

In 2010 the amount of sale/redemption of the financial assets available for sale mainly relates to the sale of 180 490 shares of PZU SA by BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

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

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10. Other Operating Income

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Income from sale or liquidation of fixed assets, intangible assets and assets held for resale	149 014	105 409
Income from services provided	52 042	51 436
Income from insurance activity net	49 546	50 401
Income due to release of provisions for future commitments	17 306	27 123
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	922	5 957
Income from compensations, penalties and fines received	286	3 365
Other	42 155	19 831
Total other operating income	**311 271**	**263 522**

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

Income from services provided concerns non-banking services.

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

Income from insurance activity net generated in 2010 and 2009 respectively is presented below.

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Income from premiums		
- Premiums attributable	114 326	72 120
- Change in provision for premiums	(8 577)	14 726
Premium revenue	**105 749**	**86 846**
Reinsurance contracts		
- Premiums attributable	(36 201)	(25 671)
- Change in provision for premiums	4 797	869
Premiums on reinsurer's share	**(31 404)**	**(24 802)**
Net premiums	**74 345**	**62 044**
Compensation and benefits		
- Compensation and benefits paid out in the current year including costs of liquidation before tax	(29 084)	(19 328)
- Change in provision for compensation and benefits paid out in the current year including costs of liquidation before tax	(28 212)	(14 626)
- Compensation and benefits paid out in the current year including reinsurer's share of costs of liquidation	22 865	17 052
- Change in provision for compensation and benefits paid out in the current year including reinsurer's share of costs of liquidation	11 740	6 074
Compensation and benefits net	**(22 691)**	**(10 828)**
- Other costs on own share	(1 800)	(536)
- Other operating income	45	-
- Costs of expertise and certificates concerning risk assessment	(353)	(279)
Income from insurance activity net, total	**49 546**	**50 401**

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11. Net Impairment Losses on Loans and Advances

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Impairment losses on amounts due from other banks	(11 318)	(19 950)
Impairment losses on off-balance sheet contingent liabilities due to other banks	-	542
Impairment losses on loans and advances to customers	(676 092)	(1 087 919)
Impairment losses on off-balance sheet contingent liabilities due to customers	52 631	10 193
Total impairment losses on loans and advances	**(634 779)**	**(1 097 134)**

12. Overhead Costs

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Staff-related expenses	(744 400)	(644 751)
Material costs	(579 281)	(585 227)
Taxes and fees	(26 385)	(25 222)
Contributions and transfers to the Bank Guarantee Fund	(21 217)	(22 711)
Contributions to the Social Benefits Fund	(5 973)	(5 034)
Other	(3 095)	(2 480)
Total overhead costs	**(1 380 351)**	**(1 285 425)**

Staff-related expenses in 2010 and 2009 are presented below.

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Wages and salaries	(613 927)	(541 661)
Social security expenses	(86 357)	(69 889)
Pension fund expenses	(614)	(1 320)
Remuneration settled in the form of shares and share options	(8 807)	(2 388)
Other staff expenses	(34 695)	(29 493)
Staff-related expenses, total	**(744 400)**	**(644 751)**

As at 31 December 2010 the headcount of BRE Bank SA amounted to 4 416 FTEs and of the Group to 6 018 FTEs (31 December 2009: Bank 4 051 FTEs, Group 5 566 FTEs).

As at 31 December 2010 the employment in BRE Bank SA was 5 300 persons and in the Group 7 023 persons (31 December 2009: Bank 4 901 persons, Group 6 483 persons).

13. Other Operating Expenses

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Costs arising from sale or liquidation of fixed assets, intangible assets and assets held for resale	(129 409)	(82 981)
Provisions for future commitments	(22 826)	(34 538)
Donations made	(3 152)	(2 974)
Compensation, penalties and fines paid	(1 530)	(651)
Costs arising from provisions created for other receivables (excluding loans and advances)	(1 520)	(19 333)
Costs of sale of services	(1 265)	(1 118)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(158)	(284)
Impairment provisions created for tangible fixed assets and intangible assets	(43)	(4 838)
Other operating costs	(47 685)	(23 064)
Total other operating expenses	**(207 588)**	**(169 781)**

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

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

Costs of sale of services concern non-banking services.

14. Earnings per Share

Earnings per share for 12 months – consolidated data

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Basic:		
Net profit attributable to Owners of BRE Bank SA	641 602	128 928
Weighted average number of ordinary shares	36 679 683	29 690 882
Net basic profit per share (in PLN per share)	**17.49**	**4.34**
Diluted:		
Net profit attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	641 602	128 928
Weighted average number of ordinary shares	36 679 683	29 690 882
Adjustments for:		
- stock options for employees	29 642	38 859
Weighted average number of ordinary shares for calculation of diluted earnings per share	36 709 325	29 729 741
Diluted earnings per share (in PLN per share)	**17.48**	**4.34**

Earnings per share for 12 months – stand-alone data

the period	from 01.01.2010 to 31.12.2010	from 01.01.2009 to 31.12.2009
Basic:		
Net profit	517 724	57 143
Weighted average number of ordinary shares	36 679 683	29 690 882
Net basic profit per share (in PLN per share)	**14.11**	**1.92**
Diluted:		
Net profit attributable to the shareholders, applied for calculation of diluted earnings per share	517 724	57 143
Weighted average number of ordinary shares in issue	36 679 683	29 690 882
Adjustments for:		
- stock options for employees	29 642	38 859
Weighted average number of ordinary shares for calculation of diluted earnings per share	36 709 325	29 729 741
Diluted earnings per share (in PLN per share)	**14.10**	**1.92**

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

15. Trading Securities and Pledged Assets

	31.12.2010	30.09.2010	31.12.2009
Debt securities:	**2 573 202**	**979 263**	**1 824 702**
Government bonds included in cash equivalents and pledged government bonds (sell-buy-back/repo transactions), including:	1 207 015	516 681	1 079 141
- pledged government bonds (sell-buy-back/repo transactions)	1 011 107	180 887	766 313
Treasury bills included in cash equivalents and pledged treasury bills (sell-buy-back/repo transactions), including:	1 100 918	188 264	227 557
- pledged treasury bills (sell-buy-back/repo transactions)	7 551	42 370	-
Other debt securities:	265 269	274 318	518 004
Equity securities:	**11 112**	**10 465**	**6 801**
- listed	4 697	10 465	6 801
- unlisted	6 415	-	-
Debt and equity securities, including:	**2 584 314**	**989 728**	**1 831 503**
- Trading securities	*1 565 656*	*766 471*	*1 065 190*
- Pledged assets	*1 018 658*	*223 257*	*766 313*

The note above includes neither Treasury Bills and Government Bonds pledged in favour of the Bank Guarantee Fund in the amount of PLN 198 388 thousand (30 September 2010: PLN 184 426 thousand, 31 December 2009: PLN 187 564 thousand), nor Investment Government Bonds pledged as loan collateral in the amount of PLN 613 757 thousand (30 September 2010: PLN 635 253 thousand, 31 December 2009: PLN 374 397 thousand) and Investment Government Bonds pledged as sell-buy-back/repo transactions in the amount of PLN 581 693 thousand as on 30 September 2010 and PLN 2 188 251 thousand as on 31 December 2009, which have been classified as investment securities (Note 17).

16. Loans and Advances to Customers

	31.12.2010	30.09.2010	31.12.2009
Loans and advances to individuals	33 658 653	31 830 372	28 855 129
Loans and advances to corporate entities	25 569 395	23 199 561	23 433 995
Loans and advances to public sector	1 923 019	1 443 833	1 327 936
Other receivables	669 070	530 445	816 521
Total (gross) loans and advances to customers	**61 820 137**	**57 004 211**	**54 433 581**
Provisions for loans and advances to customers (negative amount)	(2 449 772)	(2 416 030)	(1 964 769)
Total (net) loans and advances to customers	**59 370 365**	**54 588 181**	**52 468 812**
Short-term (up to 1 year)	22 204 612	18 877 133	17 018 006
Long-term (over 1 year)	37 165 753	35 711 048	35 450 806

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

Loans to micro enterprises in the presented reporting periods amounted to respectively: 31 December 2010 – PLN 2 935 600 thousand, 30 September 2010 – PLN 2 940 600 thousand, 31 December 2009 – PLN 2 546 900 thousand.

Provisions for Loans and Advances

	31.12.2010	30.09.2010	31.12.2009
Receivables classified as "non-default"			
Gross balance sheet exposure	58 526 760	53 586 038	51 872 653
Impairment provisions for exposures analysed according to portfolio approach	(215 893)	(223 580)	(232 516)
Net balance sheet exposure	**58 310 867**	**53 362 458**	**51 640 137**
Receivables classified as "default"			
Gross balance sheet exposure	3 293 377	3 418 173	2 560 928
Provisions for exposures analysed individually	(2 233 879)	(2 192 450)	(1 732 253)
Net balance sheet exposure	**1 059 498**	**1 225 723**	**828 675**

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17. Investment Securities and Pledged Assets

	31.12.2010	30.09.2010	31.12.2009
Debt securities	**19 379 918**	**20 420 765**	**15 728 539**
Listed, including:	19 290 173	20 420 765	15 671 265
- pledged government bonds (sell-buy-back/repo transactions)	-	581 693	2 188 251
- pledged government bonds (loan collateral)	613 757	635 253	374 397
- government bonds pledged under the Bank Guarantee Fund	176 542	147 909	145 323
- Treasury bills pledged under the Bank Guarantee Fund	21 846	36 517	42 241
Unlisted	89 745	-	57 274
Equity securities	**194 915**	**224 803**	**142 360**
- listed	179 117	204 878	14 068
- unlisted	15 798	19 925	128 292
Total investment securities and pledged assets, including:	**19 574 833**	**20 645 568**	**15 870 899**
- Available for sale securities	*18 762 688*	*19 244 196*	*13 120 687*
- Pledged assets	*812 145*	*1 401 372*	*2 750 212*
Short-term (up to 1 year)	10 502 379	11 433 303	9 547 762
Long-term (over 1 year)	9 072 454	9 212 265	6 323 137

As at 31 December 2010 the above value of equity securities include provisions for impairment in the amount of PLN 13 257 thousand (30 September 2010: PLN 10 717 thousand, 31 December 2009: PLN 2 814 thousand).

As at 31 December 2010 equity securities include fair value of PZU shares in amount PLN 168 212 thousand.

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

18. Intangible assets

	31.12.2010	30.09.2010	31.12.2009
Development costs	1 452	1 599	2 015
Goodwill	7 137	7 137	7 137
Patents, licences and similar assets, including:	333 316	319 593	363 251
- computer software	275 647	266 204	298 291
Other intangible assets	10 057	665	2 209
Intangible assets under development	75 875	73 691	66 760
Total intangible assets	**427 837**	**402 685**	**441 372**

19. Tangible assets

	31.12.2010	30.09.2010	31.12.2009
Tangible fixed assets, including:	733 648	734 343	742 880
- land	2 520	17 782	18 726
- buildings and constructions	236 829	235 755	236 811
- equipment	132 445	126 105	136 925
- vehicles	194 825	183 819	169 154
- other tangible fixed assets	167 029	170 882	181 264
Fixed assets under construction	43 972	22 140	43 566
Total tangible fixed assets	**777 620**	**756 483**	**786 446**

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20. Amounts due to Customers

	31.12.2010	30.09.2010	31.12.2009
Individual customers:	**25 068 308**	**24 623 407**	**25 064 578**
Current accounts	15 642 036	15 164 000	16 808 287
Term deposits	9 388 109	9 410 874	8 206 679
Other liabilities:	38 163	48 533	49 612
- liabilities in respect of cash collaterals	24 048	35 736	36 030
- other	14 115	12 797	13 582
Corporate customers:	**21 423 190**	**19 450 263**	**17 479 925**
Current accounts	9 682 381	10 240 849	8 486 646
Term deposits	7 967 060	7 131 725	7 256 219
Loans and advances received	473 606	692 539	289 691
Repo transactions	2 708 164	958 022	881 157
Other liabilities:	591 979	427 128	566 212
- liabilities in respect of cash collaterals	382 141	349 183	378 540
- other	209 838	77 945	187 672
Public sector customers:	**928 559**	**443 739**	**246 884**
Current accounts	896 407	147 569	139 446
Term deposits	22 141	289 901	106 063
Other liabilities:	10 011	6 269	1 375
- other	10 011	6 269	1 375
Total amounts due to customers	**47 420 057**	**44 517 409**	**42 791 387**
Short-term (up to 1 year)	45 660 997	42 849 080	41 767 594
Long-term (over 1 year)	1 759 060	1 668 329	1 023 793

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

In the presented reporting periods the value of liabilities in respect of current accounts and term deposits accepted from micro enterprises amounted to respectively: 31 December 2010 – PLN 1 958 300 thousand, 30 September 2010 – PLN 1 706 500 thousand, 31 December 2009 – PLN 1 956 200 thousand.

Selected explanatory information

1. Compliance with International Financial Reporting Standards

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

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

A detailed description of the accounting policy principles of the Group is presented under items 2 and 3 of the Notes to the Consolidated Financial Statements for the fourth quarter of 2010. The accounting policies were applied consistently over all the periods presented in the financial statements.

3. Seasonal or Cyclical Nature of the Business

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

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

In the fourth quarter of 2010 the above indicated events did not occur in the Group

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

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

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

In the fourth quarter of 2010 BRE Bank Hipoteczny issued bonds in the amount of PLN 135 000 thousand and mortgage bonds in the amount of PLN 200 000 thousand. At the same time the company redeemed bonds in the amount of PLN 89 000 thousand and mortgage bonds in the amount PLN 368 749 thousand.

On 20 December 2010 the National Depository for Securities ('KDPW') made a registration of 8 897 shares of BRE Bank SA which were issued as part of the conditional increase in the share capital of the Bank. The detailed information is presented under item 20 of 'Selected explanatory information'.

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

Pursuant to the resolution on profit distribution for the year 2009, adopted on 30 March 2010 by the 23rd Ordinary General Shareholders Meeting of BRE Bank SA, dividend for the year 2009 will not be paid.

8. Income and Profit by Business Segment

Income and profit by business segment within the Group are presented on the consolidated level under item 4 of the Notes to the Consolidated Financial Statements for the fourth quarter of 2010.

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

On 31 January 2011, under the agreement concluded on 26 January 2011 between BRE Holding Sp. z o. o. (BRE Holding), a 100% subsidiary of BRE Bank SA, and Commerz Real AG (Commerz Real), a 100% subsidiary of Commerzbank AG, BRE Holding acquired 49.9% of shares of BRE Leasing Sp. z o. o. (BRE Leasing) from Commerz Real. The purchase price of the shares amounted to EUR 17 144 thousand (equivalent of PLN 66 876 thousand). After this transaction, the BRE Bank Group holds 100% shares in the third-biggest leasing company in Poland.

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

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

On 29 April 2010 the Bank and Commerzbank AG concluded a binding Enterprise Sale Agreement of Commerzbank AG Spółka Akcyjna Oddział w Polsce (former branch of Dresdner Bank AG in Poland; the 'Branch'). The sale took place on 9 November 2010. In the same day, the ownership of the Banking Enterprise of the Branch was assigned to the Bank. The selling price of the Branch totalled PLN 10 000 thousand and was based on evaluation made by independent auditor.

The Bank announced the start of integration between the businesses and operations of the Bank and the Branch, and the consent for acquisition of the banking enterprise of the Branch as granted by the Polish Financial Supervision Authority in Current Report No. 48/2009 dated 13 October 2009 and Current Report No. 15/2010 dated 23 March 2010.

11. Changes in Contingent Liabilities and Commitments

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

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

The above indicated events did not occur in the Group.

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

The above indicated events did not occur in the Group.

14. Reversals of Provisions Against Restructuring Costs

The above indicated events did not occur in the Group.

15. Acquisitions and Disposals of Tangible Fixed Asset Items

In the fourth quarter of 2010, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and property development operations that are performed by the companies of the Group.

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

The above indicated events did not occur in the Group.

17. Corrections of Errors from Previous Reporting Periods

In the fourth quarter of 2010, there were no corrections of errors from previous reporting periods.

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

The above indicated events did not occur in the Group.

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

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

20. Registered Share Capital

The total number of ordinary shares as at 31 December 2010 was 42 086 674 shares (31 December 2009: 29 690 882) at PLN 4 nominal value each (31 December 2009: PLN 4). All issued shares were fully paid up.

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

* As at the end of the reporting period

On 20 December 2010 the National Depository for Securities made a registration of 8 897 shares of BRE Bank SA which were issued as part of the conditional increase in the share capital of the Bank pursuant to the resolution No. 21 of the 21st Ordinary General Meeting of the Bank of March the 14th 2008 on the issuance of senior bonds of BRE Bank SA and the conditional increase of the share capital by means of issuance of shares with no subscription rights for the existing shareholders in order to enable beneficiaries of the long term incentive programme to take up shares in BRE Bank SA, on application for admission of the shares to trading on the regulated market and on dematerialisation of the shares.

21. Material Share Packages

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

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 December 2010 it held 69.7439% of the share capital and votes at the General Meeting of BRE Bank SA (as at 30 September 2010 – 69.7587%).

Registration of the new issue of shares on 16 July 2010 did not change the share of the main shareholder in the Bank's share capital.

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

	Number of shares held as at the date of publishing the report for Q3 2010	Number of shares acquired from the date of publishing the report for Q3 2010 to the date of publishing the report for Q4 2010	Number of shares sold from the date of publishing the report for Q3 2010 to the date of publishing the report for Q4 2010	Number of shares held as at the date of publishing the report for Q4 2010
Management Board				
1. Cezary Stypułkowski	-	-	-	-
2. Karin Katerbau	1 176	-	-	1 176
3. Wiesław Thor	4 545	-	4 545	-
4. Przemysław Gdański	-	-	-	-
5. Hans-Dieter Kemler	-	-	-	-
6. Jarosław Mastalerz	-	-	-	-
7. Christian Rhino	2 919	-	-	2 919

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

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

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

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

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

Report on major proceedings brought against the issuer

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

   At present proceedings are pending against BRE Bank in the Court of Jerusalem initiated by Bank Leumi and an insurance company of Bank Leumi, Migdal Insurance Company. It is an action for indemnity in the amount of USD 13.5 million (PLN 40.0 million according to the average exchange rate of the National Bank of Poland of 31 December 2010). This action was originally initiated by Art-B Sp. z o.o. Eksport – Import with its registered office in Katowice, under liquidation ('Art-B') against the main defendant Bank Leumi, whereas BRE Bank was garnished by Bank Leumi. Considering a settlement concluded between ART-B and Bank Leumi, and Migdal Insurance Company, on the basis of which Art-B received from Bank Leumi and Migdal Insurance Company an amount of USD 13.5 million, Bank Leumi and Migdal Insurance Company claim from BRE Bank refund of the amount paid to Art-B that is USD 13.5 million. BRE Bank's liability towards Bank Leumi and Migdal Insurance Company is under recourse.

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

   BPH brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 854 thousand. The purpose was to cancel actions related to the creation of Garbary and the contribution in kind. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that ZM Pozmeat SA contributed in kind to Garbary as payment for a stake in ZM Pozmeat SA share capital worth PLN 100 000 thousand. On 6 June 2006 the District Court in Poznań issued a verdict according to which the claims were dismissed in their entirety. The claimant filed an appeal against that verdict. On 6 February 2007 the Court of Appeal dismissed the claimant's appeal. The claimant filed the last resort appeal against the ruling of the Court of Appeal. On 2 October 2007, the Supreme Court revoked the ruling of the Court of Appeal and referred the case back. After re-examining the case, the Court of Appeal dismissed the ruling of the District Court in Poznań on 4 March 2008 and referred the case back. On 16 September 2010, the District Court in Poznań dismissed the claim in whole; the decision is not legally valid. On 19 October 2010, BPH filed an appeal against the ruling in question. The case is pending.

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

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

   In its reply to the claim, the Bank petitioned the Court for dismissing the claim on the grounds of there being no legal basis for allowing the claim. On 1 December 2009, the Court decided to suspend the case until the completion of Pozmeat's bankruptcy proceedings.

4. Claims of clients of Interbrok

   Up to 1 February 2011, 153 entities who were clients of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (hereinafter referred to as Interbrok) called the Bank for amicable settlement in the total amount of PLN 296 461 thousand and via the District Court in Warsaw.

   In addition, up to 1 February 2011, 8 legal suits have been delivered to the Bank where former clients of Interbrok claimed compensation in the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. In all court cases the Bank moves for dismissal of the claims in entirety and objects to charges raised in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the case. Therefore BRE Bank Group did not create provisions for the above claims.

   The District Court in Warsaw settled the aforementioned court cases and dismissed actions in all cases. As a consequence of the Court of Appeal verdict on 4th March 2010, one of the judgments becomes final and valid. The next ruling was revoked by the Court of Appeal on 21 December 2010 and the case was referred back to the

District Court in Warsaw. The rulings made in the remaining 6 cases by the District Court in Warsaw are not legally valid.

5. Class action against BRE Bank

On 04th of February 2011 BRE Bank SA received a class action brought to the Dictrict Court in Łódź on 20th of December 2010 by the Municipial Ombudsman who represents the group of 835 persons – BRE Bank's retail clients.

The petitioners claim that the Bank's performance of the mortgage credit agreement had not been correct due to incorrect application of the provisions of the agreements concerning interest rates adjustment, namely that the Bank had not been reducing interest rates on the loans, although, according to the petitioners, it should have.

The Bank rejects above reasoning. Currently the Bank is analyzing the case and preparing formal answer.

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

Taxes

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

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

On 19 July 2010 officers of the Treasury Control Office launched in BRE Bank an audit proceeding concerning reliability of declared tax bases and correctness of the calculation and payment of the corporate income tax for the period from 1 January 2006 to 31 December 2006.

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

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

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

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

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

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24. Off-balance Sheet Liabilities

Off-balance sheet liabilities as at 31 December 2010, 30 September 2010 and December 2009.

Consolidated data

	31.12.2010	30.09.2010	31.12.2009
1. Contingent liabilities granted and received	**15 463 220**	**15 548 496**	**13 191 260**
Commitments granted	**14 331 939**	**14 407 545**	**12 458 234**
- financing	11 883 672	11 921 228	10 102 505
- guarantees and other financial facilities	2 447 406	2 483 700	2 312 114
- other commitments	861	2 617	43 615
Commitments received	**1 131 281**	**1 140 951**	**733 026**
- financing	14 828	63 664	260 410
- guarantees	1 116 453	1 077 287	472 616
2. Derivative financial instruments (nominal value of contracts)	**304 382 025**	**349 851 851**	**315 781 176**
Interest rate derivatives	255 567 002	295 909 664	256 843 650
Currency derivatives	46 913 860	51 604 820	57 286 283
Market risk derivatives	1 901 163	2 337 367	1 651 243
Total off-balance sheet items	**319 845 245**	**365 400 347**	**328 972 436**

Stand-Alone data

	31.12.2010	30.09.2010	31.12.2009
1. Contingent liabilities granted and received	**14 749 119**	**15 031 062**	**12 911 686**
Commitments granted	**13 659 448**	**13 973 096**	**12 227 183**
- financing	11 195 950	11 486 203	9 575 808
- guarantees and other financial facilities	2 463 498	2 485 137	2 358 668
- other commitments	-	1 756	292 707
Commitments received	**1 089 671**	**1 057 966**	**684 503**
- financing	130	10 430	260 410
- guarantees	1 089 541	1 047 536	424 093
2. Derivative financial instruments (nominal value of contracts)	**304 135 017**	**350 689 035**	**316 358 096**
Interest rate derivatives	255 719 874	296 782 552	257 415 716
Currency derivatives	46 513 980	51 569 116	57 291 137
Market risk derivatives	1 901 163	2 337 367	1 651 243
Total off-balance sheet items	**318 884 136**	**365 720 097**	**329 269 782**

25. Transactions with Related Entities

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

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

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

The amounts of transactions with related entities, i.e., balances of receivables and liabilities and related costs and income as at 31 December 2010 and 31 December 2009 are as follows:

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

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

Numerical data concerning transactions with related entities as at 31 December 2009

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

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

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

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

On 2 August 2010 the Supervisory Board of BRE Bank, pursuant to § 23 of the By-laws of BRE Bank SA, released Mr. Mariusz Grendowicz from the Management Board of the Bank and from the function of the President of the Management Board and Chief Executive Officer of the Bank.

As a consequence of the above, with the effect from 1 October 2010 the Supervisory Board appointed Mr. Cezary Stypułkowski to the Management Board of BRE Bank SA and for the post of the President of the Management Board of BRE Bank SA and since that day, designated Mr Cezary Stypułkowski as acting President of the Management Board of the Bank.

On 27 October 2010 the Polish Financial Supervision Authority granted the consent to the appointment of Cezary Stypułkowski as President of the Management Board of BRE Bank SA.

From 2 August 2010 to 1 October 2010 the duties of the President of the Management Board where temporarily executed by the Executive Vice-President, Mr. Wiesław Thor.

28. Factors Affecting the Results in the Coming Quarter

Apart from operating activity of the Bank and BRE Bank Group companies, there are no other events expected in the 1st quarter of 2011 that would have a significant impact on the profit of this period.