BRE BANK SA

Our people make the difference.

BRE Bank SA Group

IFRS Consolidated Financial Statements for the fourth quarter of 2011

Contents

Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000		in EUR'000	
		IV Quarters of 2011 the period from 01.01.2011 to 31.12.2011	IV Quarters of 2010 the period from 01.01.2010 to 31.12.2010	IV Quarters of 2011 the period from 01.01.2011 to 31.12.2011	IV Quarters of 2010 the period from 01.01.2010 to 31.12.2010
I.	Interest income	3 871 231	3 421 704	935 057	854 486
II.	Fee and commission income	1 279 172	1 178 745	308 971	294 362
III.	Net trading income	424 091	410 672	102 435	102 555
IV.	Operating profit	1 467 127	872 511	354 370	217 888
V.	Profit before income tax	1 467 127	872 511	354 370	217 888
VI.	Net profit attributable to Owners of BRE Bank SA	1 134 972	641 602	274 141	160 224
VII.	Net profit attributable to non-controlling interests	9 463	19 263	2 286	4 810
VIII.	Net cash flows from operating activities	1 587 818	(1 641 347)	383 522	(409 886)
IX.	Net cash flows from investing activities	(294 698)	(134 115)	(71 181)	(33 492)
X.	Net cash flows from financing activities	(2 404 925)	737 505	(580 886)	184 174
XI.	Net increase / decrease in cash and cash equivalents	(1 111 805)	(1 037 957)	(268 545)	(259 204)
XII.	Earnings per ordinary share (in PLN/EUR)	26.96	17.49	6.51	4.37
XIII.	Diluted earnings per ordinary share (in PLN/EUR)	26.94	17.48	6.51	4.37
XIV.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000		in EUR'000	
		As at		As at	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
I.	Total assets	98 875 647	90 038 831	22 386 263	22 735 356
II.	Amounts due to the Central Bank	-	79	-	20
III.	Amounts due to other banks	27 390 809	28 727 008	6 201 505	7 253 745
IV.	Amounts due to customers	54 244 388	47 150 953	12 281 377	11 905 904
V.	Equity attributable to Owners of BRE Bank SA	8 048 755	6 909 303	1 822 305	1 744 641
VI.	Non-controlling interests	23 910	167 982	5 413	42 416
VII.	Share capital	168 411	168 347	38 130	42 509
VIII.	Number of shares	42 102 746	42 086 674	42 102 746	42 086 674
IX.	Book value per share (in PLN/EUR)	191.17	164.17	43.28	41.45
X.	Capital adequacy ratio	14.96	15.90	14.96	15.90

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		IV Quarters of 2011 the period from 01.01.2011 to 31.12.2011	IV Quarters of 2010 the period from 01.01.2010 to 31.12.2010	IV Quarters of 2011 the period from 01.01.2011 to 31.12.2011	IV Quarters of 2010 the period from 01.01.2010 to 31.12.2010
I.	Interest income	3 419 176	2 973 672	825 868	742 601
II.	Fee and commission income	994 969	894 050	240 325	223 267
III.	Net trading income	402 414	392 518	97 199	98 022
IV.	Operating profit	1 342 200	681 961	324 195	170 303
V.	Profit before income tax	1 342 200	681 961	324 195	170 303
VI.	Net profit	1 066 012	517 724	257 485	129 289
VII.	Net cash flows from operating activities	460 887	(2 616 012)	111 323	(653 284)
VIII.	Net cash flows from investing activities	(97 537)	(110 819)	(23 559)	(27 674)
IX.	Net cash flows from financing activities	(1 687 829)	2 143 949	(407 678)	535 398
X.	Net increase / decrease in cash and cash equivalents	(1 324 479)	(582 882)	(319 915)	(145 560)
XI.	Earnings per ordinary share (in PLN/EUR)	25.32	14.11	6.12	3.52
XII.	Diluted earnings per ordinary share (in PLN/EUR)	25.30	14.10	6.11	3.52
XIII.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		As at		As at	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
I.	Total assets	93 895 432	83 519 170	21 258 701	21 089 102
II.	Amounts due to the Central Bank	-	79	-	20
III.	Amounts due to other banks	25 281 169	24 880 962	5 723 865	6 282 595
IV.	Amounts due to customers	54 018 635	46 798 243	12 230 265	11 816 843
V.	Own equity	7 610 906	6 530 958	1 723 172	1 649 107
VI.	Share capital	168 411	168 347	38 130	42 509
VII.	Number of shares	42 102 746	42 086 674	42 102 746	42 086 674
VIII.	Book value per share (in PLN/EUR)	180.77	155.18	40.93	39.18
IX.	Capital adequacy ratio	15.28	16.91	15.28	16.91

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 2011: EUR 1 = PLN 4.4168 and exchange rate as at 31 December 2010: EUR 1 = PLN 3.9603.
- 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 2011 and 2010: EUR 1 = PLN 4.1401 and EUR 1 = PLN 4.0044 respectively.

Introduction

Major achievements of BRE Bank Group in Q4 2011

At the end of 2011, BRE Bank Group reported a pre-tax profit of PLN 1,467.1 million and a net profit attributable to shareholders of PLN 1,135.0 million.

In Q4 2011, the Group's pre-tax profit amounted to PLN 366.2 million and was lower by PLN 18.6 million or 4.8% compared to Q3 2011 when the Bank reported a one-off income from PZU dividend and booked a gain from closing the sale of foreign factoring operations in Austria and Hungary. Net profit attributable to BRE Bank shareholders in Q4 2011 reached PLN 284.8 million and was lower by PLN 22.4 million or 7.3% compared to Q3 2011.

The **strong financial performance of the Group in Q4 2011** was predominantly driven by:

- **Record-high net interest income** which reached PLN 551.4 million (against PLN 548.2 million in Q3 2011), driven by increasing loan volumes and stable margins;

- **High level of net trading income** which reached PLN 111.3 million (compared to PLN 111.4 million in Q3 2011) supported by continuously strong corporate client activity and higher market volatility

- **Continued organic business growth** reflected in:

    - **Expansion of the retail client base,** despite intensified marketing and pricing campaigns introduced by a number of competitor banks; at the end of Q4 2011, the number of retail customers reached 3,893 thousand (+51 thousand clients, i.e. +1.3% QoQ and +237 thousand clients, i.e. +6.5% YoY).

    - **Rising product penetration among retail customers** reflected in the continued improvement of the cross-selling ratio which grew to 3.12 in Q4 2011 from 3.10 in Q3 2011 and 2.81 in 2010 while at the same time the number of clients increased considerably.

    - **Increasing number of corporate clients** with a total of 99 customers added in Q4 2011 and 706 since the start of the year, reaching the highest historical level of 13,977 as the Bank recorded first benefits of its expanded corporate network.

- **Increased lending**: in Q4 2011 the value of loans granted to clients increased by PLN 3,438.9 million compared to Q3 2011 or 5.1%, predominantly driven by strong demand from corporate clients.

The growth of the loan portfolio was accompanied by **prudent risk management**, which was reflected in a further decrease in the **recurrent cost of risk to 72 bps for the whole 2011**, compared to 114 bps in 2010.

Despite seasonal cost pressures, operating expenses in Q4 2011 remained broadly stable and stood at PLN 447.4 million (compared to PLN 438.4 million in Q3 2011) helped by the Bank's **continued cost discipline**. As a result, the Group's overall efficiency as measured by the **cost/income ratio registered a further improvement to reach 48.3% at the end of 2011** compared to 51.8% in 2010.

Favourable changes in the profit and loss account are reflected in the Group's solid profitability ratios:

- **Pre-tax ROE at 21.0%** (compared to 21.1% at the end of Q3 2011 and 15.6% a year before).
- **Net ROE at 16.4%** (against 16.4% at the end of Q3 2011 and 11.8% a year before).

The Group's **capital ratios** remained at a high and safe level. The **capital adequacy ratio stood at 14.96%** at the end of 2011, compared to 15.76% in Q3 2011 and 15.90% a year before. The **Core Tier I ratio stood at 9.59%** compared to 10.15% at the end of Q3 2011 and 10.40% after Q4 2010.

Macroeconomic environment at the end of 2011 and outlook for 2012

Moderate Slowdown of the GDP Growth Rate

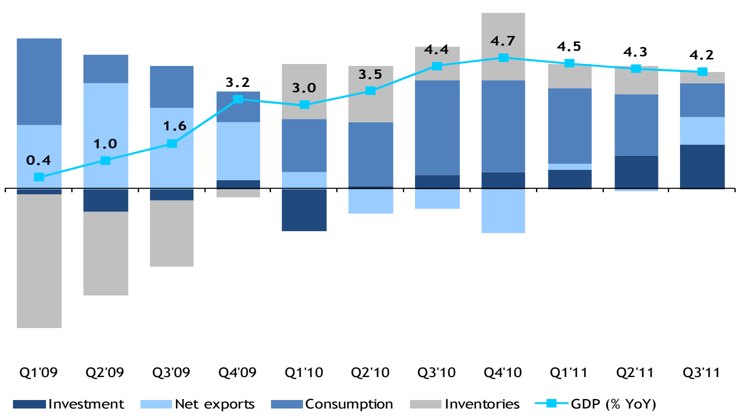
Compared to H1 2011, the GDP growth rate slowed down slightly. The growth rate in 2011 reached 4.3%. Falling individual consumption was the key driver of the slowdown (decrease from about 4% to slightly above 3%), yet it was compensated for by rising investments (approx.+9% in Q4) and improving contribution of net exports. In Q3, there was no correlation between investment dynamics and dynamics of value added in the construction industry, which is a sign of rising investments of corporates in machines and equipment.

In 2012, the annual growth rate of GDP will slow down from 4.3% in 2011 to an expected 2.8%. The slowdown will be driven mainly by reduced dynamics of private and public consumption as well as a weakening growth rate of investments. Net exports will act as an automatic stabilizer, while a change in inventories will have a pro-cyclical negative impact.

The slowdown in private consumption will be impacted by a deteriorating situation on the labour market. Amid signs of a weakening labour market, the growth rate of salaries will fall slightly, yet it will still remain relatively high. Nonetheless, individual consumption will be negatively impacted by: inflation and increased instalments of mortgage loans denominated in foreign currencies, both originating from the weakening exchange rate of the zloty. The slowdown in public consumption will be a consequence of fiscal tightening resulting from the need to cut the deficit of the government and local government institutions to no more than 3% of GDP.

In 2012, the investment dynamics will be lower compared to 2011. Uncertainty among enterprises about the economic situation in the euro zone and the fall in private and public consumption is expected to discourage entrepreneurs from investments in new production capacity. However, investments made by enterprises will result from a high level of decapitalisation of their assets, and will be aimed to at least maintain the production capacity. Some part of these investments will still be linked to the continuation of infrastructure investments in the economy. A potential improvement in the economic situation of Germany, Poland's main trade partner, and in other countries of the euro zone may translate into higher corporate investments. Investments of the public sector are expected to remain unchanged compared to 2011. Originally, the scale of infrastructure investments planned for 2012 was reduced. However, the reduction will be compensated for by projects carried forward from the previous years.

Contribution to GDP growth



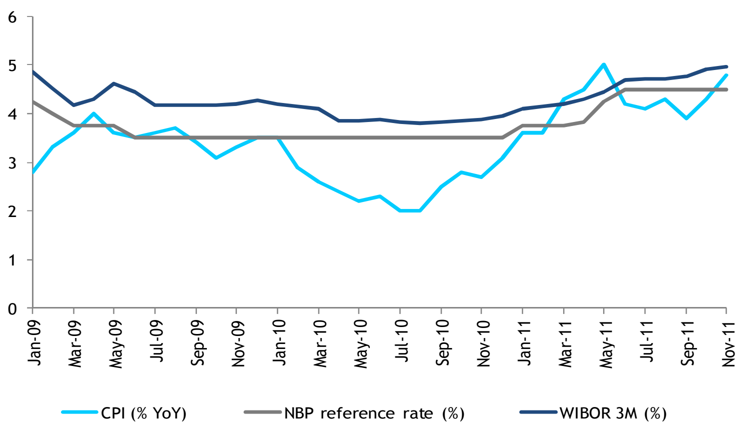
The contribution of net exports to GDP growth will increase driven by weaker exchange rate of the zloty, which boosts the export competitiveness of Polish enterprises. Since weaker exchange rate of the zloty curbs domestic consumption of imported goods, the contribution of net exports to GDP will grow. In the face of deteriorating growth outlook and diminishing demand, the inventories built up by enterprises will be used, while the change in inventories will act as a brake to GDP growth.

Inflation and Interest Rates

After a temporary decline during the holiday season, inflation accelerated and reached 4.6% YoY in December 2011. The basic determinants for the inflation hike observed in H2 were the FX effect, fuel prices and amendments to the act on reimbursed medicines. In 2012, inflation is expected to drop, yet not rapidly, to an estimated 3.5% at the year's end. From today's perspective, a return to the inflationary target (2.5%) in 2012 seems virtually impossible.

Growing price pressures in H1 prompted the beginning of the monetary tightening cycle that brought interest rates to the level of 4.5%. The subsequent slowdown in the economic growth, and above all, the escalating debt crisis in the euro zone, encouraged the Monetary Policy Council (RPP) to take a wait-and-see approach, and to toughen its rhetoric at the end of the

CPI, NBP reference rate, WIBOR 3M



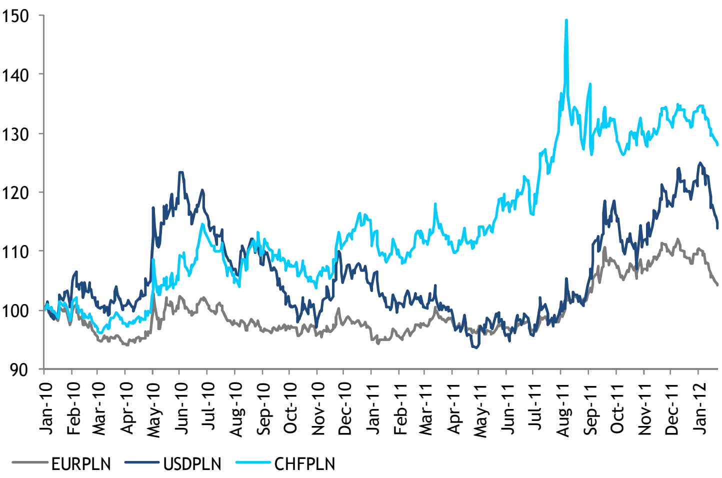
year on the rising tide of positive market sentiment and persistently high inflation.

In H1 2012, interest rate cuts are not expected. In H2 2012, the Monetary Policy Council may decide to ease the monetary policy if the reduction in economic activity accelerates, the increase of scale of inflation curbs or the zloty strengthens considerably.

PLN Exchange Rates

Although the exchange rate of the Polish currency in H1 2011 was stable with EUR/PLN rate at around 4, the second half of the year brought a rapid depreciation to ca. 4.60. The primary cause for the depreciation was the escalating debt crisis (insufficient precautionary measures presented at successive EU summits). This was combined with revised expectations about the growth rate of the Polish economy and new risks related to the stability of the banking sector due to the weakening of the zloty against the euro, and above all - against the CHF. The beginning of 2012 has been favourable to the Polish currency in the face of interest rate increases expected by the financial markets. The zloty was also strengthened by the stable situation in the public finance sector, helped by the available Flexible Credit Line (FCL) from the International Monetary Fund, and by the absence of risk of downgrading Poland's rating (amid the mass rating downgrades of the euro zone countries). In 2012, the exchange rate of the zloty is expected to appreciate. Nonethless, a level below EUR/PLN of 4 will be difficult to reach.

PLN vs. main currencies (01.01.2010=100)

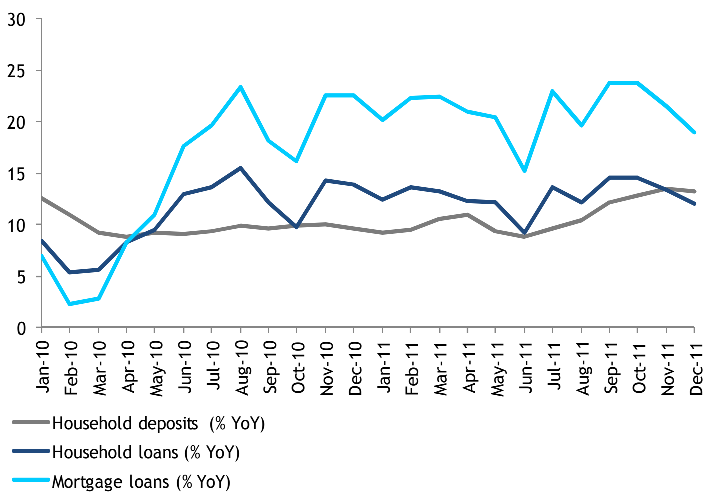


Money Supply and the Banking Sector

Money supply trends that commenced in H1 2011 continued through Q4 2011. In the retail sector, the growth of deposits accelerated and was combined with a slowdown in the growth of loans, while the corporate sector reported a double-digit growth in both aggregates.

The volume of retail deposits grew in Q4 2011 by PLN 24.4 billion, compared to PLN 16.6 billion in Q3 2011 and PLN 17.8 billion in Q4 2010. Full-year growth reached 13.2% YoY or 12.4% excluding the FX effect. From the beginning of Q3, the nominal monthly increases in bank deposits have been rising. This was accompanied by a negative balance of deposits and withdrawals from investment funds and another intensified competition for deposits. In 2011, the average interest on new PLN deposits rose by 1 pp for households and by 1.4 pp for enterprises. The growth in term deposits was more than double growth compared to current deposit.

Households loans and deposits

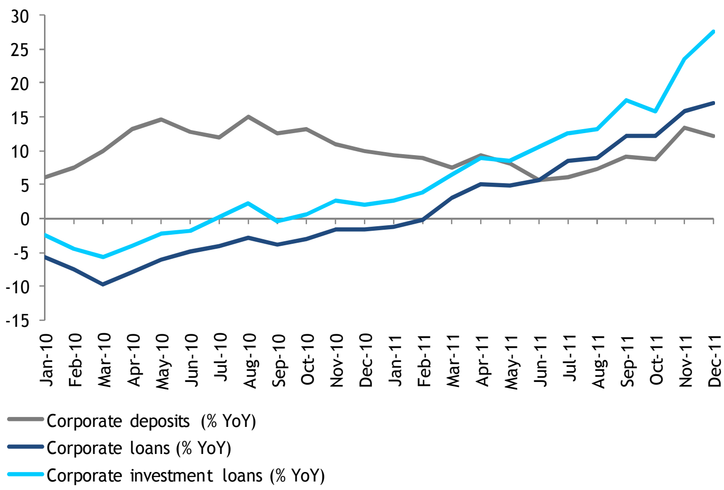


Loans to households rose by PLN 6.1 billion in Q4, compared to PLN 27.8 billion in Q3 and PLN 15.9 billion in Q4 2010. The annual growth rate in retail loans is still double-digit (13.9% YoY in December) driven mainly by the FX effect (in December, the zloty weakened by ca. 15% against the Swiss franc and by ca. 12% against the euro, compared to December 2010). After eliminating the FX effect, the annual growth rate in retail loans had been in a downward trend since the beginning of 2011, reaching 6.5% in December. This results mainly from the weakening dynamics of mortgage loans and the falling value of consumer credits.

Corporate deposits grew by PLN 22.3 billion in Q4, compared to a growth of PLN 3.9 billion in Q3 2011 and PLN 15.4 billion in Q4 2010. This was caused mainly by the retention of a one-off payment made in November, linked probably with the transfer of proceeds from the sale of Polkomtel (in November, the growth reached ca. PLN 12.5 billion, which is a record high figure in the history of data published since 1997). The growth translated into double-digit annual dynamics (12.2%) in December (10.2% after eliminating the FX effect).

On the asset side, corporate lending accelerated in Q4, rising by PLN 7.4 billion which contributed to a 17.1% YoY growth in December (13.9% after eliminating the effect of the weakening PLN against EUR). The growth was supported mainly by the increase in investment loans which rose by PLN 7.8 billion in Q4, contributing to over 20% annual dynamics. Combined with sound financial performance of enterprises and a rise in their deposits (representing high liquidity), this represents a sign of increased investment activity.

Corporate loans and deposits



The observed trends in retail loans and deposits should continue in 2012. The uncertainty about financing, fuelled by the situation of the banking sector in the euro zone, encourages strong competition on the deposit market and decreases lending (helped by the recommendations of the Polish Financial Supervision Authority and limitations introduced in the governmental programme "Family's Own Home"). This may result in creating new room for continued financing of corporate investments. Banks expect to see a rise in demand for long-term loans as early as in Q1 2012.

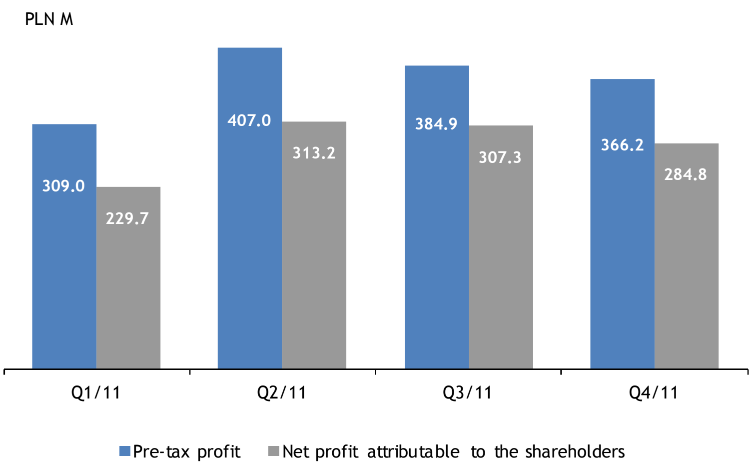
BRE Bank Group financial standing in Q4 2011

Income Statement

Financial results of BRE Bank Group

In Q4 2011, the Group's pre-tax profit amounted to PLN 366.2 million, and was lower by 4.8% compared to Q3 2011, due to positive one-off effects that occurred in Q3 2011 (payment of dividend from PZU and income from closing the sale of foreign factoring companies in Austria and Hungary). Similarly, net profit attributable to BRE Bank's shareholders in Q4 2011 amounted to PLN 284.8 million and was lower by 7.3% compared to Q3 2011.

BRE Bank Group's profit



Total income of BRE Bank Group in Q4 2011

Total income of BRE Bank Group reached PLN 903.2 million in Q4 2011 representing a decrease of PLN 31.2 million or 3.3% compared to Q3 2011.

Net interest income was the main contributor to the revenues generated by the Group in Q4 2011 (61.0% of the Group's total income). It amounted to PLN 551.4 million and increased by PLN 3.2 million QoQ.

Loans and advances continued to be the main source of interest income (73.1%). Interest income from loans and advances increased by PLN 45.0 million, i.e. by 6.1% QoQ. The increase was mainly driven by a substantial rise in the volume of loans and advances. Furthermore, in the discussed period, the Group reported an increase in the interest income on cash, short-term deposits and investment securities of PLN 11.6 million and PLN 5.8 million respectively.

Interest costs on balances held with banks and customers increased by PLN 56.1 million or 13.9% compared to the previous quarter explained by a strong inflow of customer deposits, which increased by 10.8%. The growth in customer deposits was achieved despite the Bank's cautious pricing strategy aimed at preserving its interest margins. Consequently, net interest margin of BRE Bank Group reached 2.5% p.a. at the end of 2011, compared to 2.5% p.a. at the end of Q3 2011 and 2.2% p.a. a year before.

Net fee and commission income, accounting for 22.7% of the Group's total income, decreased by PLN 14.2 million or 6.5% QoQ due to decreased income from insurance and brokerage activity. The reported decrease in fee and commission income from insurance activity can be attributed to modifications in the Group's product offering which enabled clients to cover mortgage related insurance fees in instalments instead of a single payment. Net fee and commission income generated through brokerage activities was negatively impacted by lower trading activity of clients and lack of new equity offerings by companies due to continued weakness of the financial markets. At the same time, the Group reported an increase in net fee and commission income from lending and payment cards services.

The trading result in Q4 2011 amounted to PLN 111.3 million and remained stable compared to Q3 2011. The Group reported an increase in FX income by PLN 17.6 million or 17.8% driven by increased corporate client activity while other trading income dropped by 17.6 PLN million on lower result on trading in interest rate and market risk instruments.

Net other operating income (other operating income less other operating expenses) amounted to PLN 36.6 million in Q4 2011, which represents an increase by PLN 13.4 million or 58.0% compared to Q3 2011. The increase was driven by higher income generated by BRE Ubezpieczenia which reported a drop in claims, as well as an increase in gross written premiums and increased sales of apartments by BRE.locum, the Group's real estate developer.

Impairment losses on loans and advances of BRE Bank Group

At the end of 2011, net impairments of loans and advances of BRE Bank Group amounted to PLN 373.5 million, of which PLN 89.5 million were booked in Q4. The amount represents a decrease of PLN 21.6 million compared to Q3 2011. Net impairments related to retail loans in Q4 2011 amounted to PLN 61.9 million and were broadly unchanged compared to previous quarters as the quality of the Bank's mortgage loan portfolio remained strong. Net impairments in the Corporates and Financial Markets Segment stood at PLN 22.6 million in Q4 2011, compared to PLN 49.5 million in Q3 2011 reflecting a continuously strong financial standing of the Bank's corporate clients.

Costs of BRE Bank Group

Effective resource management and cost discipline enabled a stabilization of overhead costs at PLN 375.3 million, which reduced by PLN 3.3 million, or by 0.9% compared to Q3 2011. Material costs decreased by PLN 6.5 million or 4.3%, while personnel costs increased by PLN 7.3 million or 3.6% QoQ. Depreciation increased by PLN 12.3 million, i.e. by 20.6% QoQ due to write offs made in relation to certain functionalities of the IT systems.

Balance Sheet

As at the end of 2011, total assets of BRE Bank Group amounted to PLN 98,875.6 million, which represents an increase by 4.7% QoQ.

Assets of BRE Bank Group

As at the end of 2011, the asset structure of BRE Bank Group was dominated by loans and advances to customers. The value of loans and advances to customers reached PLN 67,851.5 million and accounted for 68.6% of total assets (compared to 68.2% in Q3 2011). In Q4 2011, net loans and advances to customers grew by PLN 3,401.6 million or 5.3%. Excluding reverse repo/buy sell back transactions, loans to corporate customers increased by PLN 2,804.9 million or 11.7%. The value of loans to individuals grew by PLN 402.1 million or 1.1%, while loans and advances to the public sector grew by PLN 1,021.6 million or 47.4%.

Investment securities were the second largest asset category at the end of Q4 2011 (PLN 16,697.2 million or 16.9% of total assets) increasing by PLN 2,752.7 million or 19.7% in Q4 2011 supported by strong growth in customer deposits and a shift of a portion of liquid assets previously held with the Central Bank.

Liabilities of BRE Bank Group

In Q4 2011, the amounts due to customers, constituting the major funding source for the operations of BRE Bank Group, grew by PLN 5,291.8 million or 10.8%. As at the end of December 2011, amounts due to customers amounted to PLN 54,244.4 million and accounted for 59.7% of liabilities (compared to 56.5% in Q3 2011).

The largest nominal growth, triggered mainly by a rise in term deposits, was reported in amounts due to corporate customers (+PLN 5,194.8 million, +23.8%).

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

Compared to Q3 2011, amounts due to individual customers grew by PLN 1,080.7 million or +4.2% and amounted to PLN 26,700.9 million at the end of Q4 2011 while amounts due to the public sector decreased by PLN 983.6 million or 65.1%. At the same time, amounts due to banks decreased by PLN 1,751.2 million or 6.0% compared to Q3 2011.

The share of equity attributable to the shareholders of BRE Bank in liabilities of BRE Bank Group accounted for 8.1% at the end of Q4 2011, compared to 8.2% at the end of September 2011 and 7.7% at the end of December 2010.

Performance indicators

The table below presents the key performance indicators of BRE Bank Group:

	31 December 2011	30 September 2011	31 December 2010
Net ROA	1.26 %	1.28 %	0.77 %
Gross ROE	21.0 %	21.1 %	15.6 %
Net ROE	16.4 %	16.4 %	11.8 %
C/I	48.3 %	47.9 %	51.8 %
Capital Adequacy Ratio	14.96 %	15.76 %	15.90 %
Core Tier 1 Ratio	9.59 %	10.15 %	10.40 %

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

Financial results of the consolidated subsidiaries of BRE Bank Group

In Q4 2011, the consolidated subsidiaries generated a total pre-tax profit of PLN 57.4 million. Compared to Q3 2011, the following subsidiaries improved their performance: BRE Leasing, BRE Faktoring (former Polfactor), Aspiro and BRE.locum.

Performance of the Business Segments and Business Lines

The Retail Banking segment was the biggest contributor to the income of the Group in Q4 2011 (55.2%). The contribution of the Corporates and Financial Markets segment accounted for 43.4% and comprised the income generated by Corporates and Institutions (31.8%) and Trading and Investment Activity (11.6%).

Retail Banking Area

Financial results

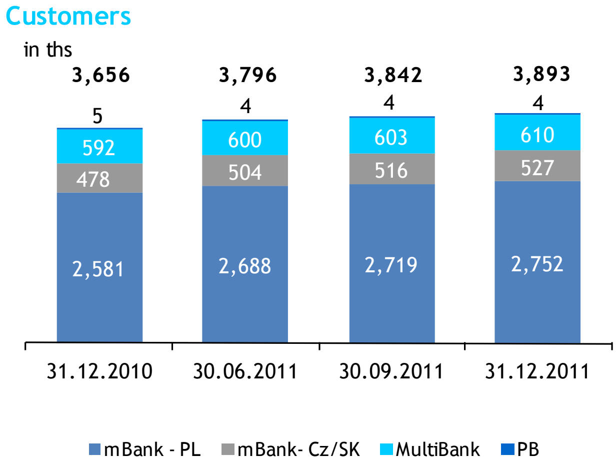
In Q4 2011, the segment generated a pre-tax profit of PLN 235.1 million which compares to PLN 235.5 million reported in the previous quarter.

The major factors impacting the financial result of the segment in Q4 2011 included:

- Stable quarterly core income, comprising a rise in net interest income by PLN 5.0 million and a reduction in net fee and commission income by PLN 5.5 million.
- Overhead costs reduced by PLN 4.2 million compared to Q3 2011 despite increases in expenses related to marketing campaigns.
- Effective credit risk management, allowing the Bank to maintain loan impairments at PLN 61.9 million in Q4 2011 constituting a rise of PLN 2.4 million or 4% compared to Q3 2011.

The consistently strong business and financial performance of the Bank's retail operations is a result of its continued focus on building the best service on the market and forging long-term client relationships. The Bank continues to acquire new clients and to broaden the scope of products and services offered.

Retail clients



During the course of Q4 2011, the number of retail banking clients increased by 51 thousand (+1.3%) and reached nearly 3,893 thousand.

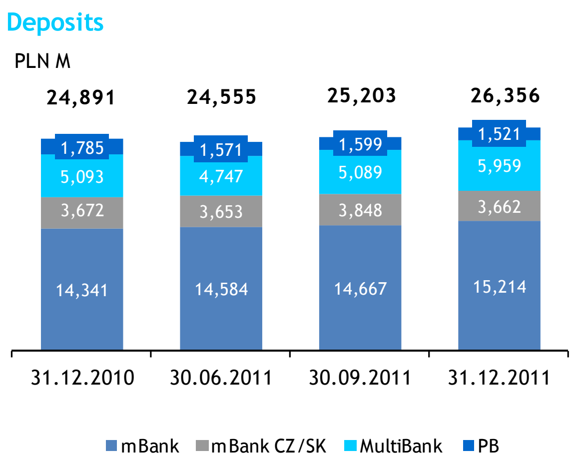
Compared to December 2010, the number of customers expanded by 237 thousand (+6.5%).

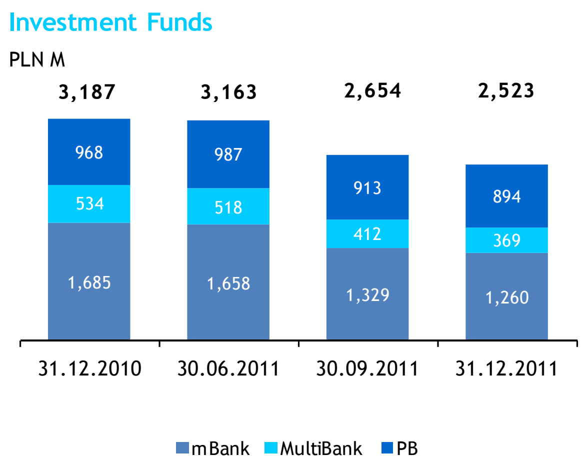
The Bank's retail clients in Poland include both individuals and microenterprises. As of the end of December 2011, the number of microenterprise customers stood at 409 thousand, including 4.9 thousand acquired in Q4 2011.

Deposits and investment funds

mBank and MultiBank offer a broad range of accounts, deposits and investment products. Through the "Funds Supermarket" the Bank's clients can purchase participation units in local and foreign investment funds as well as financial products matching their specific investment criteria, offered by third party providers.

The following graph presents details of changes in the level of deposits as well as funds deposited through investment funds.





At the end of December 2011, retail deposits stood at PLN 26,356 million (up by PLN 1,153 million or 4.6% QoQ), while client assets in investment funds decreased by PLN 664 million to reach PLN 2,523 million, prompted by a difficult situation on the financial markets as well as relatively attractive rates offered on bank deposits.

Loans

At the end of December 2011, the structure of the Bank's retail loan portfolio in Poland was as follows:

- mortgage loans 86.4%
- non-mortgage loans 13.6%:
  - cash loans 4.1%
  - credit line facilities and overdrafts 5.6 %
  - credit cards and charge cards 2.7%
  - other loans 1.2%.

The value of loans granted in the Retail Banking area in Poland, the Czech Republic and Slovakia reached PLN 38,102 million at the end of Q4 2011 and increased by PLN 405 million, or 1.5% QoQ. During 2011, the retail loan portfolio increased by PLN 4,959 million (+15% YoY).

It should be stressed that the growth of retail loans in 2011 was influenced by the appreciation of the CHF against PLN by 14.8% YoY. If the impact of the FX rate had been eliminated, the retail loan portfolio would have been higher by 4.8% YoY.

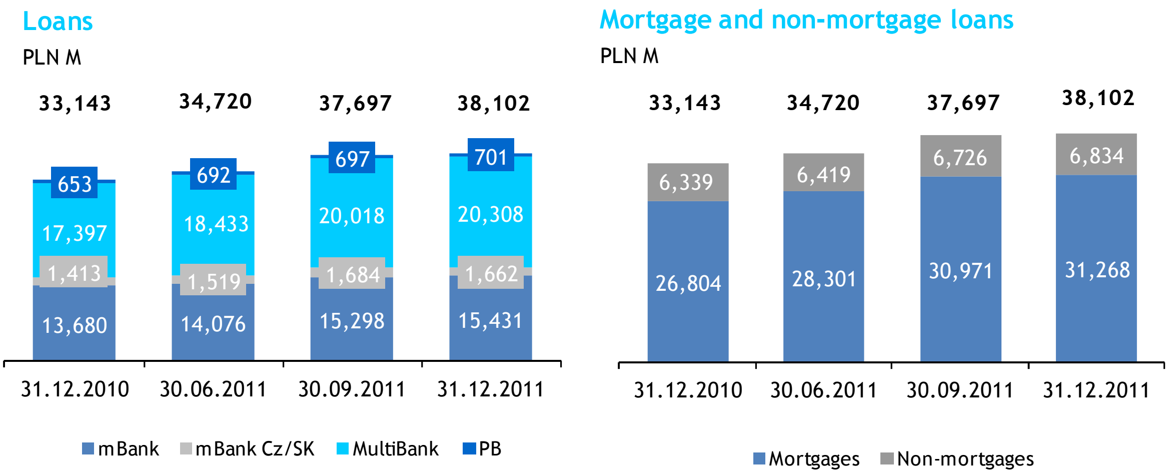
In Q4 2011, the value of the mortgage loan portfolio grew by PLN 297 million (+1.0%).

Mortgage loans to retail customers at the end of December 2011 had the following characteristics:

Retail Mortgage Loans	Total
Balance-sheet value (PLN billion)	29.0
Average maturity (years)	22.3
Average value (PLN thousand)	306.1
Average LTV (%)	90.6
Non performing loans - NPL (%)	1.2

In Q4 2011 the non-mortgage loan portfolio grew by PLN 108 million or 1.6%. The fastest growing loans included cash loans and credit line facilities as existing clients continued to increase the usage of the pre-assigned global credit limits.

The following graph presents details of changes in the level of loans to the Bank's retail clients.



Cards

The Bank maintained strong dynamics in issuance of both credit and debit cards supported by demand from new and existing clients.

As of December 2011, the number of credit cards issued by the Bank stood at 630.5 thousand and was higher by 13.5 thousand QoQ and 61.0 thousand YoY.

The number of debit cards issued by the Bank as of December 2011 reached 3,988.3 thousand constituting an increase by 243.1 thousand (+6.5%) QoQ, and 963.5 thousand (+31.9%) YoY.

Distribution Network

The size and scope of the Bank's retail branch network reflects its focus on areas with high growth potential as well as the strength of its remote distribution channels (including internet, mobile and telephone banking) which continue to attract a rapidly growing number of client interactions effectively supporting the traditional branch based service offering.

<u>mBank</u>

Since July 2009, the mBank distribution network has been managed through Aspiro, a subsidiary offering a wide range of financial products of the Group as well as products of third parties.

As of December 2011, the mBank network covered 97 locations (25 Financial Centres, 62 mKiosks and 10 partner mKiosks) across Poland, as well as 30 Agent Service Points.

The number of foreign mBank outlets remained unchanged. In the Czech Republic, the network consists of 26 outlets (9 financial centres and 17 mKiosks), and of 9 outlets in Slovakia (4 financial centres and 5 mKiosks).

MultiBank

As of December 2011, MultiBank operated 135 outlets (74 Financial Service Centres and 61 Partner Outlets) across Poland. The MultiBank network is focused predominantly on larger urban areas reflecting the affluent target client group it services.

Subsidiaries of the Retail Banking area

BRE TUiR SA and BRE Ubezpieczenia Sp. z o.o.

Total gross written premiums in Q4 2011 reached PLN 363.9 million against PLN 428.8 million in Q3 2011. Despite a quarterly drop, during the whole 2011, BRE Ubezpieczenia collected gross written premiums in the amount of PLN 1,475.1 million (+79% YoY). Gross written premiums related to products sold via the Internet platform reached PLN 140.8 million (+61% YoY). In the bancassurance area premiums written reached PLN 1,204.7 million for the whole year, which represents a rise of 91.4% YoY. Strong sales of products in cooperation with BRE Leasing resulted in an increase of gross written premium by 20.1% and amounted to PLN 129.6 million.

The consolidated pre-tax profit BRE TUiR SA and BRE Ubezpieczenia Sp. z o.o. in Q4 2011 amounted to PLN 10.4 million against PLN 13.5 million in Q3 2011 and rose to PLN 50.5 million for the whole year from PLN 17.2 million a year before.

Aspiro SA

As at the end of 2011, Aspiro offered products of 24 different financial services companies, including mBank and MultiBank. The offer consisted of 50 products in total and included mortgage loans, cash loans, insurance products, leasing and factoring.

Aspiro's pre-tax profit in Q4 2011 amounted to PLN 4.4 million in comparison to PLN 2.0 million in Q3 2011 (+118.9% QoQ). Aspiro's pre-tax profit in 2011 amounted to PLN 10.5 million, against PLN 7.9 million a year before.

BRE Wealth Management SA (BRE WM)

In Q4 2011, BRE WM continued to develop its new business model focused on providing comprehensive wealth-related advisory services covering both financial and non-financial assets. The offer was addressed to customers with assets under management over PLN 2 million. The number of advisory services agreements reached 160 at the end of Q4 2011 against 130 at the end of Q3 2011. The investment offer was also expanded by additional investment certificates of closed-end funds and by products based on insurance capital funds. At the end of Q4 2011, assets under management amounted to PLN 3.4 billion, similarly to what was reported at the end of Q3, and were higher by 25% to compared to December 2010.

In 2011, the company generated a pre-tax profit of PLN 10.9 million compared to PLN 10.7 million a year before.

Corporate Banking Area

The strong position of the Bank's corporate banking business in Poland results primarily from the comprehensive offering of financial products and services, diversified distribution channels (including a branch and office network exclusively dedicated to corporate customers and an integrated iBRE internet platform), as well as long-standing relationships with its customers.

Corporates and Institutions

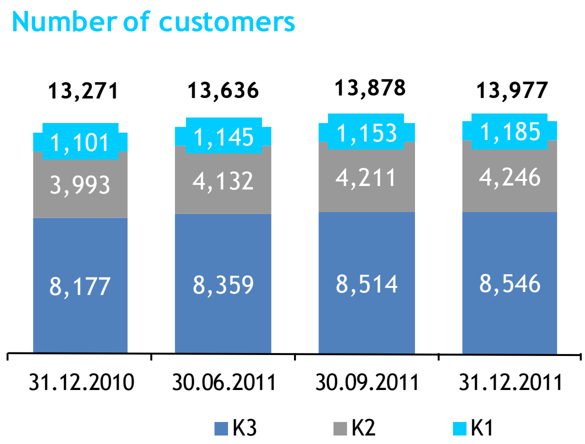
Financial results

In Q4 2011, the area generated a pre-tax profit of PLN 77.9 million compared to PLN 91.6 million in the previous quarter, when the Bank reported a one-off income from PZU dividend and booked a gain from closing of the sale of foreign factoring operations in Austria and Hungary. The results of the segment in Q4 2011 were predominantly influenced by:

- An increase in core income, including net interest income (increase by PLN 3.7 million, or 2.3% QoQ), net fee and commission income (increase by PLN 2.4 million, or 3.1%) and net trading income (increase by PLN 4.1 million, or 11.4% QoQ) supported by strong product demand from the Bank's corporate clients.
- A significantly lower level of impairments of loans and advances (PLN 22.6 million in Q4 2011 compared to PLN 49.5 million in Q3 2011).

Number of corporate customers

At the end of 2011, the total number of corporate customers reached 13,997, increasing by 99 compared to Q3 2011 and by 706 compared to Q4 2010. International customers accounted for nearly 19% of the newly acquired customers, highlighting strong results of cooperation between the Bank and Commerzbank Group.



K1 - segment of the largest corporations with annual sales over PLN 500 million, K2 - segment of corporations with annual sales from PLN 30 to 500 million, K3 - segment of SMEs with annual sales from PLN 3 to 30 million.

Corporate customer deposits

At the end of Q4 2011, deposits placed by corporate customers with BRE Bank (excluding repo transactions) amounted to PLN 23,834 million and increased by PLN 3,754 million QoQ (+18.7%) and by 5,265 million YoY (+28.4%).

At the end of Q4 2011, deposits placed by enterprises amounted to PLN 20,953 million, registering an increase by PLN 4,140 million QoQ (+24.6%) and an increase by PLN 4,826 million YoY (+29.9%).

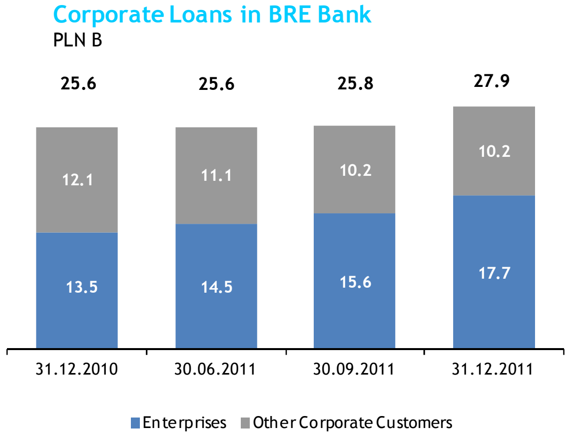
Corporate customer loans

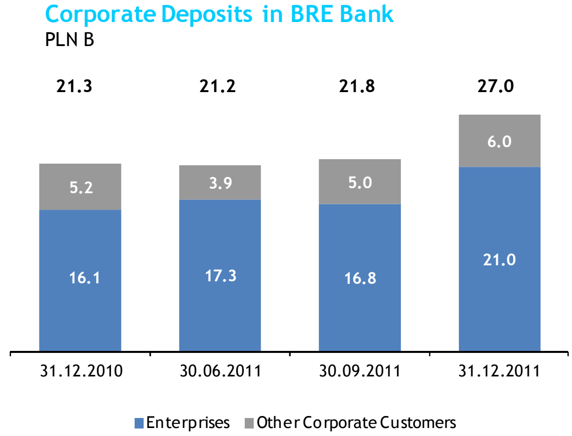
The value of loans granted to corporate clients by BRE Bank (excluding repo transactions) reached PLN 23,424 million as of Q4 2011 constituting and increase of PLN 3,867 million (+19.8%) compared to Q3 2011 and of 7,245 million (+44.8%) compared to Q4 2010.

The value of loans to enterprises at the end of Q4 2011 amounted to PLN 17,742 million and increased by PLN 2,126 million (+13.6%) compared to Q3 2011 and by PLN 4,246 million (+31.5%) compared to Q4 2010.

The increase in corporate loans was supported by strong demand for structured finance earmarked for investments. The demand for working capital loans was relatively low as corporate customers continued to utilize the accumulated cash holdings when financing their ongoing business needs.

At the end of Q4 2011, loans granted to local governments amounted to PLN 2,601 million, increasing by 54.5% QoQ. The Bank's financing for the public sector customers has increased by PLN 1,245 million or 91.8% during the year.



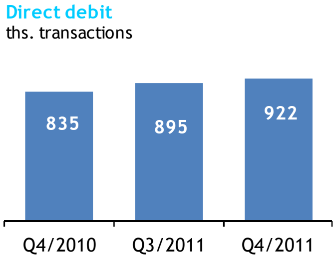


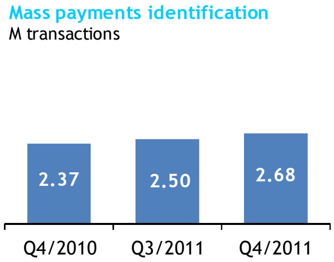
Strategic product lines

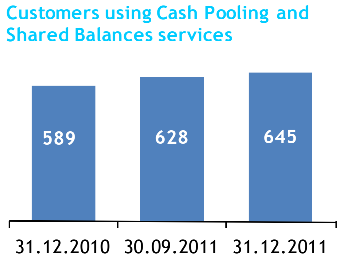
<u>Cash Management</u>

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

In Q4 2011, the number of Direct Debit transactions executed reached 921.9 thousand, which represents an increase by 3.0% compared to Q3 2011. Furthermore, the number of Trade Payment Identification transactions and the net income generated in this respect have also been rising. In Q4 2011, there were nearly 2.7 million transactions executed, up by 7.2% QoQ. At the end of Q4 2011, the number of clients using the most sophisticated cash pooling solutions increased by 9.5% YoY.







Structured and Mezzanine Finance

As of Q4 2011, the volume of structured and mezzanine finance transactions increased by 31.7% compared to Q3 2011 and by 71.8% compared to Q4 2010. In 2011, BRE Bank signed 44 agreements for syndicated loans, one guarantee agreement and 20 agreements for bilateral loans.

Corporate branch network

As of Q4 2011, the corporate branch network of BRE Bank consisted of 29 Branches and 19 Corporate Bureaus. In Q4 2011, a new corporate branch in Koszalin, named "Branch of the Future" was established. The branch is fully adapted to service both corporate and retail customers.

Subsidiaries in the Corporates and Institutions area

BRE Leasing Sp. z o.o.

The value of leasing agreements concluded by BRE Leasing in Q4 2011 stood at PLN 745 million, increasing by 38.7% compared to Q3 2011. In Q4 2011, the value of agreements covering real property concluded by BRE Leasing amounted to PLN 185 million and was higher by 261.6% compared to Q3 2011, while the value of agreements covering movable property reached PLN 560 million constituting an increase of 15.2% compared to Q3 2011.

In 2011, BRE Leasing generated a pre-tax profit of PLN 49.1 million, compared to PLN 44.1 million in 2010 (+11.3% YoY). The improvement in profitability was predominantly driven by lower overhead costs.

BRE Faktoring SA (former Polfactor SA)

On November 16, 2011, the Annual General Meeting of Polfactor SA voted to change the name of the company to BRE Faktoring SA as a result of BRE Bank's purchase of the remaining 50% of Polfactor's shares in July 2011.

In Q4 2011, BRE Faktoring reported a turnover of PLN 1.9 billion (+51.8% compared to Q4 2010). Cumulatively, the turnover reached PLN 5.9 billion in 2011 (+33% YoY), mainly due to significant growth in export factoring.

In Q4 2011, BRE Faktoring reported a pre-tax profit of PLN 6.4 million (+70.9% YoY). Full year pre-tax profit reached PLN 18.7 million (+56.3% YoY). The improvement was driven mainly by the dynamic growth in sales resulting in higher net fee and commission income and net interest income.

Transfinance a.s.

In Q4 2011, Transfinance reported a turnover of PLN 0.8 billion (+11,1% compared to Q4 2010) and PLN 3.1 billion cumulatively (+26.1% YoY). Considerable growth in export and import factoring was combined with a slight reduction in domestic factoring.

The pre-tax profit of Transfinance in 2011 amounted to PLN 4.3 million, compared to a loss of PLN 10.1 million reported in 2010. The improvement was driven by higher income and lower impairment charges concerning factoring receivables.

Trading and Investment Activity

Financial results

In Q4 2011, BRE Group's Trading and Investment Activity generated a pre-tax profit of PLN 44.6 million, compared to PLN 68.8 million in Q3 2011. The decrease in pre-tax profit by PLN 24.2 million was mainly driven by:

- Reduced net fee and commission income (-PLN 6.2 million) as a result of lower brokerage fees in Dom Inwestycyjny BRE Banku.

- Decreased trading result (-PLN 3.5 million) due to weaker result on interest rate and market risk instruments.
- Higher depreciation (+PLN 3.4 million) resulting from write-offs of selected functionalities of IT systems used by the Investment Banking area.

Market position

At the end of December 2011, BRE Bank ranked second in the market for arranging mid-term bank debt securities with a market share of 22.0% (excluding "road bonds" issued by BGK), second on the market for arranging mid-term corporate bonds, and fourth on the market for arranging short-term debt securities with a share of 19.0% and 16.8% respectively.

The Bank remains very active in trading of financial instruments: its market share in interest rate derivatives stood at 18.6% and amounted to 7.4% in trading in treasury bonds and bills. Its share in FX transactions (spot and forward) reached 7.2%.

BRE Bank Group subsidiaries in the Investment Banking Area

Dom Inwestycyjny BRE Banku SA (DI BRE)

In Q4 2011, the share of DI BRE in the trading on the equity markets stood at 5.3%, which made it the 8th largest market player. DI BRE was the largest player on the market for forward transactions with a share of 13.5%.

At the end of 2011, the number of DI BRE customers stood at 292.5 thousand and was higher by 9.5 thousand compared to a year earlier.

In Q4 2011, DI BRE reported a pre-tax profit of PLN 5.2 million, compared to PLN 10.1 million in Q3 2011. At the end of 2011, the pre-tax profit stood at PLN 33.2 million compared to PLN 37.1 million at the end of 2010 (-10.5% YoY).

BRE Bank Hipoteczny SA (BBH)

In Q4 2011, BBH granted PLN 315 million of mortgage loans to customers mainly for financing of commercial real property. At the end of Q4 2011, the loan portfolio amounted to PLN 4,150 million and increased by 3.5% compared to Q3 2011 and by 9.1% YoY.

BBH's pre-tax profit in Q4 2011 reached PLN 5.2 million compared to PLN 9.6 million in Q3 2011. The decrease was mainly driven by higher provisions. The pre-tax profit for the whole 2011 amounted to PLN 27.6 million and was lower by 27.0% compared to 2010.

Quality of the Loan Portfolio

As at the end of Q4 2011, the ratio of impaired loans to total loans decreased to 4.6% compared to 5.3% as of the end of Q3 2011 and 5.3% as of the end of Q4 2010. The improvement was predominantly driven by the growth of new loans.

Provisions for loans and advances increased from PLN 2,357.3 million at the end of Q3 2011 to PLN 2,388.3 million as at the end of Q4 2011, out of which the Incurred But Not Identified provisions reached PLN 212.4 million compared to PLN 205.4 million in Q3 2011.

The ratio of provisions to impaired loans stood at 66.8% as at the end of Q4 2011 compared to 60.5% at the end of Q3 2011 and 68.0% at the end of 2010.

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

Consolidated Income Statement

	Note	IVth Quarter (current year) period from 01.10.2011 to 31.12.2011	IV Quarters cumulative (current year) period from 01.01.2011 to 31.12.2011	IVth Quarter (previous year) period from 01.10.2010 to 31.12.2010	IV Quarters cumulative (previous year) period from 01.01.2010 to 31.12.2010
Interest income		1 051 929	3 871 231	876 721	3 421 704
Interest expense		(500 516)	(1 722 629)	(373 596)	(1 610 740)
Net interest income	5	**551 413**	**2 148 602**	**503 125**	**1 810 964**
Fee and commission income		315 739	1 279 172	314 840	1 178 745
Fee and commission expense		(110 660)	(439 200)	(114 474)	(432 826)
Net fee and commission income	6	**205 079**	**839 972**	**200 366**	**745 919**
Dividend income	7	28	15 113	10	8 173
Net trading income, including:	8	111 343	424 091	104 274	410 672
Foreign exchange result		*115 883*	*393 943*	*88 604*	*369 982*
Other trading income and result on hedge accounting		*(4 540)*	*30 148*	*15 670*	*40 690*
Gains less losses from investment securities, investments in subsidiaries and associates	9	(1 250)	11 985	(1 352)	45 148
Other operating income	10	108 483	301 930	102 076	311 271
Net impairment losses on loans and advances	11	(89 549)	(373 470)	(125 988)	(634 779)
Overhead costs	12	(375 327)	(1 471 501)	(394 941)	(1 380 351)
Amortization and depreciation		(72 117)	(251 412)	(59 711)	(236 918)
Other operating expenses	13	(71 858)	(178 183)	(64 053)	(207 588)
Operating profit		**366 245**	**1 467 127**	**263 806**	**872 511**
Profit before income tax		**366 245**	**1 467 127**	**263 806**	**872 511**
Income tax expense		(80 344)	(322 692)	(70 267)	(211 646)
Net profit		**285 901**	**1 144 435**	**193 539**	**660 865**
Net profit attributable to:					
- Owners of BRE Bank SA		284 833	1 134 972	195 482	641 602
- Non-controlling interests		1 068	9 463	(1 943)	19 263

Net profit attributable to Owners of BRE Bank SA			**1 134 972**		**641 602**
Weighted average number of ordinary shares	14		**42 093 950**		**36 679 683**
Earnings per ordinary share (in PLN)	14		**26.96**		**17.49**
Weighted average number of ordinary shares for diluted earnings	14		**42 134 853**		**36 709 325**
Diluted earnings per ordinary share (in PLN)	14		**26.94**		**17.48**

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

Consolidated Statement of Comprehensive Income

	IVth Quarter (current year) period from 01.10.2011 to 31.12.2011	IV Quarters cumulative (current year) period from 01.01.2011 to 31.12.2011	IVth Quarter (previous year) period from 01.10.2010 to 31.12.2010	IV Quarters cumulative (previous year) period from 01.01.2010 to 31.12.2010
Net profit	**285 901**	**1 144 435**	**193 539**	**660 865**
Other comprehensive income net of tax	**(11 600)**	**2 248**	**(54 035)**	**172 788**
Exchange differences on translation of foreign operations (net)	(632)	3 451	(632)	(5 231)
Change in valuation of available for sale financial assets (net)	(10 968)	(1 203)	(53 403)	178 019
Total comprehensive income net of tax, total	**274 301**	**1 146 683**	**139 504**	**833 653**
Total comprehensive income (net), attributable to:				
- Owners of BRE Bank SA	273 205	1 135 612	142 188	816 638
- Non-controlling interests	1 096	11 071	(2 684)	17 015

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

Consolidated Statement of Financial Position

ASSETS	Note	31.12.2011	30.09.2011	31.12.2010
Cash and balances with the Central Bank		1 038 356	4 183 794	2 359 912
Loans and advances to banks		4 008 874	3 549 117	2 507 282
Trading securities	15	991 559	1 448 992	1 565 656
Derivative financial instruments	16	1 506 595	1 516 530	1 226 653
Loans and advances to customers	17	67 851 516	64 449 955	59 374 051
Hedge accounting adjustments related to fair value of hedged items		1 924	2 582	-
Investment securities	18	16 697 212	13 944 480	18 762 688
Pledged assets	15, 18	4 339 523	2 894 717	1 830 803
Investments in associates		-	-	317
Intangible assets	19	436 769	407 786	427 837
Tangible fixed assets	20	832 455	757 541	777 620
Current income tax assets		4 728	624	5 922
Deferred income tax assets		307 052	289 862	316 372
Other assets		859 084	997 670	883 718
Total assets		**98 875 647**	**94 443 650**	**90 038 831**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		-	-	79
Amounts due to other banks		27 390 809	29 141 971	28 727 008
Derivative financial instruments	16	1 862 747	1 789 724	1 363 508
Amounts due to customers	21	54 244 388	48 952 576	47 150 953
Debt securities in issue		1 735 988	1 523 382	1 371 824
Subordinated liabilities		3 456 200	3 440 301	3 010 127
Other liabilities		1 723 856	1 494 659	1 136 624
Current income tax liabilities		235 568	153 168	25 469
Deferred income tax liabilities		258	442	629
Provisions		153 168	152 491	175 325
Total liabilities		**90 802 982**	**86 648 714**	**82 961 546**
Equity				
Equity attributable to Owners of BRE Bank SA		**8 048 755**	**7 772 122**	**6 909 303**
Share capital:		**3 493 812**	**3 493 761**	**3 491 812**
- Registered share capital		168 411	168 410	168 347
- Share premium		3 325 401	3 325 351	3 323 465
Retained earnings:		**4 493 157**	**4 204 947**	**3 356 345**
- Profit from the previous years		3 358 185	3 354 808	2 714 743
- Profit for the current year		1 134 972	850 139	641 602
Other components of equity		**61 786**	**73 414**	**61 146**
Non-controlling interests		**23 910**	**22 814**	**167 982**
Total equity		**8 072 665**	**7 794 936**	**7 077 285**
Total equity and liabilities		**98 875 647**	**94 443 650**	**90 038 831**
Capital adequacy ratio		**14.96**	**15.76**	**15.90**
Book value		**8 048 755**	**7 772 122**	**6 909 303**
Number of shares		**42 102 746**	**42 102 538**	**42 086 674**
Book value per share (in PLN)		**191.17**	**184.60**	**164.17**

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

Consolidated Statement of Changes in Equity

Changes from 1 January to 31 December 2011

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

Changes from 1 January to 30 September 2011

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

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

Changes from 1 January to 31 December 2010

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

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

Consolidated Statement of Cash Flows

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
A. Cash flow from operating activities	**1 587 818**	**(1 641 347)**
Profit before income tax	**1 467 127**	**872 511**
Adjustments:	***120 691***	***(2 513 858)***
Income taxes paid (negative amount)	(95 738)	(76 690)
Amortisation	251 412	236 918
Foreign exchange (gains) losses related to financing activities	3 491 775	2 821 505
(Gains) losses on investing activities	(14 014)	(43 783)
Impairment of financial assets	-	97
Dividends received	(15 399)	(8 173)
Interest received	(2 537 710)	(2 031 189)
Interest paid	1 491 412	1 476 674
Changes in loans and advances to banks	82 717	(349 174)
Changes in trading securities	(181 068)	110 709
Changes in assets and liabilities on derivative financial instruments	219 297	134 987
Changes in loans and advances to customers	(7 239 417)	(4 956 689)
Changes in investment securities	(975 828)	(3 554 475)
Changes in other assets	15 888	27 036
Changes in amounts due to other banks	185 887	165 778
Changes in amounts due to customers	4 916 626	3 418 561
Changes in debt securities in issue	(39 839)	30 515
Changes in provisions	(10 605)	(1 632)
Changes in other liabilities	575 295	85 167
Net cash generated from operating activities	**1 587 818**	**(1 641 347)**
B.Cash flows from investing activities	**(294 698)**	**(134 115)**
Investing activity inflows	**119 037**	**105 618**
Disposal of shares in associates	1 348	-
Disposal of shares in subsidiaries, net of cash disposed	82 727	-
Disposal of intangible assets and tangible fixed assets	19 437	29 553
Dividends received	15 285	8 173
Other investing inflows	240	67 892
Investing activity outflows	**413 735**	**239 733**
Acquisition of shares in subsidiaries, net of cash acquired	107 498	-
Purchase of intangible assets and tangible fixed assets	306 237	239 733
Net cash used in investing activities	**(294 698)**	**(134 115)**
C. Cash flows from financing activities	**(2 404 925)**	**737 505**
Financing activity inflows	**4 356 344**	**4 113 662**
Proceeds from loans and advances from other banks	620 507	1 929 382
Proceeds from other loans and advances	1 255 960	199 260
Issue of debt securities	2 479 813	18 817
Issue of ordinary shares	64	1 966 203
Financing activity outflows	**6 761 269**	**3 376 157**
Repayments of loans and advances from other banks	4 290 141	2 912 297
Repayments of other loans and advances	9 732	17 236
Redemption of debt securities	2 075 810	96 714
Payments of financial lease liabilities	365	207
Dividends and other payments to shareholders	-	2 272
Other financing outflows	385 221	347 431
Net cash generated from financing activities	**(2 404 925)**	**737 505**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(1 111 805)**	**(1 037 957)**
Effects of exchange rate changes on cash and cash equivalents	(18 800)	(24 107)
Cash and cash equivalents at the beginning of the reporting period	5 805 816	6 867 880
Cash and cash equivalents at the end of the reporting period	**4 675 211**	**5 805 816**

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

BRE Bank SA Stand-alone Financial Information

Income Statement

	Note	IVth Quarter (current year) period from 01.10.2011 to 31.12.2011	IV Quarters cumulative (current year) period from 01.01.2011 to 31.12.2011	IVth Quarter (previous year) period from 01.10.2010 to 31.12.2010	IV Quarters cumulative (previous year) period from 01.01.2010 to 31.12.2010
Interest income		937 842	3 419 176	764 484	2 973 672
Interest expense		(453 579)	(1 544 826)	(332 131)	(1 440 820)
Net interest income		**484 263**	**1 874 350**	**432 353**	**1 532 852**
Fee and commission income		256 256	994 969	236 114	894 050
Fee and commission expense		(93 239)	(362 391)	(88 422)	(360 109)
Net fee and commission income		**163 017**	**632 578**	**147 692**	**533 941**
Dividend income		26	45 806	7	19 277
Net trading income, including:		103 040	402 414	95 732	392 518
Foreign exchange result		*101 636*	*375 062*	*83 099*	*357 027*
Other trading income and hedge accounting		*1 404*	*27 352*	*12 633*	*35 491*
Gains less losses from investment securities and investments in subsidiaries		(1 250)	68 870	10 469	11 362
Other operating income		23 363	69 597	31 659	66 617
Impairment losses on loans and advances		(76 630)	(318 684)	(89 531)	(561 942)
Overhead costs		(308 710)	(1 180 098)	(316 822)	(1 080 399)
Amortization and depreciation		(54 216)	(185 077)	(44 553)	(178 692)
Other operating expenses		(24 032)	(67 556)	(13 019)	(53 573)
Operating profit		**308 871**	**1 342 200**	**253 987**	**681 961**
Profit before income tax		**308 871**	**1 342 200**	**253 987**	**681 961**
Income tax expense		(68 473)	(276 188)	(63 837)	(164 237)
Net profit		**240 398**	**1 066 012**	**190 150**	**517 724**

Net profit			**1 066 012**		**517 724**
Weighted average number of ordinary shares	14		**42 093 950**		**36 679 683**
Earnings per ordinary share (in PLN)	14		**25.32**		**14.11**
Weighted average number of ordinary shares for diluted earnings	14		**42 134 853**		**36 709 325**
Diluted earnings per ordinary share (in PLN)	14		**25.30**		**14.10**

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

BRE Bank SA Stand-alone Financial Information

Statement of Comprehensive Income

	IVth Quarter (current year) period from 01.10.2011 to 31.12.2011	IV Quarters cumulative (current year) period from 01.01.2011 to 31.12.2011	IVth Quarter (previous year) period from 01.10.2010 to 31.12.2010	IV Quarters cumulative (previous year) period from 01.01.2010 to 31.12.2010
Net profit	**240 398**	**1 066 012**	**190 150**	**517 724**
Other comprehensive income net of tax	**(18 918)**	**2 549**	**(53 027)**	**227 130**
Exchange differences on translation of foreign operations (net)	(7 799)	(4 551)	683	(1 173)
Change in valuation of available for sale financial assets (net)	(11 119)	7 100	(53 710)	228 303
Total comprehensive income net of tax, total	**221 480**	**1 068 561**	**137 123**	**744 854**

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

BRE Bank SA Stand-alone Financial Information

Statement of Financial Position

ASSETS	31.12.2011	30.09.2011	31.12.2010
Cash and balances with the Central Bank	1 032 081	4 179 985	2 340 672
Loans and advances to banks	5 222 678	4 791 618	3 762 688
Trading securities	1 191 335	1 506 682	1 731 030
Derivative financial instruments	1 504 020	1 551 286	1 221 565
Loans and advances to customers	61 663 992	58 190 177	51 666 022
Hedge accounting adjustments related to fair value of hedged items	1 924	2 582	-
Investment securities	17 077 797	14 438 568	19 195 574
Pledged assets	4 338 332	2 893 539	1 828 724
Investments in subsidiaries	546 430	555 738	491 761
Intangible assets	389 807	364 465	379 981
Tangible fixed assets	542 410	499 684	534 450
Deferred income tax assets	63 194	43 185	62 291
Other assets	321 432	354 054	304 412
Total assets	**93 895 432**	**89 371 563**	**83 519 170**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	-	-	79
Amounts due to other banks	25 281 169	26 775 783	24 880 962
Derivative financial instruments	1 857 371	1 784 018	1 361 907
Amounts due to customers	54 018 635	48 583 782	46 798 243
Subordinated liabilities	3 456 200	3 440 301	3 010 127
Other liabilities	1 371 511	1 186 000	841 070
Current income tax liabilities	227 251	145 267	19 689
Provisions for deferred income tax	85	85	77
Provisions	72 304	70 329	76 058
Total liabilities	**86 284 526**	**81 985 565**	**76 988 212**
Equity			
Share capital	**3 493 812**	**3 493 761**	**3 491 812**
- Registered share capital	168 411	168 410	168 347
- Share premium	3 325 401	3 325 351	3 323 465
Retained earnings:	**3 972 711**	**3 728 936**	**2 897 312**
- Profit for the previous year	2 906 699	2 903 322	2 379 588
- Net profit for the current year	1 066 012	825 614	517 724
Other components of equity	**144 383**	**163 301**	**141 834**
Total equity	**7 610 906**	**7 385 998**	**6 530 958**
Total equity and liabilities	**93 895 432**	**89 371 563**	**83 519 170**
Capital adequacy ratio	**15.28**	**16.21**	**16.91**
Book value	**7 610 906**	**7 385 998**	**6 530 958**
Number of shares	**42 102 746**	**42 102 538**	**42 086 674**
Book value per share (in PLN)	**180.77**	**175.43**	**155.18**

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

BRE Bank SA Stand-alone Financial Information

Statement of Changes in Equity

Changes from 1 January to 31 December 2011

	Share capital			Retained earnings					Other components of equity		
	Registered share capital	Share premium	Paid, not registered share capital	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	Total equity
Equity as at 1 January 2011	168 347	3 323 465	-	1 603 654	10 791	765 143	517 724	-	(3 782)	145 616	6 530 958
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2011	168 347	3 323 465	-	1 603 654	10 791	765 143	517 724	-	(3 782)	145 616	6 530 958
Total comprehensive income								1 066 012	(4 551)	7 100	1 068 561
Transfer to General Risk Fund	-	-	-		-	60 000	(60 000)	-	-	-	-
Transfer to supplementary capital	-	-	-	457 724	-	-	(457 724)	-	-	-	-
Issue of shares	64	-	-	-	-	-	-	-	-	-	64
Stock option program for employees	-	1 936	-	-	9 387	-	-	-	-	-	11 323
- value of services provided by the employees	-	-	-	-	*11 323*	-	-	-	-	-	*11 323*
- settlement of exercised options	-	*1 936*	-	-	*(1 936)*	-	-	-	-	-	-
Equity as at 31 December 2011	168 411	3 325 401	-	2 061 378	20 178	825 143	-	1 066 012	(8 333)	152 716	7 610 906

Changes from 1 January to 30 September 2011

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

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

Changes from 1 January to 31 December 2010

	Share capital		Retained earnings					Other components of equity		Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General Risk Fund	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	
Equity as at 1 January 2010	**118 764**	**1 402 919**	**1 603 654**	**8 442**	**708 000**	**57 143**	**-**	**(2 609)**	**(82 687)**	**3 813 626**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2010	**118 764**	**1 402 919**	**1 603 654**	**8 442**	**708 000**	**57 143**	**-**	**(2 609)**	**(82 687)**	**3 813 626**
Total comprehensive income							**517 724**	**(1 173)**	**228 303**	**744 854**
Transfer to General Risk Fund	-	-	-	-	57 143	(57 143)	-	-	-	-
Issue of shares	49 583	1 929 907	-	-	-	-	-	-	-	1 979 490
Issue expenses	-	(13 287)	-	-	-	-	-	-	-	(13 287)
Stock option program for employees	-	3 926	-	2 349	-	-	-	-	-	6 275
- value of services provided by the employees	*-*	*-*	*-*	*6 275*	*-*	*-*	*-*	*-*	*-*	*6 275*
- settlement of exercised options	*-*	*3 926*	*-*	*(3 926)*	*-*	*-*	*-*	*-*	*-*	*-*
Equity as at 31 December 2010	**168 347**	**3 323 465**	**1 603 654**	**10 791**	**765 143**	**-**	**517 724**	**(3 782)**	**145 616**	**6 530 958**

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

BRE Bank SA Stand-alone Financial Information

Statement of Cash Flows

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
A. Cash flow from operating activities	460 887	(2 616 012)
Profit before income tax	1 342 200	681 961
Adjustments:	*(881 313)*	*(3 297 973)*
Income taxes paid (negative amount)	(69 869)	(20 614)
Amortisation	185 077	178 692
Foreign exchange (gains) losses related to financing activities	3 490 529	2 821 496
(Gains) losses on investing activities	(70 737)	3 593
Impairment of financial assets	-	(12 692)
Dividends received	(45 806)	(19 277)
Interest received	(2 661 853)	(2 163 569)
Interest paid	1 508 874	1 479 279
Changes in loans and advances to banks	(64 287)	(1 274 168)
Changes in trading securities	(219 416)	241 752
Changes in assets and liabilities on derivative financial instruments	213 009	139 061
Changes in loans and advances to customers	(7 477 681)	(5 391 230)
Changes in investment securities	(907 713)	(3 593 364)
Changes in other assets	(13 823)	27 589
Changes in amounts due to other banks	(7 691)	844 320
Changes in amounts due to customers	4 769 119	3 417 474
Changes in provisions	(3 754)	(32 731)
Changes in other liabilities	494 709	56 416
Net cash generated from operating activities	460 887	(2 616 012)
B.Cash flows from investing activities	(97 537)	(110 819)
Investing activity inflows	167 767	20 542
Disposal of shares in subsidiaries, net of cash disposed	121 317	-
Disposal of intangible assets and tangible fixed assets	644	1 265
Dividends received	45 806	19 277
Investing activity outflows	265 304	131 361
Acquisition of shares in subsidiaries, net of cash acquired	107 130	-
Purchase of intangible assets and tangible fixed assets	158 174	131 361
Net cash used in investing activities	(97 537)	(110 819)
C. Cash flows from financing activities	(1 687 829)	2 143 949
Financing activity inflows	1 539 758	3 892 958
Proceeds from loans and advances from other banks	283 734	1 727 495
Proceeds from other loans and advances	1 255 960	199 260
Issue of ordinary shares	64	1 966 203
Financing activity outflows	3 227 587	1 749 009
Repayments of loans and advances from other banks	2 823 069	1 400 142
Repayments of other loans and advances	9 732	9 454
Payments of financial lease liabilities	12 339	6 947
Other financing outflows	382 447	332 466
Net cash generated from financing activities	(1 687 829)	2 143 949
Net increase / decrease in cash and cash equivalents (A+B+C)	(1 324 479)	(582 882)
Effects of exchange rate changes on cash and cash equivalents	(18 827)	(24 107)
Cash and cash equivalents at the beginning of the reporting period	5 927 201	6 534 190
Cash and cash equivalents at the end of the reporting period	4 583 895	5 927 201

Explanatory Notes to the Consolidated Financial Statements

1. Information regarding the Group of BRE Bank SA

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

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

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

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

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

As at 31 December 2011, BRE Bank SA Group as covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA, the parent entity

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

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

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

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

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

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

As at 31 December 2011 the headcount of BRE Bank SA amounted to 4 729 FTEs (Full Time Equivalents). The headcount of the Group amounted to 6 294 FTEs (31 December 2010: Bank 4 416 FTEs, Group 6 018 FTEs).

As at 31 December 2011 the employment in BRE Bank SA was 5 683 persons and in the Group 8 158 persons (31 December 2010: Bank 5 300 persons, Group 7 023 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
- BRE Faktoring SA (previously Polfactor SA), subsidiary
- Transfinance a.s., subsidiary
- BRE GOLD Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, subsidiary

Trading and Investment

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

Retail Banking Segment (including Private Banking)

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

Other

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

Other information concerning companies of the Group

On 16 November 2011, the General Meeting of Shareholders of Polfactor SA adopted resolution to change the company's name to BRE Faktoring SA. The new name of the Company was registered on November 23, 2011 by decision of the Disctrict Court of Warsaw.

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

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

2. Description of Relevant Accounting Policies

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

2.1 Accounting Basis

These Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 12-month period ended 31 December 2011.

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

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

2.2 Consolidation

Subsidiaries

Subsidiaries comprise 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.

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

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

Changes in parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions and presented in other reserve capital.

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

Associates

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

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

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

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

Company	31.12.2011		31.12.2010	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
Aspiro SA	100%	full	100%	full
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Holding Sp. z o.o.	100%	full	100%	full
BRE Leasing Sp. z o.o.	100%	full	50.004%	full
BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia TUiR SA	100%	full	100%	full
BRE Wealth Management SA	100%	full	100%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full
BRE Faktoring SA (previously Polfactor SA)	100%	full	78.12%	full
Transfinance a.s.	100%	full	78.12%	full
BRE Finance France SA	99.98%	full	99.98%	full
BRE.locum SA	79.99%	full	79.99%	full
BRE GOLD FIZ Aktywów Niepublicznych	100% of certificates	full	100% of certificates	full
Intermarket Bank AG	-	-	56.24%	full
Magyar Factor zRt.	-	-	78.12%	full

Starting from the end of July 2011, the Bank stopped the consolidation of Intermarket Bank AG and Magyar Factor zRt. due to the completed sale of their shares.

2.3 Interest Income and Expenses

All interest income on financial instruments carried at amortised cost using the effective interest rate method are recognised in the Income Statement.

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

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

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

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

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

2.4 Fee and Commission Income

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

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

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

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

2.5 Insurance premium revenue

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

2.6 Compensations and benefits, net

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

2.7 Segment Reporting

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

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

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

2.8 Financial Assets

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

Financial assets valued at fair value through the Income Statement

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

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

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

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

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

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

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

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

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

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

Loans and Receivables

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

Held to Maturity Investments

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

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

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

Available for Sale Investments

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

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

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

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

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

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

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

2.9 Reinsurance assets

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

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

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

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

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

2.10 Offsetting Financial Instruments

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

2.11 Impairment of Financial Assets

Assets Carried at Amortised Cost

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

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

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

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

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

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

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

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

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

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

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

Assets Measured at Fair Value

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

Renegotiated agreements

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

2.12 Financial Guarantee Contracts

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

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

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

2.13 Cash and Cash Equivalents

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

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

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

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

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

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

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

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

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

2.15 Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instruments effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
- The hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.

- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

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

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

<u>Fair Value Hedges</u>

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.

<u>Cash Flow Hedges</u>

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.

<u>Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting</u>

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

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

2.16 Gains and Losses on Initial Recognition

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

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

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

2.17 Borrowings and deposits taken

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

2.18 Intangible Assets

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

Goodwill

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

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

Computer software

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

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

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

Development costs

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

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

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

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

2.19 Tangible Fixed Assets

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

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

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

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

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

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

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

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

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

2.20 Inventories

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

2.21 Non-Current Assets Held for Sale and Discontinued Operations

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

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

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

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

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

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

2.22 Deferred Income Tax

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

Liabilities or assets for deferred corporate income tax are recognised in their full amount according to the balance sheet method in connection with the existence of temporary differences between the tax value of assets and liabilities and their carrying value 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 provisions are netted against each other separately for each country where the Bank conducts its business and is obliged to settle corporate income tax.

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

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

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

2.23 Assets Repossessed for Debt

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

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

2.24 Prepayments, Accruals and Deferred Income

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

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

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

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

2.25 Leasing

BRE Bank SA Group as a Lessor

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

Revenue from leasing agreements is recognized as follows:

- Interests on finance lease

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

- Revenue from operating lease

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

BRE Bank SA Group as a Lessee

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

2.26 Provisions

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

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

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

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

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

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

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

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

2.27 Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

2.28 Equity

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

Registered share capital

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

- Own Shares

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

Share premium

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

- Share Issue Costs

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

Retained earnings

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

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

Other components of equity

Other components of equity result from:

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

2.29 Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

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

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

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

Companies Belonging to the Group

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

- assets and liabilities in each presented Statement of Financial Position are converted at the average rate of exchange of the National Bank of Poland (NBP) in force at the end of this reporting period;
- revenues and expenses in each Income Statement are converted at the rate equal to the arithmetical mean of the average rates quoted by NBP on the last day of each of 12 months of each presented period; whereas
- all resulting foreign exchange differences are recognised as a distinct item of equity.

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

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

Leasing Business

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

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

2.30 Trust and Fiduciary Activities

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

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

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

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

2.31 New Standards, Interpretations and Amendments to Published Standards

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

Standards and Interpretations approved by the European Union:

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

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

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

Standards and Interpretations approved by the European Union:

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

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

- IFRS 1 (Revised), Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, binding for annual periods starting on or after 1 July 2011.
- IFRS 9, Financial Instruments, binding for annual periods starting on or after 1 January 2013.
- IFRS 10, Consolidated Financial Statements (replaces the consolidation requirements in IAS 27), binding for annual periods starting on or after 1 January 2013.
- IFRS 11, Joint Arrangements, binding for annual periods starting on or after 1 January 2013.
- IFRS 12, Disclosure of Interests in Other Entities, binding for annual periods starting on or after 1 January 2013.
- IFRS 13, Fair Value Measurement, binding for annual periods starting on or after 1 January 2013.

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- IAS 12 (Revised), Income Taxes: Recovery of Underlying Assets, binding for annual periods starting on or after 1 January 2012.
- IAS 19 (Revised), Employee Benefits, binding for annual periods starting on or after 1 January 2013.
- IAS 27, Separate Financial Statements (together with IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements), binding for annual periods starting on or after 1 January 2013.
- IAS 28, Investments in Associates and Joint Ventures (Supersedes IAS 28, Investments in Associates), binding for annual periods starting on or after 1 January 2013.
- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income, binding for annual periods starting on or after 1 July 2012.
- Amendments to IAS 32, Offsetting Financial Assets and Financial Libilities, binding for annual periods starting on or after 1 January 2014.
- Amendments to IFRS 7, Disclosure - Offsetting Financial Assets and Financial Libilities, binding for annual periods starting on or after 1 January 2014.

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

2.32 Comparative Data

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

In the current reporting period, the Group has introduced modifications to the way of the balance-sheet registration of liabilities arising from cash funds of the Bank's clients, which were subject to outgoing transfer orders submitted beyond hours enabling execution of the transfer the same day. This change has been introduced in order to reflect the economic nature of the funds in a better way.

Moreover, the Group has introduced changes to the way of presenting receivables and liabilities arising from the Social Benefits Fund (SBF). In accordance with the legal nature of the funds, receivables and liabilities arising from SBF were removed from the report on the Group's Statement of Financial Position.

Additionally, starting from the financial statements for Q4 2011, the Group ceased to present debt securities eligible for rediscounting at the Central Bank in a separate line in the Statement of Financial Position and present them within the item 'Loans and advances to customers'.

The restatement had no impact on the profit and equity in presented comparative data as at 30 September 2011 and as at 31 December 2010.

The following combination presents the impact of the restatement on presented comparative data in the Consolidated and Stand-alone Financial Statements.

Changes in the BRE Bank Group Consolidated Statement of Financial Position as at 30 September 2011.

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

Changes in the BRE Bank Group Consolidated Statement of Financial Position as at 31 December 2010.

	31.12.2010 before adjustments	presentation adjustments	31.12.2010 after adjustments
Debt securities eligible for rediscounting at the Central Bank	3 686	(3 686)	-
Loans and advances to banks	2 510 892	(3 610)	2 507 282
Loans and advances to customers	59 370 365	3 686	59 374 051
Amounts due to customers	47 420 057	(269 104)	47 150 953
Other liabilities	871 130	265 494	1 136 624
Total assets	90 042 441	(3 610)	90 038 831
Total liabilities	82 965 156	(3 610)	82 961 546

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Changes in the BRE Bank Stand-alone Statement of Financial Position as at 30 September 2011.

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

Changes in the BRE Bank Stand-alone Statement of Financial Position as at 31 December 2010.

	31.12.2010 before adjustments	presentation adjustments	31.12.2010 after adjustments
Debt securities eligible for rediscounting at the Central Bank	3 686	(3 686)	-
Loans and advances to banks	3 764 172	(1 484)	3 762 688
Loans and advances to customers	51 662 336	3 686	51 666 022
Amounts due to customers	47 067 347	(269 104)	46 798 243
Other liabilities	573 450	267 620	841 070
Total assets	83 520 654	(1 484)	83 519 170
Total liabilities	76 989 696	(1 484)	76 988 212

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.

<u>Impairment of loans and advances</u>

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the Income Statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions (on the basis of which the estimated cash flow amounts and their anticipated timing are determined) are regularly verified.

<u>Fair value of derivative instruments</u>

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

<u>Technical-insurance provisions</u>

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

As at 31 December 2011 provisions for claims incurred but not reported to the insurer (IBNR) were calculated using the actuarial Naive Loss Ratio ULR (Ultimate Loss Ratio) method which requires in establishing the value of claims only on the basis of the expected loss ratio. The expected loss ratios are established on the basis of available market studies concerning loss arising from the given group of risks.

4. Business Segments

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

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

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

- The Retail Banking segment, which divides its customers into mBank customers, MultiBank customers and BRE Private Banking customers and which offers a full range of the Bank's banking products and services as well as specialized products offered by a number of subsidiaries belonging to the Retail Banking segment. The key products in this segment include current and savings accounts (including accounts in foreign currencies), term deposits, lending products (retail mortgage loans and non-mortgage loans such as cash loans, car loans, overdrafts, credit cards and other loan products), debit cards, insurance products, investment products and brokerage services offered to both individual customers and to micro-businesses. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of BRE Wealth Management SA, Aspiro SA as well as BRE Ubezpieczenia TUiR SA and BRE Ubezpieczenia Sp. z o.o..
- The Corporates and Financial Markets segment, which is divided into two sub-segments:
- *Corporates and Institutions* sub-segment (business line), which targets small, medium and large-sized companies and public sector entities. The key products offered to these customers include transactional banking products and services including current account products, multi-functional internet banking, tailor-made cash management and trade finance services, term deposits, foreign exchange transactions, a comprehensive offering of short-term financing and investment loans, cross-border credit, project finance, structured and mezzanine finance services, investment banking products including foreign exchange options, forward contracts, interest rate derivatives and commodity swaps and options, structured deposit products with embedded options (interest on structured deposit products are directly linked to the performance of certain underlying financial instruments such as foreign exchange options, interest rate options and stock options), debt origination for corporate clients, treasury bills and bonds, non-government debt, medium-term bonds, buy sell back and sell buy back transactions and repo transactions, as well as leasing and factoring services. The Corporates and Institutions sub-segment includes the results of the following subsidiaries:, BRE Leasing Sp. z o.o., Intermarket Bank AG, BRE Faktoring SA (previously 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. In 2011, this business line includes the financial results achieved by Intermarket Bank AG and Magyar Factor zRt till the date of sale of their shares held by the Group.
- *The Trading and Investment* 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 Dom Inwestycyjny BRE Banku SA.
- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment are reported under 'Other'. This segment includes the results of BRE.locum SA and Centrum Rozliczeń i Informacji CERI Sp. z o.o..

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

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

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

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

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

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

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

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

Business segment reporting on the activities of BRE Bank Group
for the period from 01.01.2011 to 31.12.2011
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment					
Net interest income	**673 027**	**169 463**	**1 321 427**	**(13 506)**	**(1 809)**	**2 148 602**	**2 148 602**
- sales to external clients	999 232	323 637	835 267	(7 725)	(1 809)	2 148 602	
- sales to other segments	(326 205)	(154 174)	486 160	(5 781)	-	-	
Net fee and commission income	**321 226**	**82 667**	**417 551**	**(1 317)**	**19 845**	**839 972**	**839 972**
- sales to external clients	306 132	95 029	420 280	(1 314)	19 845	839 972	
- sales to other segments	15 094	(12 362)	(2 729)	(3)	-	-	
Trading income	**150 528**	**124 386**	**148 055**	**1 122**	**-**	**424 091**	**424 091**
Gains less losses from investment securities, investments in subsidiaries and associates	**13 768**	**(1 923)**	**-**	**140**	**-**	**11 985**	**11 985**
Net impairment losses on loans and advances	**(209 327)**	**(6 142)**	**(157 998)**	**(3)**	**-**	**(373 470)**	**(373 470)**
Gross profit of the segment	**264 798**	**238 760**	**973 921**	**(16 101)**	**5 749**	**1 467 127**	**1 467 127**
Income tax						(322 692)	(322 692)
Net profit attributable to Owners of BRE Bank SA						1 134 972	1 134 972
Net profit attributable to non-controlling interests						9 463	9 463
Assets of the segment	**29 413 759**	**36 200 664**	**38 963 556**	**958 640**	**(6 660 972)**	**98 875 647**	**98 875 647**
Liabilities of the segment	**28 421 596**	**39 560 468**	**27 461 286**	**783 474**	**(5 423 842)**	**90 802 982**	**90 802 982**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(223 577)	(28 172)	(103 745)	(3 753)	-	(359 247)	
Amortisation/depreciation	(150 794)	(29 732)	(108 688)	37 802	-	(251 412)	(251 412)
Other costs/ income without cash outflows/ inflows*	1 469	31 635	3 922	(193)	(59)	36 774	
- other non-cash costs	*(2 210)*	*(1 858 655)*	*-*	*(193)*	*(4 732)*	*(1 865 790)*	
- other non-cash income	*3 679*	*1 890 290*	*3 922*	*-*	*4 673*	*1 902 564*	

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

Business segment reporting on the activities of BRE Bank Group
for the period from 1 January to 31 December 2010
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment					
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, investments in subsidiaries and associates	**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**	**991 881**	**(5 796 545)**	**90 038 831**	**90 038 831**
Liabilities of the segment	**24 519 486**	**36 897 685**	**25 768 464**	**443 513**	**(4 667 602)**	**82 961 546**	**82 961 546**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(149 832)	(24 149)	(81 998)	(981)	-	(256 960)	
Amortisation/depreciation	(121 267)	(23 266)	(88 872)	(3 645)	132	(236 918)	(236 918)
Other costs/ income without cash outflows/ inflows*	9 894	(177 675)	3 037	138	(3 644)	(168 250)	
- other non-cash costs	*(77)*	*(1 037 423)*	*(3)*	*-*	*1 891*	*(1 035 612)*	
- other non-cash income	*9 971*	*859 748*	*3 040*	*138*	*(5 535)*	*867 362*	

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

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5. Net Interest Income

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Interest income		
Loans and advances including the unwind of the impairment provision discount	2 829 659	2 449 816
Investment securities	799 132	768 623
Cash and short-term placements	143 349	149 498
Trading debt securities	85 011	41 674
Other	14 080	12 093
Total interest income	**3 871 231**	**3 421 704**
Interest expense		
Arising from amounts due to banks and customers	(1 575 552)	(1 487 987)
Arising from issue of debt securities	(84 886)	(68 206)
Other borrowed funds	(56 045)	(50 352)
Other	(6 146)	(4 195)
Total interest expense	**(1 722 629)**	**(1 610 740)**

Interest income related to impaired financial assets amounted to PLN 197 176 thousand (31 December 2010: PLN 203 744 thousand).

6. Net Fee and Commission Income

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Fee and commission income		
Payment cards-related fees	351 819	321 626
Credit-related fees and commissions	230 017	221 279
Commissions from insurance activity	167 441	150 287
Fees from brokerage activity	114 515	113 743
Commissions from bank accounts	111 509	104 168
Commissions from money transfers	89 070	78 599
Commissions due to guarantees granted and trade finance commissions	39 739	41 334
Commission for agency service regarding sale of products of external financial entities	68 782	65 531
Commissions on trust and fiduciary activities	16 525	11 972
Fees from portfolio management services and other management-related fees	12 634	11 644
Other	77 121	58 562
Total fee and commission income	**1 279 172**	**1 178 745**
Fee and commission expense		
Payment cards-related fees	(176 594)	(187 586)
Commissions paid to external entities for sale of the Bank's products	(80 469)	(88 506)
Insurance activity-related fees	(17 741)	(37 153)
Discharged brokerage fees	(29 893)	(27 274)
Other discharged fees	(134 503)	(92 307)
Total fee and commision expense	**(439 200)**	**(432 826)**

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the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Fee and commission income from insurance contracts		
- Income from insurance intermediation	151 108	135 164
- Income from insurance policies administration	16 333	15 123
Total fee and commission income from insurance contracts	**167 441**	**150 287**

7. Dividend Income

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Trading securities	85	26
Securities available for sale	15 028	8 147
Total dividend income	**15 113**	**8 173**

8. Net Trading Income

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Foreign exchange result	**393 943**	**369 982**
Net exchange differences on translation	361 154	447 469
Net transaction gains/(losses)	32 789	(77 487)
Other net trading income and result on hedge accounting	**30 148**	**40 690**
Interest-bearing instruments	32 842	16 058
Equity instruments	(4 090)	3 918
Market risk instruments	1 575	20 714
Result on hedge accounting, including:	(179)	-
- Net profit on hedged items	*1 924*	-
- Net profit on hedging instruments	*(2 103)*	-
Total net trading income	**424 091**	**410 672**

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

Starting from 2011, the Group applies fair value hedge accounting for part of the portfolio of fixed interest rate mortgage loans granted by foreign branches of the Bank in the Czech Republic. An Interest Rate Swap is the hedging instrument changing the fixed interest rate to a variable interest rate. The risk of change in interest rates is the only type of risk hedged within hedge accounting. Result from valuation of the hedged item and hedging instruments is presented in the aforementioned note.

9. Gains and Losses from Investment Securities, Investments in Subsidiaries and Associates

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Sale/redemption of financial assets available for sale, investments in subsidiaries and associates	11 985	46 046
Impairment of available for sale equity securities	-	(97)
Impairment of investments in associates	-	(801)
Total gains and losses from investment securities	**11 985**	**45 148**

In 2011, the amount of PLN 11 985 thousand includes mainly the result on sale of shares of BRELINVEST Sp. z o.o. Fly 2 Commandite Company and the result of the sale of BRE's shareholding in Intermarket Bank AG and Magyar Factor zRt. to Erste Group entities.

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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.

10. Other Operating Income

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	119 314	149 014
Income from insurance activity net	82 577	49 546
Income from services provided	24 544	52 042
Income due to release of provisions for future commitments	24 209	17 306
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	1 710	922
Income from compensations, penalties and fines received	972	286
Income from the release of impairment provisions for tangible fixed assets and intangible assets	43	-
Other	48 561	42 155
Total other operating income	**301 930**	**311 271**

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.

Net income from insurance activity generated in 2011 and 2010 respectively is presented below.

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Income from premiums		
- Premiums attributable	140 862	114 326
- Change in provision for premiums	3 460	(8 577)
Premiums earned	**144 322**	**105 749**
Reinsurer's shares		
- Gross premiums written	(56 378)	(36 201)
- Change in unearned premiums reserve	12 291	4 797
Reinsurer's share in premiums earned	**(44 087)**	**(31 404)**
Net premiums earned	**100 235**	**74 345**
Claims and benefits		
- Claims and benefits paid out in the current year including costs of liquidation before tax	(35 236)	(29 084)
- Change in provision for claims and benefits paid out in the current year including costs of liquidation before tax	(17 019)	(28 212)
- Reinsurer's share in claims and benefits paid out in the current year including costs of liquidation	29 429	22 865
- Change in provision for reinsurer's share of claims and benefits paid out in the current year including costs of liquidation	7 780	11 740
Claims and benefits net	**(15 046)**	**(22 691)**
- Other costs net of reinsurance	(2 276)	(1 800)
- Other operating income	75	45
- Costs of expertise and certificates concerning underwriting risk	(411)	(353)
Total net income from insurance activity	**82 577**	**49 546**

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11. Net Impairment Losses on Loans and Advances

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Net impairment losses on amounts due from other banks	8 257	(11 318)
Net impairment losses on loans and advances to customers	(390 804)	(634 637)
Net impairment losses on off-balance sheet contingent liabilities due to customers	9 077	11 176
Total net impairment losses on loans and advances	**(373 470)**	**(634 779)**

12. Overhead Costs

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Staff-related expenses	(810 253)	(744 400)
Material costs	(573 664)	(579 069)
Taxes and fees	(29 410)	(26 385)
Contributions and transfers to the Bank Guarantee Fund	(49 305)	(21 217)
Contributions to the Social Benefits Fund	(6 380)	(6 120)
Other	(2 489)	(3 160)
Total overhead costs	**(1 471 501)**	**(1 380 351)**

Staff-related expenses in 2011 and 2010 are presented below.

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Wages and salaries	(663 345)	(613 928)
Social security expenses	(92 899)	(86 357)
Pension fund expenses	(576)	(614)
Remuneration concerning share-based payments, including:	(13 021)	(8 807)
- share-based payments settled in BRE Bank SA shares	(11 323)	(6 275)
- cash-settled share-based payments	(1 698)	(2 532)
Other staff expenses	(40 412)	(34 694)
Staff-related expenses, total	**(810 253)**	**(744 400)**

13. Other Operating Expenses

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	(95 076)	(129 409)
Provisions for future commitments	(31 213)	(22 826)
Donations made	(3 296)	(3 152)
Compensation, penalties and fines paid	(616)	(1 530)
Costs arising from provisions created for other receivables (excluding loans and advances)	(10 736)	(1 520)
Costs of sale of services	(2 117)	(1 265)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(38)	(158)
Impairment losses on non-financial assets	(1 260)	-
Impairment provisions created for tangible fixed assets, intangible assets and other non-financial assets	(57)	(43)
Other operating costs	(33 774)	(47 685)
Total other operating expenses	**(178 183)**	**(207 588)**

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

Costs of sale of services concern non-banking services.

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14. Earnings per Share

Earnings per share for 12 months – BRE Bank Group consolidated data

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Basic:		
Net profit attributable to Owners of BRE Bank SA	1 134 972	641 602
Weighted average number of ordinary shares	42 093 950	36 679 683
Net basic profit per share (in PLN per share)	**26.96**	**17.49**
Diluted:		
Net profit attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	1 134 972	641 602
Weighted average number of ordinary shares	42 093 950	36 679 683
Adjustments for:		
- share options	40 903	29 642
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 134 853	36 709 325
Diluted earnings per share (in PLN per share)	**26.94**	**17.48**

Earnings per share for 12 months – BRE Bank stand alone data

the period	from 01.01.2011 to 31.12.2011	from 01.01.2010 to 31.12.2010
Basic:		
Net profit	1 066 012	517 724
Weighted average number of ordinary shares	42 093 950	36 679 683
Net basic profit per share (in PLN per share)	**25.32**	**14.11**
Diluted:		
Net profit applied for calculation of diluted earnings per share	1 066 012	517 724
Weighted average number of ordinary shares in issue	42 093 950	36 679 683
Adjustments for:		
- share options	40 903	29 642
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 134 853	36 709 325
Diluted earnings per share (in PLN per share)	**25.30**	**14.10**

15. Trading Securities and Pledged Assets

	31.12.2011			30.09.2011			31.12.2010		
	Trading securities	Pledged assets	Total	Trading securities	Pledged assets	Total	Trading securities	Pledged assets	Total
Debt securities:	**977 796**	**485 463**	**1 463 259**	**1 434 088**	**231 837**	**1 665 925**	**1 554 544**	**1 018 658**	**2 573 202**
Issued by government	534 110	485 463	1 019 573	703 083	231 837	934 920	1 289 275	1 018 658	2 307 933
- government bonds	533 962	485 463	1 019 425	697 468	231 837	929 305	195 908	1 011 107	1 207 015
- treasury bills	148	-	148	5 615	-	5 615	1 093 367	7 551	1 100 918
Other debt securities	443 686	-	443 686	731 005	-	731 005	265 269	-	265 269
- bank's bonds	134 710	-	134 710	242 162	-	242 162	51 211	-	51 211
- deposit certificates	171 134	-	171 134	278 683	-	278 683	102 605	-	102 605
- corporate bonds	137 842	-	137 842	210 160	-	210 160	111 453	-	111 453
Equity securities:	**13 763**	**-**	**13 763**	**14 904**	**-**	**14 904**	**11 112**	**-**	**11 112**
- listed	3 479	-	3 479	4 642	-	4 642	4 697	-	4 697
- unlisted	10 284	-	10 284	10 262	-	10 262	6 415	-	6 415
Total debt and equity securities:	**991 559**	**485 463**	**1 477 022**	**1 448 992**	**231 837**	**1 680 829**	**1 565 656**	**1 018 658**	**2 584 314**

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

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16. Derivative Financial Instruments

	31.12.2011		30.09.2011		31.12.2010	
	assets	liabilities	assets	liabilities	assets	liabilities
Derivative financial instruments held for trading	1 506 595	1 860 509	1 516 530	1 787 285	1 226 653	1 363 508
Derivative financial instruments held for hedging	-	2 238	-	2 439	-	-
Total derivative financial instruments assets/liabilities	**1 506 595**	**1 862 747**	**1 516 530**	**1 789 724**	**1 226 653**	**1 363 508**

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

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

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

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

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

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

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

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17. Loans and Advances to Customers

	31.12.2011	30.09.2011	31.12.2010
Loans and advances to individuals	38 693 835	38 291 758	33 658 660
Loans and advances to corporate entities	27 884 519	25 764 556	25 574 028
Loans and advances to public sector	3 178 376	2 156 803	1 923 019
Other receivables	483 070	594 110	668 115
Total (gross) loans and advances to customers	70 239 800	66 807 227	61 823 822
Provisions for loans and advances to customers (negative amount)	(2 388 284)	(2 357 272)	(2 449 771)
Total (net) loans and advances to customers	67 851 516	64 449 955	59 374 051
Short-term (up to 1 year)	22 756 309	22 175 281	22 208 297
Long-term (over 1 year)	45 095 207	42 274 674	37 165 754

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 2011 – PLN 3 210 276 thousand, 30 September 2011 – PLN 3 202 600 thousand, 31 December 2010 – PLN 2 935 600 thousand.

Provisions for Loans and Advances

	31.12.2011	30.09.2011	31.12.2010
Incurred but not identified losses			
Gross balance sheet exposure	66 980 307	63 252 760	58 538 664
Impairment provisions for exposures analysed according to portfolio approach	(212 390)	(205 393)	(215 893)
Net balance sheet exposure	66 767 917	63 047 367	58 322 771
Receivables with impairment			
Gross balance sheet exposure	3 259 493	3 554 467	3 285 158
Provisions for receivables with impairment	(2 175 894)	(2 151 879)	(2 233 878)
Net balance sheet exposure	1 083 599	1 402 588	1 051 280

18. Investment Securities and Pledged Assets

	31.12.2011			30.09.2011			31.12.2010		
	Investment securities	Pledged assets	Total	Investment securities	Pledged assets	Total	Investment securities	Pledged assets	Total
Debt securities	16 519 445	3 854 060	20 373 505	13 765 582	2 662 880	16 428 462	18 567 773	812 145	19 379 918
Listed, including:	16 519 445	3 854 060	20 373 505	13 765 582	2 662 880	16 428 462	18 478 028	812 145	19 290 173
Issued by government	9 646 531	3 854 060	13 500 591	9 597 556	2 662 880	12 260 436	10 246 321	812 145	11 058 466
- government bonds	9 505 891	3 852 869	13 358 760	9 448 995	2 176 910	11 625 905	9 714 635	790 299	10 504 934
- treasury bills	140 640	1 191	141 831	148 561	485 970	634 531	531 686	21 846	553 532
Issued by central bank	6 511 488	-	6 511 488	3 996 684	-	3 996 684	8 103 858	-	8 103 858
Other debt securities	361 426	-	361 426	171 342	-	171 342	127 849	-	127 849
- bank's bonds	327 811	-	327 811	138 480	-	138 480	94 346	-	94 346
- communal bonds	33 615	-	33 615	32 862	-	32 862	33 503	-	33 503
Unlisted	-	-	-	-	-	-	89 745	-	89 745
Equity securities:	177 767	-	177 767	178 898	-	178 898	194 915	-	194 915
Listed	156 556	-	156 556	159 119	-	159 119	179 828	-	179 828
Unlisted	21 211	-	21 211	19 779	-	19 779	15 087	-	15 087
Total debt and equity securities:	16 697 212	3 854 060	20 551 272	13 944 480	2 662 880	16 607 360	18 762 688	812 145	19 574 833
Short-term (up to 1 year)	9 954 397	586 954	10 541 351	6 240 984	672 495	6 913 479	10 480 533	21 846	10 502 379
Long-term (over 1 year)	6 742 815	3 267 106	10 009 921	7 703 496	1 990 385	9 693 881	8 282 155	790 299	9 072 454

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

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As at 31 December 2011 the above value of equity securities includes provisions for impairment in the amount of PLN 13 257 thousand (30 September 2011: PLN 13 257 thousand, 31 December 2010: PLN 13 257 thousand).

As at 31 December 2011, listed equity securities include fair value of PZU shares in amount of PLN 146 210 thousand (30 September 2011 – PLN 149 049 thousand, 31 December 2010 - PLN 168 212 thousand).

19. Intangible assets

	31.12.2011	30.09.2011	31.12.2010
Development costs	789	861	1 452
Goodwill	4 728	4 728	7 137
Patents, licences and similar assets, including:	313 368	314 753	333 317
- computer software	242 902	241 415	279 355
Other intangible assets	10 653	10 679	10 057
Intangible assets under development	107 231	76 765	75 874
Total intangible assets	**436 769**	**407 786**	**427 837**

20. Tangible assets

	31.12.2011	30.09.2011	31.12.2010
Tangible fixed assets, including:	765 993	714 580	733 648
- land	1 875	1 875	1 867
- buildings and structures	228 823	230 468	237 487
- equipment	168 804	129 858	132 444
- vehicles	216 964	202 242	194 824
- other fixed assets	149 527	150 137	167 026
Fixed assets under construction	66 462	42 961	43 972
Total tangible fixed assets	**832 455**	**757 541**	**777 620**

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21. Amounts due to Customers

	31.12.2011	30.09.2011	31.12.2010
Individual customers:	**26 700 892**	**25 620 220**	**25 068 308**
Current accounts	16 961 125	16 762 559	15 642 036
Term deposits	9 698 858	8 814 789	9 388 109
Other liabilities:	40 909	42 872	38 163
- liabilities in respect of cash collaterals	33 215	32 300	24 048
- other	7 694	10 572	14 115
Corporate customers:	**27 015 436**	**21 820 661**	**21 154 086**
Current accounts	11 043 677	9 965 371	9 682 381
Term deposits	11 645 963	8 176 557	7 697 956
Loans and advances received	1 848 575	1 401 808	473 606
Repo transactions	1 818 532	1 756 363	2 708 164
Other liabilities:	658 689	520 562	591 979
- liabilities in respect of cash collaterals	479 749	372 643	382 141
- other	178 940	147 919	209 838
Public sector customers:	**528 060**	**1 511 695**	**928 559**
Current accounts	447 481	1 446 809	896 407
Term deposits	64 783	47 675	22 141
Other liabilities:	15 796	17 211	10 011
- liabilities in respect of cash collaterals	18	-	-
- other	15 778	17 211	10 011
Total amounts due to customers	**54 244 388**	**48 952 576**	**47 150 953**

Short-term (up to 1 year)	51 677 581	46 686 487	45 622 160
Long-term (over 1 year)	2 566 807	2 266 089	1 528 793

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 2011 – PLN 1 982 622 thousand, 30 September 2011 – PLN 1 755 800 thousand, 31 December 2010 – PLN 1 958 300 thousand.

Selected Explanatory Information

1. Compliance with International Financial Reporting Standards

The presented consolidated report for the fourth quarter of 2011 fulfills 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 2011. The accounting policies were applied consistently over all periods presented in the financial statements.

3. Seasonal or Cyclical Nature of the Business

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

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

In Q4 2011, events as indicated above did not occur in the Group.

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

In Q4 2011, there were no significant changes in estimate values of items presented in previous reporting periods.

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

In Q4 2011, BRE Bank Hipoteczny issued bonds and mortgage bonds in amount of respectively: PLN 450 000 thousand and PLN 200 000 thousand. In the same time the company redeemed bonds in amount of PLN 231 100 thousand and mortgage bonds in amount of PLN 150 000 thousand.

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

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

8. Income and Profit by Business Segment

Income and profit by business segment within the Group are presented on the consolidated level in Note 4 of the Consolidated Financial Statements for the fourth quarter of 2011.

9. Significant Events After the End of Q4 2011, which are not Reflected in the Financial Statements

Events as indicated above did not occur in the Group.

10. Effect of Changes in the Structure of the Entity in Q4 2011, Including Business Combinations, Acquisitions or Disposal of Subsidiaries, Long-term Investments, Restructuring, and Discontinuation of Business Activities

Events as indicated above did not occur in the Group.

11. Changes in Contingent Liabilities and Commitments

In Q4 2011, there were no changes in contingent liabilities and commitments of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

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

Events as indicated above did not occur in the Group.

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

Events as indicated above did not occur in the Group.

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14. Reversals of Provisions Against Restructuring Costs

Events as indicated above did not occur in the Group.

15. Acquisitions and Disposals of Tangible Fixed Asset Items

In Q4 2011, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and property development operations that are performed by the companies of the Group.

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

Events as indicated above did not occur in the Group.

17. Corrections of Errors from Previous Reporting Periods

In Q4 2011, there were no corrections of errors from previous reporting periods.

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

Events as indicated above did not occur in the Group.

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

BRE Bank did not publish a performance forecast for the year 2011. The description of the 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 2011 was 42 102 746 shares (31 December 2010: 42 086 674) at PLN 4 nominal value each (30 September 2010: PLN 4). All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 DECEMBER 2011						
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
ordinary bearer	-	-	16 072	64 288	fully paid up in cash	2011
Total number of shares			42 102 746			
Total registered share capital				168 410 984		
Nominal value per share		4				

On 1 December 2011, the National Depository for Securities ('KDPW') made a registration of 208 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 14 March 2008 on the issuance of bonds with pre-emptive right to acquire shares of BRE Bank SA and the conditional increase of the share capital by 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.

As a result of the above registration on 1 December 2011, the BRE Bank's share capital increased by PLN 832.

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21. Material Share Packages

In Q4 2011, there were no changes in the holding of material share packages of the Bank.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 December 2011 it held 69.7173% of the share capital and votes at the General Meeting of BRE Bank SA (as at 30 September 2011 – 69.7176%).

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

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

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

22. Change in Bank Shares and Rights to Shares held by Managers and Supervisors

	Number of shares held as at the date of publishing the report for Q3 2011	Number of shares acquired from the date of publishing the report for Q3 2011 to the date of publishing the report for Q4 2011	Number of shares sold from the date of publishing the report for Q3 2011 to the date of publishing the report for Q4 2011	Number of shares held as at the date of publishing the report for Q4 2011
Management Board				
1. Cezary Stypułkowski	-	-	-	-
2. Karin Katerbau	2 611	-	-	2 611
3. Wiesław Thor	4 805	-	-	4 805
4. Przemysław Gdański	156	-	-	156
5. Hans-Dieter Kemler	122	-	122	-
6. Jarosław Mastalerz	2 603	-	-	2 603
7. Christian Rhino	5 838	208	-	6 046

As at the date of publishing the report for the third quarter of 2011 and as at the date of publishing the report for the fourth quarter of 2011, the Members of the Management Board had no Bank rights to shares and they have no Bank rights to shares.

As at the date of publishing the report for the third quarter of 2011 and as at the date of publishing the report for the fourth quarter of 2011 Mr. Andre Carls, Member of the Supervisory Board of BRE Bank SA, had 3 269 shares of BRE Bank SA. The other Members of the Supervisory Board of BRE Bank SA had no Bank shares nor Bank rights to shares and they have no Bank shares nor Bank rights to shares.

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

As at 31 December 2011, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the issuer or its subsidiaries which represent at least 10% of the issuer's equity. Moreover, the total value of claims concerning liabilities of the issuer or its subsidiary in all proceedings before a court, an arbitration body or a public administration authority as at 31 December 2011 was also not higher than 10% of the issuer's equity.

Report on major proceedings brought against the issuer

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

   At present proceedings are pending against BRE Bank in the Court of Jerusalem initiated by Bank Leumi and an insurance company of Bank Leumi, Migdal Insurance Company. It is an action for indemnity in the amount of USD 13.5 million (PLN 46.1 million translated at the average exchange rate of the National Bank of Poland as at 31 December 2011). This action was originally initiated by Art-B Sp. z o.o. Eksport – Import with its registered office in Katowice, under liquidation ('Art-B') against the main defendant Bank Leumi, whereas BRE Bank was garnished by Bank Leumi. Considering a settlement concluded between Art-B and Bank Leumi, and Migdal Insurance Company, on the basis of which Art-B received from Bank Leumi and Migdal Insurance Company an amount of USD 13.5 million, Bank Leumi and Migdal Insurance Company claim from BRE Bank refund of the amount paid to Art-B that is USD 13.5 million. BRE Bank's liability towards Bank Leumi and Migdal Insurance Company is under recourse.

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

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

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

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

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

   The case is pending.

4. Claims of clients of Interbrok

   Up to 3 February 2012, 153 entities who were clients of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (hereinafter referred to as Interbrok) called the Bank for amicable settlement in the total amount of PLN 296 461 thousand and via the District Court in Warsaw. In addition, up to 3 February 2012, 8 legal suits have been delivered to the Bank where former clients of Interbrok claimed compensation in the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that the Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. In all court cases the Bank moves for dismissal of the claims in entirety and objects to charges raised in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the case. Therefore, BRE Bank Group did not create provisions for the above claims. The District Court in Warsaw settled the aforementioned court cases and dismissed actions in all cases. As a consequence of the Court of Appeal verdict on 4 March 2010, one of the judgments becomes final and valid. On 22 June 2011, the Supreme Court dismissed the plaintiff's cassation appeal in the said case. As far as the remaining cases are concerned, on 21 December 2010 and 17 January 2012, the Court of Appeals revoked the judgments of the District Court and remanded the cases to the District Court in Warsaw for re-examination.

5. Class action against BRE Bank

   On 4 February 2011, BRE Bank SA received a class action brought to the District Court in Łódź on 20 December 2010 by the Municipial Ombudsman who represents a group of 867 persons – retail clients of BRE Bank.

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

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

   On 6 May 2011, the District Court in Łódź decided to reject the application of BRE Bank SA for dismissing the claim and decided that the case will proceed as a class action.

   On 13 June 2011, BRE Bank SA lodged a complaint against this decision with the Court of Appeal in Łódź. On 28 September 2011, the Court of Appeal dismissed the complaint of BRE Bank SA and so the case will proceed as a class action.

As at 31 December 2011, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries which represent at least 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2011 was also not higher than 10% of the issuer's equity.

Taxes

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

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

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

Within the period from 27 April to 23 May 2011, officers of the First Mazovian Treasury Office in Warsaw (Pierwszy Mazowiecki Urzad Skarbowy w Warszawie) carried out tax audits at the company BRE Leasing concerning correctness of the settlement of the value added tax for the period from 1 July to 31 December 2010. The audits did not identify any relevant irregularities.

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

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

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

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

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

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24. Off-balance Sheet Liabilities

Off-balance sheet liabilities as at 31 December 2011, 30 September 2011 and 31 December 2010, were as follows:

BRE Bank Group consolidated data

	31.12.2011	30.09.2011	31.12.2010
1. Contingent liabilities granted and received	**18 360 547**	**19 244 032**	**15 463 219**
Commitments granted	**17 346 021**	**17 822 673**	**14 331 938**
- financing	14 375 193	14 494 928	11 881 263
- guarantees and other financial facilities	2 967 250	3 327 033	2 449 814
- other commitments	3 578	712	861
Commitments received	**1 014 526**	**1 421 359**	**1 131 281**
- financial commitments received	430	391 347	14 828
- guarantees received	1 014 096	1 030 012	1 116 453
2. Derivative financial instruments (nominal value of contracts)	**490 688 148**	**462 071 967**	**304 382 025**
Interest rate derivatives	442 303 962	419 172 055	255 567 002
Currency derivatives	47 130 792	40 502 264	46 913 860
Market risk derivatives	1 253 394	2 397 648	1 901 163
Total off-balance sheet items	**509 048 695**	**481 315 999**	**319 845 244**

BRE Bank stand alone data

	31.12.2011	30.09.2011	31.12.2010
1. Contingent liabilities granted and received	**17 640 794**	**18 416 189**	**14 749 119**
Commitments granted	**16 627 040**	**16 999 559**	**13 659 448**
- financing	13 586 108	13 612 189	11 195 950
- guarantees and other financial facilities	3 037 588	3 387 370	2 463 498
- other commitments	3 344	-	-
Commitments received	**1 013 754**	**1 416 630**	**1 089 671**
- financial commitments received	430	391 347	130
- guarantees received	1 013 324	1 025 283	1 089 541
2. Derivative financial instruments (nominal value of contracts)	**490 860 815**	**462 656 557**	**304 135 017**
Interest rate derivatives	442 533 044	419 141 177	255 719 874
Currency derivatives	47 074 377	41 117 732	46 513 980
Market risk derivatives	1 253 394	2 397 648	1 901 163
Total off-balance sheet items	**508 501 609**	**481 072 746**	**318 884 136**

25. Transactions with Related Entities

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

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

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 2011, 30 September 2011 and 31 December 2010 were as follows:

Numerical data concerning transactions with related entities (in PLN '000) as at 31 December 2011

No.		Statement of Financial Position		Separate Income Statement						Contingent liabilities granted and received	
		Assets	Liabilities	Interest income	Interest expense	Commission income	Commission expense	Other operating income	Overhead costs amortization and depreciation and other operating expenses	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality										
1	AMBRESA Sp. z o.o.	-	404	-	(16)	3	-	-	-	-	-
2	BRE Corporate Finance SA	-	1 704	-	(68)	24	-	-	-	1 178	-
3	BRE Systems Sp. z o.o.	-	82	-	(3)	4	-	-	-	-	-
4	Tele-Tech Investment Sp. z o.o.	74 746	19 424	3 178	(1)	3	-	-	-	-	-
	Ultimate Parent Group										
	Commerzbank AG Capital Group	1 386 035	26 979 732	11 123	(445 009)	-	-	137	(9 764)	777 286	707 467

Numerical data concerning transactions with related entities (in PLN '000) as at 30 September 2011

No.		Statement of Financial Position		Separate Income Statement						Contingent liabilities granted and received	
		Assets	Liabilities	Interest income	Interest expense	Commission income	Commission expense	Other operating income	Overhead costs amortization and depreciation and other operating expenses	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality										
1	AMBRESA Sp. z o.o.	-	533	-	(12)	2	-	-	-	-	-
2	BRE Corporate Finance SA	-	1 746	-	(49)	22	-	-	(195)	1 150	-
3	BRE Systems Sp. z o.o.	-	124	-	(2)	4	-	-	-	-	-
4	Tele-Tech Investment Sp. z o.o.	70 798	16 374	2 277	(1)	2	-	2	-	-	-
	Ultimate Parent Group										
	Commerzbank AG Capital Group	1 358 008	28 752 016	1 996	(332 533)	-	-	109	(16 444)	771 735	707 669

Numerical data concerning transactions with related entities (in PLN '000) as at 31 December 2010

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

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

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

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

On 9 December 2011 Ms Karin Katerbau, Vice-President of the Management Board announced her intention to resign from BRE Bank in the first half of 2012. Following her departure from BRE Bank, Ms Karin Katerbau will become a Member of the Management Board of Oldenburgische Landesbank.

On 27 January 2011, BRE Bank made public an information concerning intention of Mr Christian Rhino, BRE Bank's Management Board Member and Chief Operation Officer, to resign from his function as of 31 March 2012. The reason for his resignation is a planned transfer to a new function in Commerzbank AG.

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 first quarter of 2012 that would have a significant impact on the profit of this period.