The BRE Bank SA Group

Registered auditor's report
on the consolidated financial statements
for the financial year ended 31 December 2007

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's report of the above-mentioned Polish Company. In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland.

The accompanying translated report has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

Registered Auditor's Report on the consolidated financial statements
To the General Shareholders' Meeting and the Supervisory Board of BRE Bank SA

This report contains 30 consecutively numbered pages and consists of:

I. General information about the Group

(a) BRE Bank SA („the Bank") was formed on the basis of Resolution No. 99 of the Council of Ministers of 20 June 1986. The Bank began operating on 2 January 1987. The Memorandum of Association was prepared in the form of a Notarial Deed drawn up at the State Notary Public's Office in Warsaw, on 11 December 1986 and registered with Rep. A I 5919/86. On 11 July 2001, the Bank was entered in the Register of Businesses maintained by the District Court in Warsaw, 19th Business Department of the National Court Register, with the reference number KRS 0000025237.

(b) On 24 June 1993, the Bank was assigned a tax identification number (NIP) 526-021-50-88. For statistical purposes, the Bank was assigned a REGON number 001254524 on 2 June 1998.

(c) The Bank's registered share capital as at 31 December 2007 amounted to PLN 118,642,672 and consisted of 29,660,668 shares, each of PLN 4 par value.

(d) In the audited year, the Group's operations comprised:

- accepting placements repayable on demand or on maturity and maintaining bank accounts for these placements;
- maintaining other bank accounts;
- clearing cash transactions;
- granting loans and advances;
- granting and confirming bank guarantees and opening letters of credit;
- issuing bank and other securities;
- performing commissioned tasks related to issuing securities;
- conducting forward transactions;
- issuing cards and conducting transactions with the use of cards;
- taking up or purchasing shares and the related rights, shares in other entities and units and certificates of investment in investment funds;
- soliciting customers for pensions funds;
- acting in the capacity of a depositary within the meaning assigned by the Polish Pension Funds Act;
- acting in the capacity of a depositary within the meaning assigned by the Polish Investment Funds Act, accepting instructions to purchase, repurchase and subscribe to units or certificates of investment in investment funds;
- keeping registers of pension fund participants and registers of investment fund participants;
- performing tasks classified as insurance intermediation;
- trading in securities, providing custody services, maintaining securities accounts and performing tasks related to the provision of custody services.

I. General information about the Group (cont.)

(e) During the audited year the following people were on the Bank's Management Board:

• Sławomir Lachowski	Chairman of the Board
• Jerzy Jóźkowiak	Board Member
• Bernd Loewen	Board Member
• Rainer Ottenstein	Board Member
• Wiesław Thor	Board Member
• Janusz Wojtas	Board Member
• Jarosław Mastalerz	Board Member since 1 August 2007

(f) The Bank issues securities admitted to trading on the Warsaw Stock Exchange. As permitted by the Accounting Act, the Bank has elected, commencing 2005, to prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The decision to prepare the Bank's financial statements in accordance with those standards was taken by the General Shareholders' Meeting by Resolution No. 1 passed on 27 January 2005.

I. General information about the Group (cont.)

(g) As at 31 December 2007, the following entities comprised the BRE Bank SA Group:

Company name	Nature of equity relationship (% interest)	Consolidation method	Auditor	Type of opinion	Balance sheet date
BRE Bank SA	Parent	Not applicable	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2007
BRE Bank Hipoteczny SA	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007
BRE Corporate Finance SA	Subsidiary (100.00%)	Acquisition	Grant Thornton Sp. z o.o.	unqualified	31 December 2007
BRE Wealth Management SA (formerly: Skarbiec Investement Management SA)	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007
Dom Inwestycyjny BRE Banku SA	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007
Garbary Sp. z o.o.	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007
emFinanse Sp. z o.o.	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007
PTE Skarbiec – Emerytura SA	Subsidiary (100.00%)	Acquistion	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007
Tele-Tech Investment Sp. z o.o.	Subsidiary (100.00%)	Acquistion	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007
BRE Finance France SA	Subsidiary (99.98%)	Acquisition	PricewaterhouseCoopers Audit	unqualified	31 December 2007
BRE.locum SA	Subsidiary (79.99%)	Acquisition	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007
Magyar Factor zRt.	Subsidiary (78.12%)	Acquisition	PricewaterhouseCoopers Kft.	unqualified	31 December 2007
Polfactor SA	Subsidiary (78.12%)	Acquisition	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007
Transfinance a.s.	Subsidiary (78.11%)	Acquisition	Ernst & Young s.r.o.	with explanatory clause	31 December 2007
Intermarket Bank AG	Subsidiary (56.24%)	Acquisition	Ernst & Young G.m.b.H	with explanatory clause	31 December 2007
BRE Leasing Sp. z o.o.	Subsidiary (50.004%)	Acquisition	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2007

II. Information about the audit

(a) PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 22 of the General Shareholders' Meeting of BRE Bank SA of 16 March 2007 in accordance with paragraph 11 of the Bank's Bylaws.

(b) PricewaterhouseCoopers Sp. z o.o. and the registered auditor conducting the audit are independent of the Group entities within the meaning of art. 66, clause 2 of the Accounting Act.

(c) The audit was conducted on the basis of an agreement dated 17 July 2006, in the following periods:

- Interim audit from 12 November 2007 to 21 December 2007
- Final audit from 2 January 2008 to 28 February 2008.

III. The Group's results and financial position

The observations below are based on knowledge obtained during the audit of the consolidated financial statements.

The consolidated financial statements do not take account of inflation. The consumer price index (on a December to December basis) amounted to 4.0% (1.4% in 2006).

BRE Bank SA is the Parent Company of the Group. In the audited year, the Group was composed of the Bank and 34 subordinated companies (including 16 consolidated subsidiaries, and 1 associate, disclosed in the financial statements under the equity method). The remaining companies were considered immaterial to the consolidated financial statements. In the prior year, the Group was composed of the Bank and 42 subordinated companies (including 18 consolidated subsidiaries and 1 associate disclosed in the consolidated financial statements under the equity method, the remaining being considered immaterial to the consolidated financial statements).

Factors described below had a significant impact on the Group's financial results, equity and financial standing as at the balance sheet date.

- In 2007, the Group focused on developing retail banking while continuing to develop corporate banking, as well as investment banking. At the same time, the restructuring of the remaining Group segments, mainly the "Asset management" segment, continued. On 25 September 2006, as part of these activities, the Bank signed a conditional contract for selling the shares of Skarbiec Asset Management Holding S. A. ("SAMH") to Polish Enterprise Fund V, L.P. ("PEF V"). The sale contract was finalized on 8 January 2007, with the Bank selling 72.582 shares in SAMH for a total of PLN 155,000 thousand. In 2007, the Bank's Board took further steps to sell shares in PTE Skarbiec – Emerytura SA. On 29 June 2007, the Bank and Aegon Woningen Nova B.V., the shareholder of a 100% stake in PTE Ergo Hestia SA, concluded the agreement on a merger between PTE Ergo Hestia and PTE Skarbiec – Emerytura and the "Option Agreement" regarding the sale of shares from the merger issue held by the Bank. Both transactions need to be approved by the Financial Supervision Commission.

- At the end of the financial year, the Group's total assets amounted to PLN 55,982,973 thousand. During the year, total assets increased by PLN 13,652,392 thousand, i.e. by 32%. This increase was financed mainly with the net profit on continued and discontinued operations (including the profit of minority interests) of PLN 747,617 thousand and an increase in amounts due to customers and banks of PLN 7,732,007 thousand and PLN 4,314,554 thousand, respectively.

- Compared with the end of the prior year, the Group's share capital increased by PLN 20,486 thousand. The increase resulted from an issue of 144,633 ordinary shares in BRE Bank SA as part of the management options scheme.

III. The Group's results and financial position (cont.)

- In 2007, the structure of assets changed, resulting in a significant increase in net loans and advances granted to customers of PLN 10,637,971 thousand, an increase in investment securities of PLN 3,331,058 thousand and in pledged assets of PLN 1,005,978 thousand. At the same time, there was a decrease in cash and balances with the central bank of PLN 1,713,072 thousand.
- The net profit for the year on continued and discontinued operations, including minority interests increased by PLN 301,223 thousand to PLN 747,617 thousand compared with the prior year. The net profit for the current year on continued operations, including minority interests, amounted to PLN 660,977 thousand and increased by PLN 250,728 thousand compared with 2006. The net profit on continued operations comprised mainly: net interest income of PLN 1,027,783 thousand, net fee and commission income of PLN 564,278 thousand, net trading income of PLN 486,468 thousand, overheads including amortisation and depreciation of PLN 1,279,644 thousand, net impairment losses on loans and advances of PLN 76,810 thousand and income tax expense of PLN 184,578 thousand.
- The operating profit on continued operations was PLN 310,962 thousand higher than in 2006, mainly due to an increase in net interest income of PLN 303,605 thousand, and as a result of higher net interest income and fee and commission income, as well as net trading income, of PLN 147,868 thousand and PLN 86,883 thousand, respectively. The increase was partly offset by an increase in overheads and amortization and depreciation, which increased by a total of PLN 235,267 thousand, mainly as a result of higher personnel costs and a decrease in net gains on investment securities of PLN 18,688 thousand.
- At the same time, in the audited financial year, the corporate income tax expense in respect of continued operations was PLN 60,346 thousand higher. The increase in income tax expense on continued operations was mainly due to an increase in the corporate income tax expense of PLN 152,764 thousand, which was partly offset by a decrease in deferred income tax of PLN 92,418 thousand.
- Profit before tax on discontinued operations amounted to PLN 108,990 thousand in 2007, and increased by PLN 67,111 thousand compared with the prior year. The profit before tax on discontinued operations comprised mainly the profit on sales of Skarbiec Asset Management Holding SA of PLN 89,458 thousand. The remaining part of the profit before tax represented the income statement of PTE Skarbiec – Emerytura SA. The corporate income tax expense on discontinued operations amounted to PLN 22,350 thousand and increased by PLN 16,616 thousand compared with the prior year.
- Return on capital employed calculated as net profit for the year on continued operations, including minority interests to average net assets, including the net profit for the period, amounted to 21.80% and was 4.46 percentage points higher than in 2006. In 2007, gross profitability also increase and amounted to 21.78% compared with 18.11% for 2006.

IV. Discussion of financial statement components

CONSOLIDATED BALANCE SHEET as at 31 December 2007

	Note	31.12.2007 PLN'000	31.12.2006 PLN'000	Change PLN'000	Change (%)	31.12.2007 Structure (%)	31.12.2006 Structure (%)
ASSETS							
Cash and balances with the Central Bank	1	2,003,535	3,716,607	(1,713,072)	(46)	4	9
Bills eligible for rediscounting at the Central Bank		23,259	26,725	(3,466)	(13)	-	-
Amounts due from banks	2	2,089,936	2,844,124	(754,188)	(27)	4	7
Trading securities	3	3,403,174	3,516,149	(112,975)	(3)	6	9
Derivative financial instruments	4	2,272,638	1,413,065	859,573	61	4	3
Loans and advances to customers	5	33,682,665	23,044,694	10,637,971	46	60	55
Investment securities	6	6,386,574	3,055,516	3,331,058	109	11	7
Non-current assets held for sale	7	336,078	385,194	(49,116)	(13)	1	1
Pledged assets	8	3,708,158	2,702,180	1,005,978	37	7	6
Investments in associates		4,823	5,356	(533)	(10)	-	-
Intangible assets	9	404,967	381,111	23,856	6	1	1
Property, plant and equipment	10	670,213	580,108	90,105	16	1	1
Deferred tax assets	33	116,290	65,112	51,178	79	-	-
Other assets	11	880,663	594,640	286,023	48	1	1
TOTAL ASSETS		**55,982,973**	**42,330,581**	**13,652,392**	**32**	**100**	**100**

IV. Discussion of financial statement components (cont.)

CONSOLIDATED BALANCE SHEET as at 31 December 2007 (cont.)

	Note	31.12.2007 PLN'000	31.12.2006 PLN'000	Change PLN'000	Change (%)	31.12.2007 Structure (%)	31.12.2006 Structure (%)
LIABILITIES AND EQUITY							
Liabilities		**52,541,650**	**39,708,382**	**12,833,268**	**32**	**94**	**94**
Amounts due to other banks	12	12,286,940	7,972,386	4,314,554	54	22	19
Derivative financial instruments and other trading liabilities	13	2,164,214	1,253,900	910,314	73	4	3
Amounts due to customers	14	32,401,863	24,669,856	7,732,007	31	58	58
Debt securities in issue	15	2,928,414	3,389,559	(461,145)	(14)	5	8
Subordinated liabilities	16	1,661,785	1,547,354	114,431	7	3	4
Other liabilities	17	879,975	759,799	120,176	16	2	2
Current income tax liabilities	33	134,234	20,047	114,187	570	-	-
Deferred tax provision	33	455	312	143	46	-	-
Provisions	18	71,227	70,168	1,059	2	-	-
Liabilities held for sale	7	12,543	25,001	(12,458)	(50)	-	-
Equity	19	**3,441,323**	**2,622,199**	**819,124**	**30**	**6**	**6**
Share capital		1,517,432	1,496,946	20,486	1	3	4
Revaluation reserve		74,204	5,110	69,094	1352	-	-
Retained earnings		1,732,875	1,028,710	704,165	68	3	2
Minority interests		116,812	91,433	25,379	28	-	-
TOTAL LIABILITIES AND EQUITY		**55,982,973**	**42,330,581**	**13,652,392**	**32**	**100**	**100**

IV. Discussion of financial statement components (cont.)

CONSOLIDATED INCOME STATEMENT for the financial year ended 31 December 2007

	Note	2007 PLN'000	2006 PLN'000	Change PLN'000	Change (%)	2007 Structure (%)	2006 Structure (%)
Net interest income	20	1,027,783	724,178	303,605	42	44	40
Net fee and commission income	21	564,278	416,410	147,868	36	24	23
Dividend income	22	2,327	16,865	(14,538)	(86)	-	1
Net trading income	23	486,468	399,585	86,883	22	21	22
Net profit / (losses) on investment securities	24	3,834	22,522	(18,688)	(83)	-	1
Other operating income	25	249,661	229,039	20,622	9	11	13
Net impairment losses on loans and advances	26	(76,810)	(45,961)	(30,849)	67	(5)	(4)
Overheads	27	(1,103,319)	(879,492)	(223,827)	25	(74)	(69)
Depreciation and amortization	28	(176,325)	(164,885)	(11,440)	7	(12)	(13)
Other operating expenses	29	(132,342)	(183,668)	51,326	(28)	(9)	(14)
Operating profit/(loss)		**845,555**	**534,593**	**310,962**	**58**	**-**	**-**
Share in profits/(losses) of associates		**-**	**(112)**	**112**	**(100)**	**-**	**-**
Profit/(Loss) on ordinary activities before tax		**845,555**	**534,481**	**311,074**	**58**	**-**	**-**
Corporate income tax	30	(184,578)	(124,232)	(60,346)	49	-	-
Net profit (loss) on continued operations, including profit (loss) of minority shareholders		**660,977**	**410,249**	**250,728**	**61**	**-**	**-**
Profit/(Loss) on discontinued operations before tax		**108,990**	**41,879**	**67,111**	**160**	**-**	**-**
Corporate income tax	30	(22,350)	(5,734)	(16,616)	290	-	-
Net profit/(loss) on discontinued operations		**86,640**	**36,145**	**50,495**	**140**	**-**	**-**
Net profit (loss) on continued and discontinued operations, including profit (loss) of minority shareholders		**747,617**	**446,394**	**301,223**	**67**	**-**	**-**
Gain (loss) of minority interests		37,523	25,136	12,387	49	-	-
Net profit/(loss)		710,094	421,258	288,836	69	-	-
Total revenue and profits from continued operations		2.334,351	1,808,599	525,752	29	100	100
Total costs of, and losses on continued operations		(1,488,796)	(1,274,118)	(214,678)	17	(100)	(100)
Gross profit on continued operations		**845,555**	**534,481**	**311,074**	**58**	**-**	**-**

IV. Discussion of financial statement components (cont.)

Selected ratios characterizing the Group's financial position and results (*)

	31.12.2007	31.12.2006
Profitability ratios		
Return on equity (net profit for the period / average net assets) (1)	21.80%	17.34%
Return on equity (net profit for the period / average net assets excluding profit for the year) (2)	24.69%	19.04%
Return on assets (profit/loss before income tax for the period / average assets) (1)	1.72%	1.42%
Gross profitability (profit/loss before income tax for the period / total income)	21.78%	18.11%
Interest income to working assets (interest income / average working assets) (1)	5.22%	4.97%
Costs to income (overheads / profit on banking operations) (3)	61.38%	66.12%
Gearing ratios		
Cost of borrowings (interest expense for the year / average interest-paying liabilities) (1)	3.06%	2.94%
Equity to equity & liabilities (average equity / total average equity and liabilities) (1)	6.17%	6.30%
Asset ratios		
Loans to assets (average amounts due from banks and customers/ average total assets) (1)	64.28%	63.58%
Impaired loans to gross loans to banks and customers	2.20%	3.63%
Working assets to total assets	91.63%	91.91%
Liquidity ratios		
Liquidity I (assets maturing within 1 month / liabilities maturing within 1 month) (4)	0.41	0.50
Liquidity II (assets maturing within 3 months / liabilities maturing within 3 months) (4)	0.53	0.61
Capital market ratios		
Earnings per share (in accordance with IAS 33)	PLN 21.08	PLN 13.12
Carrying value per share	PLN 112.08	PLN 85.74
Other ratios		
Equity in accordance with KNB Resolution 2/2007	PLN 3,971,101 thousand	PLN 2,975,333 thousand
Total regulatory capital requirement including the capital requirement to cover excess exposures (total regulatory capital requirement in accordance with KNB Resolution 1/2007)	PLN 3,127,259 thousand	PLN 2,290,618 thousand
Capital adequacy ratio in accordance with KNB Resolution 1/2007	10.16%	10.39%

(*) The ratio calculated based on the profit on continued operations, including minority interests.
(1) The average balances of assets calculated based on the balances of particular items as at the start and the end of the current and prior year.
(2) The net profit or loss on banking operations is understood as the profit or loss on continued operations less general administrative expenses, net impairment losses on loans and advances to customers and other operating income and expenses.
(3) The net profit on continued operations, including the profit of minority shareholders in relation to average net assets excluding the net profit on continued and discontinued operations for the year for which the ratio is calculated.
(4) Individual ratios may differ from the ratios presented in the consolidated financial statements due to a different calculation method being used.

IV. Discussion of financial statement components (cont.)

Consolidated balance sheet as at 31 December 2006

1. Cash and balances with the Central Bank

As at 31 December 2007 the Group's "Cash and balances with the Central Bank" amounted to PLN 2,003,535 thousand and were PLN 1,713,072 thousand lower than in the prior year.

The Bank had the largest share in the balance which amounted to PLN 1,998,380 thousand and was 46% lower in relation to the PLN 3,710,737 thousand at the end of the prior year. The decrease in the balance was mainly due to the expiry of a placement with the National Bank of Poland (NBP) which amounted to PLN 2,400,530 thousand as at 31 December 2006. At the same time, cash in the current account with the NBP increased by PLN 694,055 thousand to PLN 1,901,629 thousand as at 31 December 2007.

2. Amounts due from banks

As at 31 December 2007, amounts due from banks amounted to PLN 2,089,936 thousand. Compared with the balance at the end of 2006, there was a decrease of PLN 754.188 thousand, i.e. of 27%.

The Bank showed the largest balance of amounts due from banks as at 31 December 2007, which amounted to PLN 1,983,632 thousand. Compared with the balance at the end of 2006, this item decreased by PLN 794,550 thousand, i.e. by 29%, mainly due to a lower balance of short-term deposits with other banks of PLN 1,118,438 thousand, combined with an increase in repo transactions of PLN 389,527 thousand.

Other companies showing significant balances as at the balance sheet date were: BRE Bank Hipoteczny SA (PLN 35,132 thousand), Dom Inwestycyjny BRE Banku (PLN 32,304 thousand) and Intermarket Bank AG (PLN 23,441 thousand).

3. Trading securities

As at 31 December 2007, "Trading securities" amounted to PLN 3,403,174 thousand. Compared with the balance at the end of the prior year, this position decreased by PLN 112,975 thousand, i.e. by 3%.

The Bank had the largest share in the balance, showing trading securities as at the balance sheet date (after eliminating mutual transactions) of PLN 3,400,491 thousand. The Bank's balance of trading securities decreased by PLN 30,195 thousand in the audited year. A decrease in trading securities also occurred at BRE Bank Hipoteczny SA (a decrease of PLN 84,611 thousand compared with the prior year).

The decrease in the carrying value resulted mainly from a decrease in the portfolio of debt securities of PLN 346,145 thousand, i.e. 13%. There was also a significant change in the Treasury bills portfolio which decreased by PLN 95,131 thousand i.e. by 89%. These decreases were partly offset by an increase in the portfolio of Treasury bonds of PLN 336,275 thousand.

IV. Discussion of financial statement components (cont.)

4. Derivative financial instruments

The balance of derivative financial instruments amounted to PLN 2,272,638 thousand as at 31 December 2007 and increased by PLN 859,573 thousand, i.e. by 61%, compared with the prior year.

The increase in this item resulted mainly from the increase of PLN 529,602 thousand resulting from the valuation of foreign exchange derivatives to PLN 1,160,355 thousand, mainly FX swap contracts (an increase of PLN 267,211 thousand), currency options (an increase of PLN 106,927 thousand), CIRS contracts (an increase of PLN 81,715 thousand) and FX forward transactions (an increase of PLN 74,358 thousand).

In addition, in 2007 an increase in the valuation of interest rate derivatives of PLN 343,684 thousand to PLN 892,122 thousand occurred. This item was affected mostly by the change in the value of interest rate swaps (an increase of PLN 232,944 thousand) and forward rate agreements (an increase of PLN 102,357 thousand). This increase was partly offset by a decrease in the value of market risk-related instruments of PLN 13,713 thousand.

5. Loans and advances to customers

The balance of "Loans and advances to customers" amounted to PLN 33,682,665 thousand as at 31 December 2007 and increased by PLN 10,637,971 thousand, i.e. 46% compared with the previous year.

(a) Structure of the loan portfolio in terms of types of loans

The corporate loans in the amount of PLN 19,477,259 thousand and retail loans in the amount of PLN 13,876,425 thousand constituted the majority of the total loan portfolio as at 31 December 2007. The corporate loans increased by PLN 5,235,918 thousand in comparison to the previous year, as a result of the increased loan portfolio in the Bank of PLN 3,445,739 thousand, in BRE Bank Hipoteczny SA of PLN 815,016 thousand and in BRE Leasing Sp. z o.o. of PLN 927,586 thousand. The increase in the retail portfolio of PLN 4,993,683 thousand resulted from the increase of the retail portfolio in BRE of PLN 5,025,443 (mainly as a result of the increase in number of mortgage loans granted by mBank and Multibank), which was partly compensated by the decrease of retail portfolio in BRE Bank Hipoteczny SA of PLN 31,760 thousand.

(b) Structure of the loan portfolio in terms of quality

In the audited year, the quality of loan portfolio improved. The gross amount of impairment loans and advances decreased by PLN 168,977 thousand and amounted to PLN 800,377 thousand as at 31 December 2007. The decrease of gross amount of loan portfolio was accompanied by the decrease of the write-offs of PLN 159,853 to the level of PLN 570,243 thousand as at 31 December 2007. These changes resulted from the sale of the separated part of portfolio to the securitization fund. The coverage ratio of the impaired loan portfolio amounted to 71% as at 31 December 2007 and increased by 4 percentage points in comparison to the previous year.

IV. Discussion of financial statement components (cont.)

5. Loans and advances to customers (cont.)

The gross amounts due covered by portfolio analysis was PLN 33,564,991 thousand and it increased by PLN 10,652,469 thousand. The increase of the loan portfolio was accompanied by the increase of portfolio provision of PLN 5,474 thousand to the level of PLN 112,460 thousand as at 31 December 2007. Apart from the increase of the portfolio of loans and advances the increase in the portfolio provision resulted also from the use in the calculation the changed PD ratios (probability of default) and longer loss identification periods.

6. Investment securities

As at 31 December 2007, the balance of "Investment securities" amounted to 6,386,574 thousand, which represented an increase of PLN 3,331,058 thousand, i.e. 109% compared with PLN 3,055,516 thousand at the end of 2006.

Both at the end of the audited year and at the end of the prior year, the balance comprised solely financial assets classified as available-for-sale. All the financial assets of the Group held to maturity (PLN 88,744 thousand as at 31 December 2007 and PLN 68,456 thousand as at 31 December 2006) were in the portfolio of PTE Skarbiec - Emerytura S.A. and due to the plan to sell the shares of this company, were shown as "Assets held for sale".

The increase in available-for-sale securities resulted mainly from an increase (of PLN 3,235,531 thousand) in the portfolio of debt securities. These changes took place mainly at the Bank, where the largest increases related to debt securities issued by the State Treasury.

7. Non-current assets and liabilities held for sale

As at the end of the audited year, the balance comprised assets and liabilities of the Group related to the investment in PTE Skarbiec – Emerytura S.A. (consolidated balance sheet of the company and goodwill arising on its acquisition).

As at 31 December 2007, non-current assets held for sale amounted to PLN 336,078 thousand, and liabilities held for sale amounted to PLN 12,543 thousand (compared with PLN 385,194 thousand and PLN 25,001 thousand, respectively, at the end of 2006). The decrease in the balance of assets of PLN 49,116 thousand and in liabilities of PLN 12,458 thousand resulted from the Group's sale of shares in Skarbiec Asset Management Holding SA, whose assets and liabilities had also been presented as held for sale at the end of 2006. The sale of shares in Skarbiec Asset Management Holding SA to Polish Enterprise Fund V L.P. was accounted for on 8 January 2007, based on the agreement of 15 September 2006.

As at the end of 2007, the Bank continued to classify its investment in PTE Skarbiec – Emerytura SA as non-current assets and liabilities held for sale. In 2007, the Bank's Board took further steps to sell PTE Skarbiec – Emerytura SA. On 29 June 2007, the Bank and Aegon Woningen Nova B.V., the shareholder of 100% stake in PTE Ergo Hestia SA, concluded the agreement on a merger of PTE Ergo Hestia and PTE Skarbiec – Emerytura and the option agreement regarding the sale of shares of the merger issue held by the Bank. The merger will be effected by PTE Ergo Hestia acquiring the assets of PTE Skarbiec – Emerytura. The merger and the sale of shares must both be approved by the Polish Financial Supervision Commission.

IV. Discussion of financial statement components (cont.)

7. Non-current assets and liabilities held for sale (cont.)

Moreover, the merger requires approval from the Office of Competition and Consumer Protection, which was obtained on 27 September 2007. The option contract contains call and put options in the form of irrevocable offers giving the right to buy (sell) all shares of the merger issue held by the Bank as a result of the merger. The sale of shares needs to be approved by the Financial Supervision Commission.

Irrespective of the fact the initial classification of shares in PTE Skarbiec – Emerytura SA as non-current assets and liabilities held for sale and the classification of its net profit or loss as the profit or loss on discontinued operations took place more than 12 months ago, the Bank maintained the classification due to the fact that the delay in sale was due to events which are outside the Bank's control (obtaining approval for the sale from the market regulator).

The details of the components of the Group's non-current assets and liabilities held-for-sale are presented in Note 28 to the Group's consolidated financial statements.

8. Pledged assets

As at the balance sheet date, the balance of "Pledged assets" amounted to PLN 3,708,158 thousand. The Bank's share in the Group's pledged assets both at 31 December 2007 and at 31 December 2006 was almost 100%. As at 31 December 2007, the Bank's balance of the pledged assets amounted to PLN 3,707,359 thousand and increased by PLN 1,005,868 thousand, i.e. by 37%, compared to balance at the end of 2006. The increase was mainly due to an increase in securities provided as collateral for sell-buy back transactions of PLN 982,952 thousand, i.e. 37%.

The Group also showed debt securities pledged to the Bank Guarantee Fund as pledged assets. As at 31 December 2007, they amounted to PLN 80,442 thousand, compared to PLN 57,416 thousand at the end of the prior financial year.

9. Intangible assets

As at the balance sheet date, "Intangible assets" of the Group amounted to PLN 404,967 thousand, representing an increase of PLN 23,856 thousand, i.e. 6% compared with the prior year.

The balance comprised mainly intangible assets of the Bank of PLN 379,504 thousand, which increased by PLN 23,368 thousand compared with the prior period, mainly due to expenses incurred on intangible assets in the course of construction.

10. Property, plant and equipment

As at 31 December 2007, "Property, plant and equipment" amounted to PLN 670,213 thousand, representing an increase of PLN 90,105 thousand, i.e. of 16% compared with 31 December 2006.

The largest increase in the value of property, plant and equipment was noted by the Bank, where it increased by PLN 54,120 thousand, i.e. 11%, to PLN 525,046 thousand compared with the prior year. The increase was mainly due to additions to vehicles of PLN 26,571 thousand and expenditure on fixed assets in the course of construction of PLN 77,037 thousand.

IV. Discussion of financial statement components (cont.)

10. Property, plant and equipment (cont.)

A significant increase was also noted by BRE Leasing Sp. z o.o., where the gross book value of PPP increased by PLN 25,720 thousand compared to the prior year, and reached the level of PLN 102,424 thousand. The change in the balance of PPP was mainly due to additions in vehicles of PLN 14,736 thousand and in machinery and technical equipment of PLN 6,092 thousand.

11. Other assets

In the audited period, the balance of "Other assets" as at the end of 2007 increased by PLN 286,023 thousand (48%) to PLN 880,663.

The major items of "Other assets" of the Group were as follows: "Inventory" (PLN 364,747 thousand, i.e. 41% of the balance) and "Debtors" (PLN 277,968 thousand, i.e. 32% of the balance).

The increase comprised mainly the increase in inventories of PLN 167,947 thousand resulting mainly from an increase in inventories of BRE.locum SA amounting to PLN 136,887 thousand (real estate for sale) and of BRE Leasing Sp. z o.o. amounting to PLN 33,589 thousand (lease assets purchased by the Company, which will be transferred to the lessors in 2008). The increase was mainly due to an increase in the balance of "Debtors" of PLN 74,833 thousand, mainly as a result of an increase in this item at DI BRE Bank SA of PLN 97,233 thousand, partly offset by a decrease at BRE Leasing Sp. z o.o. of PLN 36,314 thousand.

12. Amounts due to other banks

"Amounts due to other banks" increased by PLN 4,314,554 thousand compared with the balance as at 31 December 2006 to PLN 12,286,940 thousand as at 31 December 2007.

As at the balance sheet date, the major components of the balance were: loans and advances received of PLN 10,316,862 thousand, term deposits of PLN 792,730 thousand and cash on current accounts of PLN 567,619 thousand.

The increase in these liabilities resulted mainly from an increase in loans and advances received of PLN 4,041,035 thousand. The change resulted mainly from the increase in loans and advances obtained by the Bank (of PLN 2,499,284 thousand) and by BRE Leasing Sp. z o.o. (of PLN 1,190,358 thousand).

13. Derivative financial instruments and other trading liabilities

The balance of "Derivative financial instruments and other trading liabilities" amounted to PLN 2,164,214 thousand as at 31 December 2007, which represented an increase of PLN 910,314 thousand, i.e. 73%.

IV. Discussion of financial statement components (cont.)

13. Derivative financial instruments and other trading liabilities (cont.)

An increase in this item was mainly due to an increase in the valuation of FX derivatives of PLN 638,126 thousand, to PLN 1,028,397 thousand, and in interest rate derivatives of PLN 295,950 thousand, to PLN 916,234 thousand. This increase was partly offset by a decrease in the valuation of market risk-related transactions of PLN 23,762 thousand, to PLN 219,583 thousand.

14. Amounts due to customers

As at the balance sheet date, "Amounts due to customers" amounted to PLN 32,401,863 thousand, which represented an increase of PLN 7,732,007 thousand, i.e. 31% compared with the balance as at 31 December 2006.

The increase resulted mainly from an increase in amounts due to corporate customers of PLN 3,756,955 thousand (25%), amounts due to individual customers of PLN 3,426,576 thousand (36%), and amounts due to public sector customers of PLN 548,476 thousand (351%).

The vast majority of the Group's amounts due to customers were amounts due to customers of the Bank of PLN 31,372,196 thousand (97% of the balance). The remaining part of the balance consists of amounts due to customers of DI BRE Bank SA of PLN 591,541 thousand and of BRE Bank Hipoteczny SA of PLN 278,799 thousand.

15. Debt securities in issue

As at 31 December 2007, the balance of this item amounted to PLN 2,928,414 thousand and decreased by PLN 461,145 thousand, i.e. 14% during the audited year.

The balance comprised mainly mortgage bonds issued by BRE Bank Hipoteczny SA of PLN 2,004,264 thousand, bonds issued by BRE Finance France BV of PLN 731,750 thousand and bonds of PLN 155,590 thousand issued by BRE Leasing Sp. z o.o.

The change in the balance of liabilities in respect of debt securities as at the end of 2007 was mainly due to redemption of bonds by BRE Finance France BV (a decrease of PLN 923,896 thousand) and BRE Leasing Sp. z o.o. (a decrease of PLN 124,250 thousand), partly offset by the issue of mortgage bonds by BRE Bank Hipoteczny SA (an increase of PLN 586,406 thousand).

16. Subordinated liabilities

As at 31 December 2007, the Group's balance of subordinated liabilities amounted to PLN 1,661,785 thousand representing a 7% increase compared with PLN 1,547,354 thousand as at 31 December 2006. The whole balance pertained to the Bank.

IV. Discussion of financial statement components (cont.)

16. Subordinated liabilities (cont.)

The changes in 2007 resulted mainly from the agreement concluded by the Bank for the early redemption of two tranches of subordinated bonds totalling EUR 250,000 thousand. At the same time, the Bank issued new subordinated bonds of CHF 400,000 thousand and drew a subordinated loan of CHF 120,000 thousand. The remaining portion of the balance as at 31 December 2007 comprised also bonds with a nominal value of EUR 100,000 thousand and CHF 80,000 thousand issued in prior periods.

17. Other liabilities

As at 31 December 2007, "Other liabilities" amounted to PLN 879,975 thousand and increased by PLN 120,176 thousand, i.e. by 16%, compared with 31 December 2006.

The balance included mainly liabilities to creditors of PLN 304,729 thousand, deferred income of PLN 190,926 thousand, provisions for other liabilities to employees of PLN 149,005 thousand and accruals of PLN 116,852 thousand.

The increase in "Other liabilities" compared with 31 December 2006 was mainly due to an increase of PLN 85,061 thousand in liabilities to creditors, an increase in deferred income of PLN 52,996 thousand and in provisions for other liabilities to employees of PLN 40,487 thousand. The increase in these items was partly offset by a decrease in interbank settlements of PLN 42,604 thousand and in the balance of the Social Fund of PLN 20,105 thousand.

18. Provisions

As at the balance sheet date, "Provisions" amounted to PLN 71,227 thousand, representing an increase of PLN 1,059 thousand (2%) compared with the prior year.

The balance as at 31 December 2007 comprised impairment write-downs for off-balance sheet items of PLN 58,060 thousand, provisions for disputes of PLN 4,355 thousand and other provisions for liabilities of PLN 8,812 thousand.

The increase in provisions was mainly due to an increase in impairment write-downs for off-balance sheet items of PLN 4,690 thousand, which was partly offset by a decrease in provisions for disputes of PLN 3,105 thousand.

IV. Discussion of financial statement components (cont.)

19. Equity

	31.12.2006	Revenue (costs) recognized in equity	Capital increase on exercise of Management Share Options	Net profit for the year	Other changes	31.12.2007
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
Share capital	1,496,946		20,486	-	-	1,517,432
Revaluation reserve	5,110	69,094	-	-	-	74,204
Retained earnings	1,028,710	0	(5,929)	710,094	-	1,732,875
Minority interests	91,433	(3,366)	-	37,523	(8,778)	116,812
Total	**2,622,199**	**65,728**	**14,557**	**747,617**	**(8,778)**	**3,441,323**

As at the balance sheet date, "Equity" amounted to PLN 3,441,323 thousand (PLN 2,622,199 thousand as at 31 December 2006).

In the audited year, the Group's share capital increased by PLN 20,486 thousand. The increase resulted from an increase in registered share capital of PLN 579 thousand through an issue of 144,633 shares, each with a nominal value of PLN 4. At the same time, the share capital increased by PLN 13,330 thousand as a result of recording a share premium, and by PLN 6,577 thousand due to transferring the valuation of options exercised in the audited year from retained earnings. All these changes resulted from the execution of the Management Share Option Scheme, approved by Resolution No. 29 of the General Shareholders' Meeting of BRE Bank SA dated 21 May 2003, at the issue price of PLN 96.16.

In the audited period, the revaluation reserve increased by PLN 69,094 thousand. The increase reflected the valuation of the portfolio of financial assets available for sale of PLN 75,352 thousand and the recognition of foreign exchange losses of PLN 6,258 thousand relating to consolidation of foreign subsidiaries and the fact that the Bank has foreign branches.

The increase in "Retained earnings" of PLN 704,165 thousand was mainly due to the consolidated net profit for 2007 of PLN 710,094 thousand, partly offset by the settlement of the employee share option scheme of PLN 5,929 thousand.

IV. Discussion of financial statement components (cont.)

19. Equity (cont.)

As at 31 December 2007, the Bank's shareholders were:

Shareholder	**Number of shares held**	**Par value of shares held**	**Type of shares held (ordinary / preference)**	**% of voting rights**
Commerzbank Auslandsbanken Holding AG	*20,719,692*	*82,878,768*	*ordinary*	*69.86%*
BZ WBK AIB Asset Management SA	*1,486,325*	*5,945,300*	*ordinary*	*5.01%*
Other shareholders	*7,454,651*	*29,818,604*	*ordinary*	*25.13%*
	29,660,668			***100.00%***

In 2007, Commerzbank Auslandsbanken Holding AG, a subsidiary of Commerzbank AG, remained the main shareholder of BRE Bank SA.

Due to the issue of shares in 2007, in connection with the implementation of the Management Share Options Scheme, the interest of the major shareholder of the Bank fell from 70.20% as at the end of the prior year to 69.86%. As at 31 December 2007, the threshold of 5% of the Bank's shareholding was also exceeded by BZ WBK AIB Asset Management SA, holding 5.01% of the Bank's shares. Thus, the interest held by the remaining shareholders amounted to 25.13%.

20. Minority interests

Minority interests comprised interests in the share capital of the following companies:

	31.12.2007	**31.12.2006**
	PLN '000	**PLN '000**
Intermarket Bank AG	52,843	49,309
BRE Leasing Sp. z o.o.	44,405	30,271
BRE.locum SA	11,985	7,082
Transfinance a.s.	3,487	2,535
Polfactor SA	2,731	1,195
Magyar Factor Rt.	1,361	1,041
TOTAL	**116,812**	**91,433**

Minority interests increased by PLN 25,379 thousand to PLN 116,812 thousand compared with the prior financial year. The increase was related to recognizing profits of subsidiaries attributable to minority shareholders of PLN 37,523 thousand, partly offset by the payment of dividend to minority shareholders of PLN 6,360 thousand, foreign exchange losses of PLN 3,366 thousand and the return of repayable contributions to capital by BRE.locum SA of PLN 2,418 thousand.

IV. Discussion of financial statement components (cont.)

21. Reconciliation of the net profits/losses of consolidated companies with the net profit of the Group

		31.12.2007 PLN '000
(a)	Net profit of BRE Bank SA	637,231
	Net profits of consolidated entities	212,322
	Total net profit per the financial statements (consolidated packages) of the consolidated companies	**849,553**
(b)	Impairment write-down of goodwill	(4,501)
(c)	Difference between the profit on sale of shares in subsidiaries realized by the Bank and the Group	(4,162)
(d)	Dividends	(41,010)
(e)	Other consolidation adjustments	(52,263)
	Net profit of the Group on continued and discontinued operations	**747,617**

22. Reconciliation of the net assets of the consolidated companies and the consolidated net assets of the Group

		31.12.2007 PLN '000
(a)	Net assets of BRE Bank SA	3,080,133
	Net assets of consolidated companies	940,348
	Total net assets	**4,020,481**
(b)	Adjustments (b-e; as above) for continued and discontinued operations in aggregate	(101,936)
(c)	Elimination of share capitals of the subsidiaries	(420,132)
(d)	Elimination of other capitals and reserves	(57,090)
	Consolidated net assets	**3,441,323**

IV. Discussion of financial statement components (cont.)

Consolidated income statement for the year ended 31 December 2007

23. Net interest income

Interest income and expense are shown in the table below:

	2007 PLN '000	2006 PLN '000	Change PLN '000	Change (%)
Interest income	2,355,279	1,700,551	654,728	39
Interest expense	(1,327,496)	(976,373)	(351,123)	36
Net interest income	**1,027,783**	**724,178**	**303,605**	**42**

In the current financial year, there was an increase in "Net interest income" of PLN 303,605 thousand to PLN 1,027,783 thousand. The increase in net interest income resulted from the fact that the growth of interest income (39%) was faster than the growth of interest expense (36%).

The increase in interest income included the increase in interest income on loans and advances, including the reversal of discount on impairment write-downs, of PLN 490,424 thousand in total, to PLN 1,713,284 thousand, an increase in interest income on investment securities of PLN 94,908 thousand to PLN 184,481 thousand and an increase in interest income on cash and short-term placements of PLN 49,615 thousand to PLN 268,495 thousand.

Interest expense comprised mainly settlements with banks and customers of PLN 1,095,770 thousand and expenses on the issue of debt securities of PLN 168,682 thousand. The increase in interest expense of PLN 351,123 thousand resulted mainly from the increase in interest expense settlements with banks and customers of PLN 353,167 thousand.

Net interest income was mainly generated by the Bank where it amounted to PLN 838,757 thousand, representing 82% of the balance in the Group. The Bank's net interest income increased by PLN 244.034 thousand compared with the prior financial year, mainly due to an increase of PLN 409,696 thousand in interest income on loans and advances including the reversal of discount on impairment write-downs, to PLN 1,265,118 thousand, and in interest income on investment securities of PLN 94,656 thousand to PLN 179,413 thousand. The increase in interest income was partly offset by an increase in interest expense on settlements with banks and customers of PLN 285,153 thousand to PLN 916,202 thousand.

The increase in net interest income was also due to an increase in the net interest income of BRE Leasing of PLN 25,814 thousand to PLN 108,162 thousand, and of BRE Bank Hipoteczny SA of 14,699 thousand to PLN 75,710 thousand.

IV. Discussion of financial statement components (cont.)

24. Net fee and commission income

Fee and commission income and expense are shown in the table below:

	2007 PLN '000	2006 PLN '000	Change PLN '000	Change (%)
Fee and commission income	785,237	582,771	202,466	35
Fee and commission expense	(220,959)	(166,361)	(54,598)	33
Net fee and commission income	**564,278**	**416,410**	**147,868**	**36**

In the current financial year, net fee and commission income increased by PLN 147,868 thousand (36%) to PLN 564.278 thousand, which was the result of the 35% increase in fee and commission income to PLN 785,237 thousand and the 33% increase in fee and commission expense to PLN 220.959 thousand.

The level of net fee and commission income can mainly be attributed to the increase in net fee and commission income of the Bank, which amounted to PLN 380,332 thousand and was PLN 116,103 higher than in the prior year, mainly due to an increase in fees and commissions on lending operations and in commissions for handling payment card transactions.

Other consolidated companies having a significant effect on this item were: Dom Inwestycyjny BRE Bank SA with net fee and commission income of PLN 97,034 thousand, Intermarket Bank AG with PLN 27,344 thousand, Polfactor SA with PLN 14,222 thousand and Transfinance a.s. with PLN 14,093 thousand.

25. Dividend income

In 2007, dividend income amounted to PLN 2,327 thousand, representing a decrease of PLN 14,538 thousand, i.e. 86%, compared with the prior year.

The balance comprised mainly dividend income received by the Bank, including dividend from Krajowa Izba Rozliczeniowa SA (PLN 1,250 thousand), Service Point Sp. z o.o. (PLN 500 thousand) and Biuro Informacji Kredytowej SA (PLN 453 thousand). Dividends from other companies whose shares were held by the Group amounted to PLN 124 thousand.

26. Net trading income

Income and expense components of net trading income are shown in the table below:

	2007 PLN '000	2006 PLN '000	Change PLN '000	Change (%)
Foreign exchange position	434,956	354,140	80,816	23%
Net other trading income	51,512	45,445	6,067	13%
Net trading income	**486,468**	**399,585**	**86,883**	**22%**

IV. Discussion of financial statement components (cont.)

26. Net trading income (cont.)

In the current financial year, there was an increase in net trading income of PLN 86,883 thousand to PLN 486,468 thousand. The change resulted from an increase in foreign exchange position of PLN 80,816 thousand to PLN 434,956 thousand and an increase in net other trading income of PLN 6,067 thousand to PLN 51,512 thousand.

The increase in the Group's net trading income was mainly realized by the Bank, where it went up by PLN 78,858 thousand to PLN 473,918 thousand in 2007. The change was mainly due to the increase in the foreign exchange position of PLN 72,658 thousand and an increase in net other trading income of PLN 6,200 thousand.

27. Net profit on investment securities

In 2007, the Group earned a profit on investment securities of PLN 3,834 thousand, i.e. PLN 18,688 thousand lower than in the prior year.

The net profit on investment securities resulted mainly from gains generated by the Bank on the sale of debt securities classified as available for sale.

28. Other operating income

Other operating income amounted to PLN 249,661 thousand and went up by PLN 20,622 thousand, i.e. by 9%, compared with 2006.

The largest increase in other operating income occurred in BRE.locum SA (an increase of PLN 10,758 thousand to PLN 151,663 thousand) and related to development activities. The increase in other operating income of the Group was also due to other operating income generated by the Bank, which increased by PLN 5,016 thousand.

29. Net impairment losses on loans and advances

In the current financial year, impairment write-downs on loans and advances net of income from releasing these write-downs amounted to 76,810 thousand and increased by PLN 30,849 thousand compared with the current financial year.

The increase resulted mainly from an increase of PLN 32,073 thousand to PLN 58,222 thousand in net impairment write-downs on loans and advances in the Bank as a result of a significant growth of the Bank's loan portfolio. The increase in the Bank was partly offset by lower impairment write-downs on loans and advances of BRE Leasing Sp. z o.o., where they dropped by PLN 5,664 thousand compared with the prior year.

IV. Discussion of financial statement components (cont.)

30. Group overheads

Overhead costs in 2007 amounted to PLN 1,103,319 thousand and increased by PLN 223,827 thousand (i.e. by 25%) compared with the expenses incurred in the prior year.

The increase was mainly due to the increase in personnel costs of PLN 152,661 thousand to PLN 628,586 thousand and an increase in running costs of PLN 68,652 thousand to PLN 447,729 thousand. The increase in personnel costs was mainly due to the increased costs of basic salaries of PLN 135,604 thousand resulting from an increase in the number of employees and salary increases.

The largest overheads in the audited year were incurred by the Bank (PLN 840,930 thousand), BRE Leasing Sp. z o.o. (PLN 59,783 thousand), Dom Inwestycyjny BRE Banku SA (PLN 56,069 thousand), Intermarket Bank AG (PLN 33,130 thousand) and BRE Bank Hipoteczny SA (PLN 31,241 thousand).

31. Depreciation and amortization

In 2007, the depreciation and amortization charge for the year amounted to PLN 176,325 thousand and was PLN 11,440 thousand (7%) higher than in the prior year. Amortization and depreciation comprised amortization of intangible assets of PLN 71,169 thousand and depreciation of property, plant and equipment of PLN 105,156 thousand.

32. Other operating expenses

In 2007, other operating expenses decreased by PLN 51,326 thousand to PLN 132,342 thousand.

The decrease resulted from a decrease in costs of selling services of PLN 28,953 thousand, in costs of provisions for future liabilities of PLN 11,551 thousand and in claims, penalties and fines paid of PLN 11,027 thousand.

The decrease in other operating expenses of the Group was mainly due to a decrease in other operating expenses of the Bank, amounting to PLN 51,094 thousand.

33. Income tax expense

	12 months to 31.12.2007	**12 months to 31.12.2006**	**Change**
	PLN '000	**PLN '000**	**PLN '000**
Current portion of income tax	(232,819)	(80,055)	(152,764)
Deferred income tax	48,241	(44,177)	92,418
Corporate income tax expense	**(184,578)**	**(124,232)**	**(60,346)**

The Bank's current and deferred income tax of PLN 132,935 thousand had the largest impact on the Group's income tax expense.

IV. Discussion of financial statement components (cont.)

33. Income tax expense (cont.)

Other Group companies also contributed to the Group's income tax expense, where the largest income tax charges related to the following companies:

Consolidated company	Income tax due	Company's share in income tax due	Deferred income tax	Company's share in deferred income tax
	(PLN '000)	(%)	(PLN '000)	(%)
BRE Leasing Sp. z o.o.	(59,593)	26	48,619	101
Dom Inwestycyjny BRE Banku SA	(12,589)	5	1,833	4
BRE Bank Hipoteczny SA	(11,449)	5	4,380	9
BRE.locum SA	(9,661)	4	297	1
Intermarket Bank AG	(5,359)	2	1,035	2
Transfinance a.s.	(4,274)	2	-	-
Polfactor SA	(2,514)	1	(160)	-
Other	(3,185)	1	977	1
Total Group companies	**(108,624)**	**46**	**56,981**	**118**
The Bank	**(124,195)**	**54**	**(8,740)**	**(18)**
Total	**(232,819)**	**100**	**48,241**	**100**

34. Discontinued operations

In connection with the steps undertaken by the Bank to sell PTE Skarbiec – Emerytura SA, the balance sheet of the company, including goodwill, has been presented as non-current assets and liabilities held for sale. At the same time, in 2007 the sale of Skarbiec Asset Management Holding SA (SAMH) was realized. The balance sheet of SAMH, including goodwill, had been presented as non-current assets and liabilities held for sale as at the end of the prior year. Both companies represented the majority of the Group's asset management segment. As a result, in accordance with IFRS 5, in the income statement income and expenses of PTE Skarbiec – Emerytura SA and the gain on the sale of SAMH have been presented separately and disclosed as a separate item in the financial statements as discontinued operations.

Profit before tax on discontinued operations for 2007 amounted to PLN 108,990 thousand and increased by PLN 67,111 thousand compared with the prior financial year. The income tax expense relating to discontinued operations amounted to PLN 22,350 thousand, representing an increase of PLN 16,616 thousand compared with the prior year. The net profit on discontinued operations for 2007 amounted to PLN 86,640 thousand and was PLN 50,495 thousand higher than in the prior year.

Details of the components of the Group's profit on discontinued operations are presented in Note 28 to the consolidated financial statements of the Group.

IV. Discussion of financial statement components (cont.)

35. Off-balance sheet items

As at 31 December 2007, off-balance sheet items amounted to PLN 656,366,113 thousand and increased by PLN 99,546,200 thousand compared with the end of 2006.

The largest increase related to "Commitments related to purchase/sale transactions", which increased by PLN 95,489,216 thousand to PLN 636,990,965 thousand. The increase was the result of a higher volume of derivatives' transactions and thus, a higher value of transactions concluded. Off-balance sheet liabilities of the Bank constituted 99% of the total balance.

V. Registered auditor's statement

(a) The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the consolidation documentation and the disclosure of all contingent liabilities and post-balance-sheet events which occurred up to the date on which that letter was signed.

(b) The scope of the audit was not limited.

(c) The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.

(d) In all material respects, the accounting policies and disclosures specified by the Parent's Management complied with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies and methods were applied consistently.

(e) The calculation of goodwill arising in the audited year and its recognition in the consolidated financial statements complied in all material respects with IFRSs as adopted by the European Union.

(f) The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.

(g) The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities was carried out in accordance with the IFRSs as adopted by the European Union in all material respects.

(h) Eliminations of gains/losses unrealized by the consolidated entities included in the value of assets and in respect of dividends were conducted in accordance with the IFRSs as adopted by the European Union in all material respects.

(i) The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects.

(j) The Notes to the consolidated financial statements present all the material information required by the International Financial Reporting Standards as adopted by the European Union.

(k) The Directors' Report of the Group takes account of the requirements of the Decree of the Minister of Finance of 19 October 2005 on current and periodic information to be provided by issuers of securities (Journal of Laws No. 209, item 1744).

(l) The total regulatory requirement, together with the requirement concerning the risk of excessive capital exposure, amounted to PLN 3,127,259 thousand as at the balance sheet date. The capital adequacy ratio was 10.16% as at 31 December 2007. As at the balance sheet date, the Group complied with the applicable prudence standards in all material respects.

V. Registered auditor's statement (cont.)

(m) The consolidated financial statements for the prior year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued an unqualified opinion.

(n) The consolidated financial statements of the Group as at and for the year ended 31 December 2006 were approved by Resolution no. 20 passed by the General Shareholders' Meeting on 16 March 2007, filed with the National Court Register in Warsaw on 23 March 2007 and published in *Monitor Polski B* no. 1067, item 6148 on 6 June 2007.

VI. Final information and comments

This report has been prepared in connection with our audit of the consolidated financial statements of the BRE Bank SA Group whose Parent is BRE Bank SA with its registered office in Warsaw, ul. Senatorska 18. The consolidated audited financial statements comprise:

(a) the consolidated balance sheet as at 31 December 2007, showing total assets and total equity and liabilities of PLN 55,982,973 thousand;

(b) the consolidated income statement for the year ended 31 December 2007, showing a net profit on continued and discontinued operations, including profits of minority shareholders of PLN 747,617 thousand;

(c) the statement of changes in consolidated equity for the year ended 31 December 2007 showing an increase in equity of PLN 819,124 thousand;

(d) the consolidated cash flow statement for the year ended 31 December 2007, showing a net decrease in cash and cash equivalents of PLN 1,524,491 thousand;

(e) additional information on the adopted accounting policies and other explanatory notes.

The consolidated financial statements were signed by the Bank's Management Board on 28 February 2008. This report should be read in conjunction with the Independent Registered Auditor's Opinion to the General Shareholders' Meeting and the Supervisory Board of BRE Bank SA, signed on 28 February 2008, concerning the above-mentioned consolidated financial statements. The opinion is a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual consolidated financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements as a whole.

On behalf of PricewaterhouseCoopers Sp. z o.o. and conducting the audit:

Adam Celiński	
Board Member	
Registered Auditor	Registered Audit Company
No. 90033/7039	No. 144

Warsaw, 28 February 2008