BRE Bank SA

Registered auditor’s report on the 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 financial statements
To the General Shareholders' Meeting and the Supervisory Board of BRE Bank SA

This report contains 28 consecutively numbered pages and consists of:

I. General information about the Bank

(a) 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. No. 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 Bank'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 Bank (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 has the following significant related entities:

Commerzbank Auslandsbanken Holding AG	-	parent company
BRE Bank Hipoteczny S.A.	-	subsidiary
BRE Corporate Finance S.A.	-	subsidiary
BRE Finance France S.A.	-	subsidiary
BRE Leasing Sp. z o.o.	-	subsidiary
BRE.locum S.A.	-	subsidiary
BRE Wealth Management S.A. (formerly Skarbiec Investment Management S.A.)	-	subsidiary
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	-	subsidiary
Dom Inwestycyjny BRE Banku S.A.	-	subsidiary
emFinanse Sp. z o.o.	-	subsidiary
Garbary Sp. z o.o.	-	subsidiary
Intermarket Bank AG	-	subsidiary
Magyar Factor zRt.	-	subsidiary
Polfactor S.A.	-	subsidiary
PTE Skarbiec – Emerytura S.A.	-	subsidiary
Tele -Tech Investment Sp. z o.o.	-	subsidiary
Transfinance a.s.	-	subsidiary
Xtrade S.A.	-	associate

and Group companies of the Bank's Parent Company.

(g) 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.

(h) The Bank as the parent company in the BRE Bank SA Group also prepared the consolidated financial statements in accordance with IFRS as adopted by the European Union dated 28 February 2008. To understand the financial standing and the results of the Bank as the parent company, the separate financial statements should be read in conjunction with the consolidated financial statements.

II. Information about the audit

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

(b) PricewaterhouseCoopers Sp. z o.o. and the registered auditor conducting the audit are independent of the audited entity 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 Bank's results and financial position

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

The observations below are based on knowledge obtained during the audit of the financial statements. The financial statements have been prepared on the going concern basis.

- In 2007, the Bank focused on the developing retail banking while continuing to develop corporate banking, including the area of SME and investment banking. At the same time, the Bank's Management Board continued the policy of financial investments portfolio optimization. In September 2006, 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. 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.

- In the financial year from 1 January to 31 December 2007, the total assets increased by PLN 11,547,580 thousand, i.e. by 31%, to PLN 48,409,810 thousand as at the end of the audited year. The increase in total assets was mainly financed with the increase in amounts due to customers of PLN 6,799,682 thousand and amounts due to other banks of PLN 2,786,614 thousand, and net profit for 2007 of PLN 637,231 thousand. The increase in amounts due to customers was a result of a considerable increase in deposits on current accounts, both individual and corporate, which increased by a total of PLN 4,470,454 thousand, i.e. by 31%. The increase in amounts due to other banks was a result of obtaining loans and advances, which increased by PLN 2,499,284 thousand, i.e. by 60%.

- Share capital increased by PLN 20,486 thousand compared with the end of the prior year. The increase was due to issuing 144,633 ordinary shares as part of executing the Second Management Options Scheme.

- In the audited year, the lending activities increased by PLN 8,689,131 thousand, which was due to an increase in amounts due from individuals (first of all, the increase in the value of mortgages granted to mBank and MultiBank customers) and in amounts due from corporate customers. As a result, the share of loans and advances to customers in the total assets increased from 48% to 54%.

- At the same time, the quality of the loan portfolio improved, as a result of which the share of impaired loans in the gross portfolio dropped from 4% at 31 December 2006 to 2% as at the balance sheet date. The ratio of impairment write-downs to impaired loans as at 31 December 2007 was 78% and increased by 2 percentage points compared with the end of the prior financial year. The balance of impairment write-downs of loans and advances at the end of 2007 was PLN 549,808 thousand and dropped by PLN 164,523 thousand compared with the prior year.

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

- The surplus funds were invested in investment securities and pledged assets, comprising mainly sell-buy back transactions in securities. These two items totalled PLN 9,933,677 thousand and were PLN 4,274,965 thousand (i.e. 76%) higher than at the end of the prior year. At the same time, the Bank maintained the portfolio of securities held for trading, which as at the balance sheet date amounted to PLN 3,721,311 thousand, compared with PLN 3,519,954 thousand at the end of 2006. The above changes resulted in an increase in the total share of securities in the total assets from 26% at the end of 2006 to 29% at the end of the audited year.

- The balance of cash in hand and at the central bank decreased compared with the end of 2006 by PLN 1,712,357 thousand, to PLN 1,998,380 thousand. At the same time, mainly due to a decrease in the balance of deposits maintained in other banks, the balance of amounts due from banks dropped by PLN 836,916 thousand compared with the prior financial year and amounted to PLN 2,166,310 thousand.

- In the audited year, the value of derivatives held for trading increased by PLN 852,815 thousand to PLN 2,263,845 thousand at the end of 2007, which was predominantly due to an increase in the valuation of forex derivatives of PLN 527,405 thousand and interest rate derivatives of PLN 339,123 thousand.

- The Bank's net profit for the current year amounted to PLN 637,231 thousand and was PLN 313,037 thousand higher than the net profit for 2006. The net profit comprised mainly: net interest income of PLN 787,302 thousand, net commission income of PLN 384,105 thousand and net trading income of PLN 472,361 thousand. At the same time, the net profit was affected by overheads and amortization and depreciation in the total amount of PLN 1,006,857 thousand, and corporate income tax expense of PLN 151,197 thousand.

- The Bank's profit before tax for 2007 was PLN 788,428 thousand and it was PLN 382,057 thousand (94%) higher than in 2006. The increase was mainly due to an increase in net interest income (an increase of PLN 247,930 thousand), net commission income (an increase of PLN 104,488 thousand), net trading income (an increase of PLN 92,404 thousand) and the result on investment securities (an increase of PLN 91,923 thousand). These changes were partly offset by an increase in the Bank's overheads of PLN 170,378 thousand and higher net impairment write-downs of loans and advances of PLN 32,073 thousand.

- In the audited year, corporate income tax expense increased by PLN 69,020 thousand to PLN 151,197 thousand. The increase resulted mainly from the PLN 123,658 thousand higher current income tax expense accompanied by a PLN 54,638 thousand decrease in deferred tax as at 31 December 2007.

- Return on capital employed calculated as net profit for the year to average net assets (including net profit for the year) amounted to 23.46% and was 8.41 percentage points higher than in 2006. In 2007, gross profitability also increased and it amounted to 25.20%, compared with 17.90% in 2006.

IV. Discussion of financial statement components

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	1,998,380	3,710,737	(1,712,357)	(46)	4	10
Bills eligible for rediscounting at the Central Bank		23,259	26,725	(3,466)	(13)	-	-
Amounts due from banks	2	2,166,310	3,003,226	(836,916)	(28)	4	8
Trading securities	3	3,721,311	3,519,954	201,357	6	8	10
Derivative financial instruments	4	2,263,845	1,411,030	852,815	60	5	4
Loans and advances to customers	5	26,378,887	17,689,756	8,689,131	49	54	48
Investment securities	6	6,226,318	2,957,221	3,269,097	111	13	8
Non-current assets held for sale	7	335,819	361,855	(26,036)	(7)	1	1
Pledged assets	8	3,707,359	2,701,491	1,005,868	37	8	7
Investments in subsidiaries	9	449,098	433,343	15,755	4	1	1
Intangible assets	10	379,504	356,136	23,368	7	1	1
Property, plant and equipment	11	532,175	470,926	61,249	13	1	1
Deferred tax assets	33	2,824	9,720	(6,896)	(71)	-	-
Other assets	12	224,721	210,110	14,611	7	-	1
TOTAL ASSETS		**48,409,810**	**36,862,230**	**11,547,580**	**31**	**100**	**100**

IV. Discussion of financial statement components (cont.)

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 (%)
EQUITY AND LIABILITIES							
Liabilities		**45,329,677**	**34,509,157**	**10,820,520**	**31**	**94**	**94**
Amounts due to other banks	13	7,972,900	5,186,286	2,786,614	54	17	14
Derivative financial instruments and other trading liabilities	14	2,181,420	1,267,825	913,595	72	5	4
Amounts due to customers	15	32,734,316	25,934,634	6,799,682	26	68	71
Debt securities in issue	16	36,810	36,215	595	2	-	-
Subordinated liabilities	17	1,661,785	1,547,354	114,431	7	3	4
Other liabilities	18	552,894	457,926	94,968	21	1	1
Current income tax liabilities		120,659	11,543	109,116	945	-	-
Deferred tax provision	33	62	-	62	-	-	-
Provisions	19	68,831	67,374	1,457	2	-	-
Equity	**20**	**3,080,133**	**2,353,073**	**727,060**	**31**	**6**	**6**
Share capital	21	1,517,432	1,496,946	20,486	1	3	4
Revaluation reserve		79,231	3,959	75,272	1901	-	-
Retained earnings		1,483,470	852,168	631,302	74	3	2
TOTAL EQUITY AND LIABILITIES		**48,409,810**	**36,862,230**	**11,547,580**	**31**	**100**	**100**

IV. Discussion of financial statement components (cont.)

INCOME STATEMENT
For the financial year ended 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 (%)
Interest income		1,860,514	1,334,383	526,131	39	60	59
Interest expense		(1,073,212)	(795,011)	(278,201)	35	(46)	(43)
Net interest income	**22**	**787,302**	**539,372**	**247,930**	**46**		
Commission income		566,875	415,391	151,484	36	18	18
Commission expense		(182,770)	(135,774)	(46,996)	35	(8)	(7)
Net commission income	**23**	**384,105**	**279,617**	**104,488**	**37**		
Dividend income	24	37,726	36,797	929	3	1	2
Foreign exchange position	25	427,530	343,265	84,265	25	14	15
Net other trading income	26	44,831	36,692	8,139	22	1	1
Net trading income		**472,361**	**379,957**	**92,404**	**24**		
Net profit on investment securities		132,038	40,115	91,923	229	4	2
	27						
Other operating income	28	59,266	63,244	(3,978)	(6)	2	3
Net impairment losses on loans and advances	29	(58,222)	(26,149)	(32,073)	123	(2)	(2)
Bank overheads	30	(867,905)	(697,527)	(170,378)	24	(37)	(37)
Depreciation and amortization	31	(138,952)	(135,779)	(3,173)	2	(6)	(7)
Other operating expenses	32	(19,291)	(73,276)	53,985	(74)	(1)	(4)
Profit before tax		**788,428**	**406,371**	**382,057**	**94**		
Income tax expense	33	(151,197)	(82,177)	(69,020)	84		
Net profit	**34**	**637,231**	**324,194**	**313,037**	**97**		
Total revenue		3,128,780	2,269,887	858,893	38	100	100
Total costs		(2,340,352)	(1,863,516)	(476,836)	26	(100)	(100)
Profit before tax		**788,428**	**406,371**	**382,057**	**94**		

IV. Discussion of financial statement components (cont.)

Presentation of the Company's financial position and results

The following ratios characterize the Company's activities, results of operations during the audited year and its financial position as at the balance sheet date compared with prior years:

	31.12.2007	**31.12.2006**
Profitability ratios		
Return on equity (net profit for the period / average net assets) (1)	23.46%	15.05%
Return on equity (net profit for the period / average net assets excluding profit for the year)	26.57%	16.28%
Return on assets (profit before income tax for the period / average assets) (1)	1.85%	1.21%
Gross profitability (profit before income tax for the period / total income)	25.20%	17.90%
Interest income to working assets (interest income / average working assets)	4.78%	4.40%
Cost to income ratio (Bank overheads / result on banking operations) (2)	55.52%	65.31%
Liability ratios		
Cost of borrowings (interest expense for the year / average interest-paying liabilities) (1)	2.86%	2.69%
Equity to liabilities & equity (average equity / average liabilities and equity) (1)	6.37%	6.43%
Loans to assets (average amounts due from banks and customers gross / average total assets) (1)	59.24%	59.44%
Default loans to loans	2.02%	3.80%
Working assets to total assets (3)	91.35%	91.17%
Liquidity ratios		
Liquidity I (assets maturing within 1 month / liabilities maturing within 1 month) (4)	0.41	0.53
Liquidity II (assets maturing within 3 months / liabilities maturing within 3 months) (4)	0.47	0.59
Capital market ratios		
Earnings per share	PLN 21.54	PLN 11.05
Carrying value per share	PLN 103.85	PLN 79.72
Other ratios		
Equity in accordance with KNB Resolution 2/2007	PLN 3,415,974 thousand	PLN 2,591,524 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 2,566,080 thousand	PLN 1,873,263 thousand
Capital adequacy ratio in accordance with KNB Resolution 1/2007	10.65%	11.07%

(1) The average balance sheet item balances were calculated by reference to the balances as at the start and the end of the current and prior year.
(2) Banking operations calculated as a profit before tax decreased by overheads, net impairment losses on loans and advances and other operating income and expenses
(3) Interest was not eliminated from working assets
(4) Individual ratios may differ from the ratios presented in the financial statements due to a different calculation method being used.

IV. Discussion of financial statement components (cont.)

The balance sheet as at 31 December 2007

1. Cash and balances with the Central Bank

As at 31 December 2007, "Cash and balances with the Central Bank" amounted to PLN 1,998,380 thousand (PLN 3,710,737 thousand as at the end of 2006), representing 46% decrease.

The decrease was mainly due to the expiry of a placement in the National Bank of Poland (NBP) with a balance as at 31 December 2006 amounting to PLN 2,400,530 thousand. The decrease was partly offset by an increase in cash accumulated on a current account of PLN 694,055 thousand to PLN 1,901,629 thousand as at 31 December 2007.

As at the balance sheet date, the Bank calculated and maintained a mandatory reserve in accordance with Resolution No. 15/2004 of the Management Board of the National Bank of Poland dated 13 April 2004 on the terms and procedures for calculating and maintaining mandatory reserves by banks. The declared mandatory reserve with the NBP to be held in December 2007 went up compared with the previous year and amounted to PLN 934,211 thousand (PLN 728,546 thousand in December 2006).

2. Amounts due from banks

As at 31 December 2007, amounts due from banks amounted to PLN 2,166,310 thousand and dropped by PLN 836,916 thousand (i.e. by 28%) compared with the end of 2006. The decrease was accompanied by a decrease in its proportion in total assets to 4% as at 31 December 2007 compared with 8% share in total assets as at the end of 2006.

The decrease resulted mainly from the decrease in current amounts due comprising short-term deposits and current accounts of PLN 994,666 thousand to PLN 727,356 thousand as at 31 December 2007, and the decrease in "Loans, deposits and advances" of PLN 317,716 thousand to PLN 787,850 thousand at the end of the audited year. The decrease was partly offset by a PLN 389,527 thousand increase in receivables in respect of repo transactions to PLN 513,866 thousand at the end of the audited financial year.

3. Trading securities

As at 31 December 2007, trading securities amounted to PLN 3,721,311 thousand, representing an increase of PLN 201,357 thousand compared with 31 December 2006. As at 31 December 2007, the balance comprised debt securities with the carrying value of PLN 3,719,731 thousand and equity securities with the carrying value of PLN 1,580 thousand.

The increase in the carrying value of trading securities resulted mainly from the increase in the treasury bonds portfolio of PLN 336,274 thousand to PLN 1,161,286 thousand, and an increase in the portfolios of debt securities issued by other banks, other financial and non-financial institutions totalling PLN 438,878 thousand to PLN 1,226,948 thousand. The increase was partly offset by a decrease in NBP bills of PLN 885,620 thousand to PLN 1,091,322 thousand.

IV. Discussion of financial statement components (cont.)

4. Derivative financial instruments

Derivative financial instruments amounted to PLN 2,263,845 thousand as at the balance sheet date and were PLN 852,815 thousand (i.e. 60%) higher than at the end of the prior year. The balance comprised mainly the valuation of foreign exchange derivatives with the asset balance as at the balance sheet date amounting to PLN 1,154,142 thousand and representing an increase of PLN 527,405 thousand compared with the end of 2006, and the valuation of interest rate derivatives, which amounted to PLN 889,542 thousand on the assets side, representing an increase of PLN 339,123 thousand compared with 31 December 2006.

The increase in the valuation of foreign exchange derivatives and interest rate derivatives was partly offset by a small decrease in the value of market risk-related transactions of PLN 13,713 thousand, to PLN 220,161 thousand at the end of the audited year.

5. Loans and advances to customers

The balance of "Loans and advances to customers" amounted to PLN 26,378,887 thousand as at 31 December 2007 and increased by PLN 8,689,131 thousand, i.e. 49%, compared with 31 December 2006. At the same time, the percentage share of this balance in the total assets increased by 6 percentage points to 54%. As at 31 December 2007, the balance of impairment losses on loans and advances amounted to PLN 549,808 thousand compared with PLN 714,331 thousand as at the end of 2006.

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

As at 31 December 2007, loans to individuals of PLN 13,790,558 thousand and loans to corporate customers of PLN 12,693,119 thousand were the largest components of the gross loan portfolio. The increase in gross loans compared with the prior year resulted inter alia from the increase in the portfolio of loans to individuals of PLN 5,025,443 thousand, i.e. 57%, and the corporate loans portfolio of PLN 3,413,856 thousand, i.e. 37%, compared with the end of the prior year. The structure in the gross loan portfolio have changed since the end of 2007, i.e. at 31 December 2007 loans to individuals constituted 51% of the gross portfolio and the loans to corporate customers constituted 47%, compared with 48% and 50% at the end of the prior year respectively.

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

In the audited year, the quality of the loan portfolio improved. Gross impaired amounts receivable decreased by PLN 226,824 thousand and amounted to PLN 586,662 thousand. The decrease in gross impaired amounts due was accompanied by a decrease in impairment losses of PLN 198,129 thousand to PLN 456,214 thousand. These decreases resulted mainly from the sales of the part of loan portfolio to the securitization fund. The carrying value of gross amounts due covered by portfolio analysis was PLN 26,342,033 thousand and it increased by PLN 8,751,432 thousand compared with the prior year. The increase was accompanied by an increase in impairment write-downs of the exposures analyzed on a portfolio basis of PLN 33,606 thousand to PLN 93,594 thousand. In consequence, the coverage of the portfolio of loans analyzed on portfolio basis by impairment provision increased by 0.02 percentage points to 0.36% as at 31 December 2007. An increase in impairment

IV. Discussion of financial statement components (cont.)

5. Loans and advances to customers (cont.)

write-downs of the exposures analyzed on a portfolio basis was a result of taking new PD (probability of default) parameters into calculation as well as of an extension of LIP (lost identification period).

6. Investment securities

As at 31 December 2007, "Investment securities" amounted to PLN 6,226,318 thousand (PLN 2,957,221 thousand as at the end of the prior year), representing an increase of PLN 3,269,097 thousand, i.e. 111%.

The balance comprised debt securities of PLN 5,877,067 thousand (PLN 2,746,698 thousand at the end of 2006) and equity instruments of PLN 349,251 thousand net (PLN 210,523 thousand at the end of 2006).

The increase in debt securities was due, inter alia, to an increase in debt securities issued by the State Treasury of PLN 3,342,592 thousand to PLN 5,770,297 thousand as at the end of the audited year (mainly due to an increase in NBP bonds and bills), which was partly offset by a decrease in debt securities issued by banks of PLN 132,525 thousand to PLN 81,745 thousand as at the balance sheet date.

The increase in equity securities was mainly due to restating shares of Vectra S.A. to fair value by PLN 139,073 thousand in connection with the ongoing process of selling shares.

7. Non-current assets held for sale

Non-current assets held for sale amounted to PLN 335,819 thousand as at the balance sheet date and comprised shares of PTE Skarbiec – Emerytura S.A. Compared with 31 December 2006 the balance dropped by PLN 26,036 thousand.

As a result of transferring control over Skarbiec Asset Management Holding S.A. (SAMH) to Polish Enterprise Fund V L.P. on 8 January 2007 in accordance with the sale contract concluded on 25 September 2006, the transaction of selling the shares of SAMH was settled, with the balance of the shares as at the end of 2006 amounting to PLN 51,033 thousand. The sale price for the entire package of 72,582 shares in SAMH was PLN 155,000 thousand.

At the same time, in 2007, the Bank took further steps to sell PTE Skarbiec – Emerytura SA. On 29 June 2007, the Bank concluded a "Merger agreement between PTE Ergo Hestia and PTE Skarbiec – Emerytura" and an "Option Agreement" with Aegon Woningen Nova B.V. the shareholder of a 100% stake in PTE Ergo Hestia S.A. 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. 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.

IV. Discussion of financial statement components (cont.)

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

Irrespective of the fact that more than 12 months have passed since the initial classification of the shares of PTE Skarbiec – Emerytura SA as non-current assets held for sale, the Bank maintained the classification due to the fact that the delay in sale is due to events remaining outside the Bank's control (obtaining approval for the sale from the market regulator). In 2007, in connection with the on-going sale process, the Bank performed a revaluation of the share of PTE Skarbiec – Emerytura SA and reversed an impairment write-down of PLN 24,998 thousand.

Detailed information on assets designated for disposal is provided in Note 28 to the Bank's financial statements.

8. Pledged assets

As at 31 December 2007, the balance of pledged assets was PLN 3,707,359 thousand, representing an increase of PLN 1,005,868 thousand, i.e. 37%, compared with 2006. The increase was mainly due to an increase in securities provided as collateral in sell-buy back transactions of PLN 982,952 thousand, i.e. 37%.

The Bank also showed debt securities pledged to the Bank Guarantee Fund as pledged assets, and they amounted to PLN 79,643 thousand as at 31 December 2007, compared with PLN 56,727 thousand as at the end of the prior year.

9. Investments in subsidiaries and associates

As at 31 December 2007, the balance of "Investments in subsidiaries" amounted to PLN 449,098 thousand and increased by PLN 15,755 thousand, i.e. 4%, during the audited year.

The increase was mainly due to the Bank taking up the shares of BRE Ubezpieczenia Towarzystwo Ubezpieczeń SA of PLN 26,353 thousand. The increase in investments in subsidiaries was also due to buying back from Tele-Tech Investment Sp. z o.o. the shares in BRE.locum SA for PLN 8,411 thousand and reversing an impairment write-down of the shares in BRE.locum of PLN 1,253 thousand. Moreover, in 2007, the Bank took up shares in emFinanse Sp. z o.o. of PLN 600 thousand and made a capital contribution to this Company's share capital of PLN 2,100 thousand and took up shares in BRE Holding Sp. z o.o. of PLN 100 thousand.

The increase in this item in 2007 was balanced off inter alia by selling the shares in BRELIM with a carrying value of PLN 10,205 thousand and selling the shares in BRE Ubezpieczenia Sp. z o.o. with a carrying value of PLN 4,000 thousand. Moreover, in 2007, FAMCO was liquidated, the carrying value of which was PLN 5,340 thousand, and TV-Tech Investment 1 Sp. z o.o., the carrying value of which was PLN 50 thousand, was also liquidated. The remaining decrease in this item resulted from changing the valuation of investments in foreign entities due to changes in foreign exchange rates, for the total amount of PLN 3,467 thousand.

IV. Discussion of financial statement components (cont.)

9. Investments in subsidiaries and associates (cont.)

Detailed information on the portfolio of investments in subsidiaries is provided in Note 23 to the Bank's financial statements.

The balance of investments in associates as at 31 December 2007 comprised solely the shares in Xtrade S.A. with a gross value of PLN 11,745 thousand, which were covered fully by an impairment write-down. In the audited year, the balance of investments in associates did not change.

10. Intangible assets

As at 31 December 2007, the balance of "Intangible assets" was PLN 379,504 thousand, representing an increase of PLN 23,368 thousand compared with the end of the prior year.

In the audited year the gross book value of intangible assets increased by PLN 77,714 thousand. The increase resulted from expenditure on intangible assets in the course of construction incurred in 2007 of PLN 80,274 thousand and purchased concessions, patents and licences of PLN 10,730 thousand. The increase was partly offset by scrapping and other disposals of intangible assets in the total amount of PLN 24,032 thousand. The amortization charge for the audited year was PLN 65,106 thousand.

The wear and tear of intangible assets, measured as the ratio of accumulated amortization to the gross book value was 41% as at the balance sheet date (36% as at 31 December 2006).

11. Property, plant and equipment

As at the balance sheet date, the balance of "Property, plant and equipment" amounted to PLN 532,175 thousand, and increased by PLN 61,249 thousand (i.e. 13%) compared with the balance as at 31 December 2006. The balance comprised mainly: buildings, apartments and structures with a net book value of PLN 218,813 thousand, machinery and technical equipment with a carrying value of PLN 105,044 thousand and other assets with a carrying value of PLN 127,706 thousand.

The gross book value of property, plant and equipment increased by PLN 114,553 thousand compared with the end of the prior year. The increase resulted mainly from incurring expenditures on assets under construction of PLN 77,037 thousand, entering vehicles of PLN 35,686 thousand in the books of account in connection with commencing finance lease of passenger cars and purchasing machinery of PLN 20,497 thousand. The increase was partly offset by sale and scrapping of property, plant and equipment with a total gross value of PLN 19,830 thousand. The depreciation charge for the audited year was PLN 73,846 thousand.

The wear and tear of property, plant and equipment, measured as the ratio of accumulated depreciation to the gross book value was 46% as at the balance sheet date (45% as at 31 December 2006).

IV. Discussion of financial statement components (cont.)

12. Other assets

"Other assets" as at the end of the audited year amounted to PLN 224,721 thousand, compared with PLN 210,110 thousand as at the end of the prior financial year, representing an increase of PLN 14,611 thousand, i.e. 7%.

The change in the balance of "Other assets" was mainly brought about by an increase in other prepayments of PLN 12,897 thousand and an increase in income to be received of PLN 5,492 thousand, which were partly offset by a decrease in "Debtors" of PLN 3,304 thousand. The balance of "Debtors" of PLN 150,853 thousand at the end of 2007 represented 67% of other assets.

The movements in "Debtors" were mainly due to transferring to "Investments in subsidiaries" advance payments for shares in BRE Ubezpieczenia TU SA of PLN 26,353 thousand in connection with registering the company and reclassifying housing loans granted to employees as part of the Company Social Fund of PLN 19,949 thousand to "Other liabilities" as a reduction of the balance of the fund in connection with changing the accounting structure.

The decrease was partly offset by the increase in receivables in respect of settlements with the network of ATMs of PLN 43,294 thousand, which was related to the increased volume of drawings from the ATMs by the Bank's retail customers, and the release of a revaluation write-down of advance payments for the purchase of shares of BRE.locum of PLN 5,540 thousand as a result of the indications of impairment ceasing to exist.

13. Amounts due to other banks

As at 31 December 2007, the balance of "Amounts due to other banks" was PLN 7,972,900 thousand, representing an increase of PLN 2,786,614 thousand, i.e. 54%.

"Loans and advances received" of PLN 6,693,248 thousand are the main item of "Amounts due to other banks" representing 84% of the total balance.

The increase in amounts due to other banks resulted mainly from the increase of PLN 2,499,284 thousand (60%) in loans and advances received and the increase of PLN 433,955 thousand (349%) in amounts due in respect of sell-buy back transactions – up to PLN 558,180 thousand as at 31 December 2007.

14. Derivative financial instruments and other trading liabilities

As at 31 December 2007, the balance comprised solely the valuation of derivative financial instruments, which amounted to PLN 2,181,420 thousand on the liabilities side and increased by PLN 913,595 thousand compared with the end of December 2006. The balance comprised: the valuation of foreign exchange derivatives of PLN 1,043,681 thousand, the valuation of interest rate derivatives of PLN 918,156 thousand and the valuation of market risk-related derivatives of PLN 219,583 thousand.

The increase resulted mainly from the increase in the valuation of foreign exchange derivatives of PLN 643,050 thousand and the increase in interest rate derivatives of PLN 294,307 thousand (the main increase related to increase of the valuation of IFRS contracts). The increase was partly offset by the PLN 23,762 thousand decrease in the valuation of market risk-related derivatives.

IV. Discussion of financial statement components (cont.)

15. Amounts due to customers

As at 31 December 2007, amounts due to customers amounted to PLN 32,734,316 thousand, representing an increase of PLN 6,799,682 thousand, i.e. 26%, compared with the end of the prior financial year.

Amounts due to corporate customers of PLN 19,385,792 thousand and amounts due to individual customers with a carrying amount of PLN 12,643,879 thousand were the main components of the balance.

The increase in the balance was mainly due to the increase in cash on current accounts maintained by individuals of PLN 3,075,695 thousand, up to PLN 9,387,769 thousand as at 31 December 2007 and corporate customers of PLN 1,394,759 thousand, up to PLN 9,496,912 thousand. The balance of term deposits placed by corporate customers increased by PLN 1,563,713 thousand to PLN 5,266,397 thousand and the balance of liabilities in respect of sell buy-back transactions in securities concluded with corporate customers increased by PLN 822,956 thousand to PLN 3,343,495 thousand. At the same time, in the audited year, amounts due to the state budget increased by PLN 589,705 thousand to PLN 704,645 thousand. The increase was partly offset by a decrease in liabilities in respect of monetary security to corporate customers, which were PLN 836,897 thousand lower than at the end of the prior year, and amounted to PLN 1,067,852 thousand.

16. Debt securities in issue

As at 31 December 2007, liabilities in respect of debt securities in issue amounted to PLN 36,810 thousand and were PLN 595 thousand (2%) higher than as at 31 December 2006.

In 2007, there were no new issues of own debt securities. The redemption of the remaining debt securities issued by the Bank falls in 2008 and 2009.

17. Subordinated liabilities

As at 31 December 2007, subordinated liabilities amounted to PLN 1,661,785 thousand and were PLN 114,431 thousand (7%) higher than at the end of the prior financial year.

The changes in 2007 resulted mainly from the fact that the Bank concluded an agreement for the early redemption of two tranches of subordinated bonds for the total amount of EUR 250,000 thousand. At the same time, the Bank issued new subordinated bonds for CHF 400,000 thousand and drew a subordinated loan of CHF 120,000 thousand. As at 31 December 2007, subordinated liabilities also comprised bonds with a nominal value of EUR 100,000 thousand and CHF 80,000 thousand issued in prior years.

IV. Discussion of financial statement components (cont.)

18. Other liabilities

Other liabilities as at 31 December 2007 amounted to PLN 552,894 thousand, representing an increase of PLN 94,968 thousand (21%) compared with the end of the prior year.

The increase in other creditors of PLN 93,484 thousand which at the end of 2007 amounted to PLN 169,502 thousand had the largest effect on the increase in this balance compared with 31 December 2006. The change resulted mainly from the increase in the liabilities in respect of outstanding balances on cards of PLN 65,047 thousand to PLN 88,794 thousand at the end of the audited year and recording a liability in 2007 of PLN 35,687 thousand in respect of a finance lease transaction concluded for passenger cars. The increase was partly offset by a decrease in other balances with customers and suppliers of PLN 8,134 thousand.
The increase in other liabilities was also due to PLN 36,667 thousand increase in amounts due to employees, mainly in connection with establishing the bonus fund.

The increase was partly offset with a decrease in interbank settlements of PLN 42,604 thousand and a decrease in the balance of the Company Social Fund of PLN 19,879 thousand, mainly as a result of reclassifying receivables in respect of housing loans granted to the Bank's employees from "Other assets".

19. Provisions

As at the balance sheet date, the balance of "Provisions" amounted to PLN 68,831 thousand, representing an increase compared with the end of the prior year of PLN 1,457 thousand (2%).

The balance of provisions as at 31 December 2007 comprised provisions for off-balance sheet liabilities of PLN 58,060 thousand, provisions for disputes of PLN 2,704 thousand and other provisions for future liabilities of PLN 8,067 thousand.

The increase in provisions compared with 31 December 2006 resulted mainly from the increase in provisions for off-balance sheet liabilities of PLN 4,690 thousand, which was partly offset by a decrease in provisions for disputes of PLN 2,648 thousand.

IV. Discussion of financial statement components (cont.)

20. Equity

	31.12.2006 PLN'000	Revenue (costs) recognized in equity PLN'000	Capital increase on exercise of Management Share Options PLN'000	Net profit for the year PLN'000	31.12.2007 PLN'000
Share capital	1,496,946		20,486	-	**1,517,432**
Revaluation reserve	3,959	75,272	-	-	**79,231**
Retained earnings	852,168		(5,929)	637,231	**1,483,470**
Total equity	**2,353,073**	**75,272**	**14,557**	**637,231**	**3,080,133**

As at the balance sheet date, "Equity" amounted to PLN 3,080,133 thousand (PLN 2,353,073 thousand as at 31 December 2006).

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

In the audited year, the "Revaluation reserve" increased by PLN 75,272 thousand. The increase resulted from the valuation of the portfolio of available-for-sale financial assets in the net amount of PLN 78,166 thousand, which was partly offset by recording foreign exchange losses related to shares held by the Bank in subordinated companies and foreign branches in the total amount of PLN 2,894 thousand.

IV. Discussion of financial statement components (cont.)

20. Equity (cont.)

The change in the valuation of share options of PLN 648 thousand was transferred to retained earnings in the audited year. At the same time, this equity item decreased by PLN 6,577 thousand in connection with the transfer of the option valuation recorded in prior periods to share capital due to the options being exercised in the audited year.

Retained earnings increased by the amount of the Bank's net profit for 2007, which amounted to PLN 637,231 thousand.

21. Share capital – ownership structure

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)	Votes %
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 Schemes, the interest of the major shareholder in the registered share capital of the Bank fell from 70.20% as at the end of the prior year to 69.86%. As at 31 December 2007, BZ WBK AIB Asset Management SA also exceeded the 5% threshold of shares held, as it held 5.01% shares of the Bank (including 1,484,452 shares owned by mutual funds under the management of BZ WBK AIB TFI S.A. representing as at 31 December 2007 5.0048% of the Bank's initial capital and 5.0048% of the total number of votes at Bank's GM, i.e. 1,484,452 votes). Thus, the interest held by the remaining shareholders in the Bank's share capital amounted to 25.13%.

IV. Discussion of financial statement components (cont.)

The income statement for the year ended 31 December 2007

22. Net interest income

Net interest income for the current year amounted to PLN 787,302 thousand (PLN 539,372 thousand in the prior financial year), representing an increase of PLN 247.930 thousand, i.e. 46%. The increase in net interest income resulted from the fact that the growth of interest income (a 39% increase to PLN 1,860,514 thousand) was faster than the growth interest expense (an increase of 35% to PLN 1,073,212 thousand).

The largest increase among income items was observed in interest income on loans and advances (an increase of PLN 409,716 thousand, i.e. 46%) and interest income on investment securities (an increase of PLN 94,656 thousand, i.e. 112%). The increase in interest income from investment securities was due to a change in the Bank's investing structure, as a result of which the percentage share of investment securities in total assets increased from 8% at the end of the prior year to 13% at the end of the audited year, accompanied by a decreased share of trading debt securities from 10% to 8%.

Interest expense mainly comprised interest expense related to banks and customers amounting to PLN 1,008,377 thousand and was PLN 289,521 thousand (40%) higher than in the prior financial year, which was due both to an increase in the volume of amounts due to other banks and customers and an increase in interest rates in 2007. The increase was partly offset by a decrease in interest expense on other loans, debt securities held for trading and issue of debt securities of PLN 8,656 thousand, PLN 1,774 thousand and PLN 1,771 thousand, respectively.

The Bank's interest margin (being the ratio of the net interest income to interest income) increased by 2 percentage point compared with the prior year, i.e. from 40% to 42%.

23. Net fee and commission income

In 2007, net fee and commission income amounted to PLN 384,105 thousand, representing an increase of PLN 104,488 thousand, i.e. 37%, compared with the prior year.

The increase in net fee and commission income was due to an increase in fee and commission income of PLN 151,484 thousand, which was partly offset by a PLN 46,996 thousand increase in fee and commission expense compared with the prior year.

The increase in this category of income was mainly due to the increase in income from handling of payment cards of PLN 48,471 thousand, income from lending operations (of PLN 41,667 thousand) and other transactions (of PLN 27,217 thousand). The increase in income from handling of payment cards resulted both from a dynamic increase in their number and the number of transactions performed using the cards, whereas the increase in fees and commission from other transactions resulted from the increased trading in investment fund units.

The level of fee and commission expense in the financial year depended mainly on costs of handling and insurance of payment cards, which increased by PLN 29,948 thousand to PLN 106,182 thousand and costs of other fees which increased by PLN 18,402 thousand to PLN 69,875 thousand and which comprised mainly fees to finance agents.

IV. Discussion of financial statement components (cont.)

24. Dividend income

Dividend income for 2007 amounted to PLN 37,726 thousand and it increased by PLN 929 thousand, i.e. 3%, compared with 2006. The balance comprised dividends from Dom Inwestycyjny BRE Banku S.A. (PLN 19,179 thousand), BRE Leasing Sp. z o.o. (PLN 5,336 thousand) and BRE Wealth Management Sp. z o.o. (PLN 3,273 thousand). Dividends from other companies whose shares were held by the Bank amounted to PLN 9,938 thousand.

25. Foreign exchange position

Foreign exchange position amounted to PLN 427,530 thousand, representing an increase of PLN 84,265 thousand, i.e. 25%, compared with 2006.

Foreign exchange position comprised mainly realized foreign exchange gains of PLN 380,780 thousand (an increase of PLN 251,448 thousand compared with the prior year) and result on realized FX margins of PLN 117,716 thousand (an increase of PLN 43,308 thousand compared with the prior year). The increase was partly offset by a decrease in the foreign exchange valuation of derivative instruments of PLN 199,696 thousand to a loss of PLN 71,788 thousand at the end of the audited year, which was mainly due to a decrease in the valuation of FX swap transactions from a gain of PLN 142,285 thousand in 2006 to a loss of PLN 27,264 thousand at the end of the audited year.

26. Net other trading income

Net other trading income amounted to PLN 44,831 thousand in 2007, representing an increase of PLN 8,139 thousand compared with the prior financial year.

The largest increase related to the result on equity instruments which increased compared with 2006 by PLN 14,180 thousand to PLN 20,486 thousand.

The result on interest rate instruments, which amounted to PLN 18,522 thousand was the second largest component of net other trading income, and it dropped by PLN 2,990 thousand compared with the prior year. The result on interest rate instruments in the audited year comprised gain realized on trading in derivatives of PLN 23,515 thousand, which was offset by a loss incurred on money market instruments of PLN 4,993 thousand.

27. Net profit on investment securities

In 2007, the Bank earned a gain on investment securities of PLN 132,038 thousand, representing a PLN 91,923 thousand increase compared with the prior financial year.

The gain comprised mainly net gain on the sale of shares of PLN 105,850 thousand, which was mainly related to the sale of shares in SAMH on which the Bank earned a gain of PLN 103,967 thousand. Additionally, the release of a provision for a capital contribution in BRE.locum of PLN 6,038 thousand and the result on the sale of debt securities classified as available for sale of PLN 1,977 thousand had a positive effect on the net gain. These were partly offset by costs related to the sale of SAMH of PLN 7,599 thousand.

IV. Discussion of financial statement components (cont.)

28. Other operating income

Other operating income amounted to PLN 59,266 thousand and went down by PLN 3,978 thousand, i.e. by 6%, compared with 2006. Other operating income in 2007 comprised income from release of provisions for future liabilities, which amounted to PLN 17,313 thousand, income from sale of goods for resale and services (of PLN 16,556 thousand) and other operating income (of PLN 21,285 thousand).

The decrease in other operating income was mainly the result of PLN 11,301 thousand lower income in respect of sale and scrapping of PPE items, intangible assets and disposal assets and PLN 3,249 thousand lower income from the release of provisions for future liabilities. At the same time, the Bank generated PLN 4,583 thousand higher income from sale of services (an increase of PLN 4,583 thousand) and other operating income (an increase of PLN 5,416 thousand).

29. Net impairment losses on loans and advances

Net impairment losses comprised impairment losses on loans and advances to customers and banks and additional provisions for off-balance sheet liabilities recognised during the year. The net surplus of impairment losses over provisions released during the year amounted to PLN 58,222 thousand, compared with the net surplus of impairment losses of PLN 26,149 thousand in the prior year.

In the audited year, the balance comprised mainly the cost of recording net impairment-write downs of loans to customers of PLN 52,625 thousand, which increased by PLN 19,308 thousand compared with the prior year and net write-downs to contingent liabilities to customers of PLN 4,719 thousand, which increased by PLN 16,862 thousand compared with the prior year.

30. Bank overheads

In the audited year, Bank overheads amounted to PLN 867,905 thousand and were PLN 170,378 thousand (i.e. 24%) higher than in 2006.

The increase in Bank overheads was mainly attributable to an increase in personnel costs of PLN 103,042 thousand (29%) to PLN 453,131 thousand at the end of the audited year, mainly as a result of an increase in basic salaries of PLN 90,515 thousand, which was related to the higher number of full-time positions (the average employment at the Bank increased by 15%).

Sundry costs also increased and they amounted to PLN 400,339 thousand compared with PLN 334,535 thousand in 2006, mainly as a result of a considerable development of the Bank's business activities in the audited year, including the formation of foreign branches in the Czech Republic and Slovakia.

31. Amortization and depreciation

The amortization and depreciation expense amounted to PLN 138,952 thousand and went up by PLN 3,173 thousand, i.e. by 2%, compared with the prior year.

Amortization and depreciation comprised amortization of intangible assets of PLN 65,106 thousand and depreciation of property, plant and equipment of PLN 73,846 thousand.

IV. Discussion of financial statement components (cont.)

32. Other operating expenses

Other operating expenses decreased from PLN 73,276 thousand in 2006 to PLN 19,291 thousand in the audited year.

The decrease resulted from PLN 24,800 thousand lower costs of fines, claims and penalties paid, which was due to recording one-off items in 2006, including a penalty imposed by the Office of Competition and Consumer Protection. At the same time, expenses in respect of sale and scrapping of PPE items, intangible assets and disposal assets decreased by PLN 11,866 thousand compared with the prior year and amounted to PLN 1,372 thousand, and the costs of provisions recorded for future liabilities decreased by PLN 11,299 thousand to PLN 5,078 thousand.

The detailed information on other operating expenses is provided in Note 11 to the Bank's financial statements.

33. Income tax expense

	2007 PLN'000	2006 PLN'000	Change PLN'000
Current portion of income tax	142,457	18,799	123,658
Deferred income tax	8,740	63,378	(54,638)
Corporate income tax expense	**151,197**	**82,177**	**69,020**

In the financial year, corporate income tax was calculated using the 19% rate on the basis of the profit before tax determined pursuant to the International Financial Reporting Standards as adopted by the European Union, and adjusted for non-taxable income and non-deductible costs. During the year 2007, the Bank withheld corporate income tax, which reduced the balance of corporate income tax due, amounting to PLN 120,659 thousand as at the balance sheet date.

Deferred income tax comprised deductible temporary differences of PLN 169,937 thousand compared with PLN 158,916 thousand as at 31 December 2006. The deductible temporary differences related inter alia to impairment losses of loans and off-balance sheet liabilities, which have not so far been recognized as tax-deductible costs (PLN 42,650 thousand), valuation of derivatives and forward contracts (PLN 32,471 thousand), provisions recorded for bonuses, retirement bonuses and holiday pay (PLN 25,568 thousand) and accruals (PLN 19,326 thousand).

The taxable temporary differences amounted to PLN 167,175 thousand as at the end of the audited year and were PLN 17,979 thousand higher than at the end of the prior year. The taxable temporary differences comprised inter alia differences between tax and accounting depreciation (PLN 39,802 thousand), valuation of derivatives and forward contracts (PLN 36,542 thousand) and the balance of unutilized investment relief (PLN 30,446 thousand).

In connection with net deductible temporary differences as at the end of 2007, the Bank recognized a deferred tax asset of PLN 2,824 thousand (PLN 9,720 thousand at the end of 2006). Additionally, in connection with the foreign branches of mBank in the Czech Republic and Slovakia commencing their activities a deferred tax provision of PLN 62 thousand was also recognized.

IV. Discussion of financial statement components (cont.)

33. Income tax expense (cont.)

The effective corporate income tax rate was 19.18%. The difference between the effective tax rate and the binding tax rate of 19% was mainly attributable to the fact that the current tax computation excludes non-taxable income of PLN 83,563 thousand and non-deductible costs of PLN 60,210 thousand in accordance with Corporate Income Tax Act.

The detailed breakdown of deferred tax charged to the income statement for 2007 and 2006 is presented in Notes 14 an 35 to the Bank's financial statements.

34. Net profit for the year

Net profit for the audited year amounted to PLN 637,231 thousand.

According to Resolution No. 2 of the General Shareholders' Meeting of 1 March 2007, a part of net profit for 2006 of PLN 49,689 thousand was earmarked for offsetting prior year losses, and the remaining part of net profit of PLN 274,505 thousand was earmarked for increasing other supplementary capital.

35. Off-balance sheet items

As at 31 December 2007, "Off-balance sheet items" amounted to PLN 653,325,000 thousand, which represented an increase in relation to the balance as at the prior year-end of PLN 95,826,617 thousand (i.e. 17%). Detailed information on the balance is presented in Note 37 to the Bank's financial statements.

As at 31 December 2007, commitments related to purchase/sale transactions, involving mainly derivatives and amounting to PLN 636,193,783 thousand (97% of the total balance) were the major component of "Off-balance sheet items".

V. The independent registered auditor's statement

(a) The Management Board of the Bank 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 accounting records 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 Bank has up-to-date documentation of its accounting policies, approved by the Management Board. The Bank's accounting policies were tailored to its needs and ensured the specification of all the events material to the assessment of its financial position and results, taking into consideration the prudence principle. There were no changes to the accounting policies compared with the prior year.

(d) The closing balances as at the end of the prior year were correctly brought forward as the opening balances of the current financial year in all material respects.

(e) We have assessed the operation of the accounting system. Our assessment covered in particular:
- the accuracy of the documentation relating to business transactions;
- the fairness, accuracy and verifiability of the accounting records, including computerized accounting records;
- the methods used for controlling access to data and computerized data processing systems;
- the safeguarding of accounting documentation, accounting records and the financial statements.

This assessment together with our verification of individual items of the financial statements is a basis for expressing a general, comprehensive and unqualified opinion on the truth and fairness of these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

(f) The notes to the financial statements present all the material information required by the International Financial Reporting Standards, as adopted by the European Union.

(g) The Directors' Report of the Bank takes account of the requirements of the Decree of the Minister of Finance of 19 October 2005 on current and periodic information to be prepared by issuers of securities. The financial information presented therein is consistent with that presented in the financial statements.

(h) Counts of assets and equity and liabilities were carried out and reconciled in accordance with the Accounting Act, and their results were included in the accounting records for the audited year.

V. The registered auditor's statement (cont.)

(i) The total regulatory requirement, along with the requirement concerning the risk of excessive capital exposure, amounted to PLN 2,566,080 thousand as at the balance sheet date. The capital adequacy ratio was 10.65% as at 31 December 2007. As at the balance sheet date, the Bank complied with the applicable prudence standards in all material respects.

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

(k) The financial statements of the Bank as at and for the year ended 31 December 2006 were approved by Resolution No. 1 passed by the Annual General Shareholders' Meeting on 16 March 2007. The financial statements were filed with the National Court Register in Warsaw on 23 March 2007 and published in *Monitor Polski B* no. 1067, item 6147 on 6 June 2007.

VI. Final notes and comments

This report has been prepared in connection with our audit of the financial statements of BRE Bank SA, Warsaw, ul. Senatorska 18 (hereinafter called *the Bank*). The audited financial statements comprise:

(a) the balance sheet as at 31 December 2007, showing total assets and total equity and liabilities of PLN 48,409,810 thousand;

(b) the income statement for the year ended 31 December 2007, showing a net profit of PLN 637,231 thousand;

(c) the statement of changes in equity for the year ended 31 December 2007, showing an increase in equity of PLN 727,060 thousand;

(d) the cash flow statement for the year ended 31 December 2007, showing a net cash outflow of PLN 1,400,759 thousand;

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

The financial statements were signed by the Bank's Management Board on 28 February 2007. 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 2007, concerning the above-mentioned 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 financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

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

Adam Celiński
Board Member
Registered Auditor
No. 90033/7039

Registered Audit Company
No. 144

Warsaw, 28 February 2008