BRE BANK SA

BRE Bank SA

Concise IFRS Financial Statements for the first half of 2009

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1. Selected Financial Data

The selected financial data are supplementary information to these concise financial statements of BRE Bank SA for the first half of 2009.

	SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000		in EUR'000	
		Ist half of 2009 the period from 01.01.2009 to 30.06.2009	Ist half of 2008 the period from 01.01.2008 to 30.06.2008	Ist half of 2009 the period from 01.01.2009 to 30.06.2009	Ist half of 2008 the period from 01.01.2008 to 30.06.2008
I.	Interest income	1 458 870	1 280 222	322 873	368 134
II.	Fee and commission income	372 905	341 479	82 530	98 194
III.	Net trading income	212 289	242 879	46 983	69 841
IV.	Operating profit	19 090	695 726	4 225	200 059
V.	Profit before income tax	19 090	695 726	4 225	200 059
VI.	Net profit	23 949	660 072	5 300	189 807
VII.	Net cash flows from operating activities	(2 388 465)	271 694	(528 609)	78 127
VIII.	Net cash flows from investing activities	(52 452)	237 579	(11 609)	68 317
IX.	Net cash flows from financing activities	(195 895)	2 911 920	(43 355)	837 336
X.	Net increase / decrease in cash and cash equivalents	(2 636 812)	3 421 193	(583 572)	983 780
XXI.	Earnings per 1 ordinary share (in PLN/EUR)	0.81	22.25	0.18	6.40
XXII.	Diluted earnings per 1 ordinary share (in PLN/EUR)	0.81	22.24	0.18	6.40
XXIII.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

	SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000			in EUR'000		
		As at 30.06.2009	As at 31.12.2008	As at 30.06.2008	As at 30.06.2009	As at 31.12.2008	As at 30.06.2008
I.	Total assets	71 022 380	72 355 392	55 972 690	15 890 098	17 341 432	16 687 344
II.	Amounts due to the Central Bank	1 537 154	1 302 469	-	343 913	312 163	-
III.	Amounts due to other banks	20 017 301	20 142 760	11 018 843	4 478 544	4 827 620	3 285 088
IV.	Amounts due to customers	38 449 245	37 438 494	35 999 979	8 602 391	8 972 892	10 732 806
V.	Own equity	3 672 899	3 624 147	3 580 918	821 751	868 600	1 067 592
VI.	Share capital	118 764	118 764	118 752	26 572	28 464	35 404
VII.	Number of shares	29 690 882	29 690 882	29 687 937	29 690 882	29 690 882	29 687 937
VIII.	Book value per share (in PLN/EUR)	123.70	122.06	120.62	27.68	29.25	35.96
IX.	Diluted book value per share (in PLN/EUR)	123.59	121.98	120.59	27.65	29.23	35.95
X.	Capital adequacy ratio	11.08	10.04	9.40	11.08	10.04	9.40

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

- for items of the Statement of Financial Position – an exchange rate announced by the National Bank of Poland as at 30 June 2009: EUR 1 = PLN 4.4696, an exchange rate announced by the National Bank of Poland as at 31 December 2008: EUR 1 = PLN 4.1724 and an exchange rate announced by the National Bank of Poland as at 30 June 2008: EUR 1 = PLN 3.3542.
- for items of the Income Statement – an exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of the two quarters of 2009 and 2008: EUR 1 = PLN 4.5184 and EUR 1 = PLN 3.4776 respectively.

Concise IFRS Financial Statements for the first half of 2009 PLN (000's)

2. Concise Financial Data

Income Statement

	Note	the period from 01.01.2009 to 30.06.2009	the period from 01.01.2008 to 30.06.2008
Interest income		1 458 870	1 280 222
Interest expense		(783 356)	(766 678)
Net interest income		**675 514**	**513 544**
Fee and commission income		372 905	341 479
Fee and commission expense		(182 701)	(120 397)
Net fee and commission income		**190 204**	**221 082**
Dividend income		37 645	62 995
Net trading income, including:		212 289	242 879
Foreign exchange result		*232 522*	*251 220*
Other trading income		*(20 233)*	*(8 341)*
Gains less losses from investment securities		924	264 337
Other operating income		46 245	21 693
Impairment losses on loans and advances		(578 679)	(63 615)
Overhead costs		(463 430)	(483 711)
Amortization and depreciation		(92 635)	(74 066)
Other operating expenses		(8 987)	(9 412)
Operating profit		**19 090**	**695 726**
Profit before income tax		**19 090**	**695 726**
Income tax expense		4 859	(35 654)
Net profit		**23 949**	**660 072**

Net profit		**23 949**	**660 072**
Weighted average number of ordinary shares	5.22	**29 690 882**	**29 670 203**
Earnings per 1 ordinary share (in PLN)	5.22	**0.81**	**22.25**
Weighted average number of ordinary shares for diluted earnings	5.22	**29 717 904**	**29 676 607**
Diluted earnings per 1 ordinary share (in PLN)	5.22	**0.81**	**22.24**

Concise IFRS Financial Statements for the first half of 2009 PLN (000's)

Statement of Comprehensive Income

	the period from 01.01.2009 to 30.06.2009	the period from 01.01.2008 to 30.06.2008
Financial result	**23 949**	**660 072**
Other comprehensive income subjected to taxation	**30 265**	**(166 823)**
Exchange differences on translating foreign operations (net)	3 206	(2 259)
Available-for-sale financial assets (net)	27 059	(164 564)
Total comprehensive income net of tax, total	**54 214**	**493 249**

Concise IFRS Financial Statements for the first half of 2009 PLN (000's)

Statement of Financial Position

as at	30.06.2009	31.12.2008	30.06.2008
ASSETS			
Cash and balances with the Central Bank	4 292 521	2 491 851	2 879 939
Debt securities eligible for rediscounting at the Central Bank	12 284	9 238	24 536
Loans and advances to banks	1 945 098	6 065 581	4 695 699
Trading securities	1 070 844	4 969 212	4 498 528
Derivative financial instruments	3 507 647	5 612 313	2 497 513
Loans and advances to customers	45 031 342	42 257 165	31 494 680
Investment securities	10 209 373	5 498 171	5 116 882
- Available for sale	10 209 373	5 498 171	5 116 882
Non-current assets held for sale	-	-	468 039
Pledged assets	2 924 565	3 443 989	2 590 139
Investments in subsidiaries	474 393	457 305	444 808
Intangible assets	405 121	406 360	382 492
Tangible fixed assets	593 113	601 649	538 637
Deferred income tax assets	157 963	156 747	67 730
Other assets	398 116	385 811	273 068
Total assets	**71 022 380**	**72 355 392**	**55 972 690**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	1 537 154	1 302 469	-
Amounts due to other banks	20 017 301	20 142 760	11 018 843
Derivative financial instruments and other trading liabilities	3 865 038	6 211 316	2 566 015
Amounts due to customers	38 449 245	37 438 494	35 999 979
Debt securities in issue	-	7 829	37 173
Subordinated liabilities	2 789 358	2 669 453	1 993 213
Other liabilities	560 972	654 676	599 876
Current income tax liabilities	-	214 145	96 209
Provisions for deferred income tax	86	81	65
Provisions	130 327	90 022	80 399
Total liabilities	**67 349 481**	**68 731 245**	**52 391 772**
Equity			
Share capital	**1 521 683**	**1 521 683**	**1 521 294**
- Registered share capital	118 764	118 764	118 752
- Share premium	1 402 919	1 402 919	1 402 542
Retained earnings:	**2 342 254**	**2 323 767**	**2 147 216**
- Profit for the previous year	2 318 305	1 494 236	1 487 144
- Net profit for the current year	23 949	829 531	660 072
Other components of equity	**(191 038)**	**(221 303)**	**(87 592)**
Total equity	**3 672 899**	**3 624 147**	**3 580 918**
Total equity and liabilities	**71 022 380**	**72 355 392**	**55 972 690**
Capital adequacy ratio	**11.08**	**10.04**	**9.40**
Book value	**3 672 899**	**3 624 147**	**3 580 918**
Number of shares	**29 690 882**	**29 690 882**	**29 687 937**
Book value per share (in PLN)	**123.70**	**122.06**	**120.62**
Diluted number of shares	**29 717 904**	**29 711 586**	**29 694 341**
Diluted book value per share (in PLN)	**123.59**	**121.98**	**120.59**

Concise IFRS Financial Statements for the first half of 2009 PLN (000's)

Statement of Changes in Equity

Changes in equity from 1 January to 30 June 2009

	Share capital		Retained earnings					Other components of equity		
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available-for-sale financial assets	Total
Equity as at 1 January 2009	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**829 531**	**-**	**(10 610)**	**(210 693)**	**3 624 147**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2009	**118 764**	**1 402 919**	**874 123**	**12 113**	**608 000**	**829 531**	**-**	**(10 610)**	**(210 693)**	**3 624 147**
Total income	**-**	**-**	**-**	**-**	**-**	**-**	**23 949**	**3 206**	**27 059**	**54 214**
Transfer to General Risk Fund	-	-	-	-	100 000	(100 000)	-	-	-	-
Transfer to supplementary capital	-	-	729 531	-	-	(729 531)	-	-	-	-
Stock option program for employees	-	-	-	(5 462)	-	-	-	-	-	(5 462)
- value of services provided by the employees	-	-	-	*(5 462)*	-	-	-	-	-	*(5 462)*
Equity as at 30 June 2009	**118 764**	**1 402 919**	**1 603 654**	**6 651**	**708 000**	**-**	**23 949**	**(7 404)**	**(183 634)**	**3 672 899**

Changes in equity from 1 January to 31 December 2008

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

Concise IFRS Financial Statements for the first half of 2009 PLN (000's)

Changes in equity from 1 January to 30 June 2008

Changes in consolidated equity from 1 January 2008 to 30 June 2008

	Share capital		Retained earnings					Other components of equity		
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	Exchange differences on translating foreign operations	Available-for-sale financial assets	Total equity
Equity as at 1 January 2008	**118 643**	**1 398 789**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**(2 552)**	**81 783**	**3 080 133**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**(2 552)**	**81 783**	**3 080 133**
Total income	**-**	**-**	**-**	**-**	**-**	**-**	**660 072**	**(2 259)**	**(164 564)**	**493 249**
Transfer to General Risk Fund	-	-	-	-	50 000	(50 000)	-	-	-	-
Transfer to supplementary capital	-	-	587 231	-	-	(587 231)	-	-	-	-
Issue of shares	109	2 513	-	-	-	-	-	-	-	2 622
Other changes	-	-	(1)	-	-	-	-	-	-	(1)
Stock option program for employees	-	1 240	-	3 675	-	-	-	-	-	4 915
- value of services provided by the employees	-	-	-	4 915	-	-	-	-	-	4 915
- settlement of exercised options	-	1 240	-	(1 240)	-	-	-	-	-	-
Equity as at 30 June 2008	**118 752**	**1 402 542**	**874 123**	**5 021**	**608 000**	**-**	**660 072**	**(4 811)**	**(82 781)**	**3 580 918**

Concise IFRS Financial Statements for the first half of 2009 PLN (000's)

Statement of Cash Flows

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
A. Cash flow from operating activities	**(2 388 465)**	**271 694**
Profit before income tax	**19 090**	**695 726**
Adjustments:	***(2 407 555)***	***(424 032)***
Income taxes paid (negative amount)	(264 444)	(118 417)
Amortisation	92 635	74 066
Foreign exchange (gains) losses	194 739	(106 040)
(Gains) losses on investing activities	(1 652)	(269 993)
Impairment of financial assets	-	5 700
Dividends received	(37 554)	(60 444)
Interest received	(1 143 037)	(1 018 936)
Interest paid	868 502	739 480
Change in loans and advances to banks	734 632	(666 564)
Change in trading securities	3 488 342	1 114 935
Change in derivative financial instruments	2 104 666	(233 668)
Change in loans and advances to customers	(1 746 421)	(4 231 225)
Change in investment securities	(4 683 445)	808 679
Change in other assets	25 012	(43 689)
Change in amounts due to other banks	(88 945)	309 346
Change in financial instruments and other trading liabilities	(2 346 278)	384 595
Change in amounts due to customers	449 705	2 819 483
Change in debt securities in issue	171	363
Change in provisions	40 305	11 568
Change in other liabilities	(94 488)	56 729
Net cash from operating activities	**(2 388 465)**	**271 694**
B.Cash flows from investing activities	**(52 452)**	**237 579**
Investing activity inflows	**37 635**	**324 670**
Disposal of intangible assets and tangible fixed assets	1 361	191
Other investing inflows	36 274	324 479
Investing activity outflows	**90 087**	**87 091**
Acquisition of shares in subsidiaries	11 980	5
Purchase of intangible assets and tangible fixed assets	77 363	87 086
Other investing outflows	744	-
Net cash used in investing activities	**(52 452)**	**237 579**
C. Cash flows from financing activities	**(195 895)**	**2 911 920**
Financing activity inflows	**390 780**	**4 702 684**
Proceeds from loans and advances from other banks	390 780	3 953 210
Increase of subordinated liabilities	-	746 852
Issue of ordinary shares	-	2 622
Financing activity outflows	**586 675**	**1 790 764**
Repayments of loans and advances from other banks	306 273	1 170 719
Repayments of other loans and advances	5 753	102 798
Redemption of debt securities	8 000	-
Decrease of subordinated liabilities	-	359 500
Payments of financial lease liabilities	4 678	4 832
Other financing outflows	261 971	152 915
Net cash from financing activities	**(195 895)**	**2 911 920**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(2 636 812)**	**3 421 193**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	2 693	6 105
Cash and cash equivalents at the beginning of the reporting period	8 513 263	7 508 153
Cash and cash equivalents at the end of the reporting period	**5 879 144**	**10 935 451**

3. Description of Relevant Accounting Policies

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

3.1. Accounting Basis

The concise financial statements of BRE Bank SA have been prepared for the 6 month period ended 30 June 2009.

The presented Concise IFRS Financial Statements for the first half of 2009 fulfill the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting", concerning interim financial statements.

The concise consolidated financial statements of the Group, which constitute an integral part of the concise financial statements, are publicly available together with the concise financial statements. These concise financial statements should be read in conjunction with the concise consolidated financial statements of the Group to obtain a complete understanding of result and financial position of the issuer.

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

The preparation of financial statements in compliance with IFRS requires application of specific accounting estimates. It also requires the Management Board to apply its own judgment when applying the accounting policies adopted by the Bank. The issues in relation to which a greater degree of judgment is required, more complex issues, or such issues which involve a significant degree of application of estimates or judgments for the purpose of the financial statements are disclosed in Note 4.

3.2. Interest Income and Expenses

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

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

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

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

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

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

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

3.3. Fee and Commission Income

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

Commissions comprise payments collected by the Bank on account of cash management operations, keeping of customer accounts, managing bank transfers and providing letters of credit.

3.4. Financial Assets/Liabilities

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

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

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

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

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

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

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

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

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

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

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

Interest income/expense on financial assets/financial liabilities designated at fair value, except for derivatives the recognition of which is discussed in the Note 2.10, is recognized in net interest income. The valuation and result on disposal of financial assets/liabilities designated at fair value are recognized in net trading income.

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

<u>Loans and Receivables</u>

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

Held to Maturity Investments

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

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

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

Available for Sale Investments

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

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

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

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

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

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

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognized in the Statement of Financial Position at the purchase price reduced by impairment.

3.5. Offsetting Financial Instruments

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

3.6. Impairment of Financial Assets

Assets Carried at Amortised Cost

As at the end of each reporting period, the Bank estimates whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

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

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

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

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

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

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

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

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

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

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

Assets Measured at Fair Value

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

Renegotiated agreements

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

3.7. Financial Guarantee Contracts

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

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

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

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

3.8. Cash and Cash Equivalents

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

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

3.9. Sell-buy-back, Buy-sell-back, Reverse Repo and Repo Contracts

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

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

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

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

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

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

3.10. Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

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

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

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

Fair Value Hedges

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

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

Cash Flow Hedges

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

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

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

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

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

The Bank holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

3.11. Gains and losses on initial recognition

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

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

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

3.12. Borrowings

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

3.13. Intangible Assets

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

Computer software

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

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

Development costs

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

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

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

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

3.14. Tangible Fixed Assets

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

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

Accounting principles concerning assets held for liquidation or withdrawal from usage were described under Note 3.15.

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

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

Land and buildings consist mainly of branch outlets and offices.

Residual values and estimated useful life periods are verified as at the end of each reporting period and adjusted accordingly as the need arises.

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

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

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

3.15. Non-Current Assets Held for Sale and Discontinued Operation

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

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

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

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

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

3.16. Deferred Income Tax

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

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

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

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

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

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

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

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

3.17. Assets Repossessed For Debt

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

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

3.18. Prepayments, Accruals and Deferred Income

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

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

3.19. Leasing

BRE Bank SA as a Lessee

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

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

3.20. Provisions

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

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

3.21. Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

3.22. Equity

Equity consists of capital and own funds created in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the By-laws or the Company Articles of Association.

Registered share capital

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

a) Share Issue Costs

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

b) Dividends

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

c) Own Shares

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

Share premium

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

Retained earnings

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

Other components of equity

Other components of equity result from:

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

3.23. Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

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

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

Statement of Financial Position items of foreign branches of the Bank are converted from functional currency to the presentation currency with the application of average exchange rate as at the end of the reporting period. Income Statement items are converted to the presentation currency with the application of average exchange rates as at the end of each month of the reporting period. Foreign exchange differences so arisen are recognized under other components of equity.

3.24. Trust and Fiduciary Activities

BRE Bank SA operates trust and fiduciary activities within the scope of domestic and foreign securities and services provided to investment and pension funds. These assets were not presented in this financial statements because they do not belong to the Bank.

3.25. New Standards, Interpretations and Amendments to Published Standards

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

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

- IAS 32 (Revised), Financial Instruments: Presentation and IAS 1 (Revised), Presentation of Financial Statements-Puttable Financial Instruments and Obligation arising on Liquidation, binding for annual periods starting on or after 1 January 2009.
- Improvements to IFRS 2008 revising 20 standards, binding mostly for annual periods starting on 1 January 2009.

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

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

The Bank believes that the application of these standards and interpretations will not have a significant effect on the financial statements in the period of their first application.

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

3.26. Comparative Data

Data prepared as at 30 June 2008 are totally comparable with data introduced in the current reporting period so they were not adjusted.

3.27. Business Segments

Data concerning business segments were presented in consolidated financial statements of the BRE Bank SA Group for the first half of 2009, prepared according to International Financial Reporting Standards.

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

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

Impairment of loans and advances

The Bank reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the Income Statement, the Bank assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio, before such a decrease will be able to be attributed to a specific loan. The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets. The Management plans future cash flows based on estimates drawing on historical experience of losses incurred on assets featuring the traits of credit risk exposure and objective impairment symptoms similar to those which characterise the portfolio. The methodology and the assumptions on the basis of which the estimated cash flow amounts and their anticipated timing are determined will be regularly reviewed in order to reduce the discrepancies between the estimated and the actual magnitude of the impairment losses concerned. If the current value of estimated cash flows for portfolio of loans and advances, individually impaired, changed by +/-10%, the estimated loans and advances impairment would either decrease by PLN 37.7 million or increase by PLN 68.3 million relatively. The above indicated estimation was performed for portfolio of loans and advance impaired on the basis of individual analysis of future cash flows due to repayments and recovery from collateral.

Fair value of derivative instruments

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

Impairment of equity securities available for sale

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

Impairment of debt instruments available for sale

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

Significant and prolonged declines in fair values of available for sale financial debt instruments below their purchasing prices would result in charges due to estimated impairment of portfolio of these instruments in the amount of PLN 2.8 million which would be reflected in the Income Statement of the Bank in correspondence with revaluation reserve. For the purpose of the analysis, the declines in particular securities ratings that decreased by four rating classes were assumed to be significant and prolonged declines in fair values of available for sale financial debt instruments.

5. Selected Explanatory Information

5.1. Compliance with International Financial Reporting Standards

The presented Concise IFRS Financial Statements for the first half of 2009 fulfill the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting.

5.2. Consistency of accounting principles and calculation methods applied to the drafting of the half-year report and the last annual financial report

A detailed description of the accounting policy principles of the Bank is presented under item 3 of the Notes to the Concise Financial Statements for the first half of 2009. The accounting policies were applied consistently over all of the presented periods.

5.3. Seasonal or cyclical nature of the business

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

5.4. The nature and values of items affecting assets, liabilities, equity, net profit/(loss) or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact

The impact of the worldwide crisis on BRE Bank's financial standing

The consequences of the global financial crisis, which began in H2 2008, strongly marked H1 2009. They included the declining financial standing of banks' clients, both corporates and individuals. At the same time, the liquidity of the inter-bank market remained limited, though to a somewhat lesser extent, affecting the availability of long-term funding, which was related to a higher risk in the sector. These factors related to the global economic crisis had a significant impact on the position of the Bank.

The declining financial standing of retail clients [1] resulted in a sharp drop in the quality of the cash loans portfolio, necessitating a strong increase in provisions. In the Bank's corporate loans portfolio [2], client ratings migrated downwards, but this did not as yet cause a significant increase in portfolio provisions or, in particular, in the number of individual defaults cases of default. The number of the Bank's default clients did not increase significantly either, although the default ratio in the economy did grow significantly.

The main factor which determined the crisis risk profile was the issue of corporate clients with a negative valuation of derivative transactions. The Bank faced the need of restructuring clients' debt and, in extreme cases, of taking enforcement measures. As a result of these measures, exposure under derivative transactions was reduced significantly; however, the financial standing of some clients required high provisions, which were decisive to the semi-annual results of the Bank. In addition, the Bank took a range of measures necessary to ensure early identification of problematic corporate client exposures and updated its decision-making procedures, especially in retail lending.

While the market suffered very strong turbulences caused mainly by a sudden collapse of liquidity on the inter-bank market in late 2008 [3], the situation gradually improved in H1 2009. Nevertheless, access to mid-term and long-term funding remained relatively limited. As a result, banks were actively sourcing new deposits, leading to "deposit wars" where banks offered attractive, competitive pricing. Thanks to a consistent policy aiming at a steady growth in the deposit base through a flexible product offer and long-term customer relations, the liquidity situation is stable.

[1] Credit Risk – Retail Banking

In the retail portfolio, the quality of mortgage loans remained very good, so far unaffected by the declining economic conditions. At the same time, the quality of cash loans fell significantly, particularly at mBank. The latter trend resulted from the structure of mBank's portfolio with a high share of borrowers of a weak financial standing, hence very sensitive to economic crises. Faced with the issue, the Bank implemented far-reaching modifications in the cash products selling policy, addressing the offer to the existing customer base more than before. The principles of granting cash loans were modified, in particular the assessment of clients' creditworthiness, among others in order to reduce the influx of clients who could potentially end up in a debt spiral. Modifications were put in place to improve the effectiveness of borrower verification.

The implemented solutions aim to reduce credit risk and to significantly mitigate the operational risk of credit fraud. The modified product positioning was combined with restructuring of the client acquisition model and a focus on the own sales force network and more intense cross-selling. The structure of the cash loan product was simplified to ensure that it does not generate additional problems to clients with less financial awareness and expertise in using more sophisticated financial products. In addition, the Bank strengthened the monitoring of the risk of the cash loans portfolio. Monitoring is done at two levels: in transversal analysis and, in the case of identified risk areas, through verification of individual transactions. Concerning the monitoring of timely payments, the process of contacting clients with overdue debt was modified significantly. The Bank added new communication channels in order to contact clients, including mobile phone text messages and electronic mail; clients are reached with a text message already two days after an overdue payment is reported. Finally, the structure of the product was subject to a review; after its modification in May, the product is now much simpler to use, especially by clients with less financial awareness.

[2] Credit Risk – Corporate Banking

As it was mentioned above, the gradual decline of corporate clients' financial standing was accompanied by a negative valuation of derivative instruments held by a large group of enterprises. In some cases, the trend caused more acute problems than could arise from actual deterioration of economic conditions in Europe (including Poland).

The Management Board identified the major risks and took measures to reduce their impact on the financial position of the Bank. It was decided to start early the annual review of client PD ratings; the analysis was mainly based on the results of the Bank's clients in Q4 2008 and Q1 2009. According to the Bank, the financial performance of borrowers in these reporting periods already reflects the impact of the economic slow-down. The Bank identified higher-risk sectors (steel industry, construction, automotive industry, furniture, transport, manufacturing and sale of clothing). As a result, the criteria of lending to companies in these sectors were made stricter by introducing a range of limitations based on the Probability of Default, the quality of the collateral against the exposure, and the quality of business relations with the Bank/Group. In addition, the Bank increased the frequency of regular reviews of the client's financial standing, the monitoring of financed projects, and the verification of the valuation of accepted collateral, especially real property.

The Group reported a significant increase in provisions, mainly provisions against exposures under derivative transactions concluded by the Bank's clients. These provisions account for 80% of all individual provisions set up in H1 2009. It should be noted that the ratio of new individual provisions to Expected Loss calculated by credit risk models was much less than 1 in 2008. The ratio of individual provisions adjusted for (reduced by) the provisions against exposures under derivative transactions was also less than 1 after H1 2009. While the Bank expects the financial standing of borrowers to continue to decline, the Bank estimates that the ratio will remain close to 1. Therefore, the Bank considers the provisions against exposures under derivative transactions to constitute an extraordinary event, anticipating the forthcoming deterioration of the financial standing of borrowers.

In its assessment of the risk of clients holding exposures under derivative instruments, the Bank classified the clients according to five risk categories and estimated the amount of necessary provisions on the basis of the ratio of fx income to open fx positions, the capacity of generating positive cash flows, the size of the credit exposure (balance-sheet products plus exposures under derivative transactions), and held collateral. In the restructuring of such exposures, the Bank takes an individual (case-by-case) approach including the restructuring of open transactions, the closing of transactions in whole or in part, the closing of transactions in whole or in part combined with the refinancing of the loss, the conversion of debt into equity. Most often, due to the complexity of the restructuring process, the Bank applies several of these measures in each single case. The restructuring of some clients is still in progress due to the uncertainty of future developments in the economic environment, including the exchange rate of the zloty to the main currencies, the often high number of banks participating in the process, and the evolving economic environment (generally, falling demand for products and services of exporters-borrowers), generating additional uncertainty about the financial forecasts of borrowers.

The migration of client ratings affects the size of IBNR provisions. The IBNR provisions are set up against the loans portfolio of clients not rated as default. The amount of the provisions is the sum total of losses incurred as a result of economic events which are not identified by the Bank as at the date of the provisions. The probability of a loss is modelled using logistic regression based on financial indicators and qualitative data. The model is calibrated using the Bank's internal data covering observations of the corporate portfolio over a period of several years. It was set that the Loss Identification Period (LIP), i.e., the average period between the occurrence of a negative economic event and reporting it at the Bank, is 9 months. Hence, the calculations use an observation horizon of 9 months. The amount of incurred losses is set to be equal to the current exposure times LGD (Loss Given Default) determined in the rating model RC-POL on the basis of EL-rating calculation. In the Bank's opinion, the profile of the corporate rating system as a model sensitive to changes in the economic cycle (Point-in-Time) and the inclusion of semi-annual data and warning signals in the financial model ensure adequate reaction of calculated IBNR provisions to the evolving market conditions.

In addition, in Q4 2008, the Bank decided not to eliminate the existing conservative model assumptions (Credit Conversion Factor CCF=100%, annual model recalibration) in order to mitigate the expected time lag between the fast declining macroeconomic environment and the model. As a result of the Bank's experience with the above-mentioned issue of clients holding derivative instruments, which was decisive to the Bank's credit risk level, the quantification of the impact of off-balance-sheet debt to the client's risk of default was added to the corporate client rating model. The Bank is in the process of analysing in detail the debt recovered from collateral in default cases in order to assess the adequacy of the LGD model parameters. According to preliminary results, the model estimates the expected corporate Loss Given Default in a conservative way.

[3] Liquidity Management

As a result of the above-mentioned limited supply of money in the inter-bank market, liquidity management and long-term funding gained even more importance. The Bank monitored financial liquidity on a daily basis, using methods based on cash flow analysis. The liquidity risk measurement is based on an internal model developed on the basis of an analysis of the Bank's specificity, deposit base volatility, concentration of financing, and planned developments of particular portfolios. Daily monitoring covers the following items: the value of cash flow gaps in specific time intervals (mismatch), the level of liquidity reserves of the Bank, and the degree of utilisation of external and internal liquidity limits. The Bank assesses its current liquidity position and the probability of its deterioration on an on-going basis, based on scenario methodologies, including stress-testing. The importance of stress-tests increased with the growing market volatility and the above-mentioned limited availability of market liquidity. The Bank also monitors regularly the concentration of funding, especially the deposit base, and the balance of liquidity reserves. In order to secure the Bank's liquidity, the Bank identifies sources of current and emergency liquidity supply, i.e., liquidity reserves. The Bank has put in place contingency procedures in the event of a sharp deterioration of its liquidity position. In order to monitor liquidity on an on-going basis, the Bank calculates the amount of the realigned, cumulative cash flow gap. The realigned gap is calculated on the basis of contractual cash flows. The realignment concerns mainly cash flows in the client deposit portfolio and the overdraft portfolio. In addition, the Bank assumes a stable portfolio of term deposits and potential early sale or pledge of the liquid securities portfolio. Concerning the liquidity position of the Bank in H1 2009, it should be stressed that the Bank's structure of funding was stable. The portfolio of current accounts and term deposits of clients other than banks had the biggest share in the structure of funding. The second largest source of funding was the portfolio of long-term borrowings (above 12 months) from banks, mainly from Commerzbank. These borrowings combined with subordinated loans were the main source of funding for the CHF mortgage loans portfolio. BRE Bank's dependence on money market funding was very low (around 2% of all sources of funding). At the time of the crisis, in addition to daily liquidity risk monitoring, the Bank increased the number and scope of scenario analyses, in particular stress-tests. The results of the scenario analyses were regularly presented and discussed at meetings of the ALCO, the Risk Committee, and the Management Board. The Bank's operating procedures in the case of a liquidity risk, put in place as a precautionary measure after the collapse of Lehman Brothers, proved to be effective. At the end of H1 2009, the Bank's and liquidity and funding were at a level adequate to the needs.

5.5. The nature and the amounts of changes in estimate values of items which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period

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

5.6. Issues, redemption and repayment of debt and equity securities

In the first half of 2009 the Bank redeemed deposit certificates of the amount of PLN 8 000 thousand.

5.7. Total dividends paid (or declared) or dividends per share, broken down by ordinary shares and other shares

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

5.8. Income and profit by business segment

Income and profit by business segment within the Bank are presented under the item 5 of the Notes to the Consolidated Financial Statements on the consolidated level.

5.9. Significant events after the end of the first half of 2009 which were not reflected in the financial statement

On 31 July 2009 BRE Bank concluded a loan agreement with European Investment Bank (EBI), upon which EBI will grant BRE Bank a loan in the amount of EUR 100 000 thousand (PLN 416 050 thousand according to the average exchange rate announced by the National Bank of Poland on 31 July 2009).

5.10. The effect of changes in the structure of the entity in the first half of 2009, including business combinations, acquisitions or disposal of subsidiaries, and long-term investments, restructuring, and discontinuation of business activities

The above indicated events did not occur at the Bank.

5.11. Changes in Contingent Liabilities

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

5.12. Write-offs of the value of inventories down to net realisable value and reversals of such write-offs

The above indicated events did not occur in the Bank.

5.13. Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets, as well as reversals of such write-offs

In the first half of 2009, no significant impairment write-offs were recorded in relation to any tangible fixed assets and intangible assets nor were any significant reversals on such account recorded in the Bank.

5.14. Reversals of provisions against restructuring costs

The above indicated events did not occur in the Bank.

5.15. Acquisitions and disposals of tangible fixed asset items

In the first half of 2009 there were no material transactions of acquisition or disposal of any tangible fixed assets.

5.16. Liabilities assumed on account of acquisition of tangible fixed assets

The above indicated events did not occur at the Bank.

5.17. Corrections of errors from previous reporting periods

In the first half of 2009 there were no corrections of errors from previous reporting periods.

5.18. Default or infringement of a loan agreement or failure to initiate composition proceedings

The above indicated events did not occur in the Bank.

5.19. Position of the Management on the probability of performance of previously published profit/loss forecasts for the year in the light of the results presented in the half-year report compared to the forecast

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

5.20. Registered share capital

The total number of ordinary shares as at 30 June 2009 was 29 690 882 shares (v. 29 687 937 as at 30 June 2008) with PLN 4 nominal value each (PLN 4 in 2008). All issued shares were fully paid up.

Concise IFRS Financial Statements for the first half of 2009 PLN (000's)

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

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

5.21. Material share packages

There was no change in the holding of material share packages of the Bank in H1 2009.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting. As at 30 June 2009 Commerzbank Auslandsbanken Holding AG held 69.7847% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2008 – 69.7847%).

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

In accordance with the notification as of 8 June 2009 sent to BRE Bank by ING Powszechne Towarzystwo Emerytalne SA, the Bank informed in the Current Report No. 33/2009 that ING Otwarty Fundusz Emerytalny held 1 488 715 shares of BRE Bank, which currently constitute 5.01% of the share capital of BRE Bank SA and authorize to exercise 1 488 715 votes at the General Meeting of BRE Bank SA, representing 5.01% of general number of votes at the General Meeting of BRE Bank SA.

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5.22. Earnings per share (stand alone data)

Earnings per share for 6 months

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Basic:		
Net profit	23 949	660 072
Weighted average number of ordinary shares	29 690 882	29 670 203
Net basic profit per share (in PLN per share)	**0.81**	**22.25**
Diluted:		
Net profit attributable to the shareholders, applied for calculation of diluted earnings per share	23 949	660 072
Weighted average number of ordinary shares in issue	29 690 882	29 670 203
Adjustments for:		
- stock options for employees	27 022	6 404
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 717 904	29 676 607
Diluted earnings per share (in PLN per share)	**0.81**	**22.24**

5.23. Proceedings before a court, arbitration body or public administration authority

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

Report on major proceedings concerning contingent liabilities of the issuer

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

   At present proceedings against BRE Bank in the Court of Jerusalem takes place initiated by Bank Leumi and an insurance company of Bank Leumi, Migdal Insurance Company. It is an action for indemnity in the amount of USD 13.5 million (PLN 42.8 million according to the average exchange rate of the National Bank of Poland of 30 June 2009). This action was originally initiated by ART-B Sp. z o.o. Eksport – Import with its registered office in Katowice, under liquidation ("Art-B") against the main defendant Bank Leumi, whereas BRE Bank was garnished by Bank Leumi. Considering a settlement concluded between ART-B and Bank Leumi, and Migdal Insurance Company, on the basis of which ART-B received from Bank Leumi and Migdal Insurance Company an amount of USD 13.5 million, Bank Leumi and Migdal Insurance Company claim from BRE Bank refund of the amount paid to ART-B that is USD 13.5 million. BRE Bank's liability towards Bank Leumi and Migdal Insurance Company is under recourse. The proceeding is at a pre-trial stage, i.e., prior to the first hearing. Parties of the lawsuit handed over a case to mediation in order that an independent specialist should examine legal status of the actual condition arisen.

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

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

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

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

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

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

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

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

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

5. Claims of the clients of Interbrok

   As at 4 August 2009 the Bank was requested by 62 entities who were the client of Interbrok Investment E. Drożdż i Spółka Spółka jawna (further referred to as Interbrok) to pay compensation claims in a total amount of PLN 139 120 thousand. 59 entities called the Bank for settlement of the matter amicably via the District Court in Warsaw. Additionally, by 4 August April 2009 8 legal suits have been delivered to the Bank where former clients of Interbrok claimed compensation in the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. In all court cases the Bank moves for dismissal of the claims wholly and objects to charges included in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the discussed case. Therefore BRE Bank Group SA did not create provisions for the above claims.

   On 8 June 2009 the District Court in Warsaw settled one of the aforementioned court cases and dismissed an action of the former client of Interbrok.

As at 30 June 2009, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 June 2009 did not go above 10% of the issuer's equity.

<u>Taxes</u>

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

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

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

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5.24. Off-balance Sheet Liabilities

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

	30.06.2009	31.12.2008	30.06.2008
1. Contingent liabilities granted and received	**15 362 703**	**18 976 682**	**17 456 283**
Commitments granted	**14 852 115**	**18 419 046**	**16 982 426**
- financing	12 065 909	14 963 786	13 380 163
- guarantees	2 536 206	3 020 853	2 858 784
- others	250 000	434 407	743 479
Commitments received	**510 588**	**557 636**	**473 857**
- financing	41 580	74 057	78 514
- guarantees	469 008	483 579	395 343
2. Derivative financial instruments	**469 006 080**	**656 809 303**	**737 071 197**
Interest rate derivatives	384 615 348	563 830 533	650 245 666
FX derivatives	82 506 601	91 580 962	80 583 662
Market risk derivatives	1 884 131	1 397 808	6 241 869
Total off-balance sheet items	**484 368 783**	**675 785 985**	**754 527 480**

5.25. Transactions with Related Entities

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

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

- Within the period from 15 May to 22 June 2009 BRE Bank concluded two agreements of the total value of PLN 550 000 thousand with BRE Bank Hipoteczny ("BBH"), an indirect generic-dependent entity on the Bank. The higher-value agreement as of 22 June 2009 concerned service sub-issue upon which, on 24 June 2009, the Bank took over three-year mortgage letters of the total value of PLN 300 000 thousand, issued by BBH.

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

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

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

No.	Company's name	Statement of Financial Position		Separate Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries								
1	AMBRESA Sp. z o.o.	-	770	-	-	1	-	-	-
2	BRE Bank Hipoteczny SA *)	988 089	182 193	22 635	-	-	-	270 404	-
3	BRE Corporate Finance SA	-	1 596	-	-	-	-	1 573	-
4	BRE Finance France SA	-	17 447	-	-	-	-	31 623	-
5	BRE Holding Sp. z o.o.	-	2 670	-	-	-	-	-	-
6	BRE Leasing Sp. z o.o. *)	129 154	73 474	1 744	-	-	-	29 808	-
7	BRELINVEST Sp. z o.o. Fly 2 Commandite Company	-	1 393	-	(2)	-	-	-	-
8	BRE.locum SA	144 291	-	-	-	-	-	35 000	-
9	BRE Systems Sp. z o.o. (previously ServicePoint Sp. z o.o.)	615	264	10	(1)	9	-	385	-
10	BRE Ubezpieczenia TU SA	10 569	29 779	-	-	33 212	(7 473)	-	-
11	BRE Wealth Management SA	-	4 443	-	-	-	-	-	-
12	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	22 780	13 826	-	-	-	(13 705)	-	-
13	Dom Inwestycyjny BRE Bank SA	5 160	1 060 122	-	(9 969)	6 351	(1 650)	10 673	-
14	emFinanse Sp. z o.o.	-	10 276	-	-	-	-	-	-
15	Garbary Sp. z o.o.	-	-	-	-	-	-	6 300	-
16	Polfactor SA *)	368 480	4 775	7 885	-	-	-	39 883	-
17	Tele-Tech Investment Sp. z o.o.	59 170	-	3 534	-	-	-	-	-
	Commerzbank AG Capital Group (Ultimate Parent Group)	566 547	20 025 584	11 048	(175 849)	-	-	854 112	138 650

*) BRE Bank SA owns shares in companies marked through BRE Holding Sp. z o.o., a 100% subsidiary of the Bank

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

No.	Company's name	Statement of Financial Position		Separate Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries								
1	AMBRESA Sp. z o.o.	-	847	-	-	2	-	-	-
2	BRE Bank Hipoteczny SA *)	696 622	56 877	37 093	-	-	-	269 046	-
3	BRE Corporate Finance SA	-	-	-	-	-	-	1 573	-
4	BRE Finance France SA	-	17 577	-	(18 993)	-	-	29 980	-
5	BRE Holding Sp. z o.o.	-	11 743	-	-	-	-	-	-
6	BRE Leasing Sp. z o.o. *)	206 293	46 229	11 030	(2 738)	-	-	102 375	-
7	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	-	715	-	(1)	1	-	-	-
8	BRE.locum SA	151 109	-	9 881	-	-	-	28 000	-
9	BRE Systems Sp. z o.o. (dawniej Service Point Sp. z o.o.)	-	150	9	(6)	17	-	1 000	-
10	BRELINVEST Sp. z o.o. Fly 2 Commandite company	16 776	38 933	-	-	121 032	(11 338)	-	-
11	BRE Wealth Management SA	-	3 972	-	-	1 881	-	-	-
12	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	20 000	37 937	-	-	-	(26 352)	3 000	-
13	Dom Inwestycyjny BRE Bank SA	-	299 009	-	(21 468)	7 302	(3 961)	50 000	-
14	emFinanse Sp. z o.o.	-	-	-	-	-	(4 496)	-	-
15	Intermarket Bank AG	-	-	3 889	-	-	-	-	-
16	BRE Systems Sp. z o.o. (previously ServicePoint Sp. z o.o.)	347 181	3 464	19 614	-	-	-	53 232	-
17	Tele-Tech Investment Sp. z o.o.	51 972	-	5 563	-	-	-	-	-
	Associates								
	Xtrade SA	-	34	-	(4)	7	-	-	-
	Commerzbank AG Capital Group (Ultimate Parent Group)	1 834 878	24 587 002	38 424	(549 414)	-	-	580 504	557 636

*) BRE Bank SA owns shares in companies marked through BRE Holding Sp. z o.o., a 100% subsidiary of the Bank

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

No.	Company's name	Statement of Financial Position		Separate Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries								
1	AMBRESA Sp. z o.o.	-	447	-	-	1	-	-	-
2	BRE Bank Hipoteczny SA *)	542 166	46 860	14 538	-	-	-	49 919	-
3	BRE Finance France SA	-	13 551	-	(18 296)	-	-	21 277	-
4	BRE Holding Sp. z o.o.	-	11 699	-	-	-	-	-	-
5	BRE Leasing Sp. z o.o. *)	246 591	30 988	4 912	-	-	-	105 474	-
6	BRE Ubezpieczenia TU SA	-	7 361	-	(236)	4	-	-	-
7	BRE Wealth Management SA (previously Skarbiec Investment Management SA)	-	3 197	-	-	-	-	-	-
8	BRE.locum SA	139 092	-	4 076	-	-	-	-	-
9	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	72	-	-	1	-	-	-
10	BREL-MAR Sp. z o.o.	-	-	-	-	1	-	-	-
11	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	13 073	10 006	-	-	-	(12 324)	4 608	-
12	Dom Inwestycyjny BRE Bank SA	4 059	369 064	-	(11 970)	3 804	(2 137)	70 000	-
13	emFinanse Sp. z o.o.	7 166	-	-	-	-	(3 537)	-	-
14	Intermarket Bank AG	77 147	-	2 048	-	-	-	-	-
15	Polfactor SA *)	310 653	-	8 313	-	-	-	101 529	-
16	ServicePoint Sp. z o.o.	-	456	3	(3)	4	-	500	-
17	Tele-Tech Investment Sp. z o.o.	39 036	-	-	-	-	-	-	-
	Associates								
1	Aegon PTE SA	-	6 079	-	(117)	6	-	-	-
2	Xtrade SA	-	112	-	(3)	4	-	-	-
	Commerzbank AG Capital Group (Ultimate Parent Group)	622 009	13 099 104	8 942	(216 918)	-	-	103 628	109 914

*) BRE Bank SA owns shares in companies marked through BRE Holding Sp. z o.o., a 100% subsidiary of the Bank

5.26. Credit and loan guarantees, other guarantees granted in excess of 10% of the equity

The Bank was not exposured to guarantees granted in excess of 10% of the equity as at 30 June 2009.

5.27. Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance, and their changes, as well as information relevant to an assessment of the issuer's capacity to meet its liabilities

On 16 March 2009 the 22^{nd} Ordinary General Meeting of BRE Bank appointed Mr Stefan Schmittmann as a new (the 10^{th} one) Member of the Supervisory Board of BRE Bank SA.

On 10 June 2009 Mr Bernd Loewen, a Member of the Management Board of BRE Bank SA resigned from his post as of 1 July 2009.

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