BRE BANK SA

BRE Bank SA Group

Concise IFRS Consolidated Financial Statements for the first half of 2009

Contents

Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN '000		in EUR '000	
		Ist half of 2009 from 01.01.2009 to 30.06.2009	Ist half of 2008 from 01.01.2008 to 30.06.2008	Ist half of 2009 from 01.01.2009 to 30.06.2009	Ist half of 2008 from 01.01.2008 to 30.06.2008
I.	Interest income	1 790 686	1 600 239	396 310	460 156
II.	Fee and commission income	475 615	440 829	105 262	126 762
III.	Net trading income	223 962	254 189	49 567	73 093
IV.	Operating profit	16 188	701 097	3 583	201 604
V.	Profit before income tax	16 188	701 097	3 583	201 604
VI.	Net profit attributable to Owners of BRE Bank SA	15 664	623 809	3 467	179 379
VII.	Net profit attributable to non-controlling interests	(5 056)	24 092	(1 119)	6 928
VIII.	Net cash flows from operating activities	(2 573 011)	(154 396)	(569 452)	(44 397)
IX.	Net cash flows from investing activities	(91 224)	120 488	(20 189)	34 647
X.	Net cash flows from financing activities	25 037	3 633 391	5 541	1 044 798
XI.	Net increase / decrease in cash and cash equivalents	(2 639 198)	3 599 483	(584 100)	1 035 048
XII.	Earnings on continued operations per 1 ordinary share (in PLN/EUR)	0.53	18.44	0.12	5.30
XIII.	Diluted earnings on continued operations per 1 ordinary share (in PLN/EUR)	0.53	18.44	0.12	5.30
XIV.	Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

In the above selected financial data continued and discontinued operations are presented together in positions from I to VII

SELECTED FINANCIAL DATA FOR THE GROUP		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	80 932 457	82 605 202	64 500 558	18 107 315	19 798 006	19 229 789
II.	Amounts due to the Central Bank	1 537 154	1 302 469	-	343 913	312 163	-
III.	Amounts due to other banks	27 189 396	27 488 807	16 365 665	6 083 183	6 588 248	4 879 156
IV.	Amounts due to customers	38 859 124	37 750 027	36 366 148	8 694 094	9 047 557	10 841 974
V.	Equity attributable to Owners of BRE Bank SA	3 917 541	3 894 452	3 774 780	876 486	933 384	1 125 389
VI.	Non-controlling interests	153 577	153 584	131 699	34 360	36 810	39 264
VII.	Share capital	118 764	118 764	118 752	26 572	28 464	35 404
VIII.	Number of shares	29 690 882	29 690 882	29 687 937	29 690 882	29 690 882	29 687 937
IX.	Book value per share (in PLN/EUR)	131.94	131.17	127.15	29.52	31.44	37.91
X.	Diluted book value per share (in PLN/EUR)	131.82	131.08	127.12	29.49	31.41	37.90
XI.	Capital adequacy ratio	11.08	10.04	9.23	11.08	10.04	9.23

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 2009 and 2008: 1 EUR = 4.5184 PLN and 1 EUR = 3.4776 PLN respectively.

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

Consolidated Income Statement

	Note	the period from 01.06.2009 to 30.06.2009	the period from 01.06.2008 to 30.06.2008
Continued operations			
Interest income		1 790 686	1 597 809
Interest expense		(962 096)	(954 624)
Net interest income	5	**828 590**	**643 185**
Fee and commission income		475 615	415 453
Fee and commission expense		(195 651)	(127 713)
Net fee and commission income	6	**279 964**	**287 740**
Dividend income	7	2 822	3 733
Net trading income, including:	8	223 962	254 190
Foreign exchange result		*242 147*	*260 461*
Other trading income		*(18 185)*	*(6 271)*
Gains less losses from investment securities	9	(17 150)	137 817
Other operating income	10	156 733	180 695
Net impairment losses on loans and advances	11	(648 852)	(67 868)
Overhead costs	12	(604 500)	(619 909)
Amortization and depreciation		(117 790)	(93 952)
Other operating expenses	13	(87 591)	(103 442)
Operating profit		**16 188**	**622 189**
Profit before income tax from continued operations		**16 188**	**622 189**
Income tax expense		(5 580)	(50 860)
Net profit from continued operations		**10 608**	**571 329**
Discontinued operations	19		
Profit before income tax from discontinued operations		**-**	**78 908**
Income tax expense		-	(2 336)
Net profit from discontinued operations		**-**	**76 572**
Net profit from continued and discontinued operations		**10 608**	**647 901**
Net profit from continued and discontinued operations, attributable			
- Owners of BRE Bank SA		15 664	623 809
- Non-controlling interests		(5 056)	24 092
Net profit from continued operations attributable to Owners of BRE Bank SA		**15 664**	**547 237**
Weighted average number of ordinary shares	14	**29 690 882**	**29 670 203**
Earnings on continued operations per 1 ordinary share (in PLN)	14	**0.53**	**18.44**
Weighted average number of ordinary shares for diluted earnings	14	**29 717 904**	**29 676 607**
Diluted earnings on continued operations per 1 ordinary share (in PLN)	14	**0.53**	**18.44**

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

Consolidated Comprehensive Income

	the period from 01.06.2009 to 30.06.2009	the period from 01.06.2008 to 30.06.2008
Financial result	**10 608**	**647 901**
Other comprehensive income subjected to taxation	**18 933**	**(171 077)**
Exchange differences on translating foreign operations (net)	14 696	(6 220)
Available-for-sale financial assets (net)	4 237	(164 857)
Total comprehensive income net of tax, total	**29 541**	**476 824**
Total comprehensive income (net), attributable to:		
- Owners of BRE Bank SA	28 551	454 917
- Non-controlling interests	990	21 907

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

Consolidated Statement of Financial Position

	Note	30.06.2009	31.12.2008	30.06.2008
ASSETS				
Cash and balances with the Central Bank		4 333 799	2 512 333	2 901 134
Debt securities eligible for rediscounting at the Central Bank		12 284	9 238	24 536
Loans and advances to banks		1 994 169	6 104 093	4 747 696
Trading securities	15	835 309	4 624 621	4 183 725
Derivative financial instruments		3 533 056	5 632 872	2 501 342
Loans and advances to customers	16	54 893 997	52 142 477	39 651 678
Investment securities	17	9 752 875	5 502 312	5 162 871
- Available for sale		9 752 875	5 502 312	5 162 871
Non-current assets held for sale	19	-	-	416 150
Pledged assets	15, 17	2 927 131	3 445 281	2 590 976
Investments in associates		1 251	16 953	13 675
Intangible assets		439 932	438 452	410 637
Tangible fixed assets		795 728	814 469	716 962
Deferred income tax assets		359 560	327 558	216 841
Other assets		1 053 366	1 034 543	962 335
Total assets		**80 932 457**	**82 605 202**	**64 500 558**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		1 537 154	1 302 469	-
Amounts due to other banks		27 189 396	27 488 807	16 365 665
Derivative financial instruments and other trading liabilities		3 860 602	6 174 491	2 555 426
Amounts due to customers	18	38 859 124	37 750 027	36 366 148
Debt securities in issue		1 607 461	1 790 745	2 191 871
Subordinated liabilities		2 789 358	2 669 453	1 993 213
Other liabilities		800 756	996 280	895 956
Current income tax liabilities		2 019	218 807	100 213
Deferred income tax liabilities		1 884	81	782
Provisions		213 585	166 006	124 805
Total liabilities		**76 861 339**	**78 557 166**	**60 594 079**
Equity				
Equity attributable to Owners of the parent		**3 917 541**	**3 894 452**	**3 774 780**
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:		**2 597 339**	**2 587 137**	**2 348 174**
- Profit from the previous years		2 581 675	1 729 678	1 724 365
- Profit for the current year		15 664	857 459	623 809
Other components of equity		**(201 481)**	**(214 368)**	**(94 688)**
Non-controlling interests		**153 577**	**153 584**	**131 699**
Total equity		**4 071 118**	**4 048 036**	**3 906 479**
Total equity and liabilities		**80 932 457**	**82 605 202**	**64 500 558**
Capital adequacy ratio		**11.08**	**10.04**	**9.23**
Book value		**3 917 541**	**3 894 452**	**3 774 780**
Number of shares		**29 690 882**	**29 690 882**	**29 687 937**
Book value per share (in PLN)		**131.94**	**131.17**	**127.15**
Diluted number of shares		**29 717 904**	**29 711 586**	**29 694 341**
Diluted book value per share (in PLN)		**131.82**	**131.08**	**127.12**

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

Consolidated Statements of Changes in Equity

Changes in equity from 1 January 2009 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	Equity attributable to Owners of BRE Bank SA, total	Non-controlling interests	Total equity
Equity as at 1 January 2009	**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**958 791**	**-**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2009	**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**958 791**	**-**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**15 664**	**8 658**	**4 229**	**28 551**	**990**	**29 541**
Dividends paid	-	-	-	-	-	-	-	-	-	-	(996)	(996)
Transfer to General Risk Fund	-	-	-	-	105 900	(105 900)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	14 525	-	(14 525)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	789 860	-	-	(789 860)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Stock option program for employees	-	-	-	(5 462)	-	-	-	-	-	(5 462)	-	(5 462)
- value of services provided by the employees	-	-	-	*(5 462)*	-	-	-	-	-	*(5 462)*	-	*(5 462)*
Equity as at 30 June 2009	**118 764**	**1 402 919**	**1 761 401**	**52 558**	**719 210**	**48 506**	**15 664**	**4 519**	**(206 000)**	**3 917 541**	**153 577**	**4 071 118**

Changes in equity from 1 January 2008 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	Equity attributable to Owners of BRE Bank SA, total	Non-controlling interest	Total equity
Equity as at 1 January 2008	**118 643**	**1 398 789**	**322 262**	**22 288**	**559 110**	**829 215**	**-**	**(7 579)**	**81 783**	**3 324 511**	**116 812**	**3 441 323**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- change in the scope of consolidation	-	-	-	-	-	(6 789)	-	-	-	(6 789)	-	(6 789)
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**322 262**	**22 288**	**559 110**	**822 426**	**-**	**(7 579)**	**81 783**	**3 317 722**	**116 812**	**3 434 534**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**857 459**	**3 440**	**(292 012)**	**568 887**	**42 014**	**610 901**
Dividends paid	-	-	-	-	-	-	-	-	-	-	(12 419)	(12 419)
Transfer to General Risk Fund	-	-	-	-	54 200	(54 200)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	10 440	-	(10 440)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	653 929	-	-	(653 929)	-	-	-	-	-	-
Loss coverage with supplementary capital	-	-	(2 731)	-	-	2 731	-	-	-	-	-	-
Issue of shares	121	2 784	-	-	-	-	-	-	-	2 905	-	2 905
Additional shareholder payments	-	-	-	-	-	-	-	-	-	-	2	2
Change in the scope of consolidation	-	-	(1 919)	-	-	1 919	-	-	-	-	-	-
Other changes	-	-	-	-	-	(7 175)	-	-	-	(7 175)	7 175	-
Stock option program for employees	-	1 346	-	10 767	-	-	-	-	-	12 113	-	12 113
- value of services provided by the employees	-	-	-	*12 113*	-	-	-	-	-	*12 113*	-	*12 113*
- settlement of exercised options	-	*1 346*	-	*(1 346)*	-	-	-	-	-	-	-	-
Equity as at 31 December 2008	**118 764**	**1 402 919**	**971 541**	**43 495**	**613 310**	**101 332**	**857 459**	**(4 139)**	**(210 229)**	**3 894 452**	**153 584**	**4 048 036**

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

Changes in 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	Equity attributable to Owners of BRE Bank SA, total	Non-controlling interest	Total equity
Equity as at 1 January 2008	**118 643**	**1 398 789**	**322 262**	**22 288**	**559 110**	**829 215**	**-**	**(7 579)**	**81 783**	**3 324 511**	**116 812**	**3 441 323**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- change in the scope of consolidation	-	-	-	-	-	(6 789)	-	-	-	(6 789)	-	(6 789)
- adjustment of errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**322 262**	**22 288**	**559 110**	**822 426**	**-**	**(7 579)**	**81 783**	**3 317 722**	**116 812**	**3 434 534**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**623 809**	**(4 035)**	**(164 857)**	**454 917**	**21 907**	**476 824**
Dividends paid	-	-	-	-	-	-	-	-	-	-	(12 418)	(12 418)
Transfer to General Risk Fund	-	-	-	-	54 200	(54 200)	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	8 471	-	(8 471)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	653 893	-	-	(653 893)	-	-	-	-	-	-
Loss coverage with supplementary capital	-	-	(2 731)	-	-	2 731	-	-	-	-	-	-
Issue of shares	109	2 513	-	-	-	-	-	-	-	2 622	-	2 622
Additional shareholder payments	-	-	-	-	-	-	-	-	-	-	2	2
Other changes	-	-	-	-	-	(5 396)	-	-	-	(5 396)	5 396	-
Stock option program for employees	-	1 240	-	3 675	-	-	-	-	-	4 915	-	4 915
- value of services provided by the employees	-	-	-	*4 915*	-	-	-	-	-	*4 915*	-	*4 915*
- settlement of exercised options	-	*1 240*	-	*(1 240)*	-	-	-	-	-	-	-	-
Equity as at 30 June 2008	**118 752**	**1 402 542**	**973 424**	**34 434**	**613 310**	**103 197**	**623 809**	**(11 614)**	**(83 074)**	**3 774 780**	**131 699**	**3 906 479**

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

Consolidated 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	**(2 573 011)**	**(154 396)**
Profit before income tax	**16 188**	**701 097**
Adjustments:	***(2 589 199)***	***(855 493)***
Income taxes paid (negative amount)	(323 218)	(154 923)
Amortisation	117 790	94 197
Foreign exchange (gains) losses	197 408	(97 895)
(Gains) losses on investing activities	(943)	(206 183)
Impairment of financial assets	36 312	-
Dividends received	(2 833)	(3 734)
Interest received	(1 143 037)	(1 018 936)
Interest paid	860 926	734 814
Change in loans and advances to banks	741 730	(662 885)
Change in trading securities	3 338 446	1 163 516
Change in derivative financial instruments	2 099 816	(228 704)
Change in loans and advances to customers	(1 723 764)	(5 084 445)
Change in investment securities	(4 231 768)	919 592
Change in other assets	38 233	(130 984)
Change in amounts due to other banks	(397 887)	49 272
Change in other trading liabilities	(2 313 889)	391 212
Change in amounts due to customers	567 795	3 541 432
Change in debt securities in issue	(296 909)	(208 690)
Change in provisions	47 579	44 530
Change in other liabilities	(200 986)	3 321
Net cash from operating activities	**(2 573 011)**	**(154 396)**
B.Cash flows from investing activities	**(91 224)**	**120 488**
Investing activity inflows	**13 112**	**274 459**
Disposal of intangible assets and tangible fixed assets	10 279	5 341
Other investing inflows	2 833	269 118
Investing activity outflows	**104 336**	**153 971**
Purchase of intangible assets and tangible fixed assets	103 592	153 971
Other investing outflows	744	-
Net cash used in investing activities	**(91 224)**	**120 488**
C. Cash flows from financing activities	**25 037**	**3 633 391**
Financing activity inflows	**2 043 107**	**9 400 261**
Proceeds from loans and advances from other banks	857 231	5 826 431
Proceeds from other loans and advances	-	5 031
Issue of debt securities	1 185 876	2 819 325
Increase of subordinated liabilities	-	746 852
Issue of ordinary shares	-	2 622
Financing activity outflows	**2 018 070**	**5 766 870**
Repayments of loans and advances from other banks	637 735	1 751 085
Repayments of other loans and advances	15 528	102 798
Redemption of debt securities	1 100 419	3 347 178
Decrease of subordinated liabilities	-	359 500
Payments of financial lease liabilities	24	476
Dividends and other payments to shareholders	-	12 266
Other financing outflows	264 364	193 567
Net cash from financing activities	**25 037**	**3 633 391**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(2 639 198)**	**3 599 483**
Increase / decrease in cash and cash equivalents in respect of foreign exchange gains and losses	2 693	6 905
Cash and cash equivalents at the beginning of the reporting period	8 693 728	7 516 362
Cash and cash equivalents at the end of the reporting period	**6 057 223**	**11 122 750**

Explanatory Notes to the Consolidated Financial Statements

1. Information Concerning the Group of BRE Bank SA

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

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

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

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

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

As at 30 June 2009, the BRE Bank SA Group covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA; the parent entity

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

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

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

Foreign branches of mBank in both the Czech Republic and Slovakia conduct business under the retail banking umbrella of BRE Bank.

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

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

The average employment in the first half of 2009 was: in BRE Bank SA 5 453 persons and in the Group 7 590 persons (2007: the Bank 5 090, the Group 6 688).

Corporates and Financial Markets, including:

Corporates and Institutions

- BRE Bank Hipoteczny SA, subsidiary
- BRE Corporate Finance SA, subsidiary
- BRE Holding Sp. z o.o., subsidiary
- BRE Leasing Sp. z o.o., subsidiary
- Dom Inwestycyjny BRE Banku SA, subsidiary
- Garbary Sp. z o.o., subsidiary
- Intermarket Bank AG, subsidiary
- Magyar Factor zRt., subsidiary
- Polfactor SA, subsidiary
- Tele-Tech Investment Sp. z o.o., subsidiary
- Transfinance a.s., subsidiary

Trading and Investment Activity

- BRE Finance France SA, subsidiary

Retail Banking (including private banking)

- BRE Wealth Management SA, subsidiary
- emFinanse Sp. z o.o., subsidiary
- BRE Ubezpieczenia TU SA, subsidiary
- BRE Ubezpieczenia Sp. z o.o., subsidiary

Asset Management (discontinued operations Note 19)

Afterwards 30 December 2008 the Group has had no shares in the companies which activities were presented in previous periods as discontinued operations under asset management segment.

Detailed information concerning assets held for sale and discontinued operations was presented in financial statements of BRE Bank and consolidated financial statements of BRE Bank Group for the year 2008 published on 27 February 2009.

Information concerning assets held for sale and discontinued operations was presented under the Note 19 of these financial statements.

Remaining business

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

Other information concerning companies of the Group

The detailed description of the business of the companies of BRE Bank SA Group was presented in the Explanatory Notes to the Consolidated Financial Statement for 2008, published on 27 February 2009.

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

2. Description of Relevant Accounting Policies

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

2.1 Accounting Basis

These Concise Consolidated Financial Statements of BRE Bank SA Group have been prepared for the 6 - month period ended 30 June 2009.

The presented Concise IFRS Consolidated 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 Group, drafting BRE Bank SA Group Concise IFRS Consolidated 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 drafting of the financial statements in compliance with IFRS requires the application of specific accounting estimates. It also requires the Management Board to use its own judgment when applying the accounting policies adopted by the Group. The issues in relation to which a greater degree of judgment is required, more complex issues, or such issues which involve a significant degree of application of estimates or judgments for the purpose of the Consolidated Financial Statements are disclosed in the Note 3.

2.2 Consolidation

Subsidiaries

Subsidiaries comprise any entities (including special purpose vehicles) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of a majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement (see Note 2.18).

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

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

The company also applies accounting policy in line with IFRS 3 for business combinations under common control.

Such an accounting treatment does not cover those companies whose scale of business operations is immaterial in relation to the volume of business of the Group, as well as companies acquired for the purpose of their resale or liquidation.

Associates

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

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

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

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

No.	Company	30.06.2009 Share in voting rights (directly and indirectly)	Consolidation method	30.06.2008 Share in voting rights (directly and indirectly)	Consolidation method
1.	BRE Bank Hipoteczny SA	100%	full	100%	full
2.	BRE Corporate Finance SA	100%	full	100%	full
3.	BRE Holding Sp. z o.o.	100%	full	100%	full
4.	BRE Wealth Management SA	100%	full	100%	full
5.	BRE Ubezpieczenia TU SA	100%	full	100%	full
6.	BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full
7.	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full	100%	full
8.	Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
9.	emFinanse Sp. z o.o.	100%	full	100%	full
10.	Garbary Sp. z o.o.	100%	full	100%	full
11.	Tele-Tech Investment Sp. z o.o.	100%	full	100%	full
12.	BRE Finance France SA	99.98%	full	99.98%	full
13.	BRE.locum SA	79.99%	full	79.99%	full
14.	Polfactor SA	78.12%	full	78.12%	full
15.	Magyar Factor zRt.	78.12%	full	78.12%	full
16.	Transfinance a.s.	78.11%	full	78.11%	full
17.	Intermarket Bank AG	56.24%	full	56.24%	full
18.	BRE Leasing Sp. z o.o.	50.004%	full	50.004%	full
	Aegon PTE SA	-	-	49.70%	Non-current assets held for sale

2.3 Interest Income and Expenses

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

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

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

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

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

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.

2.4 Fee and Commission Income

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

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

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

Income on account of services provided as an underwriter is recognised by reference to the stage of completion of the services in the net amount, after deduction of expenses (directly connected with the income) of services provided by the entities from outside of the Group.

2.5 Insurance premium revenue

Insurance premium revenue accomplished upon insurance activity is recognised at the policy issue date and calculated proportionally over the period of insurance protection. Insurance premium revenue is recognised under other operating income in the Consolidated Financial Statements of the Group.

2.6 Compensations and benefits, net

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

2.7 Segment Reporting

A business segment consists of a group of assets and operations engaged in the delivery of products and services which are subject to risks and rewards from the capital expenditure incurred other than the remaining business segments. A geographic segment supplies products and services in a specific economic environment, which is exposed to risks and returns other than in the case of segments functioning in other economic environments.

2.8 Financial Assets/Liabilities

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

Financial assets valued at fair value through the income statement

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

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

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

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

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 2.15, is recognized in net interest income. The valuation and result on disposal of financial assets/financial liabilities designated at fair value is recognized in trading income.

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

Loans and Receivables

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

Held to Maturity Investments

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

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

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

Available for Sale Investments

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

Interest income and expense from available for sale investments are presented in net interest income. Gains and losses from sale of available for sale investments are presented in gains and losses from 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 Group 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 Group has transferred substantially all risks and rewards of ownership.

Available for sale financial assets and financial assets measured at fair value through the Income Statement are valued at the end of the reporting period according to their fair value. Loans and receivables, as well as investments held to maturity are measured at adjusted cost of acquisition (amortised cost), applying the effective interest rate method. 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 Group determines the fair value by applying valuation techniques. These comprise recently conducted transactions concluded according to normal market principles, reference to other instruments, discounted cash flow analysis, as well as valuation models for options and other valuation methods generally applied by market participants.

If the application of valuation techniques does not ensure obtaining a reliable fair value of investments in equity instruments not quoted on an active market they are stated at cost.
Investments in associates are initially recognized at cost and settled using the equity method of accounting.

2.9 Reinsurance assets

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

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

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

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

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

2.10 Offsetting Financial Instruments

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

2.11 Impairment of Financial Assets

Assets Carried at Amortised Cost

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

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

- adverse changes in the payment status of borrowers; or
- economic situation of the country or on the local market causing the impairment of assets belonging to the respective group.

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

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

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

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

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

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

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

When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the required procedures and to determine the amount of the loss. Subsequent recoveries of amounts previously written off 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

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

Renegotiated agreements

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

2.12 Financial Guarantee Contracts

In accordance with amendment to IAS 39, which came into force at 1 January 2006, the Group 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.

2.13 Cash and Cash Equivalents

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

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

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

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

Securities sold with a repurchase clause (repos) are reclassified in the financial statements as pledged assets if the entity receiving them has the contractual or customary right to sell or pledge them as collateral security. The liability towards the counterparty is recognised as amounts due to other banks, deposits from other banks, other deposits or amounts due to customers, depending on its nature. 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 BRE Bank Group sells or buys securities with a repurchase or resale clause specifying a contractual date and price. Such transactions are presented in the Statement of Financial Position as financial assets held for trading or as investment financial assets, and also as liabilities in the case of "sell-buy-back" transactions and as receivables in the case of "buy-sell-back" transactions.

Securities borrowed by the Group are not 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 Group, financial assets are transferred in such way that they do not qualify for derecognition. Thus, the Group retains substantially all risks and rewards of ownership of the financial assets.

2.15 Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

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 Group documents the objectives of risk management and the strategy of concluding hedging transactions, as well as at the time of concluding the respective transactions, the relationship between the hedging instrument and the hedged item. The Group also documents its own assessment of 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 Group 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.

2.16 Gains and Losses on Initial Recognition

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

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

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

2.17 Borrowings

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

2.18 Intangible Assets

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

Goodwill

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

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units is represented by the investments of the Group classified by basic reporting business segments.

Computer software

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

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

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

Development costs

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

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

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

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

2.19 Tangible Fixed Assets

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

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the

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Group and the cost of the item can be measured reliably. Any other expenses incurred on repairs and maintenance are expensed to the Income Statement in the reporting period in which they were incurred.

Accounting principles concerning assets held for liquidation or withdrawal from usage were described under Note 2.20.

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 at the end of the reporting period and adjusted accordingly as the need arises.

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

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

2.20 Non-Current Assets Held for Sale and Discontinued Operation

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

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

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

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

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

2.21 Deferred Income Tax

The Group 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 at the end of the reporting period. According to expectations such tax rates applied will be in force at the time of realisation of the assets or settlement of the liabilities for deferred corporate income tax.

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

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

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

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

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

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

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

2.22 Assets Repossessed for Debt

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

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

2.23 Prepayments, Accruals and Deferred Income

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

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

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

Acquisition costs in the part falling on the future reporting periods subject to settlement, proportionally to the duration of the relevant agreements.

2.24 Leasing

<u>BRE Bank SA Group as a Lessor</u>

In the case of assets in use on the basis of a finance lease agreement, the current value of lease payments is recognised under receivables. The difference between the gross receivable amount and the present value of the receivables is recognised as unrealised financial income. Income on account of leasing is recorded over the period of the lease according to the net investment method (before tax), which reflects the fixed periodical rate of return on the lease.

BRE Bank SA Group as a Lessee

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

In the case of finance lease contracts, under which the Group 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 Group's fixed assets.

2.25 Provisions

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

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

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

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

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

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

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

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

2.26 Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

2.27 Equity

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

Registered share capital

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

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

Share premium

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

Retained earnings

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

Other components of equity

Other components of equity result from:

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

2.28 Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

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

Companies Belonging to the Group

The performance and the financial position of all the entities belonging to the Group, none of which conduct their operations under hyperinflationary conditions, the functional currencies of which do not differ from the presentation currency, are converted to the presentation currency as follows:

a) assets and liabilities in each presented Statement of Financial Position are converted at the mid rate of exchange of the National Bank of Poland (NBP) in force at the end of this reporting period;

b) revenues and expenses in each Income Statement are converted at the rate equal to the arithmetical mean of the mid rates quoted by NBP on the last day of each of six months of each presented periods; whereas

c) all resulting foreign exchange differences are recognised as a distinct item of equity.

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

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

Leasing Business

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

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

2.29 Trust and Fiduciary Activities

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

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

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

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

2.30 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. Interpretantion 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 Group 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 Group 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.

2.31 Comparative Data

Comparative data have been adjusted so as to account for the changes in presentation introduced in the current reporting period.

Beginning from the financial statements for the fourth quarter of 2008 the Group included into consolidation two insurance companies: BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. applying full consolidation method. In that connection the Group adjusted both financial data as at 31 March 2008, 30 June 2008 and 30 September 2008 and the opening Statement of Financial Position as at 1 January 2008 in order to provide comparability of financial data of the BRE Bank Group in particular quarters of 2008.

The following combinations present the impact of the restatements on comparative data presented in the Consolidated Financial Statements.

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

Detailed restatements of the Consolidated Income Statement prepared for the period from 1 January to 30 June 2008 in connection with consolidation of the insurance companies for the first time.

	the period from 01.01.2008 to 30.06.2008 before adjustments	the impact of consolidation of the insurance entities	the period from 01.01.2008 to 30.06.2008 after adjustments
Continued operations			
Interest income	1 596 864	945	1 597 809
Interest expense	(954 623)	(1)	(954 624)
Net interest income	**642 241**	**944**	**643 185**
Fee and commission income	432 901	(17 448)	415 453
Fee and commission expense	(127 452)	(261)	(127 713)
Net fee and commission income	**305 449**	**(17 709)**	**287 740**
Dividend income	3 733	-	3 733
Net trading income, including:	254 467	(277)	254 190
Foreign exchange result	*260 461*	-	*260 461*
Other trading income	*(5 994)*	*(277)*	*(6 271)*
Gains less losses from investment securities	137 817	-	137 817
Other operating income	176 992	3 703	180 695
Impairment losses on loans and advances	(67 868)	-	(67 868)
Overhead costs	(613 627)	(6 282)	(619 909)
Amortization and depreciation	(93 732)	(220)	(93 952)
Other operating expenses	(103 379)	(63)	(103 442)
Operating profit	**642 093**	**(19 904)**	**622 189**
Profit before income tax from continued operations	**642 093**	**(19 904)**	**622 189**
Income tax expense	(54 248)	3 388	(50 860)
Net profit from continued operations	**587 845**	**(16 516)**	**571 329**
Discontinued operations			
Profit before income tax from discontinued operations	**78 908**	**-**	**78 908**
Income tax expense	(2 336)	-	(2 336)
Net profit from discontinued operations	**76 572**	**-**	**76 572**
Net profit from continued and discontinued operations	**664 417**	**(16 516)**	**647 901**
Net profit from continued and discontinued operations attributable to:			
- Owners of BRE Bank SA	640 325	(16 516)	623 809
- Non-controlling interests	24 092	-	24 092

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

Detailed restatements of the Consolidated Statement of Financial Position prepared as at 30 June 2008 in connection with consolidation of the insurance companies for the first time.

	30.06.2008 before adjustments	the impact of consolidation of the insurance entities	30.06.2008 after adjustments
ASSETS			
Cash and balances with the Central Bank	2 901 134	-	2 901 134
Debt securities eligible for rediscounting at the Central Bank	24 536	-	24 536
Loans and advances to banks	4 747 696	-	4 747 696
Trading securities	4 152 725	31 000	4 183 725
Derivative financial instruments	2 501 342	-	2 501 342
Loans and advances to customers	39 659 568	(7 890)	39 651 678
Investment securities	5 189 224	(26 353)	5 162 871
- Available for sale	5 189 224	(26 353)	5 162 871
Non-current assets held for sale	416 150	-	416 150
Pledged assets	2 590 976	-	2 590 976
Investments in associates	13 675	-	13 675
Intangible assets	408 135	2 502	410 637
Tangible fixed assets	715 880	1 082	716 962
Deferred income tax assets	209 543	7 298	216 841
Other assets	959 666	2 669	962 335
Total assets	**64 490 250**	**10 308**	**64 500 558**
EQUITY AND LIABILITIES			
Amounts due to other banks	16 365 665	-	16 365 665
Derivative financial instruments and other trading liabilities	2 555 426	-	2 555 426
Amounts due to customers	36 383 973	(17 825)	36 366 148
Debt securities in issue	2 191 871	-	2 191 871
Subordinated liabilities	1 993 213	-	1 993 213
Other liabilities	885 956	10 000	895 956
Current income tax liabilities	100 213	-	100 213
Deferred income tax liabilities	426	356	782
Provisions	83 723	41 082	124 805
Total liabilities	**60 560 466**	**33 613**	**60 594 079**
Equity			
Equity attributable to Owners of the parent	**3 798 085**	**(23 305)**	**3 774 780**
Share capital:	**1 521 294**	**-**	**1 521 294**
- Registered share capital	118 752	-	118 752
- Share premium	1 402 542	-	1 402 542
Retained earnings:	**2 371 479**	**(23 305)**	**2 348 174**
- Profit from the previous years	1 731 154	(6 789)	1 724 365
- Profit for the current year	640 325	(16 516)	623 809
Other components of eguity	**(94 688)**	**-**	**(94 688)**
Non-controlling interests	**131 699**	**-**	**131 699**
Total equity	**3 929 784**	**(23 305)**	**3 906 479**
Total equity and liabilities	**64 490 250**	**10 308**	**64 500 558**

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

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

Impairment of loans and advances

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

Technical-insurance provisions

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

As at 30 June 2009 provision for losses arisen but not raised to the insurer (IBNR) yet, was calculated using Naive Loss Ratio ULR (Ultimate Loss Ratio) method which lies in establishing the value of loss on the only basis of expected loss-based ratio. The expected loss-based ratios are composed on the basis of available market studies concerning loss arising from given group of risks.

4. Business Segments

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

The business activities of the Group are conducted in the following business segments:

1) Retail Banking, including private banking services, current accounts for retail customers, savings accounts, deposits, investment products, trust and fiduciary services, credit and debit cards, consumer and mortgage loans, term deposits for retail customers as well as microenterprises, financial settlements, operations on bills of exchange, checks and guarantees issue.

The results of Retail Banking include the results of foreign branches of mBank: mBank Czech Republic and mBank Slovakia. The branches provide basic products such as current and savings accounts as well as cash loans and mortgage loans, debit and credit cards. The aim is to operate a full scope of services typical of retail banking (offer for entrepreneurs and individual customers).

Retail Banking also includes the results of BRE Wealth Management SA, emFinanse Sp. z o.o. as well as two insurance companies: BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. BRE Wealth Management SA provides corporate finance advisory and complex asset management services for wealthy private banking clients. Until the second half of 2008 the company emFinanse operated on the market of financial agents and advisors, selling bank products. In June 2008 the restructuring process began in order to strengthen the sales network of BRE Bank Retail Banking products through the change of emFinanse outlets into a sales network of BRE Bank Retail Banking products. The restructuring process was definitely completed. In the first half of 2009 emFinanse concentrated on activities aimed at preparing the new operational activity which consists of selling mBank and MultiBank credit products and widening the product offer. For this purpose, the process of transferring the sales force from mBank and MultiBank to the structures of the Company was completed and advanced negotiations with providers of the products were conducted. On 25 June, BRE Bank, being the only shareholder of the Company, decided to invest PLN 10 million to recapitalize the Company. The funds will be allocated for financing the Company's operations by the time it reaches the target model. The core business of BRE Ubezpieczenia TU SA is insurance activity within the scope of the second division of underwriting – Other personal insurances and property insurances. The company sells its products both through the Internet platform produced in cooperation with retail branches of BRE Bank and typical products known as bancassurance for customers of BRE Bank by hand of an underwriter, the company BRE Ubezpieczenia Sp. z o.o. Apart from services of an underwriter, the business of BRE Ubezpieczenia Sp. z o.o. includes services within the scope of settlements due to insurance agreements of insured persons.

2) Corporates and Markets - consists of two sub-segments/business lines:

2.1.) Corporates and Institutions, including current accounts, savings accounts and term deposits, trust and fiduciary activities, currency and derivative products, sell-buy-back and buy-sell-back transactions with the customers of the Bank, offering of investment products, credit cards and debit cards, business loans, as well as financial and operating leasing of vehicles, machines, office equipment, real estate as well as administration support in leasing of the above indicated fixed assets. Within that sub-segment, the Bank finances large projects with loans single-handedly and in syndicates with other banks.

The Bank's product offer within this business sub-segment, is targeted at large, medium-sized and small companies, as well as local governments. A significant part of the activities within the Corporates and Institutions business line consists of services supporting foreign trade transactions. The Bank's offer addressed to enterprises includes currency exchange, international transfers, checks, collection of payments, short-term loans, as well as a whole range of financial tools, such as purchasing of claims to receivables, forfaiting, letters of credit, bank guarantees, and others. Moreover, clients are offered financial instruments designed to hedge against foreign exchange risk exposure. The Bank also offers financial instruments used in interest rate risk management, including forward rate agreements (FRA), interest rate swaps (IRS), interest rate options, as well as cross-currency interest rate swaps (CIRS).

Within this sub-segment the Bank cooperates with domestic and foreign financial institutions (except transactions via nostro and loro accounts) in acquiring loans on the international inter-bank market. The Bank also administers overdrafts for import financing and refinancing investment loans for medium-sized and small companies, mainly from the with European Investment Bank.

The Corporates and Institutions sub-segment includes the results of the following subsidiaries: BRE Bank Hipoteczny SA, BRE Leasing Sp. z o.o., Dom Inwestycyjny BRE Banku SA, BRE Corporate Finance SA, Intermarket Bank AG, Polfactor SA, Transfinance a.s. and Magyar Factor zRt. The subsidiaries enrich the Bank's offer with commercial and municipal real estate financing, leasing, factoring, publicly traded stocks and securities, purchase and sales of securities on the account of clients, merger and acquisition advisory, corporate restructuring consulting and privatization projects.

The Bank also benefits from capital gains on its own investments portfolio, including direct and indirect stakes acquired with the objective of high long-term yields. Apart from the specialized organizational unit of the Bank managing the long-term investment portfolio, the business line also comprises the activities of Tele-Tech Investment Sp. z o.o., whose core business is to invest in securities, to trade in debt, to manage controlled companies and to provide advisory services. This business line also includes the results of Garbary Sp. z o.o.

2.2.) Trading and Investment Activity, including financial instruments dealing, purchase and sale of stocks and securities on primary and secondary markets, i.e., transactions in Treasury Bills, Treasury Bonds, monetary bills of the National Bank of Poland, placements and deposits and FX swaps. The Bank also participates in the securities market, focusing on trading in securities on the primary and secondary markets, as well as repo and reverse repo transactions. Moreover the Bank is engaged in sell-buy-back and buy-sell-back transactions on the inter-bank market. The Bank also participates in money market inter-bank transactions.

Within the Trading and Investments sub-segment, the Bank underwrites issues of securities (bonds, investment bills and certificates of deposit) single-handedly and in syndicates with other banks.

Proprietary investment also includes the results of BRE Finance France SA.

3) The remaining business of the Group includes the results on transactions not classified as strict business areas and the results of the companies BRE.locum SA and CERI Sp. z o.o.

The Group has ceased to separate the segment "Asset Management – discontinued operations" since 1 January 2009. Till 31 December 2008 the segment included the result of the company PTE Skarbiec-Emerytura SA (PTE) generated up to 30 June 2008, when PTE Skarbiec Emerytura SA and Aegon PTE SA were merged. On 30 December 2008 the Bank sold the shares of Aegon PTE SA, which were taken over as a result of the merger of both companies. Results of the transations of merger and sale were also included in the results of this area in 2008.

Detailed information concerning assets held for sale and discontinued operations which were presented by the Group in previous reporting periods were introduced under the Note 19 of these financial statements.

Beginning from the year 2009, as a result of organization changes consisting in transfering the Bank organization unit managing long-term investments from Investment to Corporate Banking, the Bank's income in the form of capital profit on own investments portfolio comprising the company's exposures in the companies Garbary Sp. z o.o. and Tele-Tech Investment Sp. z o.o. undertaken in order to reach high long-term rate of return is presented under the Corporates and Institutions sub-segment.

As a result, as starting from January 1, 2009 the operations of Garbary Sp. z o.o. and Tele-Tech Investment Sp. z o.o. have been reclassified from the sub-segment Trading and Investment Activity to Corporates and Institutions, the comparative data for the first half 2008 and the whole year 2008 concerning the business segments of BRE Bank Group has been adjusted accordingly to ensure the comparability of the data between reporting periods.

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

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

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

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

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

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

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

The primary and unique basis used by the Group in the segment reporting is business line division. The Group does not distinguish geographic segments as reportable segments due to their immateriality.

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2009 to 30.06.2009
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation / income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**350 734**	**(7 249)**	**491 811**	**(985)**	**(5 721)**	**828 590**	**828 590**
- sales to external clients	356 783	165 283	312 620	(375)	(5 721)	828 590	
- sales to other segments	(6 049)	(172 532)	179 191	(610)	-	-	
Net fee and commission income	**194 283**	**(5 015)**	**68 118**	**(579)**	**23 157**	**279 964**	**279 964**
- sales to external clients	186 705	356	70 325	(579)	23 157	279 964	
- sales to other segments	7 578	(5 371)	(2 207)	-	-	-	
Trading income	**59 692**	**95 444**	**69 129**	**(908)**	**605**	**223 962**	**223 962**
Gains less losses from investment securities	**(16 844)**	**933**	**(1 000)**	**-**	**(239)**	**(17 150)**	**(17 150)**
Net impairment losses on loans and advances	**(434 607)**	**(1 554)**	**(212 661)**	**(30)**	**-**	**(648 852)**	**(648 852)**
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	**-**
Gross profit of the segment	**(259 092)**	**119 124**	**135 525**	**18 216**	**2 415**	**16 188**	**16 188**
Income tax	-	-	-	-	-	(5 580)	(5 580)
Net profit attributable to Owners of BRE Bank SA	-	-	-	-	-	15 664	15 664
Net profit attributable to non-controlling interests	-	-	-	-	-	(5 056)	(5 056)
Assets of the segment	**31 132 664**	**21 796 812**	**29 870 072**	**1 946 525**	**(3 813 616)**	**80 932 457**	**80 932 457**
Liabilities of the segment	**50 465 897**	**5 942 916**	**22 437 878**	**1 117 025**	**(3 102 377)**	**76 861 339**	**76 861 339**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(60 184)	(4 960)	(41 956)	(1 919)	-	(109 019)	
Amortisation/depreciation	(66 087)	(4 173)	(46 252)	(1 466)	188	(117 790)	(117 790)
Losses on credits and loans	(673 912)	(4 703)	(213 515)	(812)	-	(892 942)	
Other costs/ income without cash outflows/ inflows*	11 008	(77 663)	67	(27)	-	(66 615)	
- other non-cash costs	*(796)*	*(2 451 764)*	*(5)*	*(27)*	-	*(2 452 592)*	
- other non-cash income	*11 804*	*2 374 101*	*72*	-	-	*2 385 977*	

* Other costs/income without cash outflows/inflows include income and expenses arising from valuation of both trading financial instruments and foreign exchange result.

Since 30 December 2008 the Group has not held shares in the companies whose activity was presented in previous periods as discontinued operations under asset management segment.

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2008 to 31.12.2008
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation / income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity						
Net interest income	**652 320**	**94 488**	**680 076**	**(18 910)**	**(13 092)**	**-**	**1 394 882**	**1 394 882**
- sales to external clients	772 689	235 726	394 932	2 430	(10 895)	-	1 394 882	
- sales to other segments	(120 369)	(141 238)	285 144	(21 340)	(2 197)	-	-	
Net fee and commission income	**376 225**	**(23 696)**	**163 040**	**13 795**	**(1 795)**	**37 690**	**565 259**	**565 259**
- sales to external clients	353 561	(5 028)	167 036	13 795	(1 795)	37 690	565 259	
- sales to other segments	22 664	(18 668)	(3 996)	-	-	-	-	
Trading income	**177 200**	**142 114**	**164 515**	**(1)**	**26**	**-**	**483 854**	**483 854**
Gains less losses from investment securities	**(349)**	**137 114**	**(1 000)**	**121 313**	**(54)**	**-**	**257 024**	**257 024**
Net impairment losses on loans and advances	**(120 064)**	**(14 402)**	**(134 749)**	**-**	**71**	**-**	**(269 144)**	**(269 144)**
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-	-
Gross profit of the segment	**342 628**	**274 774**	**241 510**	**109 768**	**27 813**	**3 622**	**1 000 115**	**1 000 115**
Income tax								(110 771)
Net profit attributable to Owners of BRE Bank SA								31 885
Net profit attributable to non-controlling interests								857 459
Assets of the segment	**29 270 216**	**27 720 756**	**27 276 331**	**-**	**981 555**	**(2 643 656)**	**82 605 202**	**82 605 202**
Liabilities of the segment	**44 576 787**	**13 473 269**	**21 980 940**	**-**	**531 864**	**(2 005 694)**	**78 557 166**	**78 557 166**
Other items of the segment								
Expenditures incurred on fixed assets and intangible assets	(201 046)	(11 826)	(145 769)	(764)	(18 824)	-	(378 229)	
Amortisation/depreciation	(114 336)	(10 492)	(75 005)	(963)	(3 300)	376	(203 720)	(203 720)
Losses on credits and loans	(416 655)	(5 332)	(89 873)	-	(208)	-	(512 068)	
Other costs/ income without cash outflows/ inflows*	-	(78 385)	(63 726)	-	(0)	-	(142 111)	
- other non-cash costs	-	*(4 067 265)*	*(63 730)*	-	*(3)*	-	*(4 130 998)*	
- other non-cash income	-	*3 988 880*	*4*	-	-	-	*3 988 884*	

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

The above combination comprises financial data concerning continued and discontinued operations jointly.

Business segment reporting on the activities of the BRE Bank Group for the period from 01.01.2008 to 30.06.2008 (PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Total figure for the Group	Statement of financial position reconciliation / income statement reconciliation
	Corporates & Institutions	Trading & Investment Activity						
Net interest income	**315 396**	**40 176**	**301 710**	**(6 393)**	**(5 274)**	**-**	**645 615**	**645 615**
- sales to external clients	380 086	89 534	177 424	2 430	(3 859)	-	645 615	
- sales to other segments	(64 690)	(49 358)	124 286	(8 823)	(1 415)	-	-	
Net fee and commission income	**189 651**	**(11 935)**	**92 201**	**13 793**	**(412)**	**18 235**	**301 533**	**301 533**
- sales to external clients	178 404	(2 593)	94 106	13 793	(412)	18 235	301 533	
- sales to other segments	11 247	(9 342)	(1 905)	-	-	-	-	
Trading income	**109 937**	**71 417**	**72 887**	**(1)**	**(51)**	**-**	**254 189**	**254 189**
Gains less losses from investment securities	**(327)**	**138 144**	**-**	**67 198**	**-**	**-**	**205 015**	**205 015**
Net impairment losses on loans and advances	**(28 508)**	**609**	**(40 026)**	**-**	**57**	**-**	**(67 868)**	**(67 868)**
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-	-
Gross profit of the segment	**246 921**	**191 341**	**154 922**	**69 258**	**35 002**	**3 653**	**701 097**	**701 097**
Income tax							(53 196)	(53 196)
Net profit attributable to Owners of BRE Bank SA							24 092	24 092
Net profit attributable to non-controlling interests							623 809	623 809
Assets of the segment	**26 091 114**	**22 019 395**	**17 652 311**	**398 588**	**906 320**	**(2 567 170)**	**64 500 558**	**64 500 558**
Liabilities of the segment	**34 813 295**	**9 147 359**	**17 780 056**	**9 410**	**752 299**	**(1 908 340)**	**60 594 079**	**60 594 079**
Other items of the segment								
Expenditures incurred on fixed assets and intangible assets	(85 434)	(3 967)	(50 632)	(300)	(13 638)	-	(153 971)	
Amortisation/depreciation	(53 139)	(4 722)	(34 370)	(557)	(1 597)	188	(94 197)	(94 197)
Losses on credits and loans	(148 713)	(1 746)	(28 847)	-	(83)	-	(179 389)	
Other costs/ income without cash outflows/ inflows*	-	(53 937)	1	-	-	-	(53 936)	
- other non-cash costs	-	*(1 094 836)*	*1*	-	-	-	*(1 094 835)*	
- other non-cash income	-	*1 040 899*	-	-	-	-	*1 040 899*	

* Other costs/income without cash outflows/inflows include income and expenses arising from valuation of both trading financial instruments and foreign exchange result.

The above combination comprises financial data concerning continued and discontinued operations jointly.

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

5. Net Interest Income

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Interest income		
Loans and advances including the unwind of the impairment provision discount	1 349 910	1 185 883
Cash and short-term placements	122 940	154 634
Investment securities	245 824	129 922
Trading debt securities	62 207	109 400
Other	9 805	17 970
	1 790 686	**1 597 809**
Interest expense		
Arising from amounts due to banks and customers	(875 165)	(835 882)
Arising from issue of debt securities	(54 063)	(81 957)
Other borrowed funds	(31 949)	(35 328)
Other	(919)	(1 457)
	(962 096)	**(954 624)**

Interest income related to financial assets which have been impaired amounted to PLN 44 880 thousand (the first half of 2008: PLN 13 080 thousand).

6. Net Fee and Commission Income

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Fee and commission income		
Credit activity-related fees and commissions	103 549	90 585
Commissions from payment cards	134 406	92 714
Commissions from insurance activity	34 323	43 014
Fees from brokerage activity	50 571	39 161
Commissions from money transfers	36 334	35 883
Commissions from bank accounts	41 601	31 372
Commissions due to guarantees granted and trade finance commissions	23 001	19 433
Commissions on trust and fiduciary activities	4 863	5 356
Fees from portfolio management services and other management-related fees	3 926	4 321
Other	43 041	53 614
	475 615	**415 453**
Fee and commission expense		
Payment cards-related fees	(87 031)	(63 109)
Discharged brokerage fees	(14 300)	(10 557)
Other discharged fees	(94 320)	(54 047)
	(195 651)	**(127 713)**

The amount of other discharged fees comprises primarily commissions paid to external entities for sale of the Bank products.

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Fee and commission income from insurance contracts		
- Income from insurance policies administration	6 373	4 099
- Income from insurance intermediation	27 950	38 915
Total fee and commission income	**34 323**	**43 014**

7. Dividend Income

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Trading securities	102	1 688
Securities available for sale	2 720	2 045
Dividend income, total	**2 822**	**3 733**

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

8. Net Trading Income

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Foreign exchange result	**242 147**	**260 461**
Net exchange differences on translating foreign operations	(608 539)	318 946
Net transaction gains and losses	850 686	(58 485)
Other net trading income	**(18 185)**	**(6 271)**
Interest-bearing instruments	(25 710)	(8 411)
Equity instruments	1 734	(3 523)
Market risk instruments	5 791	5 663
Total net trading income	**223 962**	**254 190**

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

9. Gains less Losses from Investment Securities

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Sale/redemption of the financial assets available for sale by the issuer	686	137 817
Impairment of available for sale equity securities	(17 836)	-
Total gains and losses from investment securities	**(17 150)**	**137 817**

In 2008 the biggest impact on the value of sale/redemption of financial assets available for sale was the result on the sale of shares of Vectra SA. The transaction of sale was described under item 4 of Selected Explanatory Information to the financial statements for the first quarter of 2008, published on 6 May 2008.

In 2009, impairment of available for sale equity securities includes write off in the amount of PLN 16 836 thousand which was done by Intermarket Bank AG due to impairment of Compania de Factoring IFN, Romania, which is in 50% hold by Intermarket.

10. Other Operating Income

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Income from sale or liquidation of tangible fixed assets and intangible assets and assets held for disposal	66 683	137 373
Income due to release of provisions for future commitments	25 313	3 150
Income from insurance activity net	22 379	3 703
Income from services provided	22 192	25 353
Income from compensations, penalties and fines received	3 162	102
Income from recovering receivables recognised as expired, written off and unrecoverable	1 986	4 610
Other	15 018	6 404
Total other operating income	**156 733**	**180 695**

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

Income from services provided concerns non-banking services.

Income from insurance activity net comprises income from premiums, reinsurance and co-insurance activity, deducted by compensations disbursed and costs of liquidation and adjusted by the changes in provisions for compensations connected with insurance activity conducted within BRE Bank SA Group.

Income from insurance activity net generated in the first half of 2009 and for the first half of 2008 is presented below.

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

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Income from premiums		
- Premiums attributable	41 649	45 423
- Change in provision for premiums	(1 350)	(32 046)
Premium revenue	**40 299**	**13 377**
Reinsurance contracts		
- Premiums attributable	(12 293)	(9 311)
- Change in provision for premiums	724	3 326
Premiums on reinsurer's share	**(11 569)**	**(5 985)**
Net premiums	**28 730**	**7 392**
Compensations and benefits		
- Compensations and benefits paid out in the current year including costs of liquidation before tax	(7 910)	(4 387)
- Change in provision for compensations and benefits paid out in the current year including costs of liquidation before tax	(9 050)	(5 219)
- Compensations and benefits paid out in the current year including reinsurer's share of costs of liquidation	7 476	3 625
- Change in provision for compensations and benefits paid out in the current year including reinsurer's share of costs of liquidation	2 920	3 044
Compensations and benefits net	**(6 564)**	**(2 937)**
- Other costs on own share	267	(764)
- Other operating income	70	12
- Costs of expertise and certificates concerning risk assessment	(124)	-
Income from insurance activity net, total	**22 379**	**3 703**

11. Impairment Losses on Loans and Advances

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Impairment losses on amounts due from other banks	(10 523)	234
Impairment losses on off-balance sheet contingent liabilities due to other banks	145	(467)
Impairment losses on loans and advances to customers	(597 256)	(61 544)
Impairment losses on off-balance sheet contingent liabilities due to customers	(41 218)	(6 091)
Total impairment losses on loans and advances	**(648 852)**	**(67 868)**

12. Overhead Costs

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Staff-related expenses (Note 12A)	(317 600)	(350 726)
Material costs	(256 999)	(246 465)
Taxes and fees	(14 389)	(12 192)
Contributions and transfers to the Bank Guarantee Fund	(11 777)	(3 639)
Contributions to the Social Benefits Fund	(2 612)	(2 985)
Other	(1 123)	(3 902)
Total overhead costs	**(604 500)**	**(619 909)**

Staff-related Expenses (12A)

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Wages and salaries	(264 513)	(282 581)
Social security expenses	(39 014)	(43 688)
Pension fund expenses	(671)	(476)
Salaries settled in the form of employee share options	-	(6 802)
Other staff expenses	(13 402)	(17 179)
Staff-related expenses, total	**(317 600)**	**(350 726)**

The average level of employment in the Group in the first half of 2009 was 7 590 persons (6 688 persons in the first half of 2008).

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13. Other Operating Expenses

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Costs of sale or liquidation of tangible fixed assets, intangible assets and assets held for disposal	(49 764)	(88 586)
Costs of receivables and liabilities recognised as expired, written off and unrecoverable	(4 449)	(536)
Donations made	(2 865)	(3 276)
Provisions for future commitments	(50)	(723)
Costs of sale of services	(623)	(891)
Compensation, penalties and fines paid	(455)	(266)
Impairment provisions created for other receivables (excluding loans and advances)	(19 316)	(2 473)
Other operating costs	(10 069)	(6 691)
Total other operating expenses	**(87 591)**	**(103 442)**

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

In 2009, impairment provisions created for other receivables (excluding loans and advances) include the amount of PLN 18 476 thousand of provision created by Intermarket Bank AG due to impaired receivables from Compania de Factoring IFN, Romania, which is in 50% hold by Intermarket.

Costs of sale of services concern non-banking services.

14. Earnings per Share

Earnings per share for 6 months – continued operations

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Basic:		
Net profit from continued operations attributable to Owners of BRE Bank SA	15 664	547 237
Weighted average number of ordinary shares	29 690 882	29 670 203
Net basic profit per share (in PLN per share)	**0.53**	**18.44**
Diluted:		
Net profit from continued operations attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	15 664	547 237
Weighted average number of ordinary shares	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	29 717 904	29 676 607
Diluted earnings per share (in PLN per share)	**0.53**	**18.44**

Earnings per share for 6 months – continued and discontinued operations

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Basic:		
Net profit from continued and discontinued operations attributable to Owners of BRE Bank SA	15 664	623 809
Weighted average number of ordinary shares	29 690 882	29 670 203
Net basic profit per share (in PLN per share)	**0.53**	**21.02**
Diluted:		
Net profit from continued and discontinued operations attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	15 664	623 809
Weighted average number of ordinary shares	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	29 717 904	29 676 607
Diluted earnings per share (in PLN per share)	**0.53**	**21.02**

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15. Trading Securities and Pledged Assets

	30.06.2009	31.12.2008	30.06.2008
Debt securities:	**1 397 994**	**5 713 217**	**6 672 720**
Government bonds included in cash equivalents and pledged government bonds (sell-buy-back transactions), including:	548 358	836 767	4 653 866
- pledged government bonds (sell-buy-back transactions)	417 493	716 356	2 306 349
Treasury bills included in cash equivalents and pledged treasury bills (sell-buy-back transactions), including:	240 269	874 579	952 297
- pledged treasury bills (sell-buy-back transactions)	152 551	380 428	186 916
Other debt securities:	609 367	4 001 871	1 066 557
Equity securities:	**7 359**	**8 188**	**4 270**
- listed	7 359	8 188	4 270
Debt and equity securities, including:	**1 405 353**	**5 721 405**	**6 676 990**
- Trading securities	*835 309*	*4 624 621*	*4 183 725*
- Pledged assets	*570 044*	*1 096 784*	*2 493 265*

The note above includes neither Treasury bills, government bonds pledged under the Bank Guarantee Fund in the amount of PLN 184 558 thousand (31 December 2008: PLN 176 592 thousand, 30 June 2008: PLN 97 711 thousand) nor investment government bonds, pledged in sell-buy-back transactions, in the amount of PLN 2 172 529 thousand (31 December 2008: PLN 2 171 905 thousand, 30 June 2008: PLN 0), which have been classified as investment securities (Note 17).

16. Loans and Advances to Customers

	30.06.2009	31.12.2008	30.06.2008
Loans and advances to individuals	28 937 733	26 653 688	17 107 095
Loans and advances to corporate entities	26 230 823	25 016 257	22 278 656
Loans and advances to public sector	642 180	663 580	596 447
Other receivables	583 230	668 684	374 245
Total (gross) loans and advances to customers	**56 393 966**	**53 002 209**	**40 356 443**
Provisions for loans and advances to customers (negative amount)	(1 499 969)	(859 732)	(704 765)
Total (net) loans and advances to customers	**54 893 997**	**52 142 477**	**39 651 678**
Short-term (up to 1 year)	17 446 363	16 241 124	13 883 490
Long-term (over 1 year)	37 447 634	35 901 353	25 768 188

The Group presents loans to microenterprises supported by retail banking of BRE Bank (mBank and MultiBank) under the item - loans and advances to individuals. Loans to microenterprises in presented reporting periods amount to respectively: 30 June 2009 – PLN 2 417 000 thousand, 31 December 2008 – PLN 1 971 300 thousand, 30 June 2008 – PLN 1 544 700 thousand.

17. Investment Securities and Pledged Assets

	30.06.2009	31.12.2008	30.06.2008
Debt securities	**12 009 230**	**7 754 415**	**5 163 295**
Listed, including:	11 950 060	7 702 443	5 124 254
- pledged government bonds (sell-buy-back transactions)	2 172 529	2 171 905	-
- government bonds pledged under the Bank Guarantee Fund	143 438	175 300	97 711
- Treasury bills pledged under the Bank Guarantee Fund	41 120	1 292	-
Unlisted	59 170	51 972	39 041
Equity securities	**100 732**	**96 394**	**97 287**
- listed	13 156	7 958	7 811
- unlisted	87 576	88 436	89 476
Total investment securities and pledged assets, including:	**12 109 962**	**7 850 809**	**5 260 582**
- Available for sale securities	*9 752 875*	*5 502 312*	*5 162 871*
- Pledged assets	*2 357 087*	*2 348 497*	*97 711*
Short-term (up to 1 year)	5 850 848	1 545 996	1 709 041
Long-term (over 1 year)	6 259 114	6 304 813	3 551 541

The above presented equity securities, valued at fair value, include provisions for impairment in the amount of PLN 21 941 thousand as at 30 June 2009 (31 December 2008: PLN 20 941 thousand, 30 June 2008: PLN 29 077 thousand).

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The above indicated note comprises government bonds and treasury bills pledged under the Bank Guarantee Fund and pledged investment government bonds (sell-buy-back transactions), which are presented in the Statement of Financial Position in a separate position "Pledged assets".

18. Amounts due to Customers

	30.06.2009	31.12.2008	30.06.2008
Individual customers	21 223 914	21 047 662	17 051 279
Corporate customers	17 258 476	16 626 162	18 974 266
Public sector customers	376 734	76 203	340 603
Total amounts due to customers	**38 859 124**	**37 750 027**	**36 366 148**
Short-term (up to 1 year)	38 063 327	37 079 660	35 737 920
Long-term (over 1 year)	795 797	670 367	628 228

The Group presents amounts due to microenterprises supported by Retail Banking of BRE Bank (mBank and MultiBank) under the item – amounts due to individuals. The value of commitments due to current accounts as well as commitments due to term deposits taken from microenterprises in presented reporting periods amounts to: 30 June 2009 – PLN 1 419 700 thousand, 31 December 2008 – PLN 1 550 900 thousand, 30 June 2008 – PLN 1 273 400 thousand.

19. Non-current Assets and Liabilities Held for Sale and Discontinued Operations

Beginning from 30 December 2008 the Group has had no shares in the companies whose activities were presented in previous periods as discontinued operations under asset management segment.

Detailed information concerning assets held for sale and discontinued operations were presented in BRE Bank financial statements and BRE Bank Group consolidated financial statements for the year 2008, published on 27 February 2009.

Financial data presented below concern non-current assets (disposal groups) held for sale and discontinued operations in reporting periods presented in financial statements.

Financial data concerning items of the Statement of Financial Postion connected with the assets held for sale.

	30.06.2009	31.12.2008	30.06.2008
Assets held for sale, including:			
Investments in associates	-	-	416 150
Total assets held for sale	**-**	**-**	**416 150**

Financial data concerning Income Statement items related to assets held for sale and discontinued operations:

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Interest income	-	2 430
Net interest income	**-**	**2 430**
Fee and commission income	-	25 376
Fee and commission expense	-	(11 583)
Net fee and commission income	**-**	**13 793**
Net trading income, including:	-	(1)
Foreign exchange result	-	*(1)*
Other operating income	-	701
Overhead costs	-	(4 935)
Amortization and depreciation	-	(245)
Other operating expenses	-	(33)
Operating profit	**-**	**11 710**
Income from sale / income from merger of assets held for disposal*	-	67 198
Profit before income tax from discontinued operations	**-**	**78 908**
Income tax expense	-	(2 336)
Net profit from discontinued operations	**-**	**76 572**
Net profit from discontinued operations, attributable to:		
- Owners of BRE Bank SA	-	76 572
- Non-controlling interests	-	-

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* As at 30 June 2008 the amount of PLN 67 198 thousand is a result of the Group on the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA.

Financial data concerning cash flows related to assets held for sale and discontinued operations:

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Cash flow from operating activities	-	10 680

Earnings per share for 6 months – discontinued operations

the period	from 01.01.2009 to 30.06.2009	from 01.01.2008 to 30.06.2008
Basic:		
Net profit from discontinued operations attributable to Owners of BRE Bank SA	-	76 572
Weighted average number of ordinary shares	-	29 670 203
Net basic profit per share (in PLN per share)	**-**	**2.58**
Diluted:		
Net profit from discontinued operations attributable to Owners of BRE Bank SA, applied for calculation of diluted earnings per share	-	76 572
Weighted average number of ordinary shares	-	29 670 203
Adjustments for:		
- stock options for employees	-	6 404
Weighted average number of ordinary shares for calculation of diluted earnings per share	-	29 676 607
Diluted earnings per share (in PLN per share)	**-**	**2.58**

Selected explanatory information

1. Compliance with International Financial Reporting Standards

The presented concise report for the first half of 2009 fulfills the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to the interim financial reports.

2. Consistency of accounting principles and calculation methods applied to the drafting of the first half of 2009 report and the last annual financial report

A detailed description of the accounting policy principles of the Group are presented under items 2 and 3 of the Notes to the Concise Consolidated Financial Statements for the first half of 2009. The accounting policies were applied consistently over all of the periods presented in the financial statements.

3. Seasonal or cyclical nature of the business

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

4. 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 Group'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 and of the Group.

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-test scenarios. 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 the Group's liquidity and funding were at a level adequate to the needs.

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.

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

In the first half of 2009 BRE Bank Hipoteczny issued bonds in the amount of PLN 796 000 thousand and mortgage bonds in the amount of PLN 360 000 thousand. In the same period the company redeemed bonds in the amount of PLN 763 000 thousand as well as mortgage bonds in the amount of PLN 319 419 thousand.

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

7. Dividends paid (or declared) altogether or broken down by ordinary shares and other shares

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

8. Income and profit by business segment

Income and profit by business segment within the Group are presented on the consolidated level in item 4 of the Notes to the Consolidated Financial Statements.

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).

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, long-term investments, restructuring, and discontinuation of business activities

The above indicated events had no significant impact on the Group.

11. Changes in contingent liabilities and commitments

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

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

The above indicated events did not occur in the Group.

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

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

14. Reversals of provisions against restructuring costs

The above indicated events did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the first half of 2009, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and developer operations that are performed by the companies of the Group.

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

The above indicated events did not occur in the Group.

17. Corrections of errors from previous reporting periods

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

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

The above indicated events did not occur in the Group.

19. Position of the Management on the probability of performance of previously published profit/loss forecasts for the year in the light of the results presented in the half-yearly 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).

20. Registered share capital

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

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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 (in PLN)			4					

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

21. Material share packages

There was a change in the holding of material share packages of the Bank in the first half of 2009.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 June 2009 it 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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22. Change in Bank shares and options held by Managers and Supervisors

	Number of shares held as at the date of publishing the report for Q1 2009	Number of shares acquired from the date of publishing the report for Q1 2009 to the date of publishing the report for H1 2009	Number of shares sold from the date of publishing the report for Q1 2009 to the date of publishing the report for H1 2009	Number of shares held as at the date of publishing the report for H1 2009
Management Board				
1. Mariusz Grendowicz	-	-	-	-
2. Wiesław Thor	5 609	-	-	5 609
3. Przemysław Gdański	-	-	-	-
4. Karin Katerbau	-	-	-	-
5. Hans-Dieter Kemler	-	-	-	-
6. Jarosław Mastalerz	-	-	-	-
7. Christian Rhino	-	-	-	-

As at the date of publishing the report for the first quarter of 2009 and as at the date of publishing the report for the first half of 2009, the Members of the Management Board had no Bank share options and they have no Bank share options.

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

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

As at 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.

Taxes

Within the period from 20 March to 8 April 2009, the officers of the First Mazowiecki 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.

There were no tax audits at the other companies of the Group within the year 2009 or 2008.

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.

24. Off-balance sheet liabilities

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

Consolidated data

as at	30.06.2009	31.12.2008	30.06.2008
1. Contingent liabilities granted and received	**16 123 284**	**20 735 831**	**19 504 575**
Commitments granted	**15 465 704**	**19 152 615**	**18 420 583**
- financing	12 973 497	15 940 051	15 048 261
- guarantees	2 491 299	3 027 249	2 878 408
- other commitments	908	185 315	493 914
Commitments received	**657 580**	**1 583 216**	**1 083 992**
- financing	59 105	956 208	252 071
- guarantees	598 475	627 008	539 939
- other commitments	-	-	291 982
2. Derivative financial instruments	**467 036 780**	**654 609 081**	**735 219 758**
Interest rate derivatives	382 896 802	561 929 698	648 637 178
FX derivatives	82 255 847	91 281 575	80 340 712
Market risk derivatives	1 884 131	1 397 808	6 241 868
Total off-balance sheet items	**483 160 064**	**675 344 912**	**754 724 333**

25. Transactions with related entities

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

All transactions between the Bank and related entities, exceeding the 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 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 are 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		Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	770	-	-	1	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	1 393	-	(2)	-	-	-	-
3	BRE Systems Sp. z o.o. (previously ServicePoint Sp. z o.o.)	615	264	10	(1)	9	-	385	-
	Ultimate Parent Group								
	Commerzbank AG Capital Group	566 547	25 445 998	11 097	(268 705)	-	-	854 112	138 650

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

No.	Company's name	Statement of Financial Position		Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	847	-	-	2	-	-	-
2	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	715	-	(1)	1	-	-	-
3	BRE Systems Sp. z o.o. (previously ServicePoint Sp. z o.o.)	-	150	9	(6)	17	-	1 000	-
	Associates								
	Xtrade SA	-	34	-	(4)	7	-	-	-
	Ultimate Parent Group								
	Commerzbank AG Capital Group	1 834 878	24 587 002	38 424	(549 414)	-	-	580 504	557 636

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

No.	Company's name	Statement of Financial Position		Income Statement				Contingent commitments granted and received	
		Receivables	Liabilities	Interest income	Interest costs	Commission income	Commission costs	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	447	-	-	1	-	-	-
3	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	-	72	-	-	1	-	-	-
4	BREL-MAR Sp. z o.o.	-	-	-	-	1	-	-	-
5	ServicePoint Sp. z o.o.	-	456	3	(3)	4	-	500	-
	Associates								
1	Aegon PTE SA	-	6 079	-	(117)	6	-	-	-
2	Xtrade SA	-	112	-	(3)	4	-	-	-
	Ultimate Parent Group								
	Grupa Kapitałowa Commerzbank AG	622 009	13 099 104	8 942	(216 918)	-	-	103 628	109 914

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

As at 30 June 2009 no exposure under guarantees granted in excess of 10% of the equity occurred at the Group.

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

On 16 March 2009 the 22nd Ordinary General Meeting of BRE Bank appointed Mr Stefan Schmittmann as a new (the 10th 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 definitely 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.