BRE Bank SA Group

Independent registered auditor’s report on the consolidated financial statements as at and for the year ended 31 December 2008

TRANSLATORS’ EXPLANATORY NOTE

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

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

Independent registered auditor's report
on the consolidated financial statements
To the General Shareholders' Meeting and the Supervisory Board of
BRE Bank SA

This report contains 30 consecutively numbered pages and consists of:

I. General information about the Group

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

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

(c) As at 31 December 2008, the Bank's registered share capital amounted to PLN 118,763,528 and consisted of 29,690,882 shares with a par value of PLN 4 each.

(d) In the audited period, the Group's operations included:

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

I. General information about the Group (cont.)

(e) In the financial period, the following people were on the Bank's Management Board:

- Mariusz Grendowicz — Chairman (from 15 March 2008);
- Sławomir Lachowski — Chairman (to 14 March 2008);
- Wiesław Thor — Deputy Chairman (from 15 March 2008); Board Member (to 14 March 2008);
- Andre Carls — Deputy Chairman (from 15 March 2008 to 4 September 2008);
- Bernd Loewen — Board Member;
- Jarosław Mastalerz — Board Member;
- Christian Rhino — Board Member (from 15 March 2008);
- Karin Katerbau — Board Member (from 5 September 2008);
- Przemysław Gdański — Board Member (from 19 November 2008);
- Jerzy Jóźkowiak — Board Member (to 14 March 2008);
- Rainer Ottenstein — Board Member (to 14 March 2008);
- Janusz Wojtas — Board Member (to 14 March 2008).

(f) The Bank issues securities admitted to trading on the Warsaw Stock Exchange and, in accordance with the requirements of the Accounting Act, it prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

I. General information about the Group (cont.)

(g) As at 31 December 2008, the BRE Bank SA Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the consolidation package	Type of opinion	Balance sheet date as at which the consolidation package was prepared
BRE Bank SA	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
BRE Bank Hipoteczny SA	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
BRE Corporate Finance SA	Subsidiary (100.00%)	Acquisition	PKGT Nordic Sp. z o.o.	unqualified	31 December 2008
BRE Wealth Management SA	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
BRE Holding Sp. z o.o.	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
BRE Ubezpieczenia TU SA	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
BRE Ubezpieczenia Sp. z o.o.	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
Dom Inwestycyjny BRE Banku SA	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
Garbary Sp. z o.o.	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
emFinanse Sp. z o.o.	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
Tele-Tech Investment Sp. z o.o.	Subsidiary (100.00%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
BRE Finance France SA	Subsidiary (99.98%)	Acquisition	PricewaterhouseCoopers Audit	unqualified	31 December 2008
BRE.locum SA	Subsidiary (79.99%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
Magyar Factor zRt.	Subsidiary (78.12%)	Acquisition	PricewaterhouseCoopers Kft.	unqualified	31 December 2008
Polfactor SA	Subsidiary (78.12%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008
Transfinance a.s.	Subsidiary (78.11%)	Acquisition	PricewaterhouseCoopers Audit, s.r.o.	unqualified	31 December 2008
Intermarket Bank AG	Subsidiary (56.24%)	Acquisition	Ernst & Young Wirtschaftprufungsgesellschaft GmbH	unqualified	31 December 2008
BRE Leasing Sp. z o.o.	Subsidiary (50.004%)	Acquisition	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2008

Due to the sale of PTE Skarbiec – Emerytura SA, the results of this company for the period in which it was controlled by the Group (i.e. from 1 January to 30 June 2008) were recognized in the consolidated income statement, under "Discontinued operations".

II. Information on the audit

(a) PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 26 of the General Shareholders' Meeting of BRE Bank SA of 14 March 2008, on the basis of paragraph 11 of the Bank's Articles of Association.

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

(c) The audit was conducted on the basis of an agreement concluded on 4 July 2008 in the following periods:

- interim audit from 4 November 2008 to 23 December 2008;
- final audit from 5 January 2009 to 27 February 2009.

III. The Group's results and financial position

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

The consolidated financial statements do not take account of the effects of inflation. The consumer price index (from December to December) amounted to 3.3% in the audited year (4.0% in 2007).

BRE Bank SA is the Parent Company in the Group. In the audited year, the Group comprised the Bank and 32 subordinated entities (including 18 consolidated subsidiaries, one associate disclosed using the equity accounting method in the consolidated financial statements). The remaining companies were considered immaterial to the consolidated financial statements. In the year preceding the audited year, the Group comprised the Bank and 34 subordinated entities (including 16 consolidated subsidiaries and one associate disclosed using the equity accounting method in the consolidated financial statements). The remaining entities were considered immaterial to the consolidated financial statements.

In the audited period, the following factors had a significant impact on the results of operations and the financial position of the Group:

- As at the end of the financial year, the Group's assets amounted to PLN 82,605,202 thousand. During the year, total assets increased by PLN 26,663,302 thousand (i.e. by 48%). This increase was mainly financed by the net profit on continued and discontinued operations, including the profit of minority shareholders, which amounted to PLN 889,344 thousand and the increase in amounts due to other banks and customers of PLN 15,242,940 thousand and PLN 5,348,164 thousand respectively, accompanied by the increase in the balance of derivative financial instruments of PLN 4,010,277 thousand.

- The share capital of the Group increased by PLN 4,251 thousand compared with the end of the previous year. The increase was due to BRE Bank SA issuing 30,214 ordinary shares as part of the execution of the Second Management Share Option Scheme.

- The increase in total assets in 2008 mainly comprised the increase in the net balance of loans and advances to customers of PLN 18,459,812 thousand, the increase in the balance of amounts due from banks of PLN 4,014,157 thousand, and the increase in the balance of derivative financial instruments of PLN 3,360,234 thousand.

- The net profit on continued and discontinued operations, including the profit of minority shareholders, increased by PLN 141,727 thousand compared with the previous year to PLN 889,344 thousand. In 2008, the net profit on continued operations, including the profit of minority shareholders, amounted to PLN 758,711 thousand and increased by PLN 97,734 thousand compared with 2007. The said amount of the net profit on continued operations mainly comprised: net interest income of PLN 1,392,452 thousand, net fee and commission income of PLN 551,466 thousand, net trading income of PLN 483,855 thousand, overheads together with depreciation & amortization in the amount of PLN 1,550,076 thousand, and net impairment write-downs of loans and advances in the amount of PLN 269,144 thousand.

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

- The net profit on continued operations, including the profit of minority shareholders, was PLN 97,734 thousand higher than in 2007 mainly as a result of the increase in net interest income of PLN 364,669 thousand, as well as due to the increase in the net gain on investment securities of PLN 131,931 thousand which resulted mainly from sale of shares in Vectra SA. The said increase was partly offset by the increase in overheads and depreciation & amortization which increased by a total of PLN 270,432 thousand, as well as the increase in net impairment write-downs of loans and advances of PLN 192,334 thousand.
- In the audited financial year, there was a decrease in the income tax expense relating to continued operations of PLN 76,143 thousand. The drop in the income tax expense relating to continued operations was mainly due to the fall in deferred income tax of PLN 149,930 thousand, partly offset by the increase in the current income tax liability of PLN 73,787 thousand.
- The profit on discontinued operations before tax for 2008 amounted to PLN 132,969 thousand and increased by PLN 23,979 thousand compared with the previous year. The profit on discontinued operations before tax for 2008 comprised the net profit of PTE Skarbiec – Emerytura SA for the period from 1 January to 30 June 2008 in the amount of PLN 11,710 thousand and the gain on the combination of PTE Skarbiec – Emerytura SA and Aegon PTE SA and on the sale of shares in the combined pension fund management company totalling PLN 121,259 thousand.
- Return on equity, being the ratio of the net profit on continued operations for the financial period, including the profit of minority shareholders, to average net assets, including the net profit for the period, amounted to 20.26% and was 1.54 percentage points lower than in 2007. In 2007, the gross margin also deteriorated. It amounted to 16.03% compared with 21.78% for 2007.

IV. Discussion of financial statement components

CONSOLIDATED BALANCE SHEET as at 31 December 2008

	Note	31.12.2008 PLN'000	31.12.2007 PLN'000	Change PLN'000	Change (%)	31.12.2008 Structure (%)	31.12.2007 Structure (%)
Cash and balances with the Central Bank	1	2,512,333	2,003,535	508,798	25	3	4
Debt securities eligible for rediscounting at the Central Bank		9,238	23,259	(14,021)	(60)	-	-
Amounts due from banks	2	6,104,093	2,089,936	4,014,157	192	7	4
Trading securities	3	4,624,621	4,257,982	366,639	9	6	8
Derivative financial instruments	4	5,632,872	2,272,638	3,360,234	148	7	4
Loans and advances to customers	5	52,142,477	33,682,665	18,459,812	55	63	60
Investment securities	6	5,502,312	6,386,574	(884,262)	(14)	7	11
Non-current assets held for sale		-	336,078	(336,078)	(100)	-	1
Pledged assets	7	3,445,281	2,812,277	633,004	23	4	5
Investments in associates		16,953	4,823	12,130	252	-	-
Intangible assets	8	438,452	404,967	33,485	8	1	1
Property, plant and equipment	9	814,469	670,213	144,256	22	1	1
Deferred tax assets	33	327,558	116,290	211,268	182	-	-
Other assets	10	1,034,543	880,663	153,880	17	1	1
TOTAL ASSETS		**82,605,202**	**55,941,900**	**26,663,302**	**48**	**100**	**100**

IV. Discussion of financial statement components (cont.)

CONSOLIDATED BALANCE SHEET as at 31 December 2008 (cont.)

	Note	31.12.2008 PLN'000	31.12.2007 PLN'000	Change PLN'000	Change (%)	31.12.2008 Structure (%)	31.12.2007 Structure (%)
Liabilities		**78,557,166**	**52,500,577**	**26,056,589**	**50**	**95**	**94**
Amounts due to the Central Bank	11	1,302,469	-	1,302,469	-	2	-
Amounts due to other banks	12	27,488,807	12,245,867	15,242,940	124	33	22
Derivative financial instruments and other trading liabilities	13	6,174,491	2,164,214	4,010,277	185	8	4
Amounts due to customers	14	37,750,027	32,401,863	5,348,164	17	46	58
Debt securities in issue	15	1,790,745	2,928,414	(1,137,669)	(39)	2	5
Subordinated liabilities	16	2,669,453	1,661,785	1,007,668	61	3	3
Other liabilities	17	996,280	879,975	116,305	13	1	2
Current income tax liability	33	218,807	134,234	84,573	63	-	-
Deferred tax provision	33	81	455	(374)	(82)	-	-
Provisions	18	166,006	71,227	94,779	133	-	-
Liabilities held for sale		-	12,543	(12,543)	(100)	-	-
Equity	**19**	**4,048,036**	**3,441,323**	**606,713**	**18**	**5**	**6**
Share capital		1,521,683	1,517,432	4,251	-	2	3
Revaluation reserve		(214,368)	74,204	(288,572)	(389)	-	-
Retained earnings		2,587,137	1,732,875	854,262	49	3	3
Minority interests	20	153,584	116,812	36,772	31	-	-
TOTAL EQUITY AND LIABILITIES		**82,605,202**	**55,941,900**	**26,663,302**	**48**	**100**	**100**

IV. Discussion of financial statement components (cont.)

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2008

	Note	2008 PLN'000	2007 PLN'000	Change PLN'000	Change (%)	2008 Structure (%)	2007 Structure (%)
Net interest income	23	1,392,452	1,027,783	364,669	35	49	44
Net fee and commission income	24	551,466	564,278	(12,812)	(2)	20	24
Dividend income	25	9,429	2,327	7,102	305	0	0
Net trading income	26	483,855	486,468	(2,613)	(1)	17	21
Net gain/(loss) on investment securities	27	135,765	3,834	131,931	3.441	5	0
Other operating income	28	266,505	249,661	16,844	7	9	11
Net impairment write-downs of loans and advances	29	(269,144)	(76,810)	(192,334)	250	(14)	(5)
Overheads	30	(1,346,601)	(1,103,319)	(243,282)	22	(68)	(74)
Depreciation and amortization	31	(203,475)	(176,325)	(27,150)	15	(10)	(12)
Other operating expenses	32	(153,106)	(132,342)	(20,764)	16	(8)	(9)
Profit on continued operations before tax		**867,146**	**845,555**	**21,591**	**3**		
Income tax expense	33	(108,435)	(184,578)	76,143	(41)		
Net profit on continued operations, including the profit of minority shareholders		**758,711**	**660,977**	**97,734**	**15**		
Profit on discontinued operations before tax	34	**132,969**	**108,990**	**23,979**	**22**		
Income tax expense		(2,336)	(22,350)	20,014	(90)		
Net profit on discontinued operations		**130,633**	**86,640**	**43,993**	**51**		
Net profit on continued and discontinued operations, including the profit of minority shareholders		**889,344**	**747,617**	**141,727**	**19**		
Profit of minority shareholders		31,885	37,523	-5,638	(15)		
Net profit		857,459	710,094	147,365	21		
Total income from and profits on continued operations		2,839,472	2,334,351	505,121	22	100	100
Total costs of and losses on continued operations		(1,972,326)	(1,488,796)	(483,530)	32	(100)	(100)
Profit on continued operations before tax		**867,146**	**845,555**	**21,591**	**3**		

IV. Discussion of financial statement components (cont.)

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

	31.12.2008	31.12.2007
Profitability ratios		
Return on equity (net profit for the financial period / average net assets) (1)	20.26%	21.80%
Return on equity (net profit for the financial period / average net assets excluding the net profit/loss for the period) (2)	22.88%	24.69%
Return on assets (profit before tax for the financial period / average assets) (1)	1.25%	1.72%
Gross margin (profit before tax for the financial period / total income)	16.03%	21.78%
Interest income to working assets (interest income / average working assets) (1)	5.79%	5.22%
C/I ratio (overheads / result on banking activities) (3)	60.24%	61.38%
Liability ratios		
Cost of borrowings (interest expense for the financial period / average interest-bearing liabilities) (1)	3.73%	3.06%
Equity to equity & liabilities (average equity / average total equity & liabilities) (1)	5.41%	6.17%
Asset ratios		
Amounts due from banks and customers to assets (average gross amounts due from banks and customers / average total assets) (1)	69.00%	64.30%
Impaired loans and advances to gross amounts due from banks and customers	2.11%	2.20%
Working assets to total assets	89.99%	91.62%
Liquidity ratios		
Liquidity I (assets maturing within 1 month / liabilities maturing within 1 month) (4)	0.36	0.41
Liquidity II (assets maturing within 3 months / liabilities maturing within 3 months) (4)	0.42	0.53
Capital market ratios		
Earnings per share (in accordance with IAS 33)	PLN 24.49	PLN 21.08
Book value per share	PLN 131.17	PLN 112.08
Other ratios		
Equity in accordance with KNB [*Banking Supervision Commission*] Resolution No. 2/2007	PLN 5,911,760 thousand	PLN 3,971,101 thousand
Total regulatory requirement together with the requirement concerning the risk of excessive capital exposures (total regulatory capital requirement in accordance with KNB Resolution No. 1/2007)	PLN 4,712,225 thousand	PLN 3,127,259 thousand
Capital adequacy ratio in accordance with KNB Resolution No. 1/2007	10.04%	10.16%

(*) The ratios were calculated on the basis of the profit on continued operations, including the profit of minority shareholders.
(1) The average balances of balance sheet items were calculated on the basis of the balances of the individual items as at the beginning and the end of the current financial period and the previous financial period.
(2) The net profit on continued operations, including the profit of minority shareholders, in relation to average net assets excluding the net profit on continued and discontinued operations for the year for which the ratio is calculated.
(3) The result on banking activities understood as the net profit/loss on continued operations less overheads, net impairment write-downs of loans and advances, and other operating income and expenses.
(4) Individual ratios may differ from the ratios presented in the consolidated financial statements due to a different calculation method being used.

IV. Discussion of financial statement components (cont.)

Consolidated balance sheet as at 31 December 2008

1. Cash and balances with the Central Bank

As at 31 December 2008, the Group's balance of "Cash and balances with the Central Bank" amounted to PLN 2,512,333 thousand and increased by PLN 508,798 thousand compared with the previous year.

The Bank had the largest share in the said balance, which amounted to PLN 2,491,851 thousand as at the end of the financial year and which increased by 25% compared with PLN 1,998,380 thousand as at the end of the previous year. The increase in the Bank's balance was mainly due to the increase in cash in current accounts of PLN 446,945 thousand to PLN 2,348,574 thousand as at 31 December 2008.

2. Amounts due from banks

As at 31 December 2008, the balance of "Amounts due from banks" amounted to PLN 6,104,093 thousand. Compared with the balance as at the end of 2007, the balance of the said item increased by PLN 4,014,157 thousand (i.e. by 192%).

The Bank had the largest share in the balance of the said amounts due as at 31 December 2008, which (after the eliminations of mutual transactions) amounted to PLN 5,962,546 thousand and increased by PLN 3,978,914 thousand (i.e. by 201%) compared with the balance as at the end of 2007. The increase in the Bank's balance mainly resulted from the increase in current amounts due comprising short-term deposits and current accounts of PLN 3,694,032 thousand to PLN 4,339,002 thousand as at 31 December 2008 and the increase in the balance of "Loans, deposits and advances" of PLN 243,714 thousand to PLN 931,272 thousand as at the end of the audited period.

Other companies which showed significant balances as at the balance sheet date were Intermarket Bank AG (PLN 48,825 thousand), Dom Inwestycyjny BRE Banku SA (PLN 41,704 thousand) and BRE Bank Hipoteczny SA (PLN 25,122 thousand).

3. Trading securities

As at 31 December 2008, the balance of "Trading securities" amounted to PLN 4,624,621 thousand. Compared with the end of the previous year, the said balance increased by PLN 366,639 thousand (i.e. by 9%).

The increase in the carrying value resulted mainly from the increase in the balance of other debt securities of PLN 1,775,475 thousand and Treasury bills of PLN 482,890 thousand, which was partly offset by the decrease in the balance of government bonds of PLN 1,895,651 thousand.

The Bank had the largest share in this balance, showing trading securities (after the elimination of mutual transactions) in the amount of PLN 4,576,905 thousand as at the balance sheet date. The Bank's balance of trading securities increased by PLN 321,606 thousand in the audited year. The increase in the balance of trading securities was also due to the commencement of the consolidation of BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. in which the balance of the said securities amounted to PLN 43,624 thousand.

IV. Discussion of financial statement components (cont.)

4. Derivative financial instruments

As at 31 December 2008, the balance of "Derivative financial instruments" amounted to PLN 5,632,872 thousand, which represented an increase of PLN 3,360,234 thousand (i.e. of 148%) compared with the previous year.

The increase in the balance of this component was mainly due to the increase of PLN 2,004,552 thousand in interest rate derivatives to PLN 2,896,674 thousand. There was also a significant increase of PLN 1,552,757 thousand in foreign exchange derivatives to PLN 2,713,112 thousand. The said increase in interest rate derivatives and foreign exchange derivatives was partly offset by the fall in market risk-related transactions of PLN 197,075 thousand.

5. Loans and advances to customers

As at 31 December 2008, the balance of "Loans and advances to customers" amounted to PLN 52,142,477 thousand, which represented an increase of PLN 18,459,812 thousand (i.e. of 55%) compared with the previous financial year.

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

As at 31 December 2008, loans to individuals, which amounted to PLN 26,653,688 thousand, and loans to corporate customers in the gross amount of PLN 25,016,257 thousand were the largest components of the gross loan portfolio. The loans to individuals increased by PLN 12,777,263 thousand compared with the end of 2007, which was due to an increase in the Bank's portfolio (of PLN 12,737,070 thousand) mainly as a result of an increase in the number of housing and mortgage loans granted by mBank and Multibank as well as increase in valuation of loans denominated in foreign currencies as a result of depreciation of PLN in relation to foreign currencies (mainly USD, EUR, CHF). The increase in the balance of loans and advances to corporate customers of PLN 5,538,998 thousand was due to the increase in the Bank's portfolio (an increase of PLN 2,850,982 thousand), in BRE Leasing Sp. z o.o. (an increase of PLN 1,400,019 thousand) and in BRE Bank Hipoteczny SA (an increase of PLN 989,337 thousand).

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

The balance of gross impaired loans increased by PLN 369,714 thousand and amounted to PLN 1,170,091 thousand as at 31 December 2008. The increase in the balance of gross impaired loans by 46% was accompanied by the slower increase in the balance of write-downs of PLN 122,623 thousand (i.e. by 22%) to PLN 692,866 thousand, mainly as a result of estimated cash flows from loans with impairment identified in 2008. As a consequence at the end of 2008, the ratio of write-downs to the portfolio of loans with recognized impairment amounted to 59% and decreased by 12 percentage points compared with the previous year.

The gross loans subject to the portfolio analysis amounted to PLN 51,832,118 thousand and increased by PLN 18,267,127 thousand, i.e. by 54%, compared with the previous year. The said increase of these loans was accompanied by increase of write-downs by PLN 54,406 thousand, i.e. by 48%, to the level of PLN 166,866 thousand as at the end of 2008.

IV. Discussion of financial statement components (cont.)

6. Investment securities

The balance of "Investment securities" amounted to PLN 5,502,312 thousand as at 31 December 2008, which, compared with PLN 6,386,574 thousand as at the end of 2007, represented a fall of PLN 884,262 thousand (i.e. of 14%).

Both as at the end of the audited period and as at the end of the previous year, the balance comprised exclusively available-for-sale financial assets. The drop in the balance was mainly due to the decrease of PLN 592,073 thousand in the balance of debt securities and equity securities of PLN 292,189 thousand.

These changes mainly occurred in the Bank in which the balance of debt securities (after the elimination of mutual transactions) dropped by PLN 749,965 thousand, mainly as a result of a fall in the balance of Treasury bills, partly offset by an increase in the portfolio of PLN bonds and debt securities issued by banks. The Bank's balance of equity securities mainly dropped as a result of the sale of Vectra SA shares.

7. Pledged assets

As at the balance sheet date, the balance of "Pledged assets" amounted to PLN 3,445,281 thousand and increased by PLN 633,004 thousand (i.e. by 23%) compared with the end of the previous year.

Both as at 31 December 2008 and 31 December 2007, the Bank's share in the pledged assets of the entire Group amounted to nearly 100%. As at 31 December 2008, the Bank's balance of pledged assets amounted to PLN 3,443,989 thousand and increased PLN 631,712 thousand (i.e. by 22%) compared with the end of 2007. This increase was mainly due to the increase in the balance of securities provided as collateral for sell-buy back transactions of PLN 536,055 thousand (i.e. of 20%).

The Group also showed debt securities pledged to the Bank Guarantee Fund as pledged assets. As at 31 December 2008, they amounted to PLN 176,592 thousand compared with PLN 80,442 thousand as at the end of the previous financial year.

8. Intangible assets

As at the balance sheet date, the balance of the Group's "Intangible assets" amounted to PLN 438,452 thousand, which represented an increase of PLN 33,485 thousand (i.e. of 8%) compared with the previous year.

The balance comprised mainly the intangible assets of the Bank in the amount of PLN 406,360 thousand which, compared with the previous period, increased by PLN 26,856 thousand mainly due to expenditure being incurred on intangible assets in the course of construction.

IV. Discussion of financial statement components (cont.)

9. Property, plant and equipment

As at 31 December 2008, the balance of "Property, plant and equipment" amounted to PLN 814,469 thousand, which represented an increase of PLN 144,256 thousand (i.e. of 22%) compared with the balance as at 31 December 2007.

The increase in the balance of property, plant and equipment mainly occurred in the Bank, where it increased by PLN 69,474 thousand (i.e. by 13%) to PLN 601,649 thousand, which was mainly due to expenditure being incurred on fixed assets under construction with a value of PLN 81,907 thousand, the purchases of equipment in the amount of PLN 26,932 thousand and of other fixed assets in the amount of PLN 26,511 thousand, as well as additions to vehicles of PLN 25,644 thousand. BRE Leasing Sp. z o.o. also experienced a significant increase in this item, in which the carrying value of property, plant and equipment increased by PLN 54,170 thousand compared with the previous year and reached PLN 156,594 thousand. The balance of property, plant and equipment mainly changed as a result of the increase in the balance of vehicles of PLN 46,919 thousand.

10. Other assets

In the audited period, the balance of "Other assets" increased by PLN 153,880 thousand (i.e. by 17%) to PLN 1,034,543 thousand. The major components of "Other assets" of the Group were as follows: "Inventories" (PLN 458,559 thousand, i.e. 44% of the balance) and "Debtors" (PLN 290,873 thousand, i.e. 28% of the balance).

The increase in the said balance mainly comprised the increase in inventories of PLN 93,812 thousand which mainly resulted from the increase in the inventories of BRE.locum SA of PLN 53,504 thousand (real estate for sale) and of BRE Leasing Sp. z o.o. of PLN 39,830 thousand (leased assets purchased by the company, which will be transferred to the lessees in 2009). The increase in the said balance in the Group was also due to the increase in other prepayments and deferred costs of PLN 43,055 thousand, mainly as a result of the increase in Bank's balance of PLN 42,217 thousand.

11. Amounts due to the Central Bank

The balance of "Amounts due to the Central Bank" amounted to PLN 1,302,469 thousand as at 31 December 2008. As at 31 December 2007, the balance of this component was PLN 0. The balance comprised exclusively liabilities in respect of sell-buy back transactions.

12. Amounts due to other banks

The balance of "Amounts due to other banks" increased by PLN 15,242,940 thousand compared with 31 December 2007 to PLN 27,488,807 thousand as at 31 December 2008. As at the balance sheet date, the largest items were loans and advances received in the amount of PLN 23,541.750 thousand, liabilities due to sell-buy back transactions in the amount of PLN 1,861,683 thousand, and term deposits of PLN 1,374,150 thousand.

IV. Discussion of financial statement components (cont.)

12. Amounts due to other banks (cd.)

The increase in the said amounts due mainly comprised the increase in the balance of loans and advances received of PLN 13,224,888 thousand. This change mainly resulted from the increase in the balance of loans and advances raised by the Bank (of PLN 10,820,408 thousand), BRE Leasing Sp. z o.o. (of PLN 1,525,954 thousand), and BRE Bank Hipoteczny SA (of PLN 898,470 thousand).

13. Derivative financial instruments and other trading liabilities

The balance of "Derivative financial instruments and other trading liabilities" amounted to PLN 6,174,491 thousand as at 31 December 2008, which represented an increase of PLN 4,010,277 thousand (i.e. of 185%).

The increase in the said balance resulted mainly from the increase in the valuation of interest rate derivatives of PLN 2,481,092 thousand to PLN 3,397,326 thousand and of foreign exchange derivatives of PLN 1,726,917 thousand to PLN 2,755,314 thousand. These increases were partly offset by the fall in the valuation of market risk-related transactions of PLN 197,732 thousand to PLN 21,851 thousand.

14. Amounts due to customers

As at the balance sheet date, the balance of "Amounts due to customers" amounted to PLN 37,750,027 thousand, which represented an increase of PLN 5,348,164 thousand (i.e. of 17%) compared with 31 December 2007. This increase was due to the increase in the balance of amounts due to individuals of PLN 8,115,322 thousand (i.e. of 63%), partly offset by the fall in amounts due to corporate customers of PLN 2,138,706 thousand (i.e. of 11%) and in amounts due to the public sector of PLN 628,452 thousand (i.e. of 89%).

The vast majority of the Group's amounts due to customers were amounts due to customers of the Bank, the balance of which (after the elimination of mutual transactions) amounted to PLN 37,038,833 thousand and which accounted for 98% of the balance of this component. The remaining portion of amounts due to customers mainly comprised amounts due to customers of Dom Inwestycyjny BRE Banku SA in the amount of PLN 346,120 thousand and BRE Bank Hipoteczny SA in the amount of PLN 217,981 thousand.

15. Debt securities in issue

As at 31 December 2008, the balance of "Debt securities in issue" amounted to PLN 1,790,745 thousand and decreased by PLN 1,137,669 thousand (i.e. by 39%) during the audited financial year.
The balance of this component mainly comprised mortgage bonds and bonds issued by BRE Bank Hipoteczny SA in the amount of PLN 1,765,354 thousand accounting for 99% of the balance of liabilities in respect of debt securities in issue.

The change in the balance compared with the previous year was mainly due to the redemption of bonds by BRE Finance France SA (a drop in the balance of PLN 714,188 thousand) and BRE Leasing Sp. z o.o. (a drop in the balance of liabilities of PLN 155,590 thousand), as well as the redemption of mortgage bonds by BRE Bank Hipoteczny SA (a drop in the balance of liabilities of PLN 238,910 thousand).

IV. Discussion of financial statement components (cont.)

16. Subordinated liabilities

As at 31 December 2008, the Group's balance of subordinated liabilities amounted to PLN 2,669,453 thousand, which represented a 61% increase compared with 31 December 2007 which amounted to PLN 1,661,785 thousand. The entire balance of this component related to the Bank.

The changes in 2008 mainly resulted from there being two new issues of subordinated bonds totalling CHF 260,000 thousand and a subordinated loan of CHF 90,000 thousand being raised. At the same time, the Bank made an early redemption of subordinated bonds in the amount of EUR 100,000 thousand.

17. Other liabilities

As at 31 December 2008, the balance of "Other liabilities" amounted to PLN 996,280 thousand and increased by PLN 116,305 thousand (i.e. by 13%) compared with 31 December 2007.

The balance mainly comprised liabilities to creditors in the amount of PLN 362,265 thousand, provisions for other liabilities to employees in the amount of PLN 181,453 thousand, accruals of PLN 148,642 thousand, and deferred income of PLN 140,878 thousand.

The increase in the balance of "Other liabilities" compared with 31 December 2007 was mostly due to the increase of PLN 57,536 thousand in the balance of liabilities to creditors, the increase in the balance of provisions for other liabilities to employees of PLN 32.448 thousand, and the increase in accruals of PLN 31,790 thousand. The increase in the said items was partly offset by the drop in deferred income of PLN 50,048 thousand.

18. Provisions

As at the balance sheet date, the balance of "Provisions" amounted to PLN 166,006 thousand, which represented an increase of PLN 94,779 thousand (i.e. of 133%) compared with the previous year. As at 31 December 2008, the balance of provisions comprised impairment write-downs of off-balance-sheet liabilities in the amount of PLN 73,229 thousand, technical reserves of PLN 74,174 thousand, provisions for disputes in the amount of PLN 4,177 thousand, and other provisions for liabilities in the amount of PLN 14,426 thousand.

The increase in provisions was mainly due to the inclusion in the Group of BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. and the related balance of technical reserves in the amount of PLN 74,174 thousand. There was also an increase in the balance of impairment write-downs of off-balance-sheet liabilities of PLN 15,169 thousand and in the balance of other provisions of PLN 5,614 thousand.

IV. Discussion of financial statement components (cont.)

19. Equity

	31.12.2007	Change in the scope of consolidation	Adjusted equity as at the beginning of the year	Valuation and execution of share option schemes	Income (expenses) recognized in equity	Net profit for the year	Other changes	31.12.2008
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Share capital	1,517,432	-	1,517,432	4,251	-	-	-	1,521,683
Revaluation reserve	74,204	-	74,204	-	(288,572)	-	-	(214,368)
Retained earnings	1,732,875	(6,789)	1,726,086	10,767	-	857,459	(7,175)	2,587,137
Minority interests	116,812	-	116,812	-	10,129	31,885	(5,242)	153,584
Total	**3,441,323**	**(6,789)**	**3,434,534**	**15,018**	**(278,443)**	**889,344**	**(12,417)**	**4,048,036**

As at the balance sheet date, the balance of "Equity" amounted to PLN 4,048,036 thousand (PLN 3,441,323 thousand as at 31 December 2007).

In the audited year, the share capital of the Group increased by PLN 4,251 thousand. The increase resulted from the registered share capital being increased by PLN 121 thousand by issuing 30,214 shares with a par value of PLN 4 each. At the same time, the share capital increased by PLN 2,784 thousand as a result of the recognition of share premium (shares were sold at the issue price of PLN 96.16) and by PLN 1,346 thousand as a result of the transfer of the valuation of options exercised in the audited year from retained earnings. All the changes discussed above resulted from the execution of the Second Management Share Option Scheme approved by Resolution No. 29 of the General Shareholders' Meeting adopted on 21 May 2003.

In the audited period, the revaluation reserve decreased by PLN 288,572 thousand. This decrease resulted mainly from the negative valuation of the portfolio of available-for-sale financial assets in the net amount of PLN 165,115 thousand as well as net gains transferred to net profit on disposal in the amount of PLN 138,514 thousand (mainly die to sale of shares in Vectra SA) and the recognition of foreign exchange gains of PLN 3,440 thousand which mainly related to the consolidation of foreign subsidiaries and which resulted from the Bank having foreign branches.

IV. Discussion of financial statement components (cont.)

19. Equity (cont.)

The increase in "Retained earnings" of PLN 854,262 thousand was mainly due to the consolidated net profit for 2008 in the amount of PLN 857,459 thousand and the valuation of an Incentive Scheme for the Management Board in the amount of PLN 12,113 thousand, approved by the General Shareholders' Meeting on 14 March 2008. At the same time, the said equity item decreased by PLN 1,346 thousand as a result of the transfer of the valuation of the Second Management Share Option Scheme recognized in the previous periods to the share capital in connection with the completion of the said scheme. The said increases were partly offset by the drop of PLN 6,789 thousand which resulted from the change in the scope of consolidation and other changes in the amount of PLN 7,175 thousand. The change in the scope of consolidation consisted of consolidating the insurance companies using the acquisition accounting method and was presented in the list of changes in equity. The Group did not restate its comparative data. The more detailed disclosure in included in consolidated financial statement of the Group.

As at 31 December 2008, the Bank's shareholders were:

Name	Number of shares held	Par value of shares held	Type of shares held (ordinary /preference)	% of voting rights
Commerzbank Auslandsbanken Holding AG	*20,719,692*	*82,878,768*	*ordinary*	*69.78*
Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK	*1,498,598*	*5,994,392*	*ordinary*	*5.05*
Other shareholders	*7,472,592*	*29,890,368*	*ordinary*	*25.17*
	29,690,882			***100.00***

As at the end of the financial year, the share capital amounted to PLN 118,763,528 and consisted of 29,690,882 shares with a par value of PLN 4 each. In 2008, Commerzbank Auslandsbanken Holding AG, which is a subsidiary of Commerzbank AG, remained the main shareholder of BRE Bank SA.

Due to the issue of shares in 2008 in connection with the implementation of the Management Share Option Schemes, the interest of the Bank's main shareholder decreased from 69.86% as at the end of the previous year to 69.78%. As at 31 December 2008, Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK also exceeded the threshold of 5% of shares held. It held 1,498,598 of the Bank's shares, which accounted for 5.05% of the Bank's share capital and 5.05% of the total number of voting rights at the General Shareholders' Meeting of the Bank, i.e. 1,498,598 voting rights. The interest held by the remaining shareholders in the Bank's share capital amounted to 25.17%.

IV. Discussion of financial statement components (cont.)

20. Minority interests

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

	31.12.2008 PLN'000	31.12.2007 PLN'000
Intermarket Bank AG	72,293	52,843
BRE Leasing Sp. z o.o.	48,324	44,405
BRE.locum SA	15,486	11,985
Transfinance a.s.	7,161	3,487
Polfactor SA	6,226	2,731
Magyar Factor Rt.	4,094	1,361
TOTAL	**153,584**	**116,812**

The increase in minority interests of PLN 36,772 thousand in the audited year was related to the recognition of the profits of the subsidiaries attributable to the minority shareholders in the amount of PLN 31,885 thousand and the recognition of foreign exchange gains of PLN 10,129 thousand. The said increase was partly offset by the payment of dividends to the minority shareholders in the amount of PLN 12,419 thousand and other changes in the amount of PLN 7,175 thousand.

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

		31.12.2008 PLN'000
(a)	Net profit of BRE Bank SA	829,531
	Net profits of the consolidated entities	139,286
	Total net profit as per the financial statements (consolidation packages) of the consolidated companies	**968,817**
(b)	Difference between the profit on the sale of shares in subsidiaries realized by the Bank and by the Group	(13,133)
(c)	Dividends	(76,177)
(d)	Adjustment to the valuation of shares	11,020
(e)	Other consolidation adjustments	(1,183)
	Net profit of the Group on continued and discontinued operations in aggregate, including the profit of minority shareholders	**889,344**

IV. Discussion of financial statement components (cont.)

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

		31.12.2008 PLN'000
(a)	Net assets of BRE Bank SA	3,624,147
	Net assets of the consolidated entities	1,071,225
	Total net assets	**4,695,372**
(b)	Adjustments (b-e; in item 21) for continued and discontinued operations in aggregate	(79,473)
(c)	Elimination of the share capitals of the subsidiaries	(543,588)
(d)	Elimination of other reserves of the subsidiaries	(24,275)
	Consolidated net assets	**4,048,036**

IV. Discussion of financial statement components (cont.)

Consolidated income statement for the year ended 31 December 2008

23. Net interest income

The income and expense components of net interest income are shown in the table below:

	2008 PLN'000	2007 PLN'000	Change PLN'000	Change (%)
Interest income	3,637,222	2,355,279	1,281,943	54
Interest expense	(2,244,770)	(1,327,496)	(917,274)	69
Net interest income	**1,392,452**	**1,027,783**	**364,669**	**35**

The increase in interest income of PLN 1,281,943 thousand comprised, among others, the increase in interest income on loans and advances, including the reversal of discount on impairment write-downs, of PLN 963,601 thousand in total to PLN 2,676,885 thousand, the increase in interest income on investment securities of PLN 133,052 thousand to PLN 317,533 thousand, and the increase in interest income on cash and short-term deposits of PLN 126,408 thousand to PLN 394,903 thousand.

The interest expense mainly comprised the costs of settlements with banks and customers in the amount of PLN 2,009,607 thousand and the costs of issuing debt securities in the amount of PLN 150,895 thousand. The increase in interest expense of PLN 917,274 thousand was mainly due to the increase in interest expense in respect of settlements with banks and customers of PLN 913,837 thousand.

The net interest income was mainly generated by the Bank in which it amounted to PLN 1,083,396 thousand (after the elimination of mutual transactions), which accounted for 78% of the net interest income of the Group. The Bank's net interest income increased by PLN 244,639 thousand compared with the previous financial year mainly as a result of the increase of PLN 739,670 thousand in interest income on loans and advances granted, including the reversal of discount on impairment write-downs, to PLN 2,004.788 thousand and in interest income on investment securities of PLN 125,334 thousand to PLN 304,747 thousand. The increase in interest income was partly offset by the increase in interest expense in respect of settlements with banks and customers of PLN 767,558 thousand to PLN 1,683,760 thousand.

The increase in net interest income was also due to the increase in net interest income of BRE Finance France SA of PLN 44,995 thousand to PLN -18,844 thousand (afer intragroup transaction elimination), of BRE Bank Hipoteczny SA of PLN 43,209 thousand to PLN 118,919 thousand, and of BRE Leasing Sp. z o.o. of PLN 20,540 thousand to PLN 128,702 thousand. The net interest income of BRE Finance France SA comprise interest expense on issued bonds, which dropped in comparison to previous year due to redemption of some of issues of bonds in the audited year.

IV. Discussion of financial statement components (cont.)

24. Net fee and commission income

The income and expense components of net fee and commission income are shown in the table below:

	2008 PLN'000	2007 PLN'000	Change PLN'000	Change (%)
Fee and commission income	844,463	785,237	59,226	8
Fee and commission expense	(292,997)	(220,959)	(72,038)	(33)
Net fee and commission income	**551,466**	**564,278**	**(12,812)**	**(2)**

In the current financial year, there was a decrease in net fee and commission income of PLN 12,812 thousand (i.e. of 2%) to PLN 551,466 thousand, which resulted from the pace of increase in fee and commission expense (up 33%) to PLN 292,997 thousand being faster than the pace of increase in fee and commission income (up 8%) to PLN 844,463 thousand.

The said balance of net fee and commission income was mostly influenced by the net fee and commission income of the Bank in which it amounted to PLN 328,560 thousand (after the elimination of mutual transactions), and it was PLN 51,772 thousand lower than in the previous year mainly as a result of an increase in the costs of handling and insuring payment cards and in other fees.

From among the other consolidated companies the following had the largest shares in the said balance: the insurance companies with net fee and commission income of PLN 84,550 thousand, Dom Inwestycyjny BRE Banku SA with PLN 57,164 thousand, and Intermarket Bank AG with PLN 26,392 thousand.

25. Dividend income

In 2008, dividend income amounted to PLN 9,429 thousand, which represented an increase of PLN 7,102 thousand compared with the previous year.

The said balance comprised mainly dividend income received by the Bank from VISA Europe Limited (PLN 5,380 thousand), TVN S.A. (PLN 1,592 thousand), Krajowa Izba Rozliczeniowa [*National Clearing Chamber*] (PLN 1,350 thousand) and Biuro Informacji Kredytowej [*Credit Information Bureau*] (PLN 500 thousand).

26. Net trading income

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

	2008 PLN'000	2007 PLN'000	Change PLN'000	Change (%)
Foreign exchange position	517,314	434,956	82,358	19
Net other trading income	(33,459)	51,512	(84,971)	(165)
Net trading income	**483,855**	**486,468**	**(2,613)**	**(1)**

IV. Discussion of financial statement components (cont.)

26. Net trading income (cont.)

In the current financial year, there was a drop in net trading income of PLN 2,613 thousand to PLN 483,855 thousand. This change resulted from the increase in the foreign exchange position of PLN 82,358 thousand to PLN 517,314 thousand and the fall in net other trading income of PLN 84,971 thousand to PLN -33,459 thousand.

The Group's net trading income was mainly earned by the Bank, in which (after the eliminations of mutual transactions) it amounted to PLN 453,168 thousand, and by BRE Leasing Sp. z o.o., in which it amounted to PLN 26,628 thousand.

27. Gain/Loss on investment securities

In 2008, the Group made a gain on investment securities of PLN 135,765 thousand which was PLN 131,931 thousand higher than the gain made in the previous financial year.

The said gain mainly comprised a gain on the sale of Vectra SA shares in the amount of PLN 137,673 thousand.

28. Other operating income

Other operating income amounted to PLN 266,505 thousand and was PLN 16,844 thousand (i.e. 7%) higher than in 2007.

The increase in the said balance resulted from the inclusion of the insurance companies in the Group, in which other operating income amounted to PLN 20,830 thousand, and the increase in other operating income of BRE.locum SA of PLN 11,298 thousand. The said increase was partly offset by the fall of PLN 17,445 thousand in other operating income of the Bank.

29. Net impairment write-downs of loans and advances

In the current financial year, impairment write-downs of loans and advances net of income from the reversal of these write-downs amounted to PLN 269,144 thousand and increased by PLN 192,334 thousand compared with the previous financial year.

The said increase was mainly due to the increase of PLN 160,525 thousand in net impairment write-downs of loans and advances in the Bank to PLN 218,747 thousand. The increase in the balance of net impairment write-downs of loans and advances was also due to an increase in the impairment write-downs of loans and advances recognized by BRE Leasing Sp. z o.o. in which the balance in question increased by PLN 29,411 thousand compared with the previous year.

IV. Discussion of financial statement components (cont.)

30. Overheads

In 2008, the Group's overheads amounted to PLN 1,346,601 thousand and increased by PLN 243,282 thousand (i.e. by 22%) compared with the overheads incurred in the previous year.

The said increase was mainly due to the increase in running costs of PLN 113,747 thousand to PLN 561,476 thousand and the increase in personnel costs of PLN 110,111 thousand to PLN 738,697 thousand. The increase in personnel costs was mainly due to the increase in wages and salaries of PLN 72,463 thousand as a result of an increase in employment levels and an increase in pay.

The largest overheads were incurred by the Bank (PLN 1,065,328 thousand after the elimination of mutual transactions), BRE Leasing Sp. z o.o. (PLN 69,296 thousand), Dom Inwestycyjny BRE Banku SA (PLN 42,978 thousand), BRE Bank Hipoteczny SA (PLN 34,652 thousand), CERI Sp. z o.o. (PLN 33,126 thousand after the elimination of mutual transactions), and Intermarket AG (PLN 30,478 thousand).

31. Depreciation and amortization

The amortization and depreciation expense amounted to PLN 203,475 thousand in 2008 and was PLN 27,150 thousand (i.e. 15%) higher than in the previous year. In the audited period, the amortization and depreciation expense comprised the amortization of intangible assets in the amount of PLN 85,173 thousand and the depreciation of property, plant and equipment of PLN 118,302 thousand.

32. Other operating expenses

In 2008, other operating expenses increased by PLN 20,764 thousand to PLN 153,106 thousand.

The increase in other operating expenses resulted from the increase in the costs of sale, scrapping and liquidation of fixed assets, intangible assets, and assets held for sale of PLN 24,852 thousand, as well as the increase in the costs of recording provisions for other receivables of PLN 7,493 thousand. The increase in the said components was partly offset by the fall in "Other operating expenses" of PLN 6,112 thousand and the drop in provisions for future liabilities of PLN 3,630 thousand.

The increase in other operating expenses of the Group was mainly due to the increase in other operating expenses of BRE.locum SA of PLN 9,220 thousand, of BRE Bank SA of PLN 6,351 thousand, and of BRE Leasing Sp. z o.o. of PLN 5,346 thousand.

33. Income tax expense

	12 months to 31.12.2008	12 months to 31.12.2007	Change
	PLN'000	PLN'000	PLN'000
Current income tax	(306,606)	(232,819)	(73,787)
Deferred income tax	198,171	48,241	149,930
Income tax expense	**(108,435)**	**(184,578)**	**76,143**

IV. Discussion of financial statement components (cont.)

33. Income tax expense (cont.)

The Bank's current and deferred income tax recognized in the income statement, which amounted to PLN 71,956 thousand, contributed the most to the income tax expense of the Group.

Other Group companies also contributed to the Group's income tax expense, with the largest income tax charges occurring in the following companies:

Consolidated company	**Income tax due**	**Company's share in income tax due**	**Deferred income tax**	**Company's share in deferred income tax**
	(PLN'000)	**(%)**	**(PLN'000)**	**(%)**
BRE Leasing Sp. z o.o.	(52,168)	17	44,122	23
BRE Bank Hipoteczny SA	(10,831)	4	786	-
BRE.locum SA	(7,128)	2	(54)	-
Dom Inwestycyjny BRE Banku SA	(6,150)	2	825	-
Intermarket Bank AG	(5,690)	2	237	-
Transfinance a.s.	(3,435)	1	19	-
Polfactor SA	(2,855)	1	(181)	-
BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o.	(2,370)	1	10,536	5
Other	(1,717)	-	(425)	-
Total Group companies	**(92,344)**	**30**	**55,865**	**28**
The Bank	**(214,262)**	**70**	**142,306**	**72**
Total	**(306,606)**	**100**	**198,171**	**100**

34. Discontinued operations

The profit on discontinued operations before tax for 2008 amounted to PLN 132,969 thousand compared with PLN 108,990 thousand in the previous financial year. The income tax expense relating to discontinued operations amounted to PLN 2,336 thousand compared with PLN 22,350 thousand in the previous year. The net profit on discontinued operations amounted to PLN 130,633 thousand in 2008 and was PLN 43,993 thousand higher than in the previous year.

The net profit on discontinued operations for 2008 comprised the net profit of PTE Skarbiec – Emerytura SA for the 1st half of 2008 in the amount of PLN 9,374 thousand and the gain on the combination of PTE Skarbiec – Emerytura SA and Aegon PTE SA and on the sale of shares in the combined pension fund management company in the amount of PLN 121,259 thousand.

A detailed breakdown of the Group's net profit on discontinued operations is presented in Note 28 to the consolidated financial statements of the Group.

IV. Discussion of financial statement components (cont.)

35. Contingent liabilities granted and received

The balance of “Contingent liabilities granted and received” comprised liabilities granted, which increased by PLN 1,792,977 thousand compared with the end of the previous year to PLN 19,152,615 thousand, and liabilities received in the amount of PLN 1,583,216 thousand, which dropped by PLN 651,794 thousand compared with the end of the previous year.

As at 31 December 2008, the balance of liabilities granted mainly comprised commitments to grant a loan in the amount of PLN 15,714,662 thousand, as well as stand-by guarantees and letters of credit in the amount of PLN 2,637,102 thousand. The balance of liabilities received mainly comprised financial liabilities received in the amount of PLN 956,208 thousand and guarantee commitments received in the amount of PLN 627,008 thousand.

V. Independent registered auditor’s statement

(a) In the course of the audit, the Management Board of the Parent Company provided the required information, explanations, and representations and provided us with a representation letter confirming the completeness of the data in the consolidation schedules and the disclosure of all the contingent liabilities. They also informed us of significant post balance sheet events which occurred up to the date of that letter being signed.

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

(c) The consolidation schedules were complete and accurate, and they are stored in a manner which ensures proper safeguarding.

(d) In all material respects, the accounting policies and disclosures specified by the manager of the Parent Company were in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Changes in the accounting policies and their implications are correctly presented in the notes to the consolidated financial statements.

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

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

(g) The eliminations of gains/losses not realized by the consolidated entities, included in the value of assets and in respect of dividends, were conducted in accordance with the IFRS as adopted by the European Union in all material respects.

(h) The effects of the sale of all or some of the shares in subordinated entities were accounted for properly in all material respects.

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

(j) The Directors’ Report of the Group takes account of the requirements of the Decree of the Minister of Finance of 19 October 2005 on current and periodical reporting by issuers of securities (*Journal of Laws* No. 209, item 1744).

(k) The total regulatory requirement along with the requirement concerning the risk of excessive capital exposures amounted to PLN 4,712,225 thousand as at the balance sheet date. The capital adequacy ratio was 10.04% as at 31 December 2008. As at the balance sheet date, the Group complied with the applicable prudence standards in all material respects.

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

(l) We determined the materiality levels at the planning stage. The materiality levels specify the limits up to which the irregularities identified may be left unadjusted without detriment to the quality of the financial statements or the correctness of the underlying books of account, since failing to make such adjustments will not be misleading for the users of the financial statements. Materiality measures both the quantity and quality of the audited items, and therefore it varies for different balance sheet and income statement items. Due to the complexity and the number of the materiality levels adopted for audit purposes, they are included in the audit documentation.

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

(n) The financial statements of the BRE Bank SA Group as at and for the year ended 31 December 2007 were approved by Resolution No. 19 of the General Shareholders' Meeting of 14 March 2008, filed with the National Court Register in Warsaw on 21 March 2008 and published in *Monitor Polski B* No. 784, item 4594 on 15 May 2008.

VI. Final information and comments

This report has been prepared in connection with our audit of the consolidated financial statements of the BRE Bank SA Group in which BRE Bank SA, Warsaw, ul. Senatorska 18, is the Parent Company. The audited consolidated financial statements comprised:

(a) the consolidated balance sheet as at 31 December 2008, showing total assets and total equity & liabilities of PLN 82,605,202 thousand;

(b) the consolidated income statement for the year ended 31 December 2008, showing a net profit on continued and discontinued operations, including the profit of minority shareholders, in the amount of PLN 889,344 thousand;

(c) the consolidated statement of changes in equity for the year ended 31 December 2008, showing an increase in the equity of PLN 606,713 thousand;

(d) the consolidated cash flow statement for the year ended 31 December 2008, showing net cash inflows of PLN 1,020,001 thousand;

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

The consolidated financial statements were signed by the Bank's Management Board on 27 February 2009. This report should be read in conjunction with the Independent Registered Auditor's Opinion to the General Shareholders' Meeting and the Supervisory Board of BRE Bank SA of 27 February 2009, concerning the said consolidated financial statements. The opinion is a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of the individual components of the consolidated financial statements or issues. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements

Person acting on behalf of PricewaterhouseCoopers Sp. z o.o. and conducting the audit:

Adam Celiński
Member of the Management Board
Registered Auditor
No. 90033/7039

Registered Audit Company
No. 144

Warsaw, 27 February 2009