BRE BANK SA

BRE Bank SA Group

IFRS Consolidated Financial Statements 2008

Contents

Selected Financial Data

The selected financial data are supplementary information to these consolidated financial statements of BRE Bank SA Group for 2008.

SELECTED FINANCIAL DATA FOR THE GROUP		in'000 PLN (functional currency)		in EUR '000	
		Year ended 31.12. 2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
I.	Interest income	**3 639 652**	**2 358 686**	**1 030 450**	**624 520**
II.	Fee and commission income	**869 839**	**831 584**	**246 267**	**220 182**
III.	Net trading income	**483 854**	**486 464**	**136 988**	**128 803**
IV.	Operating profit	**1 000 115**	**954 545**	**283 150**	**252 739**
V.	Profit before income tax	**1 000 115**	**954 545**	**283 150**	**252 739**
VI.	Net profit attributable to minority interest	**31 885**	**37 523**	**9 027**	**9 935**
VII.	Net profit	**857 459**	**710 094**	**242 762**	**188 015**
VIII.	Net cash flows from operating activities	**(7 911 232)**	**(5 457 563)**	**(2 239 810)**	**(1 445 023)**
IX.	Net cash flows from investing activities	**403 437**	**(136 693)**	**114 220**	**(36 193)**
X.	Net cash flows from financing activities	**8 527 796**	**4 028 692**	**2 414 370**	**1 066 695**
XI.	Net increase / decrease in cash and cash equivalents	**1 020 001**	**(1 565 564)**	**288 780**	**(414 521)**
XII.	Total assets	**82 605 202**	**55 941 900**	**19 798 006**	**15 617 504**
XIII.	Amounts due to the Central Bank	**1 302 469**	**-**	**312 163**	**-**
XIV.	Amounts due to other banks	**27 488 807**	**12 245 867**	**6 588 248**	**3 418 723**
XV.	Amounts due to customers	**37 750 027**	**32 401 863**	**9 047 557**	**9 045 746**
XVI.	Capital and reserves attributable to the Company's equity holders	**3 894 452**	**3 324 511**	**933 384**	**928 116**
XVII.	Minority interest	**153 584**	**116 812**	**36 810**	**32 611**
XVIII.	Share capital	**118 764**	**118 643**	**28 464**	**33 122**
XIX.	Number of shares	**29 690 882**	**29 660 668**	**29 690 882**	**29 660 668**
XX.	Book value per share (in PLN/EUR)	**131.17**	**112.08**	**31.44**	**31.29**
XXI.	Diluted book value per share (in PLN/EUR)	**131.08**	**111.97**	**31.41**	**31.26**
XXII.	Capital adequacy ratio	**10.04**	**10.16**	**10.04**	**10.16**
XXIII.	Earnings per 1 ordinary share (in PLN/EUR) (for 12 months)	**24.49**	**21.08**	**6.93**	**5.58**
XXIV.	Diluted earnings per 1 ordinary share (in PLN/EUR) (for 12 months)	**24.47**	**21.06**	**6.93**	**5.58**
XXV.	Declared or paid dividend per share (in PLN/EUR per share)	**-**	**-**	**-**	**-**

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

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

- for balance sheet items – 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 31 December 2007 EUR 1 = PLN 3.582;
- for profit and loss account items – 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 2008 and 2007: EUR 1 = PLN 3.5321 and EUR 1 = PLN 3.7768 respectively.

IFRS Consolidated Financial Statements 2008 (PLN'000)

Consolidated Income Statement

	Note	Year ended 31 December 2008	2007
Continued operations			
Interest income	6	3 637 222	2 355 279
Interest expense	6	(2 244 770)	(1 327 496)
Net interest income		**1 392 452**	**1 027 783**
Fee and commission income	7	844 463	785 237
Fee and commission expense	7	(292 997)	(220 959)
Net fee and commission income		**551 466**	**564 278**
Dividend income	8	9 429	2 327
Net trading income, including:	9	483 855	486 468
Foreign exchange result		*517 314*	*434 956*
Other trading income		*(33 459)*	*51 512*
Gains less losses from investment securities	23	135 765	3 834
Other operating income	10	266 505	249 661
Impairment losses on loans and advances	14	(269 144)	(76 810)
Overhead costs	11,13	(1 346 601)	(1 103 319)
Amortization and depreciation	25, 26	(203 475)	(176 325)
Other operating expenses	12	(153 106)	(132 342)
Operating profit		**867 146**	**845 555**
Profit before income tax from continued operations		**867 146**	**845 555**
Income tax expense	15	(108 435)	(184 578)
Net profit from continued operations including minority interest		**758 711**	**660 977**
Discontinued operations	28		
Profit before income tax from discontinued operations		**132 969**	**108 990**
Income tax expense		(2 336)	(22 350)
Net profit from discontinued operations including minority interest		**130 633**	**86 640**
Net profit from continued and discontinued operations including minority interest, of which:		**889 344**	**747 617**
Net profit attributable to minority interest		31 885	37 523
Net profit		**857 459**	**710 094**
Net profit from continued operations attributable to the Bank's equity holders (for 12 months)		**726 826**	**623 454**
Weighted average number of ordinary shares		**29 680 542**	**29 578 675**
Earnings from continued operations per 1 ordinary share (in PLN)	16	**24.49**	**21.08**
Weighted average number of ordinary shares for diluted earnings		**29 701 246**	**29 608 139**
Diluted earnings from continued operations per 1 ordinary share (in PLN)	16	**24.47**	**21.06**

Notes presented on pages 8 – 101 constitute an integral part of these Consolidated Financial Statements.

IFRS Consolidated Financial Statements 2008 (PLN'000)

Consolidated Statement of Financial Position

	Note	31.12.2008	31.12.2007
ASSETS			
Cash and balances with the Central Bank	17	2 512 333	2 003 535
Debt securities eligible for rediscounting at the Central Bank	18	9 238	23 259
Loans and advances to banks	19	6 104 093	2 089 936
Trading securities	20	4 624 621	4 257 982
Derivative financial instruments	21	5 632 872	2 272 638
Loans and advances to customers	22	52 142 477	33 682 665
Investment securities	23	5 502 312	6 386 574
- Available for sale		5 502 312	6 386 574
Non-current assets held for sale	28	-	336 078
Pledged assets	20, 23, 38	3 445 281	2 812 277
Investments in associates	24	16 953	4 823
Intangible assets	25	438 452	404 967
Tangible fixed assets	26	814 469	670 213
Deferred income tax assets	35	327 558	116 290
Other assets	27	1 034 543	880 663
Total assets		**82 605 202**	**55 941 900**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	29	1 302 469	-
Amounts due to other banks	29	27 488 807	12 245 867
Derivative financial instruments and other trading liabilities	21	6 174 491	2 164 214
Amounts due to customers	30	37 750 027	32 401 863
Debt securities in issue	31	1 790 745	2 928 414
Subordinated liabilities	32	2 669 453	1 661 785
Other liabilities	33	996 280	879 975
Current income tax liabilities		218 807	134 234
Deferred income tax provisions	35	81	455
Provisions	34	166 006	71 227
Liabilities held for sale	28	-	12 543
Total liabilities		**78 557 166**	**52 500 577**
Equity			
Capital and reserves attributable to the Bank's equity holders		**3 894 452**	**3 324 511**
Share capital:		**1 521 683**	**1 517 432**
- Registered share capital	39	118 764	118 643
- Share premium	40	1 402 919	1 398 789
Revaluation reserve	41	**(214 368)**	**74 204**
Retained earnings:	42	**2 587 137**	**1 732 875**
- Profit from the previous years		1 729 678	1 022 781
- Profit for the current year		857 459	710 094
Minority interest		**153 584**	**116 812**
Total equity		**4 048 036**	**3 441 323**
Total equity and liabilities		**82 605 202**	**55 941 900**
Capital adequacy ratio	48	**10.04**	**10.16**
Book value		**3 894 452**	**3 324 511**
Number of shares		**29 690 882**	**29 660 668**
Book value per share (in PLN)		**131.17**	**112.08**
Diluted number of shares		**29 711 586**	**29 690 132**
Diluted book value per share (in PLN)		**131.08**	**111.97**

Notes presented on pages 8 – 101 constitute an integral part of these Consolidated Financial Statements.

IFRS Consolidated Financial Statements 2008 PLN (000's)

Consolidated Statement of Changes in Equity

Changes in equity from 1 January 2008 to 31 December 2008

	Note	Share capital		Revaluation reserve	Retained earnings					Minority interest	Total 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		
Equity as at 1 January 2008		**118 643**	**1 398 789**	**74 204**	**322 262**	**22 288**	**559 110**	**829 215**	**-**	**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)
- adjustment of errors		-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008		**118 643**	**1 398 789**	**74 204**	**322 262**	**22 288**	**559 110**	**822 426**	**-**	**116 812**	**3 434 534**
Net change in investments available for sale, net of tax	41	-	-	(292 012)	-	-	-	-	-	-	(292 012)
Currency translation differences	41	-	-	3 440	-	-	-	-	-	10 129	13 569
Net profit/(loss) not recognised in the income statement		**-**	**-**	**(288 572)**	**-**	**-**	**-**	**-**	**-**	**10 129**	**(278 443)**
Net profit	42	-	-	-	-	-	-	-	857 459	31 885	**889 344**
Total profit recognised in current year		**-**	**-**	**(288 572)**	**-**	**-**	**-**	**-**	**857 459**	**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	39, 40	121	2 784	-	-	-	-	-	-	-	2 905
Additional shareholder payments		-	-	-	-	-	-	-	-	2	2
Change in the scope of consolidation		-	-	-	(1 919)	-	-	1 919	-	-	-
Other changes		-	-	-	-	-	-	(7 175)	-	7 175	-
Stock option program for employees	42	-	1 346	-	-	10 767	-	-	-	-	12 113
- value of services provided by the employees		-	-	-	-	*12 113*	-	-	-	-	*12 113*
- settlement of exercised options		-	*1 346*	-	-	*(1 346)*	-	-	-	-	-
Equity as at 31 December 2008		**118 764**	**1 402 919**	**(214 368)**	**971 541**	**43 495**	**613 310**	**101 332**	**857 459**	**153 584**	**4 048 036**

Changes in equity from 1 January 2007 to 31 December 2007

	Note	Share capital		Revaluation reserve	Retained earnings					Minority interest	Total 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		
Equity as at 1 January 2007		**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**440 360**	**-**	**91 433**	**2 622 199**
- reclassification to book value through profit and loss account		-	-	-	-	-	-	-	-	-	**-**
- changes to accounting policies		-	-	-	-	-	-	-	-	-	**-**
- adjustment of errors		-	-	-	-	-	-	-	-	-	**-**
Adjusted equity as at 1 January 2007		**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**440 360**	**-**	**91 433**	**2 622 199**
Net change in investments available for sale, net of tax	41	-	-	75 352	-	-	-	-	-	-	75 352
Currency translation differences	41	-	-	(6 258)	-	-	-	-	-	(3 366)	(9 624)
Net profit not recognised in the income statement		**-**	**-**	**69 094**	**-**	**-**	**-**	**-**	**-**	**(3 366)**	**65 728**
Net profit	42	-	-	-	-	-	-	-	710 094	37 523	**747 617**
Total profit recognised in current year		**-**	**-**	**69 094**	**-**	**-**	**-**	**-**	**710 094**	**34 157**	**813 345**
Dividends paid		-	-	-	-	-	-	-	-	(6 360)	(6 360)
Transfer to General Risk Fund		-	-	-	-	-	1 110	-	-	-	1 110
Transfer to reserve capital		-	-	-	-	7 318	-	(8 428)	-	-	(1 110)
Transfer to supplementary capital		-	-	-	312 811	-	-	(312 811)	-	-	-
Issue of shares	39, 40	579	13 330	-	-	-	-	-	-	-	13 909
Additional shareholder payments		-	-	-	-	-	-	-	-	(2 418)	(2 418)
Stock option program for employees	42	-	6 577	-	-	(5 929)	-	-	-	-	648
- value of services provided by the employees		-	-	-	-	*648*	-	-	-	-	*648*
- settlement of exercised options		-	*6 577*	-	-	*(6 577)*	-	-	-	-	-
Equity as at 31 December 2007		**118 643**	**1 398 789**	**74 204**	**322 262**	**22 288**	**559 110**	**119 121**	**710 094**	**116 812**	**3 441 323**

Notes presented on pages 8 – 101 constitute an integral part of these Consolidated Financial Statements.

IFRS Consolidated Financial Statements 2008 PLN (000's)

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2008	2007
A. Cash flow from operating activities		**(7 911 232)**	**(5 457 563)**
Profit before income tax		**1 000 115**	**954 545**
Adjustments:		***(8 911 347)***	***(6 412 108)***
Income taxes paid (negative amount)		(190 884)	(118 959)
Amortisation		203 720	176 772
Foreign exchange (gains) losses		640 007	(180 467)
(Gains) losses on investing activities		(260 433)	(89 663)
Impairment of financial assets		-	63
Dividends received		(9 472)	(2 329)
Interest paid		1 674 979	1 160 263
Change in loans and advances to banks		(279 692)	(272 260)
Change in trading securities		(4 026 502)	337 641
Change in derivative financial instruments		(3 360 234)	(859 573)
Change in loans and advances to customers		(18 459 812)	(10 637 971)
Change in investment securities		439 566	(3 343 616)
Change in other assets		(240 255)	(258 404)
Change in amounts due to other banks		6 810 309	(212 475)
Change in financial instruments and other trading liabilities		4 010 277	910 314
Change in amounts due to customers		4 250 207	6 992 020
Change in debt securities in issue		(316 487)	(119 713)
Change in provisions		85 731	2 943
Change in other liabilities		117 628	103 306
Net cash from operating activities		**(7 911 232)**	**(5 457 563)**
B.Cash flows from investing activities		**403 437**	**(136 693)**
Investing activity inflows		**781 666**	**182 834**
Disposal of stocks or shares in associates	28	485 013	-
Disposal of stocks or shares in subsidiaries, net of cash disposed		-	154 705
Disposal of intangible assets and tangible fixed assets		13 755	5 562
Other investing inflows		282 898	22 567
Investing activity outflows		**378 229**	**319 527**
Acquisition of stocks or shares in subsidiaries, net of cash acquired		-	26 453
Purchase of intangible assets and tangible fixed assets		378 229	285 458
Other investing outflows		-	7 616
Net cash used in investing activities		**403 437**	**(136 693)**
C. Cash flows from financing activities		**8 527 796**	**4 028 692**
Financing activity inflows		**19 562 231**	**8 702 631**
Proceeds from loans and advances from other banks		14 431 066	6 153 223
Proceeds from other loans and advances		-	250
Issue of debt securities		4 381 408	1 305 066
Increase of subordinated liabilities		746 852	1 230 184
Issue of ordinary shares		2 905	13 908
Financing activity outflows		**11 034 435**	**4 673 939**
Repayments of loans and advances from other banks		4 864 369	1 652 481
Repayments of other loans and advances		148 734	18 849
Redemption of debt securities		5 202 590	1 646 498
Decrease of subordinated liabilities		359 500	969 100
Payments of financial lease liabilities		1 072	-
Dividends and other payments to shareholders		12 266	10 088
Other financing outflows		445 904	376 923
Net cash from financing activities		**8 527 796**	**4 028 692**
Net increase / decrease in cash and cash equivalents (A+B+C)		**1 020 001**	**(1 565 564)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses		157 364	(920)
Cash and cash equivalents at the beginning of the reporting period		7 516 362	9 082 846
Cash and cash equivalents at the end of the reporting period	44	**8 693 727**	**7 516 362**

Notes presented on pages 8 – 101 constitute an integral part of these Consolidated Financial Statements.

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 the different 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 - company shares and equity interests 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, 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, Poland.

The shares of the Bank are listed on the Warsaw Stock Exchange.
As at 31 December 2008, 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 Register (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 trading and investment activity.

In November 2007, foreign branches of mBank in both the Czech Republic and Slovakia opened 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 2008 was: in BRE Bank SA 5 364 persons and in the Group 6 982 persons (2007: BRE Bank 4 374; the Group 5 826).

The business activities of the Group are conducted in the following business segments, presented in detail in the Note 5.

Corporates and Financial Markets, including:

Corporates and Institutions

- **BRE Bank Hipoteczny SA, subsidiary**

The core business of BRE Bank Hipoteczny SA is to grant mortgage credits to finance commercial real estate, development projects and development projects for the local governments and issuing mortgage and public letters of pledge.

Moreover, the company takes term deposits, receives loans, is entrusted with securities for safekeeping and purchases shares of other entities which legal form ensures the limitation of the Bank's liability up to the level of money invested.
The Bank holds directly and indirectly 100% of the shares of the company through BRE Holding, the subsidiary.

- **BRE Corporate Finance SA, subsidiary**

The company focuses on four key areas: mergers and acquisitions, privatization, strategic consulting, and fund resourcing, including public and private issues of stocks.

- **BRE Holding Sp. z o.o., subsidiary**

The company was founded in connection with restructuring conducted within BRE Bank Group with the object of maintenance of effective cooperation with the companies of corporate banking. The company holds 50.004% of the equity interests of BRE Leasing Sp. z o.o., 50% of the shares of Polfactor SA and 75.71% of the shares of BRE Bank Hipoteczny. The agreement on the transfer of the equity interests and shares of the aforementioned companies from BRE Bank to BRE Holding was described below under "Other information concerning the companies of the Group".

- **BRE Leasing Sp. z o.o., subsidiary**

The company's business activity is to acquire, rent, lease, and hire chattels, and to acquire, build, rent and lease all types of plots of land, buildings, and facilities. The company may conduct transactions and take actions aimed at direct or indirect pursuit of its business objectives, including purchase of receivables and agency services in real estate trading. The company has a network of offices in the largest cities of Poland. The Bank holds indirectly 50.004% of the company's equity interests through BRE Holding, the subsidiary.

- **Dom Inwestycyjny BRE Banku SA, subsidiary**

The company's core business activity is to provide services related to securities trading, rights in property other than securities, and other financial instruments on the capital market in accordance with the applicable law and the licences held by the company.

- **Intermarket Bank AG**, **subsidiary**

Four companies, centred around Austrian Intermarket Bank AG, which are market leaders at their home markets, provide factoring activity both on domestic and foreign markets. The Intermarket Group, apart from Intermarket Bank AG, consists of the companies operating on the Czech market (Transfinance a.s.), the Hungarian market (Magyar Factor zRt.) and on the Polish market (Polfactor SA).

The Intermarket Group primarily offers its services to the fast moving consumer goods sector, the metal sector, and building materials and food sector.

The main products of Intermarket Bank AG are: *finance factoring* - providing financing against bought receivables and *full finance* – which is the product combining financing together with receivables management services as well as vindication.

- **Magyar Factor zRt., subsidiary**

Magyar Factor zRt. provides domestic, export and import factoring services as part of Factors Chain International, an international organisation of factoring companies. The Bank holds 50% of Magyar Factor zRt.'s shares and Intermarket Bank AG holds the remaining 50%.

- **Polfactor SA, subsidiary**

The Bank holds an indirect (through BRE Holding, the subsidiary) 50% share in the share capital and 50.01% of votes at the General Meeting of Shareholders of the Company and Intermarket Bank AG holds the rest of the shares. The Company provides factoring services for domestic, export and import transactions under Factors Chain International.

- **Transfinance a.s., subsidiary**

The core business of the company includes purchase of receivables and intermediary services in collection of these receivables. The Bank holds 50% of Transfinance's shares and Intermarket Bank AG holds the remaining 50%.

Trading and Investment Activity

- **BRE Finance France SA, subsidiary**

This is a company for special purposes. The company obtains funds for the Bank, issuing debt securities at international financial markets.

- **Garbary Sp. z o.o., subsidiary**

Managing a real estate located at 101/111 Garbary St. in Poznań is the only task of the Company. The real estate consists of several meat factories which are not used at present. The Company employs 2 persons.

- **Tele-Tech Investment Sp. z o.o., subsidiary**

The company's core business involves investment in securities and receivables trading, executing securities transactions on its own account, management of controlled companies as well as business and management consulting services. The Company has no employees.

Retail Banking (including private banking)

- **BRE Wealth Management SA, subsidiary**

The core business of BRE Wealth Management is securities portfolio management according to disposition as well as providing wealth management services comprising: finance planning, tax and investment advising.

- **emFinanse Sp. z o.o., subsidiary**

The company emFinanse Sp. z o.o. was registered in August 2005. Until the beginning of the second half of 2008 the company emFinanse operated on the market of financial agents and advisors and it was selling bank products. In June 2008 the restructuring process began in order to strengthen the sales network of BRE Bank Retail Banking products, converting of emFinanse outlets into a sales network of BRE Bank Retail Banking products. The restructuring was completed and currently the company continues its activity but in a limited scope (mBank Mobile – the company provides telecommunication services, the first in Poland virtual operator of mobile telephony).

- **BRE Ubezpieczenia TU SA, subsidiary**

The company started its activity in January of 2007. The core business of the company 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 sold by hand of an underwriter, the company BRE Ubezpieczenia Sp. z o.o. The Bank holds 100% of the company's shares.

- **BRE Ubezpieczenia Sp. z o.o., subsidiary**

The company started its activity in the middle of 2006. The core business involves services provided as an underwriter and services within the scope of settlements due to insurance agreements of insured persons. Direct parent entity is BRE Ubezpieczenia TU SA. The Bank holds 100% shares in the company indirectly, through BRE Ubezpieczenia TU SA.

Asset Management (discontinued operations Note 28)

As at 31 December 2008 the Group had no shares in the companies which activities were presented in previous periods as discontinued operations under asset management segment.

On 30 December 2008, by virtue of the decision of the Polish Financial Supervision Authority concerning acquisition of Aegon PTE SA's shares by Aegon Woningen Nova BV from the Bank, the transfer of ownership of the company's shares took place.

After the sale of the aforementioned shares, the Bank had no shares of Aegon PTE SA.

Detailed information concerning discontinued operations was presented under the Note 28 of these financial statements.

Remaining business

- **Centrum Rozliczeń i Informacji CERI Sp. z o.o., subsidiary**

The business of the Company includes the providing services such as database servicing, electronic data and document archiving and input of data to the system.

- **BRE.locum SA, subsidiary**

BRE.locum is a property developer. It invests in real estate, primarily residential buildings, manages the property and provides consulting services. As its core business, the company develops and assesses investment projects; arranges for, supervises and prepares building designs; supervises and performs construction work; acts as a 'substitute investor' for building projects; resources funds for investments; finds lessees; operates commercial real estates; trades in real estates; provides real estate trading services; offers advices for realisation of investments in real estate and real estate trading and mediates in real estate trading.

Other information concerning the companies of the Group

BRE Holding Sp. z o.o.

On 22 November 2007 the District Court in Warsaw registered BRE Holding Sp. z o.o. ("BRE Holding") which was founded by BRE Bank. On the same day BRE Bank took over 100% of BRE Holding's shares, constituting 100% of the total number of votes at the General Meeting of Shareholders of the company. The book value of acquired shares amounted to PLN 100 thousand. The company was founded in connection with restructuring conducted within BRE Bank Group with the purpose of maintenance of effective cooperation with the companies of the Corporate Banking area.

Upon the restructuring, on 5 February 2008 the Bank concluded with BRE Holding an agreement on the transfer of shares and stocks of certain of the Bank's subsidiaries in the total amount of PLN 170 983 thousand. In accordance with the agreement BRE Holding took over:

- 6 121 shares of BRE Leasing Sp. z o.o. ("BRE Leasing") with a nominal value of PLN 500 each, which constitute 50.004% of the share capital of BRE Leasing as well as voting rights at the general meeting of shareholders of the company. The book value of the transferred shares amounted to PLN 3 737 thousand. The Bank has had no shares of BRE Leasing since the transaction,

- 2 301 ordinary registered shares of Polfactor SA ("Polfactor") with a nominal value of PLN 2 500 each, which constitute 50.00% of the share capital and authorise to exercise 2 302 votes at the general meeting of Polfactor, which constitute 50.01% of general number of voting rights at the general meeting of Polfactor. The book value of the transferred shares amounted to PLN 4 808 thousand. The Bank has had no shares of Polfactor since the transaction,

- 1 325 000 ordinary registered shares of BRE Bank Hipoteczny SA ("BBH") with a nominal value of PLN 100 each, which constitute 75.71% of the share capital of BBH as well as voting rights at the general meeting of BBH. The book value of the transferred shares amounted to PLN 162 437 thousand. After the transaction the Bank has had 425 000 shares of BBH, representing 24.29% of the share capital and voting rights at the general meeting of BBH.

Prior to the above indicated transactions BRE Holding had no shares or stocks of the above mentioned companies. The above indicated transactions did not affect the result of either the Bank or the Group.

On 27 February 2008 the District Court in Warsaw registered an increase of the share capital of BRE Holding through the issuance of new 1 900 shares to the amount of PLN 1 000 thousand. On the same day the Bank took over shares with a nominal value of PLN 0.5 thousand each, issued by BRE Holding. The takeover took place in exchange for a contribution in kind in the form of shares of the above mentioned Bank subsidiaries. As a result of the increase of the share capital of BRE Holding, the Bank in total holds 2 000 shares authorizing the exercise of 2 000 votes at the General Meeting of Shareholders which constitute 100% of the share capital and total number of votes at the General Meeting of BRE Holding. The total book value of all shares of BRE Holding amounts to PLN 171 083 thousand.

IFRS Consolidated Financial Statements 2008 PLN (000's)

Changes in companies undergoing consolidation

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

Company	31.12.2008 Share of voting rights (directly and indirectly)	31.12.2008 Consolidation method	31.12.2007 Share of voting rights (directly and indirectly)	31.12.2007 Consolidation method
BRE Bank Hipoteczny SA	100%	full	100%	full
BRE Corporate Finance SA	100%	full	100%	full
BRE Holding Sp. z o.o.	100%	full	100%	full
BRE Wealth Management SA	100%	full	100%	full
BRE Ubezpieczenia TU SA	100%	full	-	-
BRE Ubezpieczenia Sp. z o.o.	100%	full	-	-
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full	100%	full
emFinanse Sp. z o.o.	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full
Tele-Tech Investment Sp. z o.o.	100%	full	100%	full
BRE Finance France SA	99.98%	full	99.98%	full
BRE.locum SA	79.99%	full	79.99%	full
Polfactor SA	78.12%	full	78.12%	full
Magyar Factor zRt.	78.12%	full	78.12%	full
Transfinance a.s.	78.11%	full	78.11%	full
Intermarket Bank AG	56.24%	full	56.24%	full
BRE Leasing Sp. z o.o.	50.004%	full	50.004%	full
PTE Skarbiec-Emerytura SA	-	-	100%	Non-current assets held for sale

In 2008 the companies: BRE Holding Sp. z o.o., BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. have been included in consolidation for the first time.

In connection with the transactions of sale and merger described under Note 28, the company PTE Skarbiec-Emerytura did not subject to consolidation as at 31 December 2008.

The Management Board of BRE Bank SA approved these Consolidated Financial Statements for issue on 27 February 2009.

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.

Accounting Basis

These Consolidated Financial Statements of the BRE Bank SA Group have been prepared for the 12 - month period ended 31 December 2008.

These Consolidated Financial Statements of the BRE Bank SA Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union, according to the historical cost method, as modified by the revaluation of available for sale financial assets, financial assets and financial liabilities measured at fair value through the Profit and Loss Account as well as all derivative contracts.

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 4.

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).

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 Profit and Loss Account, 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.

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 Profit and Loss Account.

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 Profit and Loss Account, and on the other side in the Balance Sheet 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.

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, that 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.

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.

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.

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.

Financial Assets

The Group classifies its financial assets to the following categories: financial assets valued at fair value through the Profit and Loss Account; 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 profit and loss account

This category comprises two subcategories: financial assets held for trading and financial assets designated at fair value through the Profit and Loss Account 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 Profit and Loss Account.

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 Profit and Loss Account 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 Profit and Loss Account 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 Profit and Loss Account 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 previous reporting period presented in these financial statements, the only assets held to maturity occured in PTE and they were recognised in the Balance Sheet, under the item "Non-current assets held for sale".

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 Profit and Loss Account, held to maturity and available for sale are recognised on trade-date – the date on which the Group commits to purchase or sell 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 Profit and Loss Account. Financial assets are derecognised 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 Profit and Loss Account are valued at the Balance Sheet date 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 Profit and Loss Account" are recognised in the Profit and Loss Account 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 Balance Sheet or until its impairment: at such time the aggregate net gain or loss previously recognised in equity is now recognised in the Profit and Loss Account. However, interest calculated using the effective interest rate is recognised in the Profit and Loss Account. Dividends on available for sale equity instruments are recognised in the Profit and Loss Account 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 recognision of impairment, then the previously recognised impairment loss is reversed as an adjustment of the impairment loss through the Consolidated Profit and Loss Account.

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 Balance Sheet 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 each Balance Sheet date, 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 Balance Sheet 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 Profit and Loss Account. 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 Profit and Loss Account.

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 Profit and Loss Account.

Assets Measured at Fair Value

At each Balance Sheet date the Bank estimates whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost resulting from higher credit risk is considered in determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value – is removed from equity and recognised in the Profit and Loss Account. The above indicated difference should be reduced by the impairment concerning given asset which was previously recognised in the Profit and Loss Account. Impairment losses concerning equity instruments recorded in the Profit and Loss Account are not reversed through the Profit and Loss Account, 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 Profit and Loss Account, then the respective impairment loss is reversed in the Profit and Loss Account.

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 Balance Sheet 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 Balance Sheet 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 Profit and Loss Account. Embedded derivative instruments of this kind are measured at fair value and the changes in fair value are recognised in the Profit and Loss Account.

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 Profit and Loss Account 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 Profit and Loss Account 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 Profit and Loss Account of the current period.

The amounts recognised in equity are transferred to the Profit and Loss Account and recognised as income or cost of the same period in which the hedged item will affect the Profit and Loss Account (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 Profit and Loss Account 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 Profit and Loss Account.

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 Profit and Loss Account 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), Cross 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 Profit and Loss Account.

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 Profit and Loss Account 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 Balance Sheet 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.

IFRS Consolidated Financial Statements 2008 PLN (000's)

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 Balance Sheet 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 Group and the cost of the item can be measured reliably. Any other expenses incurred on repairs and maintenance are expensed to the Profit and Loss Account 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 (leased) 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 each Balance Sheet date 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 Balance Sheet might not be possible to be recovered. The value of a fixed asset carried in the Balance Sheet is reduced to the level of its recoverable value if the carrying value in the Balance Sheet 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 Balance Sheet and they are recognised in the Profit and Loss Account.

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, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations 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 Balance Sheet. Such liabilities or assets are determined by application of the tax rates in force by virtue of law or of actual obligations at the Balance Sheet date. 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 Balance Sheet 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 Balance Sheet, 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 Profit and Loss Account when the respective investment or hedged item affects the Profit and Loss Account.

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 subsequent measurement 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 Balance Sheet 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 Balance Sheet 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

BRE Bank SA Group as a Lessor

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 Profit and Loss Account 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 Profit and Loss Account 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 Profit and Loss Account.

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 each Balance Sheet date, 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 Balance Sheet date, 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.

Revaluation reserve

Revaluation reserve is formed as a result of:

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

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.

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 Profit and Loss Account.

Foreign exchange differences arising on account of such non-monetary items such as financial assets measured at fair value through the Profit and Loss Account 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 revaluation reserve.

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 Profit and Loss Account, and foreign exchange differences relating to other changes in carrying amount, which are recognised under revaluation reserve.

Balance sheet items of foreign branches are converted from functional currency to the presentation currency with the application of mid exchange rate on the balance sheet date. Profit and Loss Account 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 revaluation reserve.

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 Balance Sheet are converted at the mid rate of exchange of the National Bank of Poland (NBP) in force at the Balance Sheet date;
b) revenues and expenses in each Profit and Loss Account are converted at the rate equal to the arithmetical mean of the mid rates quoted by NBP on the last day of each of twelve months of each presented periods;
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 Profit and Loss Account 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 Profit and Loss Account. In the operating leasing agreements recognised in the Balance Sheet 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 Profit and Loss Account at the Balance Sheet date.

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 2008:

- IFRIC 11, IFRS 2: Group and Treasury Share Transactions, binding for the annual periods starting after 1 March 2007
- IFRIC 12, Service Concession Agreements, binding for annual periods starting after 1 January 2008
- IFRIC 14 – IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, binding for annual periods starting after 1 January 2008

Changes in the published Standards and Interpretations that have come into force since 1 July 2008:

- Reclassification of Financial Assets, Amendments to IAS 39 and IFRS 7, binding since 1 July 2008.

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

- IFRIC 13, Customer Loyalty Programmes, binding for annual periods starting after 1 July 2008
- IFRIC 15, Agreements for the Construction of Real Estate, binding for annual periods starting on or after 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.
- IFRIC 17, Distribution of Non-Cash Assets to Owners, binding for annual periods starting after 1 July 2009.
- IFRIC 18, Transfers of Assets from Customers, binding for annual periods starting after 1 July 2009.
- 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 3 (Revised), Business Combinations, binding prospectively to business combinations for which the acquisition date is on or after 1 July 2009.
- IFRS 8, Operating Segments, binding for annual periods starting 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 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting after 1 July 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 after 1 January 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.
- Improvements to IFRS 2008 revising 20 standards, binding mostly for annual periods starting on 1 January 2009.

The following Standards, Interpretations and improvements to published Standards were not approved by the European Union at the date of publishing of financial statements: IAS 27 (revised), IAS 32 (revised), IAS 39 (revised), IFRS 1 (revised), IFRS 3 (revised), IFRIC 12, IFRIC 15, IFRIC 16, IFRIC 17 and IFRIC 18.

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.

IFRS Consolidated Financial Statements 2008 PLN (000's)

2.31 Comparative Data

Comparative data have been adjusted so as to reflect for the changes in presentation introduced in the current year.

In the current reporting period the Group modified accounting for "buy-sell-back" and "sell-buy-back" transactions. The new treatment consists of an individual rather than collective approach to each subportfolio of debt instruments subjected to these transactions as it better reflects the character of the transactions conducted by the Group.

The restatement had no impact on the profit and equity in presented comparative data as at 31 December 2007.

The following combination presents the impact of the restatement on presented comparative data in the Consolidated Financial Statements.

Changes in the Balance Sheet as at 31 December 2007.

31.12.2007	**31.12.2007 before adjustments**	**presentation adjustments**	**31.12.2007 after adjustments**
Trading securities	3 403 174	854 808	4 257 982
Pledged assets	3 708 158	(895 881)	2 812 277
Amounts due to banks	12 286 940	(41 073)	12 245 867
Total assets	55 982 973	(41 073)	55 941 900

In 2008, the Group included two insurance companies: BRE Ubezpieczenia TU SA and BRE Ubezpieczenia Sp. z o.o. in consolidation applying full consolidation method. Due to impracticability, comparative data for the year 2007 were not updated.

The impact of the first-time consolidation of insurance companies on the net assets of the BRE Bank Group as at 1 January 2008 is presented below.

	01.01.2008 before adjustments	**the impact of consolidation of the insurance entities**	**01.01.2008 after adjustments**
Net assets attributable to the company's equity holders	3 324 511	(6 789)	3 317 722

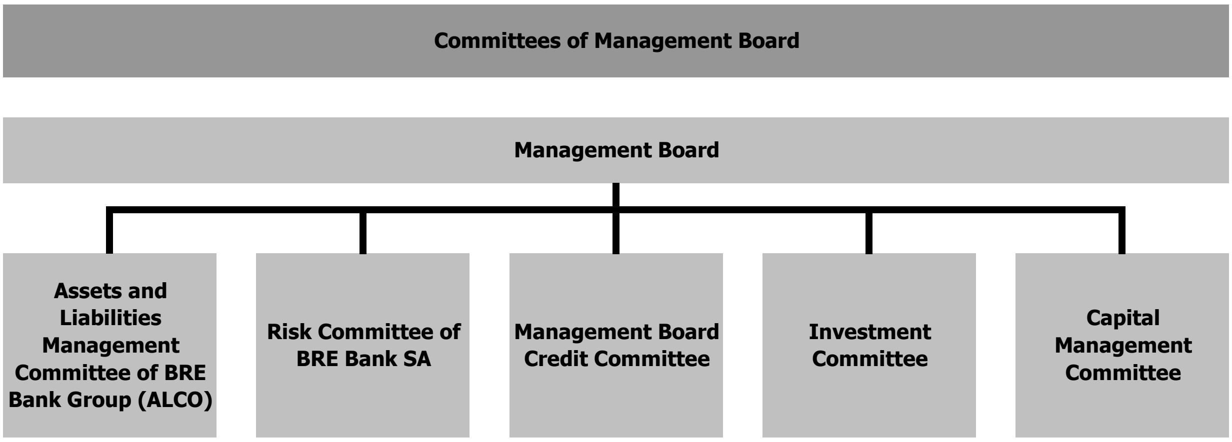
3. Financial and Insurance Risk Management

The structure of Risk Management in BRE Bank

Risk management in BRE Bank starts with widely understood responsibility of the Supervisory Board of BRE Bank, which, among other activities, grants approvals to the Bank's risk management strategies and polices. The Supervisory Board Risk Committee is a body within the Board aimed both at risk management processes supervision (especially market, liquidity, credit and operational risk management) and at assessment of the Bank's exposure to particular risks.

The Management Board Members of the Bank, adequately to their duties and powers, have assigned responsibilities for the different risk types present in the Bank's activities. The President of the Management Board of the Bank is responsible for the Bank's business strategy, reputation risk and compliance risk. The Deputy President, Chief Risk Officer bears responsibility for the supervision of all quantifiable types of risk, i.e., credit, market, liquidity and operational risk, and accordingly for the implementation of the risk strategies and realization of the risk management polices in the Bank. The Head of Investment Banking, Member of the Management Board is responsible for the investment risks. The Head of Operations and IT bears responsibility for business processes risk. Moreover, the human resources risks are under supervision of the Bank Director in charge of Human Resources Management.

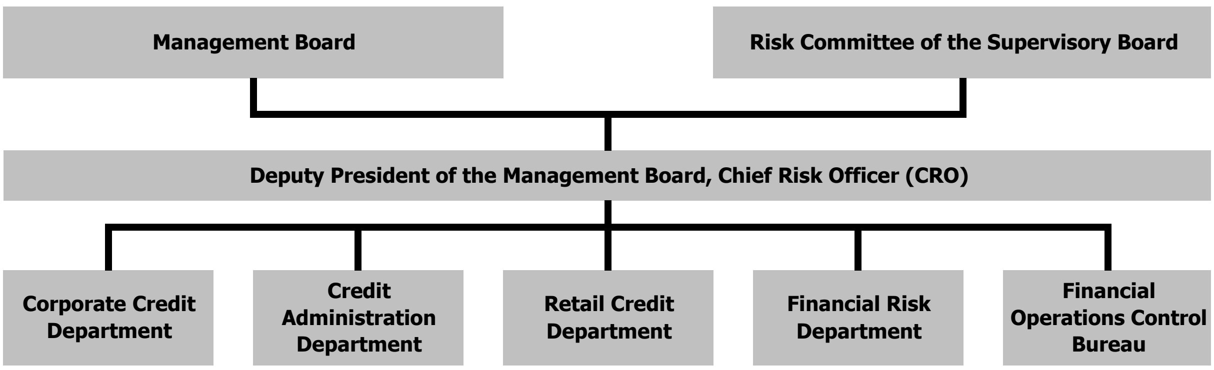
The daily management of credit, market, liquidity and operational risks, is performed on several defined management levels, ranging from the Management Board level at the top to the risk control and management units level at the bottom. In order to effectively execute the above mentioned risk management duties, the Management Board has defined the appropriate organizational structure of the Bank with clearly assigned and divided responsibilities of particular units, as well as has delegated the supervision of different types of risk to the respective Committees. The below chart presents the structure of the Committees:



The Risk Committee of BRE Bank SA carries out the Management Board responsibilities in the area of control and management of financial risk (i.e. market, liquidity and banking book interest rate risk), portfolio credit risk and operational risk, including coordination of actions of the Bank's units participating in relevant risk management processes. The Risk Committee is comprised of four Management Board Members, out of which the Chief Risk Officer chairs the Committee, and of the heads of the departments which control and monitor the risks, of the heads of departments which manage operationally the relevant risks, and of the heads of the Controlling Department, the Strategy Department, and the Internal Audit Department. The Committee is responsible for: setting the rules and the framework for the processes of control of financial and operational risks, setting the risk limits, accepting methodologies for calculations of regulatory and economical capital, approving financial risk measurement methodologies and reporting forms, setting the rules for inclusion of Bank's operations in the trading book or in the banking book respectively, setting the structure and minimal volume of liquidity reserves of the Bank, taking actions to neutralize possibility of loosing the Bank's liquidity. Moreover, the Risk Committee reviews regularly the Bank's exposure to market risk, banking book interest rate risk, liquidity risk, portfolio credit and operational risk, and assesses the Bank's capital adequacy level and the level of capital requirements, and reviews operational losses and the profile of operational risk of the Bank, reviews utilization of limits established by the Committee and limits imposed by external supervisory institutions, presettlement and settlement limits, P&L results of front-office departments, and price conformity of concluded transactions with the market. The Committee holds its meetings on at least monthly basis.

The Management Board Credit Committee consists of: the Management Board Members, the adviser of the Management Board and the Heads of: Corporate Credit Department, Credit Administration Department (both Heads of the Departments enjoy voting power), Trading Transaction Department (the Head of the Department does not enjoy voting power). The Committee is responsible for credit decisions concerning: exposures exceeding PLN 50 million; debt conversions into shares, bonds etc. and other decisions exceeding competences of lower level decision-making bodies. This Committee meets on weekly basis and ad hoc in justifiable cases.

The Chief Risk Officer (CRO) supervises the Risk Line, which consists of the Bank's units shown in the bottom on the diagram below.



Credit risk management is an integrated and continuous process operating at both the transaction and portfolio levels. The process is carried out within the credit departments responsible for clear defining complementary areas. The mission of the Corporate Credit Department (DKK) is mainly focused on the implementation of the Bank's credit policy as well as credit risk controlling and management in the area of Corporate Banking on the

Bank level and the level of the subsidiaries of BRE Bank Group. The key functions of the DKK include: analyzing and managing credit risk of the Bank's customers and the BRE Bank Group's subsidiaries (except for retail credits); monitoring the structure of exposure of the risk portfolio; analyzing and managing country credit risk and controlling country limits; controlling customer limits (for non-financial customers, banks, and international financial institutions); assignment of customer and Expected Loss ratings. The mission of the Credit Administration Department (DAK) is to administer credit risk in the Corporate Banking and Private Banking Area. In particular, DAK administers credit risk provisions and monitors concentration risk in the case of large exposures. The mission of the Retail Credit Department is credit risk management within the framework of Retail Banking. The main credit risk management functions of the Department include: administering and calculating the greatness of loans to customers of Retail Banking, monitoring and enforcing loan receivables and implementation of decision-making system. All of the three Departments cooperate closely in common areas. Finally, the credit risk on the portfolio level is monitored, valued and reported by the Financial Risk Department (DRF).

Market risk is controlled and monitored by DRF and the Financial Operations Control Bureau (BKF). In relation to this task, DRF is responsible for development of market risk measurement methodologies, producing financial instruments valuation models, measurement of front-office units' portfolios exposures to market risk using Value at Risk (VaR) and stress tests methodologies. DRF controls and monitors utilization of the limits set by the Risk Committee for these risk measures, provides daily and periodical reporting on the market risk exposition to the front-office units, to relevant Committees, and, directly, to the Chief Risk Officer. Moreover, DRF monitors the level of market risk in the subsidiaries of BRE Bank Group.

Financial Operations Control Bureau calculates daily P&L on transactions carried out by the front-office units and delivers daily reconciled P&L to the financial division. Moreover, the Bureau is responsible for the administration of the front-office dealing systems, grants access rights to the systems and delivers proper market data to the systems. BKF monitors whether transactions carried out are within earlier established credit limits (pre-settlement, settlement, issuer and country risk) imposed on trading activities and monitors infringement escalation. Moreover, BKF verifies the conformity with the market prices binding at the timing of the transactions carried out by the front-office units.

The purpose of liquidity risk management is to ensure and maintain the Bank's ability to fulfill both current and future liabilities taking into account the cost of liquidity obtaining. The Treasury Department is responsible for the liquidity management. The Financial Risk Department is in charge of controlling and monitoring financial liquidity risk of the Bank on the strategic level and carrying reporting to the Chief Risk Officer and to the Risk Committee of BRE Bank. The Financial Risk Department monitors on a daily basis the financial liquidity using methods based on the cash flow analysis. The liquidity risk measurement is based on the internal model, which has been established taking into consideration the specific character of the Bank, volatility of deposit base, level of funding concentration and projected development of particular portfolios. The value of mismatch of cash flows over defined periods of time (the liquidity gap), the level of liquidity reserve of the Bank, the usage of external and internal liquidity limits are monitored daily. The Bank assesses the currently liquidity situation and the probability of its deterioration using scenario's methods including stress tests. The Bank established the Liquidity Contingency Plan, which regulates the proceedings in the case of illiquidity threat. The Contingency Plan defines the organization of appropriate warning system, the scope of responsibilities of particular people and Committees in relation to the whole process and on each of its stages.

The operational risk control and monitoring function is realized by the Financial Risk Department to keep close control over operational risk on the Bank and the BRE Bank Group (consolidated) level. As a part of the operational risk control activities BRE Bank collects data about operational risk events and losses (loss collection database), regularly carries out the operational risk self-assessment within organizational units, collects and monitors key risk indicators and performs scenario analysis in order to identify exposure to potential high-severity events. At the same time the function maintains the communication channels for remedial action once the systems spots critical patterns of operational risk in any area of business or support. The results of operational risk control and monitoring are reported to the Supervisory Board, Financial Risk Committee and the Chief Risk Officer on a regular basis. Financial Risk Department – within the scope of its operational risk control function duties – closely cooperates with other units and projects within the Bank in particular with the Compliance Bureau, the Internal Audit Department and the Business Continuity Project.

The enhanced credit risk control function on the Group level is carried out by a specially dedicated Bureau established in the Corporate Credit Department. The main tasks of the Bureau are: analysing credit risk connected with new exposures of the companies and taking part in credit risk committees, monitoring credit risk of the biggest exposures, analysis of risk portfolio quality, participation in development and modification of strategies, policies and risk management rules applied by the companies and the supervision over planning and realization of provisions, furthermore the biggest exposures audit with reference to the whole Group's commitments (consolidation of commitments).

The important part in the risk management process in the Bank plays well organized reporting system. On one hand, the Heads of the Bank's organizational units that deal with risk management operationally, report directly and on ongoing basis to the Management Board Members responsible for the relevant units. On the other hand, with regard to quantifiable risks, units of the Risk Line that control and monitor these risks, submit independent risk reports to the Heads of the Departments that manage the respective risks operationally, to the Chief Risk Officer, and to appropriate Risk Committees of the Bank. The CRO regularly presents reports concerning the risks under his supervision to the Risk Committee of the Supervisory Board and to the Management Board. Moreover, the above mentioned bodies are provided with regular reports about the risk profile of the Bank as a whole. In particular, a quarterly risk report addressed to the Risk Committee of the Supervisory Board, prepared by the units of the Risk Line, presents a comprehensive and synthetic approach of the risk profile of the Bank. Furthermore, every event that has considerable impact on the risk profile of the Bank is on ad hoc basis and with no delay reported to the appropriate, to the significance of the situation, levels of risk management system.

The Capital Management Committee under the direction of the Member of the Management Board of the Bank (the Chief Financial Officer) is an advisory body performing among others advisory functions in relation to capital management to the Management Board. The Committee consists of the Heads of Departments of Finance, Risk, Investment Banking, Corporate Banking and Retail Banking Line. In particular, the Committee recommends: capital management activities, including the Capital Management Policy, to the Management Board; activities concerning maintenance the safe level and optimal capital structure by the Bank and the Group; activities related to enhancement of capital utilization; projects of internal procedures, concerning planning and capital management processes.

The Committee monitors and forms the structure of the capital in order to provide optimal allocation of the capital, taking into account the Bank's internal strategy, concerning adequacy ratio and elaborating optimal return on capital. Additionally, the Committee participates in identification and validation of relevance of the risks. The Committee has powers in making-decisions on:

1) establishing the management rules in relation to regulating and internal capital,
2) approvals concerning estimation and maintenance of internal capital,
3) establishing the rules of capital estimation and allocation of capital to particular business areas of the Bank's activities, depending on the actual level of the risk taken,
4) establishing the rules of minimal margins assessment in relation to the capital exposure and the risk taken,
5) introducing capital measures,
6) limits of capital utilization by particular business activities of the Bank and the units of the Bank.

Moreover, the Committee has approval powers related to activities aiming at optimization of the capital utilization and the capital strategy of the Bank, in particular long-term capital objects of the Bank within the scope of capital adequacy as well as preferred structure of the capital.
The Bank operates an Assets and Liabilities Committee (ALCO).

ALCO performs advisory functions towards the Management Board in the following areas:

1) assets and liabilities management,
2) liquidity management,
3) financing of the Bank and the BRE Bank Group.

Its duties are:

1) decisions-making on the ground of liquidity and sources of financing, taking under consideration currency and term structure,
2) balance sheet management by the transfer pricing system of funds,
3) carrying out revision of:
   a) liquidity,
   b) currency magnitude and the structure as well as the structure of portfolio of loans and deposits,
   c) level of stable financing in relation to the amount of illiquid assets,
   d) formation of risk weighted assets, level of the capital and the capital ratios

   on a regular basis,
4) carrying out stress tests.

The Committee consists of:

1) Chairman of the Committee – Member of the Management Board, the Chief Investment Officer,
2) Deputy Chairman of the Committee – Member of the Management Board, the Chief Financial Officer,
3) Members of the Committee:
   a) the President of the Management Board, Director General of the Bank,
   b) Deputy President of the Management Board, the Chief Risk Officer,
   c) the Head of the Department of Controlling and Management Information,
   d) the Head of the Accounting Department,
   e) the Head of the Financial Risk Department.

f) the Head of the Department of the Treasury,

The Chairman of the Committee can invite other employees of the Bank or employees of the companies of BRE Bank Group to meetings if he deems their presence is grounded by the topics to be discussed.
The Members of the Committee meet once a month. In justified cases, the Chairman or the Deputy Chairman of the Committee can convoke on their own initiative or on a motion of one of the Members of the Committee an extraordinary session.

Authority to Approve Credit Decisions

The Bank actively manages credit risk, striving to optimise its level. For this purpose, uniform principles of credit risk management apply across the Bank's structure. The main principles include: separation of the functions of credit risk rating from the business functions; setting exposure limits; monitoring the concentration risk of large exposures; monitoring concentration risk in other significant dimensions. The separation of the functions of credit risk rating from the business functions applies at all levels in the Bank, up to and including the Management Board level. After a product is sold, exposures generating credit risk are also administered by the Risk Line, completely independently from the Sales Line. Limits of exposure are set per individual clients and groups of associated entities, sectors, countries, etc. The concentration risk of large exposures is monitored by means of imposing limits, making observations, and by provisioning by the units which offer products generating the risk of planned future exposure in correspondence with regulatory limits under the Banking Law.

The Corporate Banking Line has a credit decision-making scheme. Decisions on products generating credit risk are made by decision-making bodies whose composition, tasks, and procedures are uniform across all levels, the only difference is their powers. The authority of the decision-making bodies is determined on the basis of the amount of the Bank's total acceptable exposure to a client or a group of associated clients and the rating of exposure to a client or a group of associated clients set pursuant to the Bank's internal regulations. The specific rating is determined on the basis of the client's probability of default. Each credit decision is preceded by risk assessment carried out by an experienced analyst. The main purpose of the analysis is to determine the EL rating, i.e., the quality of the client as measured by expected loss caused by the Bank's exposure to the client's business. Depending on the level of the Bank's exposure to the client and the client's rating, the decisions are made by the relevant decision-making bodies.

The decision-making process for the Private Banking clients is identical to the process in Corporate Banking, i.e., the decision-making bodies (Credit Committees) make decisions within the scope of their authority, while appeals against credit decisions are elevated to a superior decision-making level. Products offered to the Private Banking clients have a flexible structure and they are individually tailored to specific needs. Within the retail activity of the Bank (mBank and MultiBank) a different approach of risk financing is adopted.

The risk assessment and the criteria of credit decision-making in relation to retail clients differ from those concerning corporate clients because of different profile of the retail clients, the exposures to the clients and thorough standardization of products offered to them. The decision-making process is largely automated, both in the collection of borrower information from internal and external sources and in risk assessment based on scoring and segmentation methods. The narrow margin of discretion applies only to manual functions including mainly the verification of credit documentation. Such functions are performed by operating units of the Risk Line. In relation to the clients of mBank and MultiBank any non-standard cases are escalated to a superior decision-making body.

Mortgage-backed real estate credits are the key area of the Bank's retail credit operations. The Bank strives to minimise the risk of default by means of a very conservative approach to creditworthiness rating and preference for customers with a positive credit track record. In the case of other credit products of mBank and MultiBank, the Bank strictly follows the principle of refusing non-secured credits including overdraft facilities, credit cards, and cash loans to new customers without an existing relationship with the Bank or a positive credit track record in the banking system. The principle effectively eliminates both credit and operational risk.

The New Basel Capital Accord

The Bank realizes the project of implementation of the advanced methods (AIRB) of calculating capital requirements and the capital adequacy ratio. In the result of the project the Bank will be ready to comply with AIRB Basel II requirements and will be prepared to submit the motion to the Polish Financial Supervision Authority for the approval to use the advanced methods.

In view of high complexity of the process of preparation to implement AIRB method, the Basel II AIRB project had received the highest priority of the Bank's Management Board, and for realization of the project tasks in addition to Bank's employees and the employees of the consulting company supporting the Bank, a team of specialists from Commerzbank had been engaged.

The strategic goal of the project is to provide the potential for the development of BRE Bank Group due to optimalization of the level and the structure of risk weighted assets, and in consequence to improve the correspondence of the structure and the level of capital requirements to the risk profile resulting from business operations of the Bank.

The essential added value following from the direct engagement in the realization of the project of the strategic shareholder of BRE Bank is not only the operational support in realization of the project tasks but also the transfer of knowledge, experience and solutions both in relation to methodology and IT area which were worked out in the course of the Basel II AIRB project at Commerzbank. These solutions are adaptable to the needs and surroundings of BRE Bank's functionality and what is also very important very well reflect the Polish market specific conditions.

Insurance Risk Management

The risk connected with insurance contracts is the possibility of occurrence of the insured event and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For the portfolio of insurance contracts where for creating new products, calculating premiums as well as producing financial plans for subsequent periods the theory of probability is applied, the basis risk is the risk of discrepancy between actual claims and their expected values.

As loss ratio-based estimates are usually based on historic values, there is the risk that their actual realization will differ from their expected realization with regard to factors changing over the period such as:
a) demographic structure of insured persons upon collective health insurance,
b) law regulations concerning insurance market,
c) other law regulations affecting the insurance market.

Too small insurance portfolio which does not enable the Law of Great Numbers to function but also does not provide sufficient statistical information for proper risk management is also the factor increasing the risk of discrepancy between loss ratio-based estimates and their actual realization.

In order to decrease of this risk, the Group concentrates primarily on increasing of given insurance risk portfolios, limiting the risk simultaneously as well as the amount on individual risk on the Group's share by application of profound reinsurance.

In 2008 the Group offered short-term property and personal insurance contracts both in individual model and the group one. However, the group model is applied for insurance portfolio, known as bancassurance.

The Group also offers individual agreements in co-insurance model with other insurers.

Collective agreements are usually concluded for one year with the possibility of renewal with the exception of tourist insurance agreements which are concluded for the duration of the trip, i.e., from 1 to 90 days. Once a year the Group has the right to propose new conditions while renewing the agreement or may not to propose such renewal at all.

Collective agreements are concluded in perpetuity. However, the Group has the right to propose new conditions at any time with three-month period of notice with the exception of financial agreements where the agreement conditions can be changed by mutual agreement or with twelve-month period of notice.

The Group reinsures the insurance contracts upon reinsurance agreements.

Concentration of insurance risk was presented in accordance with the breakdown by the groups and the scope of risks defined by the Polish Financial Supervision Authority as well as according to the individual and collective sale model.

<u>The concentration of insurance risk stated in provisions for compensations and benefits</u>

Gross risk	31.12.2008	share %
casualty	995	5%
disease	1 482	8%
casco of land vehicles	2 701	14%
objects in transport	0	0%
damages caused by elements	1 398	7%
other material damages	687	4%
civil liability due to owing and usage of land vehicles	4 042	20%
civil liability	84	0%
loan	6 341	32%
guarantee	450	2%
different financial risks	202	1%
protection by law	48	0%
providing help	1 474	7%
Gross provision for compensations and benefits	19 904	100%

Risk on own share	31.12.2008	share %
casualty	938	11%
disease	1 482	17%
casco of land vehicles	280	3%
objects in transport	0	0%
damages caused by elements	411	5%
other material damages	595	7%
civil liability due to owing and usage of land vehicles	461	5%
civil liability	63	1%
loan	3 277	38%
guarantee	450	5%
different financial risks	202	2%
protection by law	48	1%
providing help	391	5%
Provisions for compensations and benefits on own share	8 598	100%

Gross risk	31.12.2008	share %
individual	15 938	80%
group	3 966	20%
Provisions for compensations and benefits	19 904	100%

Risk on own share	31.12.2008	share %
individual	5 616	65%
group	2 982	35%
Provisions for compensations and benefits on own share	8 598	100%

Sensitivity analysis of provisions for damages

With regard to accepted methodology of calculation of IBNR provision (Naïve Loss Ratio), total provisions for compensations and benefits altogether with costs of liquidation are generally linearly dependent on assumed damages-based ratio, ULR (Ultimate Loss Ratio), accepted for calculation of IBNR provision with the exception of situation when the ratio calculated only on the basis of damages claimed in given group of insurance exceeds the accepted value of URL.

However, the IBNR provision alone is sensitive to the changes of assumed damages-based ratios.

Sensitivity analysis was carried out simultaneously for all insured risks of the portfolio, through the change of predicted IBNR ratios with other parameters of a model unchanged.

The following table presents changes of IBNR provision depending on the changes of parameters of predicted ULR ratios (in PLN'000).

Change of ULR ratio (%)	Change of IBNR provision (%)	IBNR provision (PLN '000)	Change of the value of IBNR provision (PLN '000)	The impact on profit after reinsurance (PLN '000)
(20)	(53)	6 876	7 686	4 212
(10)	(34)	9 660	4 902	2 943
-	-	14 562	-	-
10	37	19 884	(5 322)	(3 262)
20	73	25 207	(10 645)	(6 525)

Provisions adequacy analysis

Based on carried out provisions adequacy analysis, the main actuary states that technical-insurance provisions (deducted by activated acquisition costs) as at 31 December 2008 were created on the level sufficient to cover commitments arising from insurance agreements till 31 December 2008.

The analysis conducted comprised analysis of premium provision adequacy.

Another origin of insurance risk is insurance crime which occurs in a higher or lesser degree in most of insurance products. This phenomenon consists in scrounge of compensations or benefits which are not due actually.

Methods limiting the results of occurrence of the above indicated phenomenon are among others: preventive actions taken up by insurance companies (registers etc.) as well as procedures preventing inclusion such risk into insurance and relevant procedures of liquidation of damages.

Capital management

Since the start in business of BRE Ubezpieczenia TU SA, i.e., 15 January 2007, capital management in both insurance companies is connected with aspiration for maintenance of regular adequacy. The purpose of the Group within the scope of capital management is maintenance of capacity of both insurance companies, belonging to the Group, for continuance of business and maintenance optimal structure of capital in order to reduce costs of capital.

For this purpose, the Group constantly monitors the value of its own resources in relation to the margin of solvency and guarantee capital in accordance with capital requirements imposed by regulations binding in Poland (Insurance Activity Act and Accounting Act with relevant decrees).

In accordance with these regulations, the company BRE Ubezpieczenia TU SA is obliged to hold own resources in the value not lower than the margin of solvency and not lower than guarantee capital. However, the guarantee capital equals bigger value of these two: one third of the margin of solvency or minimal value of the guarantee capital.

The Decree of Minister of Finance, which takes into account necessity of providing solvency of companies conducting insurance activities determines the manner of calculation of the solvency margin and minimal value of guarantee capital.

Own resources of the company are the assets of insurance company, excluding:

1) assigned for coverage of all expected commitments;
2) intangible assets other than DAC (Deferred Acquisition Cost);
3) stocks and own shares held by insurance company;
4) due to deferred income tax.

The company BRE Ubezpieczenia TU SA is guided only by the law requirements while calculating of solvency margin and minimal guarantee capital.

Insurance companies check the accordance of capital with law requirements as at the end of each reporting period. Within the whole year 2008 the law requirements were met.

The following table presents own resources of the company BRE Ubezpieczenia TU SA and coverage of the solvency margin with them as well as guarantee capital as at 31 December 2008.

PLN '000	31.12.2008
Own resources	20 050
Margin of solvency	11 391
Minimal guarantee capital	11 512
1/3rd of margin of solvency	3 797
Own resources surplus for coverage of margin of solvency	8 659
Guarantee capital	11 512
Own resources surplus for coverage of guarantee capital	8 538

The impact of the worldwide turmoil on the financial and insurance risk management

The financial worldwide turmoil has had also impact on the Polish economy, and has put Polish financial institutions, banks in particular, in a very strained environment. BRE Bank was no exception in this respect. As the main problem from the emergence of the crises in the Polish market was rapidly drying liquidity on the interbank market, the Risk Committee of BRE Bank in October 2008 decided to implement actions within the liquidity contingency plan to secure the Bank's ability to cover its obligations and to have stable funding sources, although the liquidity profile of the Bank remained safe and stable at that time. Moreover, in order to have reliable diagnosis of the liquidity needs of the Bank, scenarios used in assessment of the Bank's liquidity profile were adjusted accordingly to reflect current situation.

The second problem faced by the Bank was the increased counterparty exposure of the Bank to its corporate clients caused by sudden reverse of the trends of major market parameters, such as accelerated depreciation of Polish Zloty and high market volatility. In response to this situation, in addition to typical actions as calls for collaterals, the Bank adjusted internal parameters used in evaluation of potential future counterparty exposure as a measure to assess this risk correctly in currently strained market. Moreover, in order to appropriately value of the Bank's positions in corporate debt securities, the Bank, pricing these securities, applied updated credit spreads with respect to default risk of the issuer, the concentration risk and the cost of the capital consumption.

In view of the current situation, while assessing the capital adequacy, the Group also decided to calculate its economic capital in a conservative way anticipating strong correlation between risk categories.

3.1 Strategy in Using Financial Instruments

Due to its nature, the business of the Group focuses on using financial instruments, including derivatives. The Group accepts customers' deposits with both fixed and variable interest for various terms and attempts to earn above-average percent margins by investing the funds in top quality assets. The Group works to increase its percent margins by accumulating short-term funds and lending the funds for longer terms, for higher interest rates, while retaining liquidity at a level ensuring that all liabilities are met.

Further, the Group works to improve its earnings by obtaining above-average margins, net of provisions, by lending funds to corporate and household customers with varying credit ratings. Such exposures include not only credits and loans recognized in the Balance Sheet but also guarantees and other off-balance sheet liabilities, such as letters of credit, good performance guarantees, etc.

Also, the Group trades with listed and unlisted financial instruments, including derivatives, in order to take advantage of short-term changes on the equity instruments, bonds, currencies and interest rate markets. The Management Board sets exposure limits for overnight and intra-day market positions.

Hedge Accounting

The Group did not use hedge accounting in the reporting periods.

3.2 Credit Risk

The Group is exposed to credit risk, i.e., risk that a borrower may be unable to repay its liabilities to the Group on time. The Group creates provisions for its losses on the Balance Sheet date. Because of strong concentration of the risk portfolio, a change in the economy or an industry sector with a large share in the Group's portfolio may create additional risk, for which no provisions were made on the Balance Sheet date. For this reason, the Management monitors the customers and customer groups in connection with the service of which the exposure of the Group is significant.

The Group manages the level of its credit exposure by setting limits for risks acceptable to each borrower or group of related borrowers and by using a structure of sub-limits. Sub-limits make it possible to adjust a limit to the requirements of customers in functional terms and, on the other hand, they enable control of the use of funds provided to each customer. The risk management exercise involves also setting limits for geographic and industrial concentration. Credit risk is monitored daily on the basis of financial documents received from customers and observation of all trends, signals, and economic projections. In addition, the Group can access external database and information services that capture information in various cross-sections.

The Group, in response to the unfavorable development of the market situation introduced significant changes to the credit policy. More conservative approach had been adopted in respect of the customer creditworthiness and collateral polices. The most important changes were the following:

1. change of creditworthiness model parameters (decrease of potentially available amount of loan by ca. 10%),
2. restrictions in respect of customers without documented positive credit history,
3. restrictions in the area of loans secured on the real estates under construction,
4. limitation of the available loan amount for transactions with the highest default ratio and/or secured on real estates localized on low liquidity markets (decrease of acceptable LtV level),
5. limitation of maximum loan amount for mortgage loans with Low Down-payment Insurance (to the level of 100% of real estate value).
6. in the area of loans to Small Enterprises there were introduced rules on obligatory collateral in the form of mortgage for loans in the amount of more than PLN 1 mln as well as on decreasing an acceptable level of LTV by 20 basic points for such transactions

Credit risk connected with the Group's insurance activity is significantly limited in accordance with policy of safe allocating of its all resources. For the purpose of limitation of the risk, resources are allocated primarily in term placements in a bank as well as in debt securities of the State Treasury. In the course of typical operating insurance activity, the credit risk in connected with financial insurances, i.e., it relates mainly to vindication of recourse receivables from makers of damages, and with obligatory, civil liability insurances of owners of motor vehicles in the case of premium in instalments. Risk of default of vindication of both due premiums and recourse receivables was taken into account in calculation of insurance premiums. The credit risk is also connected with passive reinsurance of the Group. In order to limit the risk, the Group, in its risk management policy, provides for usage of reinsurers with rating on the acceptable level or on the level higher in long-term horizon.

3.2.1 Collateral

Derivative instruments

The Group controls net open derivatives, i.e., the difference between purchase and sale contracts, both in terms of amount and maturity. The amount exposed to credit risk is limited at any time to the present fair value of the instruments with positive values (assets), which, in relation to derivative instruments, represents only a small fraction of contract or nominal value used to express the volume of the existing instruments. The level of exposure to this credit risk, together with potential risk exposure related to market changes, is managed under the overall credit limits for customers. If the value of exposure related to transactions on derivatives or in case of exceeding a limit increases (growth of value favourable to the Group or, in theory, growth of weights of the risk for calculation of potential loss), the customer is asked to provide (or increase) the collateral. Typically, the Group does not require collateral for credit risk related to such instruments. The exception is a situation when the Group requires deposits as collateral from its contracting parties.

Master netting agreements

Master netting agreements made with contracting parties with which the Group concludes large transactions are an additional measure used by the Group to limit the credit risk. As a rule, such master netting agreements do not result in compensation of balance sheet assets and liabilities because transactions are usually settled in gross amounts. However, credit risk related to a favourable agreement is alleviated through execution of a master netting agreement because if the agreement is breached, all accounts with the contracting party are terminated and realized in net amounts. The total credit risk exposure of the Group related to derivative instruments covered by master netting agreements can undergo significant changes over a short time because each transaction covered by the agreement affects the exposure.

Off-balance sheet credit-related commitments

These instruments are used mainly to ensure availability of required funds to customers. "Standby" guarantees and letters of credit, representing irrevocable assurance of payment of a customer's liabilities to third parties by the Group if the customer is unable to do so, involve the same risk as credits. Documentary letters of credits and commercial letters of credit (CLC), representing written commitments of the Group given to a customer, authorizing third parties to draw checks on the Group up to an agreement and on specified terms, are secured with deliveries of goods they relate to, by which they involve less risk than direct credits.

Credit-related off-balance sheet commitments concern the unused parts of credits, guarantees and letters of credit granted by the Group. As regards credit risk related to credit commitments, the Group can be exposed to loss equal to the whole amount of unused credit commitments. However, the probable amount of loss is smaller than the whole amount of unused credit commitments because most of such commitments are contingent on meeting specific credit standards by customers. The Group monitors the terms of validity of credit commitments because, as a rule, longer terms involve larger risk.

<u>Collateral on securities resulting from buy-sell-back transactions</u>

The Bank accepts collateral in the form of securities in connection with the buy-sell-back transactions concluded. Depending on the agreement such collateral may be sold or repledged. The total market value of collateral that can be sold or repledged, including the case of lack of default of the customer, as at 31 December 2008 amounted to PLN 925 775 thousand (as at 31 December 2007: PLN 1 183 586 thousand), including the value of taken collaterals which were resold or pledged with another pledge as at 31 December 2008 amounted to PLN 806 583 thousand (as at 31 December 2007: PLN 1 129 754 thousand).

<u>Collateral accepted by BRE Bank</u>

In making a decision about granting a credit risk bearing product, the Bank strives to obtain the highest possible quality collateral that would be adequate to the risk. The quality of the proposed tangible collateral is assessed according to its liquidity and market value, and the quality of collateral in form of guarantees is assessed according to the financial situation of the guarantor. Moreover, the impact of collateral on the impairment of the loan portfolio is a significant factor in the assessment of the collateral's quality. The quality of the accepted collateral is correlated to the amount of the product bearing credit risk and the level of risk related to granting such a product.

The most frequently applied collateral includes:

a) monetary deposit;
b) guarantee deposit or cash blocked in BRE Bank SA;
c) cession of receivables (cession of rights);
d) mortgage on real estate;
e) registered pledge;
f) transfer of ownership to collateral;
g) bill of exchange – including blank bill of exchange with declaration on the bill of exchange;
h) a letter of comfort issued by a Company whose reliability and fairness is known on the international financial markets;
i) guarantees and warranties.

In the case of personal collateral (e.g. pledge, guarantee), the situation and reliability of the entity issuing such security at the Bank's disposal is evaluated.

In the case of tangible collateral the following principles for assessing their value are applied:
The value of fixed assets set up as collateral is determined on the basis of a valuation survey prepared by an expert surveyor. The valuation survey submitted at the Bank is verified by a team of specialists situated in the Corporate Credit Department who verifies the correctness of the market value assumptions and assesses the liquidity of the collateral from the Bank's point of view. The following factors are taken into account in the verification process:

a) for collateral on real estate:
   - Type of real estate (industrial, housing, commercial)
   - Legal status
   - Designation in the local land development plan
   - Technical description of buildings and structures
   - Description of land
   - Situation on the local market
   - Other price-making factors

b) for collateral on plant and machinery:
   - General application and function in the technological process / possibilities of alternative use
   - Technical description and parameters
   - Exploitation and maintenance conditions
   - Availability of similar devices and machinery
   - Current market situation
   - Forecasts of demand for specific machinery in connection with the situation in the industrial sectors applying such machinery

c) for collateral on inventories:
   - Formal and legal requirements related to specific products (e.g. a security certificate "CE" for electrical equipment, permit of UDT (the Office of Technical Inspection) for appliances which operate under pressure, etc.)
   - Saleability

- Warehousing conditions required (e.g. for paper materials, sensitive to humidity, precise materials sensitive to pollution, etc.)
- Security and insurance of both the warehouse and the goods stored therein.

Collateral accepted by the BRE Bank Group companies

The BRE Bank SA Group companies accept various forms of legal collateral of credit risk-bearing products. Their list depends on the specific nature of activities and the products offered. A blank bill of exchange plays the role of universal collateral, which makes potential recovery of debt more efficient.

BRE Bank Hipoteczny applies mortgage on the financed real estate as the basic collateral. Additional collateral may include bills of exchange or civil surety by the lending company's owners, or pledge on shares of the lender's company. Loan insurance in an insurance company approved by the Bank may be accepted for a period necessary to effectively set up collateral.

BRE Leasing applies types of collateral that are the most similar to those of BRE Bank. It accepts both standard personal security – bill of exchange and civil surety, letters of comfort, guarantees and tangible collateral – ordinary and capped mortgage, registered liens, transfer of ownership of collateral, transfer of receivables and cession of receivables and rights to an insurance policy and deposits. Moreover, conditional taking over of debt is a frequently accepted security – in the case of this security, it is possible to accept the evaluation of risk related to the conditional lender. BRE Leasing also accepts declarations of voluntary submission to execution.

Factoring companies only accept highly liquid collateral. Apart from own blank bills of exchange, these are mainly bill of exchange surety of the owners of the customer's company, cession of receivables from bank accounts (mainly those maintained by BRE Bank), insurance of receivables, cession of rights from insurance policies in respect of receivables, concluded by customers. In the case of providing services to several companies belonging to one group, a customary form of collateral is a power of attorney to perform cross-settlement of agreements concluded with the particular companies.

Insurance companies which secure their activities against credit risk, abiding by policy of safe allocation of its all resources and using comprehensive reinsurance, do not have any additional collateral for assets exposed to the credit risk.

3.2.2 Rating System Description

Rating system of BRE Bank

Current rating methodology (RC-POL) consists of two elements:
- Customer rating (PD-rating) – which describes the probability of lack of loan repayment (PD – Probability of Default)
- Credit rating (EL-rating) – which describes expected loss (EL - Expected Loss) and takes into consideration either customer risk (PD) and transaction risk (LGD, Loss Given Default – loss resulting from the lack of loan repayment). EL can be described as PD*LGD. EL indicator is used mainly on the making decision stage.

Rating provides absolute measure of credit risk both in percentage scale (PD % and EL %) and also in the scale from 1.0 to 6.5 (PD-rating, EL-rating).

PD rating calculation includes seven steps:

1. Financial analysis of annual report – based on discrimination function in logistic regression of nine financial indicators and corresponding to its default/non-default status of the client in one-year period;
2. Financial analysis of following interim figures:
   - assessment of evaluation of trends, essential for rating,
   - increase of PD as an effect of delay of data updating;
3. Assessment of timeliness of presenting financial statements;
4. Analysis of qualitative risks:
   - analysis of quality factors including among others macroeconomics, business risk, management quality, value added activities, accounting policies, etc;
5. Warning indicators:
   - 29 warning indicators:
     - 14 warning indicators got out of financial analysis or qualitative analysis of risk (answers),
     - 15 direct warning indicators,
   - 3 criteria for assigning the lowest intermediate rating,
   - other 3 steps which have influence on rating;
6. Level of integration of debtor's group:

IFRS Consolidated Financial Statements 2008 PLN (000's)

- applying PD of parent entity,
- diverse procedure according to PD of parent entity;

7. Overruling:
   - manual change of PD by one category is possible.

Credit rating based on expected loss (EL) is created by combining customer risk and transactional risk, which results from the value of exposure (EAD, Exposure At Default) and the character and coverage of collateral for transactions carried out with the client (LGD).

EAD represents actual balance sheet exposure increased by expected level of off-balance sheet items to be converted to balance sheet items at the date of default

LGD, described as % of EAD, is a function of possibly executed value of collateral and depends on the type and the value of the collateral, the type of transaction and recovery ratio from other than collateral sources (which depends on the client type).

Rating system generates the probability of lack of loan repayment directly in the form of PD ratio, expressed in percentage on the continuous scale. Classes of rating are calculated on the basis of procedures of dividing PD into groups based on geometric stepladder.

Mapping the internal PD-rating scale to external ratings

<table>
<tr><th>Sub-portfolio</th><th colspan="4">1</th><th colspan="3">2</th><th colspan="2">3</th><th colspan="3">4</th><th colspan="3">5</th><th>6</th><th colspan="2">7</th><th>8</th><th></th></tr>
<tr><td>Rating PD</td><td>1.0 - 1.2</td><td>1.4</td><td>1.6</td><td>1.8</td><td>2</td><td>2.2</td><td>2.4 - 2.6</td><td>2.8</td><td>3</td><td>3.2 - 3.4</td><td>3.6</td><td>3.8</td><td>4</td><td>4.2 - 4.6</td><td>4.8</td><td>5</td><td>5.2 - 5.4</td><td>5.6 - 5.8</td><td>No rating</td><td>6.1 - 6.5</td></tr>
<tr><td rowspan="2">S&P</td><td>AAA</td><td>AA+</td><td>AA, AA-</td><td>A+, A</td><td>A-</td><td>BBB+</td><td>BBB</td><td>BBB-</td><td>BB+</td><td>BB</td><td>BB-</td><td>B+</td><td>B+</td><td>B</td><td>B-</td><td>B-</td><td>CCC+</td><td>CCC down to CC-</td><td>n/a</td><td>C, D-I, D-II</td></tr>
<tr><td colspan="9">Investment Grade</td><td colspan="9">Non-Investment Grade</td><td></td><td>Default</td></tr>
</table>

The rating system is based on Commerzbank solution for mid-cap clients (RC-GER). The main part of methodology was developed by Risk Control Department in Frankfurt as well as relevant IT solution. Mapping the internal rating scale to external ratings is based on the PD statistics.
The BRE Bank customization was mainly focused on:

- Conversion and reconciliation of financial standards
- Calibration to internal Polish default data set (PD)
- Minor adjustments in PD-rating methodology (impact of interim figures)
- Parametrisation of collateral value haircuts (LGD assessment)
- Development of own interfaces to ensure communication with other Bank systems, etc.

Method of calculating of portfolio provision for loans and advances to corporates and retail, based on rating system

Portfolio provision is formed on credit portfolio of the customers not classified to the default category. The portfolio is divided into 8 subportfolios for corporates based on a range of ratings as disclosed in the table above.

Subportfolios are homogeneous groups having similar credit risk outlines. Amount of provisions is a sum of incurred losses on calculated subportfolios resulting from arisen economic events which haven't been identified by Bank at the provisions calculation date.

Probability of disclosure of a loss is modeled by logistic regression based on financial indicators and qualitative data. The model is calibrated on the internal Bank's data, comprising several years' period of observation of corporate portfolio. 9-month-period was established as the average period between the loss event occurrence and its identification by the Bank (loss identification period "LIP"). Therefore, the Bank performed calculation on the basis of default observation of 9 months. The value of incurred loss is calculated based on current engagement multiplied by LGD (parameter describing the loss resulting from the lack of loan repayment), calculated by rating model RC-POL on the stage of estimating EL-rating.

The profile of corporate rating system as a model sensitive to changes in economic cycle (Point-in-Time) as well as recognition of interim financial data and warning indicators as rating assessment drivers should ensure adequate reflection of the amounts of calculated portfolio provision to changing market environment.

Moreover in the fourth quarter of 2008 the previously planned elimination of conservative model assumptions (credit conversion factor - CCF=100%, effects of annual model re-calibration) was abandoned in order to amortize expected lagging effect between fast deterioration of macroeconomic environment and model readings.

For the purposes of calculating of provisions for retail receivables, loan contracts are classified into 21 subportfolios – the groups of contracts of similar risk level. Two parameters are subjected to each transaction: probability of default of a client (PD) and loss so arisen (LGD). Contracts upon one portfolio with the same status of delay, have the same values of PD and LGD parameters. Portfolio provision is created for the transaction with no insolvency event occurrence as well as for default receivables for which 100% of PD is taken into account.

In the case of retail receivables, insolvency event definition is used in relation to individual loan transactions instead of in relation to the debtors. This means that default of the debtor does not result in default in relation to his/her other commitments. However, if the default concerns the client (e.g. as a result of subreption), all of the client's transactions are considered as default.

Procedure of calculating of portfolio provision for retail receivables comprises amortised value of credit exposure and PD and LGD parameters calculated on the basis of historical observations for respective portfolios.

In 2008 a change was introduced to the impairment methodology of retail exposures. The loss identification period (LIP) was extended from three to four months. Prior historical analysis proved that adoption of a four-month LIP would result in a better representation of actual market conditions. Additionally, the adjustment led to the unification of the approach to LIP within the Commerzbank Group.

All BRE Bank SA Group's Companies which operations are taken with credit risk, before concluding the agreement and upon its monitoring process estimate the risk using rating systems. The systems are different for different types of operations, with the exception of all factoring companies which use the same solution, moreover lease contracts and mortgage loans are concluded on the basis of individual systems. The common feature is two-stage methodology - on the first stage customer rating is assigned and on the second stage – rating of transaction/portfolio is established. Both above-mentioned ratings create credit risk rating. Both quantitative indicators and qualitative features with the most significant impact on credit risk are tested. The impact on particular risk categories is decomposed depending on the character of the operation (client/transaction).

Rating systems that are used by the Group's Companies were created either on the basis of BRE Bank's systems or by an application of experts' estimates.

3.2.3 Measurement of Impairment

The Bank measures impairment of loan exposures in accordance with the International Accounting Standards 37 and 39. The intranet application IMPAIRMENT is a tool used to calculate impairment losses for impaired exposures granted to corporate customers and banks. The classification of customers to default portfolio and calculation of impairment write-off is as follows:

a) case by case approach - identifying impairment indications, and if they exist, classifying a customer to a default category;
b) assessing estimated future cash flows (repayments) both from collateral and from repayments by a customer;
c) calculating impairment losses taking into account the future amount of estimated discounted cash flows using the effective interest rate;
d) booking of impairment losses (specific provisions).

If there are no impairment indicators for a specified customer, a provision for losses which occurred but they were not identified (IBNI, Incurred But Not Identified Losses) is calculated based on the probability of default (PD).

At the Bank's retail division losses for impaired exposures are calculated, similarly to the corporate division, with the usage of IMPAIRMENT application. Retail exposures are considered defaulted when:

a) the transaction's amount exceeds 200 PLN and is more than 90 days past due
b) the loan has been identified as fraudulent,
c) the contract is restructured.

Restructured and fraudulent contracts are identified based on an individual analysis while other cases of defaulted loans are automatically marked by the system. At the Bank's retail division, the methodology of impairment calculation is based on portfolio approach with the exception of selected mortgage exposures analysed individually.

The companies of the Group have their own models for estimating impairment of financial assets. All the models meet the requirements specified above.

The table below shows the percentage of the Group's on- and off-balance sheet items relating to loans and advances and the coverage of the exposure to impairment provision for each of the Group's internal rating categories (description of rating model is given above).

IFRS Consolidated Financial Statements 2008 PLN (000's)

PD/Rating	31.12.2008		31.12.2007	
	Exposure (%)	Provision coverage (%)	Exposure (%)	Provision coverage (%)
1	38.36	0.01	31.21	0.01
2	24.22	0.17	11.89	0.12
3	9.51	0.35	21.08	0.30
4	17.35	0.81	17.03	0.67
5	3.22	1.40	5.22	1.54
6	0.20	2.77	0.34	2.72
7	0.54	2.25	0.24	1.79
8	1.80	0.00	6.49	0.28
other *)	2.73	3.05	4.57	1.68
Default category	2.07	47.27	1.93	54.85
Total	**100.00**	**1.34**	**100.00**	**1.44**

*) position "other" concerns these entities which do not use the same systems as BRE Bank SA

3.2.4 Maximum Exposure to Credit Risk – before taking account of the adopted collateral

IFRS Consolidated Financial Statements 2008 PLN (000's)

	31.12.2008	31.12.2007
Credit risk exposures relating to on-balance sheet assets:		
Debt securities eligible for rediscounting at the Central Bank	**9 238**	**23 259**
Loans and advances to banks	**6 104 093**	**2 089 936**
Loans and advances to customers	**52 142 477**	**33 682 665**
Loans to individuals:	26 358 681	13 692 771
– current accounts	3 358 878	2 184 779
– term loans, including:	22 999 803	11 507 992
housing and mortgage loans	21 453 528	10 597 448
Loans to corporate clients:	24 451 911	18 978 524
– current accounts	3 649 710	2 688 130
– term loans:	18 352 141	13 864 715
corporate & institutional enterprises	4 004 260	2 934 338
medium & small enterprises	14 347 881	10 930 377
– Reverse repo / buy-sell-back transactions	407 579	669 018
– Other	2 042 481	1 756 661
Loans and advances to public sector	663 201	598 841
Other receivables	668 684	412 529
Trading assets		
– Debt securities	4 616 433	4 253 719
Derivative financial instruments	**5 632 872**	**2 272 638**
Investment securities		
– Debt securities	5 405 918	5 997 991
Pledged assets	**3 445 281**	**2 812 277**
Other assets	**1 034 543**	**880 663**
Total exposures relating to on-balance sheet assets	**78 390 855**	**52 013 148**
Credit risk exposures relating to off-balance sheet items:		
Loan commitments and other financial liabilities	15 899 977	14 407 045
Guarantees, banker's acceptances, documentary and commercial letters of credit	3 027 249	2 739 787
Total exposures relating to off-balance sheet items	**18 927 226**	**17 146 832**
Total on-balance sheet assets and off-balance sheet items	**97 318 081**	**69 159 980**

The above table shows the maximum exposure to credit risk as at 31 December 2008 and 30 June 2007 without taking account of any collateral held or credit enhancements attached. Balance Sheet exposures set out above are based on net carrying amounts.

As shown above, 74.30% of the total maximum balance sheet exposure is derived from loans and advances to banks and customers (31 December 2007: 68.78%); 6.90% represents investments in debt securities (31 December 2007: 11.53%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk of the Group resulting from both its loan and advances portfolio and debt securities based on the following:

- 62.58% of loans and advances portfolio is categorized in the top two grades of the internal rating system (31 December 2007: 43.10%);
- 92.84% of the loans and advances portfolio are considered to be neither past due nor impaired (31 December 2007: 93.31%);
- 95.67% of the investments in debt securities got at least A- credit rating (31 December 2007: 81.88%).

3.2.5 Loans and Advances to Customers and Banks

Loans and advances to customers	31.12.2008		31.12.2007	
	exposure in PLN '000	share / coverage %	exposure in PLN '000	share / coverage %
Neither past due nor impaired	49 208 781	92.84	32 067 523	93.31
Past due but not impaired	2 623 337	4.95	1 497 468	4.36
Impaired	1 170 091	2.21	800 377	2.33
Total, gross	**53 002 209**	**100.00**	**34 365 368**	**100.00**
Provision (provision for impaired loans and advances as well as IBNI provision)	(859 732)	1.62	(682 703)	1.99
Total, net	**52 142 477**	**98.38**	**33 682 665**	**98.01**

The table below shows amounts due from banks:

Loans and advances to banks	31.12.2008		31.12.2007	
	exposure in PLN '000	share / coverage %	exposure in PLN '000	share / coverage %
Neither past due nor impaired	6 058 244	98.75	2 095 145	100.00
Past due but not impaired	-	0.00	-	-
Impaired	76 863	1.25	-	-
Total, gross	**6 135 107**	**100.00**	**2 095 145**	**100.00**
Provision (provision for impaired loans and advances as well as IBNI provision)	(31 014)	0.51	(5 209)	0.25
Total, net	**6 104 093**	**99.49**	**2 089 936**	**99.75**

The total impairment provision for loans and advances is PLN 890 746 thousand (as at 31 December 2007: PLN 687 912 thousand) of which PLN 692 866 thousand (as at 31 December 2007: PLN 570 243 thousand) represents the individually impaired loans and the remaining amount of PLN 197 880 thousand represents the portfolio provision (as at 31 December 2007 PLN 117 669 thousand). Further information on the impairment allowance for loans and advances to banks and to customers is provided in Notes 19 and 22.

In 2008, the amount of loans and advances granted to the Group's customers increased by 54.81% compared to the end of the year 2007 as a result of the expansion at the market of retail and corporate loans and advances. For the purpose of minimizing potential increase of exposure to credit risk, the Group focused on corporate enterprises and retail customers who provide sufficient collateral.

Loans and advances neither past due nor impaired

31 December 2008	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers	Loans and advances to banks
PD/Rating	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy-sell-back transactions	Other				
1	609 828	20 615 417	20 489 595	58 956	261 450	336 888	-	-	626 455	-	22 508 994	3 679 406
2	1 628 787	1 017 109	54 732	1 126 613	1 572 879	5 057 688	-	-	3 336	-	10 406 412	1 779 064
3	87 981	389 573	57 084	800 380	1 158 370	1 632 196	-	-	444	-	4 068 944	219 697
4	734 496	-	-	1 221 116	767 729	4 764 187	-	393 646	30 602	-	7 911 776	154 175
5	-	-	-	267 741	13 428	936 784	-	-	-	-	1 217 953	54 504
6	-	-	-	10 949	-	88 671	-	-	-	-	99 620	-
7	-	-	-	11 762	17 454	140 292	-	-	-	-	169 508	29 286
8	-	-	-	1 159	-	-	407 579	-	-	668 684	1 077 422	34 880
other *)	-	-	-	8 446	-	21 611	-	1 492 505	-	-	1 522 562	107 232
Default category	315	6 118	1 642	19 878	2 984	196 295	-	-	-	-	225 590	-
Total	**3 061 407**	**22 028 217**	**20 603 053**	**3 527 000**	**3 794 294**	**13 174 612**	**407 579**	**1 886 151**	**660 837**	**668 684**	**49 208 781**	**6 058 244**

31 December 2007	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers	Loans and advances to banks
PD/Rating	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy-sell-back transactions	Other				
1	830 083	10 667 540	10 247 208	20 583	350	100 339	-	-	15	-	11 618 910	2 026 989
2	560 089	182 790	-	471 053	420 428	1 236 998	-	-	-	-	2 871 358	1 753
3	630 807	345 759	100 149	653 210	1 200 462	3 834 188	-	-	577 571	-	7 241 997	-
4	-	-	-	876 519	732 039	3 334 698	-	298 942	4 365	-	5 246 563	484
5	-	-	-	408 769	167 611	1 039 668	-	-	6 229	-	1 622 277	-
6	-	-	-	10 635	34 477	77 794	-	-	-	-	122 906	-
7	-	-	-	10 573	2 763	61 265	-	-	-	-	74 601	-
8	-	-	-	128 140	178 642	455 501	669 018	-	3 883	412 529	1 847 713	-
other *)	-	-	-	3 623	34	33 241	-	1 373 108	-	-	1 410 006	65 919
Default category	111	1 232	135	224	-	9 625	-	-	-	-	11 192	-
Total	**2 021 090**	**11 197 321**	**10 347 492**	**2 583 329**	**2 736 806**	**10 183 317**	**669 018**	**1 672 050**	**592 063**	**412 529**	**32 067 523**	**2 095 145**

*) position "other" concerns these entities which do not use the same rating systems as BRE Bank

Loans and advances past due but not impaired

IFRS Consolidated Financial Statements 2008 PLN (000's)

Gross amounts of loans and advances which were past due but not impaired are presented below by classes of assets. No impairment is recognized in respect of loans and advances past due for less than 90 days, unless other available information indicates their impairment.

31 December 2008	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers	Loans and advances to banks
	Current accounts	Term loans	including:	Current accounts	Term loans		Reverse repo / buy-sell-back transactions	Other				
			housing and mortgage loans		corporate & institutional enterprises	medium & small enterprises						
Past due up to 30 days	254 029	830 478	734 204	19 511	203 588	814 502	-	36 299	2 743	-	2 161 150	-
Past due 31 - 60 days	40 731	68 244	59 298	11 350	3 219	201 553	-	11 699	-	-	336 796	-
Past due 61 - 90 days	33 377	31 674	23 856	8 759	211	51 219	-	151	-	-	125 391	-
Total	**328 137**	**930 396**	**817 358**	**39 620**	**207 018**	**1 067 274**	**-**	**48 149**	**2 743**	**-**	**2 623 337**	**-**

31 December 2007	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers	Loans and advances to banks
	Current accounts	Term loans	including:	Current accounts	Term loans		Reverse repo / buy-sell-back transactions	Other				
			housing and mortgage loans		corporate & institutional enterprises	medium & small enterprises						
Past due up to 30 days	136 395	238 146	190 570	17 261	78 936	619 726	-	43 415	4 416	-	1 138 295	-
Past due 31 - 60 days	17 224	24 617	21 709	3 298	-	72 548	-	6 648	-	-	124 335	-
Past due 61 - 90 days	15 903	16 350	13 086	34 838	133 439	31 408	-	224	2 676	-	234 838	-
Total	**169 522**	**279 113**	**225 365**	**55 397**	**212 375**	**723 682**	**-**	**50 287**	**7 092**	**-**	**1 497 468**	**-**

As at 31 December 2008 the fair value of received collaterals for mortgage loans to retail customers, amounted to PLN 605 891 thousand (31 December 2007: PLN 250 296 thousand) for the group of loans and advances past due but not impaired.

In relation to corporate loans and advances portolio, upon initial recognition of loans and advances, fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, fair value is updated by reference to market prices of similar assets or on the basis of a valuation performed, if required. At present, procedures of credit risk management in relation to past due but not impaired portfolio (including monitoring in accordance with the Note 3.2.1) do not require to update fair value of collateral at each balance sheet date.

Loans and advances individually impaired

Loans and advances individually impaired amounted to PLN 244 370 thousand (as at 31 December 2007: PLN 230 134 thousand). Gross amounts of loans and advances individually impaired (i.e., before taking into consideration the cash flows from collateral held and expected repayments) are presented below by classes of assets, together with the corresponding collateral:

	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers
	Current accounts	Term loans	including:	Current accounts	Term loans		Reverse repo / buy-sell-back transactions	Other			
			housing and mortgage loans		corporate & institutional enterprises	medium & small enterprises					
31 December 2008											
Loans and advances with impairment	175 332	130 199	69 151	191 123	33 954	463 182	-	176 301	-	-	**1 170 091**
Fair value of collateral	8 913	66 825	55 725	59 493	-	203 594	-	-	-	-	**338 825**
31 December 2007											
Loans and advances with impairment	111 074	98 305	49 477	129 367	13 637	364 900	-	83 094	-	-	**800 377**
Fair value of collateral	13 708	53 167	47 277	45 391	4 334	90 610	-	-	-	-	**207 210**

Fair value of collateral was established as value of expected cash flows arising from collateral (recoverable value) discounted with the application of effective interest rate at the balance sheet date.

The Group is characterized by conservative approach in the area of verification of collaterals' value and setting of acceptable LtV levels. The policy, in this respect, impose particularly significant restrictions in case of transactions with probability of default higher than average (non-purpose loans and consolidation loans) and/or secured on low-liquid real estates (localized on not well developed markets).

Decrease of gross amount of impaired loans and advances mainly resulted from sale of separated part of the portfolio.
In the 12-month-period ended 31 December 2008, the Group recognized impairment of exposures to banks in the amount of PLN 26 212 thousand (PLN 0 as at 31 December 2007).

Renegotiated loans and advances

The renegotiations of contractual terms of loans and advances is an evidence of impairment unless caused by the situation of a debtor and it was carried out in normal business conditions. The restructuring processes consists in changing the agreements due to extension the timing circuit of payments, recognized reparation plans, modification and delay of repayment of customer's debt, which as a result of the process is classified into default portfolio. The restructuring procedures and practice are based on ratios and criteria which, in the opinion of Board of Management, show that payments shall most probably be made on time. The restructuring procedures are conditioned by regular reviews. Most frequently, restructuring is carried out in respect of term loans. In connection with established accounting principles, renegotiated loans are impaired if the change of contractual terms was caused by higher credit risk. As at 31 December 2008 renegotiated loans and advances not impaired amounted to PLN 49 655 thousand.

IFRS Consolidated Financial Statements 2008 PLN (000's)

3.2.6 Debt Instruments: treasury bonds and other eligible debt securities

31 December 2008	Trading securities and pledged assets			Investment debt securities and pledged assets	Total
Rating	Government bonds	Treasury bills	Other debt securities		
AAA	-	-	-	-	-
AA- to AA+	-	-	-	2 399	2 399
A- to A+	836 767	874 579	3 470 236	7 700 044	12 881 626
BBB+ to BBB-	-	-	49 908	-	49 908
BB+ to BB-	-	-	-	-	-
B+ to B-	-	-	67 228	-	67 228
Lower than B-	-	-	-	-	-
Unrated	-	-	414 499	51 972	466 471
Total	**836 767**	**874 579**	**4 001 871**	**7 754 415**	**13 467 632**

31 December 2007	Trading securities and pledged assets			Investment debt securities and pledged assets	Total
Rating	Government bonds	Treasury bills	Other debt securities		
AAA	-	-	-	19 649	19 649
AA- to AA+	-	-	74 934	30 675	105 609
A- to A+	4 733 535	25 623	1 342 722	4 470 175	10 572 055
BBB+ to BBB-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-
B+ to B-	-	-	1 015	-	1 015
Lower than B-	-	-	-	-	-
Unrated	-	-	807 725	1 557 934	2 365 659
Total	**4 733 535**	**25 623**	**2 226 396**	**6 078 433**	**13 063 987**

In 2008 the amount of other debt securities with ratings A- to A+ comprised securities issued by the Central Bank in the amount of PLN 3 162 714 thousand (2007: PLN 1 296 845 thousand).

Information about impairment allowance for investment debt securities occurs under the Note 23.

As at 31 December 2008 all presented above debt instruments were neither past due nor impaired.

3.2.7 Repossessed Collateral

In 2008, the Group did not take over or sale of any assets established as collateral. In 2007 the Group obtained assets in the net amount of PLN 122 thousand (takeovers minus sales).

The Group classifies repossessed collaterals as assets repossessed for debt and measures them in accordance with the adopted accounting policies described in Note 2.19. Repossessed collaterals classified as assets held for sale shall be put up for sale on an appropriate market and sold at the soonest possible date. The process of selling collaterals repossessed by the Bank is arranged in line with the policies and procedures specified by the Restructuring and Recovery Bureau for individual types of repossessed collaterals. The policy of the Companies of the Group is to sell repossessed assets or - in the case of leases - lease them out again to another customer. Cases in which the repossessed collateral is used for own needs are rare – such a step must be economically justified and reflect the Company's urgent need, and must each time be approved by the Management Board. In 2008, the Group did not have any repossessed collaterals that were difficult to sell. Repossessed collaterals are presented in "Other assets" (Note 27).

3.3 Concentration of Assets, Liabilities and Off-balance Sheet Items

Geographic concentration risk

In order to actively manage the risk of concentration by country, the Group:

a) Complies with the formal procedures aimed at identifying, measurement and monitoring this risk.
b) Complies with the formal limits mitigating the risk by country and the procedures to be followed when the limits are exceeded.
c) Uses a management reporting system which enables monitoring the risk level by country and supports the decision-making process related to management.
d) Maintains contacts with a selected group of the largest banks with good ratings, which are active in handling foreign transactions. On some markets, where the risk is difficult to estimate, the Group avails itself of the services of its foreign correspondents, e.g. Commerzbank and insurance in the Export Credit Insurance Corporation ("KUKE") which covers the economic and political risk.

The BRE Bank Group does not classify assets, liabilities or off-balance sheet items according to geographic areas because of insignificance of geographic variation of risks.

Sector concentration risk

If the exposure of the Bank is concentrated in an industry, the Group monitors its share in the financing of the whole industry and the standing of each customer of the Group vs. the rest of the industry.

For this purpose, the Bank uses a statistical database, in which each parameter of financing each of the Group's customers is mapped onto a decile grid of the parameter for the whole industry. This enables the Group to monitor its industry-related risk to its portfolio at times when the standing of the whole industry undergoes rapid changes under the influence of external factors.

Sector limits are set for sectors defined by BRE Bank SA in accordance with the internal regulations of the Bank, in quarterly reporting periods. Monitoring and analysis covers all the sectors in which the Bank's exposure exceeds PLN 700 million, and additionally those indicated by the Chief Risk Officer of the Bank. Unless the Bank's Credit Committee decides otherwise, an exposure limit is set for the Group in any sector on a level not higher than:

a) 10% of the gross loan portfolio in the prior reporting period for low risk sectors;
b) 8% of the gross loan portfolio in the prior reporting period for medium risk sectors;
c) 6% of the gross loan portfolio in the prior reporting period for high risk sectors.

In the case of exceeding any sector limit or an expectation that such a limit may be exceeded in the next reporting period, activities preventing the exceeding of limits are implemented.

The table below presents the structure of concentration of exposures to particular business lines of BRE Bank SA Group.

No.	Sectors	Principal exposure (in PLN millions) 31.12.2008	%	Principal exposure (in PLN millions) 31.12.2007	%
1.	Household customers	26 653 688	50.29%	13 876 425	40.38%
2.	Real estate management	3 632 976	6.85%	2 456 477	7.15%
3.	Transport and travel agencies	2 130 806	4.02%	1 595 068	4.64%
4.	Building industry	1 931 461	3.64%	1 365 710	3.97%
5.	Wholesale trade	1 284 879	2.42%	1 028 121	2.99%
6.	Metals	1 256 768	2.37%	1 042 027	3.03%
7.	Liquid fuels and natural gas	1 076 000	2.03%	390 206	1.14%
8.	Building materials	934 353	1.76%	508 890	1.48%
9.	Power industry and heat engineering	930 687	1.76%	438 640	1.28%
10.	Management, consulting, advertising	904 823	1.71%	664 117	1.93%
11.	Wood and furniture	894 538	1.69%	664 033	1.93%
12.	Leasing and renting	790 312	1.49%	624 267	1.82%
13.	Motorization	789 591	1.49%	605 902	1.76%
14.	Basic groceries	704 515	1.33%	284 647	0.83%
15.	Chemistry and plastics	610 935	1.15%	545 202	1.59%
16.	IT and telecommunication	466 919	0.88%	446 297	1.30%
17.	Public administration	269 054	0.51%	166 393	0.48%
18.	Hotels and restaurants	267 582	0.50%	259 483	0.76%
19.	Financial agency	36 687	0.07%	44 854	0.13%

Total exposure of the Group in the above sectors (excluding household customers) amounts to about 35.68% of the credit portfolio (2007: 38.21%). According to the study of The Gdańsk Institute for Market Economics as at the end of 2008 as well as on the basis of recommendation of trade analysts from the Bank the risk of investing in these sectors (in a 5-point scale, i.e., small, medium, increased, large and very large) was assessed as follows:

Household customers	- increased
Transport and travel agencies	- large
Building industry	- increased
Wholesale trade	- medium
Metals	- large
Liquid fuels and natural gas	- medium
Building materials	- increased
Power industry and heat engineering	- medium
Management, consulting, advertising	- increased
Wood and furniture	- large
Leasing and renting	- increased
Motorization	- large
Basic groceries	- medium
Chemistry and plastics	- increased
IT and telecommunication	- medium
Public administration	- medium
Hotels and restaurants	- increased
Financial agency	- medium

Large exposures concentration risk

The purpose of management of the risk of concentration of large exposures is to regularly monitor and control exposures for compliance with the legal limits. In order to ensure safety against the risk of exceeding the legal limits at the Group:

a) internal limits are set, which are lower than those specified in the Banking Law,
b) for customers, whose exposures exceeding 5% of equity a process of bookings (permits) is introduced in respect of exposure limits,
c) a weekly large exposure report is maintained for participants of the lending and investment processes.

These activities have a direct impact on the decisions of the Group's bodies concerning the approval, increase and undertaking of exposures with customers.

The exposure related to each borrower (including banks and brokers) is additionally limited by application of detailed balance sheet and off-balance sheet exposure and daily risk limits for transactions such as forward currency contracts. The actual exposure is compared to the maximum limits on a daily basis.
The level of exposure to credit risk is managed by regular reviews of the existing and potential borrowers' ability to repay principal and interest, if necessary, the Bank may change credit limits or by asking customers to provide security and/or guarantees.

3.4 Market Risk

The Bank is exposed to market risk, which is defined as a risk of changes in the current valuation of financial instruments constituting the Bank's portfolios, resulting from changes in prices and market parameters. The Bank's exposure to market risk results from open positions in interest rate, foreign currency and equity instruments, which are exposed to market changes in the values of the appropriate risk factors, and in particular, to changes in interest rates, foreign exchange rates, share prices and indices, and the volatility of these risk factors.

Market risk results both from trading book and banking book items. The Bank's trading portfolios are composed of items arising as a result of trading transactions concluded with the Bank's customers or transactions in which the Bank acts as a market maker. The banking book comprises items resulting from the Bank's interest rate risk management, mainly in the areas of corporate, investment and retail banking, and from management of the Bank's liquidity. Operating management in market risk takes place in the front office – in the Treasury Department responsible mainly for banking book items and in the Financial Markets Department, which mainly manages trading book items. Market risk resulting from transactions concluded by other units of the Bank is transferred, in principle, to the Treasury Department or the Financial Markets Department in line with the type of risk.

The strategic management of market risk, including independent monitoring and control, is performed in the Bank's units which are functionally independent of the units managing the items – including the Financial Risk Department, and the decisions relating to the strategic market risk management are made by the Risk Committee of BRE Bank. The management of market risk is performed in accordance with both the strategy and the market risk management policy approved by the Supervisory Board in BRE Bank.
The Management Board, based on decisions of the Financial Risk Committee, sets limits of value at risk and limits of stress tests with the object of limitation of the level of market risk to which the Bank is exposed. Market risk limits in respect of the Bank's trading book are monitored on a daily basis.

The level of exposure to market risk

The level of market risk of the Group's position is quantified by measuring value at risk (VaR) and performing stress tests.

Value at Risk

Value at Risk (VaR) is the basic measure of market risk applied to the trading book portfolios and the banking book portfolios. VaR is a statistical measure which expresses potential loss to which a portfolio is exposed in a specified period, for a specified level of confidence, in normal market conditions, in connection with changes in risk factors, such as interest rates, foreign exchange rates, share prices and volatility of specified risk factors (exchange rates, interest rates, prices). The potential nature of losses means that with a predetermined high probability (level of confidence) at which value at risk is established, in a specified period a loss can be expected which is lower than VaR. Value at risk is determined using historical simulation method, based on time sequences of 254 (1 year) observed values of all the risk factors on which the Bank's portfolios are dependent. The Bank monitors value at risk at a level of confidence of 97.5% for a one-day period of maintaining a position.

Thanks to the fact that in the process of determining value at risk accurate methods of measuring financial instruments are applied, the level of VaR monitored by the Bank accurately reflects market risk of non-straight line financial instruments, such as options. The model for determining value at risk is subjected to historical verification tests on an ongoing basis.

The table below shows the level of market risk exposure of BRE Bank Group according to the states as at 31 December 2008 and, for comparative purposes, with the states at the end of 2007 that is measured using value at risk (with a confidence level of 97.5% for a one-day period of maintaining a position) as well as mean, the lowest and the greatest values in value at risk observation chains at the end of months of 2008 and 2007 relatively.

PLN OOO's	2008				2007			
	31.12.2008	Mean	Maximum	Minimum	31.12.2007	Mean	Maximum	Minimum
BRE	8 623	5 733	11 575	3 284	5041	5 512	7 774	3 916
BRE subsidiaries	3 120	1 259	3 120	298	285	486	1 313	172
BRE Group (undiversified)	11 743	6 991	14 531	3 825	5341	5 999	8 188	4 181
BRE Group (diversified)	9 108	5 864	11 898	3 315	5 045	5 526	7 780	3 920

The main sources of market risk BRE Bank SA Group are the Bank's items. Below table presents accurate analysis of the structure of market risk determined using value at risk (with a confidence level of 97.5% for presented periods) of the Bank's items. Mean, the lowest and the greatest values of value at risk presented in the table were indicated on the basis of value at risk daily observation chains in 2008 and 2007 relatively.

PLN 000's	2008				2007			
	31.12.2008	Mean	Maximum	Minimum	31.12.2007	Mean	Maximum	Minimum
Interest rate risk	5 409	4 649	8 173	2 378	4 722	5 189	9 587	3 449
Foreign exchange risk	3 301	927	3 301	378	455	976	2 454	182
Equities risk	66	273	906	11	155	260	944	6
Total VaR	**8 623**	**5 309**	**11 575**	**2 336**	**5 041**	**5 754**	**10 275**	**3 530**

The utilization of VaR limits for the trading book of the Bank was in 2008 on a safe level and amounted to 27% on average for trading portfolios of the Financial Markets Department, whereas for portfolios of the Department (DFM) of the Treasury (DS) it amounted to 24% relatively.

The level of VaR was affected mainly by portfolios of instruments sensitive to interest rate, such as T-bonds, commercial papers, IRS and CIRS transaction and secondly, portfolios of instruments sensitive to changes in foreign exchange rates, such as currency options and currency exchange transactions. In the fourth quarter of 2008, the implied volatilities of currency options, apart from foreign exchange rates, constituted a substantial risk factor in the DFM's trading portfolio. The remaining groups of risk factors had a relatively smaller impact on VaR.

Stress testing

Stress testing is an additional measure of market risk, supplementing the measurement of value at risk. The test shows the hypothetical change in the current valuation of the Bank's portfolios, which would take place as a result of the risk factors reaching specified extreme values in one-day horizon. The Bank applies two methods for carrying out stress tests: the first one, in which the scenarios of changes in risk factors have been constructed on the basis of large changes in market parameters observed during crisis situations on the market in the past, and the second one, in which the scenarios are composed of larger changes in risk factors correlated on the extremes and the same in each group. The value of the stress test is subject to a limit in the form of a control number. The average value of a stress test (based on observed crisis situations in the past) in 2008 was PLN 20 million for trading portfolios of the Financial Markets Department and PLN 42 million for portfolios of the Department of the Treasury relatively.

IFRS Consolidated Financial Statements 2008 PLN (000's)

3.5 Currency Risk

The Group is exposed to changes in currency exchange rates. The following table presents the exposure of the Group to currency risk as at 31 December 2008 and 31 December 2007. The table presents assets and liabilities of the Group at balance sheet carrying amount, for each currency:

31.12.2008	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with the Central Bank	2 437 968	19 637	4 939	27	170	49 592	**2 512 333**
Debt securities eligible for rediscounting at the Central Bank	9 238	-	-	-	-	-	**9 238**
Loans and advances to banks	3 053 778	827 883	477 045	749 715	24 144	971 528	**6 104 093**
Trading securities	4 545 632	66 383	12 606	-	-	-	**4 624 621**
Derivative financial instruments	5 336 436	107 091	44 559	29 950	1 371	113 465	**5 632 872**
Loans and advances to customers	22 580 025	6 334 609	1 491 840	19 729 702	15 151	1 991 150	**52 142 477**
Investment securities	5 365 382	126 796	10 118	-	-	16	**5 502 312**
- Available for sale	5 365 382	126 796	10 118	-	-	16	**5 502 312**
Pledged assets	3 445 281	-	-	-	-	-	**3 445 281**
Investments in associates	238	16 715	-	-	-	-	**16 953**
Intangible assets	431 927	2 128	-	-	-	4 397	**438 452**
Tangible fixed assets	775 304	6 269	-	-	-	32 896	**814 469**
Other assets, including deferred income tax assets	1 310 279	39 486	349	475	17	11 495	**1 362 101**
Total assets	**49 291 488**	**7 546 997**	**2 041 456**	**20 509 869**	**40 853**	**3 174 539**	**82 605 202**
LIABILITIES							
Amounts due to the Central Bank	1 302 469	-	-	-	-	-	**1 302 469**
Amounts due to other banks	5 589 567	4 153 439	23 313	16 842 916	90	879 482	**27 488 807**
Derivative financial instruments and other trading liabilities	5 739 440	327 883	63 836	13 458	3 700	26 174	**6 174 491**
Amounts due to customers	30 103 604	3 134 809	1 032 261	32 021	85 243	3 362 089	**37 750 027**
Debt securities in issue	1 472 634	196 514	121 597	-	-	-	**1 790 745**
Subordinated liabilities	-	-	-	2 669 453	-	-	**2 669 453**
Other liabilities including tax liabilities	1 124 710	45 858	3 393	1 235	2	39 970	**1 215 168**
Provisions	160 957	1 521	3 420	-	-	108	**166 006**
Total liabilities	**45 493 381**	**7 860 024**	**1 247 820**	**19 559 083**	**89 035**	**4 307 823**	**78 557 166**
Net on-balance sheet position	**3 798 107**	**(313 027)**	**793 636**	**950 786**	**(48 182)**	**(1 133 284)**	**4 048 036**
Credit commitments	**13 110 998**	**1 806 682**	**185 753**	**745 390**	**3 966**	**47 188**	**15 899 977**

31.12.2007	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with the Central Bank	1 989 778	8 817	3 636	170	358	776	**2 003 535**
Debt securities eligible for rediscounting at the Central Bank	23 259	-	-	-	-	-	**23 259**
Loans and advances to banks	967 951	386 307	708 767	3 255	6 701	16 955	**2 089 936**
Trading securities	4 133 520	88 755	35 707	-	-	-	**4 257 982**
Derivative financial instruments	2 240 771	16 441	13 332	1 849	-	245	**2 272 638**
Loans and advances to customers	18 451 745	4 430 302	941 124	9 252 549	10 359	596 586	**33 682 665**
Investment securities	6 262 372	92 960	31 228	-	-	14	**6 386 574**
- Available for sale	6 262 372	92 960	31 228	-	-	14	**6 386 574**
Pledged assets	2 812 277	-	-	-	-	-	**2 812 277**
Investments in associates	238	4 585	-	-	-	-	**4 823**
Intangible assets	403 477	777	-	-	-	713	**404 967**
Tangible fixed assets	660 305	4 954	-	-	-	4 954	**670 213**
Other assets, including deferred income tax assets	983 774	8 035	20	1 021	11	4 092	**996 953**
Total assets	**38 929 467**	**5 041 933**	**1 733 814**	**9 258 844**	**17 429**	**624 335**	**55 605 822**
LIABILITIES							
Amounts due to other banks	3 404 821	1 601 082	48 391	6 790 730	1 454	399 389	**12 245 867**
Derivative financial instruments and other trading liabilities	2 059 643	85 338	18 616	268	116	233	**2 164 214**
Amounts due to customers	27 589 001	3 358 181	1 264 051	21 368	72 175	97 087	**32 401 863**
Debt securities in issue	1 899 713	914 907	113 794	-	-	-	**2 928 414**
Subordinated liabilities	-	362 440	-	1 299 345	-	-	**1 661 785**
Other liabilities including tax liabilities	961 237	32 749	3 520	1 360	1	15 797	**1 014 664**
Provisions	69 133	1 717	377	-	-	-	**71 227**
Total liabilities	**35 983 548**	**6 356 414**	**1 448 749**	**8 113 071**	**73 746**	**512 506**	**52 488 034**
Net on-balance sheet position	**2 945 919**	**(1 314 481)**	**285 065**	**1 145 773**	**(56 317)**	**111 829**	**3 117 788**
Credit commitments	**11 983 843**	**1 063 412**	**338 543**	**490 637**	**27 560**	**503 050**	**14 407 045**

Currency structure of the Group for the year 2007 does not include assets or liabilities held for sale.

3.6 Interest Rate Risk

BRE Bank SA

Interest rate risk at BRE Bank SA is managed on the basis of the following key interest rate risk measures: repricing date misfit gap and interest earnings at risk (EaR) based on the former. The Bank also performs stress test analyses based on these methods.

As at 31 December 2008 and 31 December 2007 a sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities would result in decrease in the annual interest income within 12 months after the Balance Sheet date by the following amounts ("EaR"), on average:

31.12.2008		31.12.2007	
in PLN millions	**currency**	**in PLN millions**	**currency**
7.85	PLN	28.58	PLN
5.04	EUR	4.19	EUR
0.06	USD	3.32	USD
16.30	CHF	2.68	CHF

To calculate these values, the Bank assumed that the structure of financial assets and liabilities disclosed in the financial statements as of above indicated dates would be fixed during the year and the Bank would not take any measures to change related exposure to interest rate change risk.

In addition to the above analyses, the structure of the banking book is monitored regarding basic risk, yield curve risk, and client's options.

The Bank runs also other analyses of the changes of the economical value of the banking book under stress test scenarios. Under the stress test, which assumes unfavorable shift of the interest rates for respective currencies by 200 bps, the economical value of the banking book at the end of 2008 would change by 157 millions PLN, out of which 118 millions PLN would be due to available for sale instruments. During the calculation of these values no correlation between currencies was taken into account and it was assumed that after the negative shift interest rates cannot become negative.

BRE Bank Hipoteczny SA

Repricing date misfit gap and interest earnings at risk (EaR) based on the former are the key interest rate risk measures at BRE Bank Hipoteczny SA.

As at 31 December 2008 and 31 December 2007 a sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities would result in decrease in the annual interest income by the following amounts, on average:

31.12.2008		31.12.2007	
in PLN millions	**currency**	**in PLN millions**	**currency**
3.54	PLN	2.91	PLN
0.16	EUR	0.08	EUR
0.01	USD	0.04	USD

To calculate these values, the Bank assumed that the structure of financial assets and liabilities disclosed in the financial statements as of above indicated dates would be fixed during the year and the Bank would not take any measures to change related exposure to interest rate change risk.

BRE Leasing Sp. z o.o.

BRE Leasing Sp. z o.o. performs risk analysis based on the following risk factors:
- interest rates;
- fx rates.

The sensitivity of individual transactions to the risk factors is calculated by adding the shock rate and analysing its impact on the present value of the portfolio (MTM).

As at 31 December 2008 and 31 December 2007 a sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities would result in decrease in the annual interest income by the following amounts, on average:

31.12.2008		31.12.2007	
in PLN millions	**currency**	**in PLN millions**	**currency**
5.02	PLN	1.60	PLN
2.60	EUR	1.10	EUR
0.00	USD	0.01	USD
0.30	CHF	0.10	CHF
1.07	JPY	0.00	JPY

IFRS Consolidated Financial Statements 2008 PLN (000's)

The following tables present the Group's exposure to interest rate risk. The tables present Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31.12.2008	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with the Central Bank	1 195 921	-	-	-	-	1 316 412	**2 512 333**
Debt securities eligible for rediscounting at the Central Bank	-	9 238	-	-	-	-	**9 238**
Loans and advances to banks	4 987 748	434 622	303 915	6 685	-	371 123	**6 104 093**
Securities (trading securities, investment securities and pledged assests)	7 866 448	2 099 933	2 532 074	284 249	682 250	107 260	**13 572 214**
Loans and advances to customers	45 477 721	3 549 079	1 719 187	572 787	41 845	781 858	**52 142 477**
Other assets and derivative financial instruments	994 932	1 001 549	2 294 344	1 036 308	32 888	1 307 394	**6 667 415**
Total assets	**60 522 770**	**7 094 421**	**6 849 520**	**1 900 029**	**756 983**	**3 884 047**	**81 007 770**
LIABILITIES							
Amounts due to the Central Bank	1 090 545	211 924	-	-	-	-	**1 302 469**
Amounts due to other banks	14 447 988	11 609 117	1 334 469	71 166	-	26 067	**27 488 807**
Amounts due to customers	32 072 768	4 687 169	720 685	167 890	56 687	44 828	**37 750 027**
Debt securities in issue	229 938	425 548	1 135 259	-	-	-	**1 790 745**
Subordinated liabilities	482 077	2 187 376	-	-	-	-	**2 669 453**
Other liabilities and derivative financial instruments	961 570	1 065 094	2 638 458	1 146 922	36 369	1 322 358	**7 170 771**
Total liabilities	**49 284 886**	**20 186 228**	**5 828 871**	**1 385 978**	**93 056**	**1 393 253**	**78 172 272**
Total interest repricing gap	**11 237 884**	**(13 091 807)**	**1 020 649**	**514 051**	**663 927**		

31.12.2007	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with the Central Bank	968 441	-	-	-	-	1 035 094	**2 003 535**
Debt securities eligible for rediscounting at the Central Bank	-	23 259	-	-	-	-	**23 259**
Loans and advances to banks	1 535 899	290 090	243 996	-	-	19 951	**2 089 936**
Securities (trading securities, investment securities and pledged assests)	6 251 316	1 835 861	1 673 094	2 300 509	1 001 566	394 487	**13 456 833**
Loans and advances to customers	29 136 875	2 955 009	875 132	235 647	32 270	447 732	**33 682 665**
Other assets and derivative financial instruments	566 318	418 252	908 197	340 824	10 868	908 842	**3 153 301**
Total assets	**38 458 849**	**5 522 471**	**3 700 419**	**2 876 980**	**1 044 704**	**2 806 106**	**54 409 529**
LIABILITIES							
Amounts due to other banks	7 481 037	3 991 179	255 227	38 732	-	479 692	**12 245 867**
Amounts due to customers	30 277 001	1 317 245	622 708	122 927	2 742	59 240	**32 401 863**
Debt securities in issue	697 457	1 112 371	1 111 270	7 316	-	-	**2 928 414**
Subordinated liabilities	6 745	1 655 040	-	-	-	-	**1 661 785**
Other liabilities and derivative financial instruments	401 039	369 012	1 006 931	330 879	10 494	925 834	**3 044 189**
Total liabilities	**38 863 279**	**8 444 847**	**2 996 136**	**499 854**	**13 236**	**1 464 766**	**52 282 118**
Total interest repricing gap	**(404 430)**	**(2 922 376)**	**704 283**	**2 377 126**	**1 031 468**		

3.7 Liquidity Risk

BRE Bank SA

The objective of liquidity risk management is to ensure and maintain the Bank's ability to fulfill both current and future commitments, with taking account of costs of liquidity obtaining.

Process of ensuring financial liquidity in the Bank comprises of the following sub-processes:

1) liquidity risk management, i.e., taking up preventive actions for the purposes of not allowing to occurrence the threat of losing liquidity.
2) monitoring liquidity situation of the Bank,

Liquidity risk management process contains two stages:

1) strategic stage that enables to ensure financial liquidity in long term and it includes prognostic point of view,
2) operational which allows to observe exposure to liquidity risk for the purposes of protecting immediate and current liquidity.

Financial liquidity risk management within the strategic level in the Bank is executed via ALCO and The Risk Committee decisions and concerns, among others:

a) establishing the structure and levels of strategic limits of the risk,
b) setting up the structure and minimal amount of liquidity reserve of the Bank,
c) adapting methods of calculating financial liquidity risk and forms of banking reports,
d) neutralizing emergency situation due to the threat of losing liquidity,
e) establishing the Bank's strategy in relation to the structure of assets, debt, equity, liabilities and off-balance items,
f) determining long term financing strategy.

Financial liquidity risk management within the operational level takes place in Department of the Treasury of the Bank in the following areas:

a) ensuring resources for the purposes of settlements on Bank's accounts (e.g. nostro accounts),
b) realization strategic recommendations of ALCO,
c) forming the structure of future cash flows in the range of the limits set up by Risk Committee,
d) keeping securities portfolios in proper size, which ensures preservation of liquidity in the scope of the limits of Risk Committee, on established levels (liquid assets),
e) keeping other parameters on levels determined by the limits established by ALCO and Risk Committee,
f) performing emergency procedures in order to neutralize emergency situation related to the threatment of losing financial liquidity.

The Bank monitors financial liquidity daily, using methods based on cash flows analyses. The measurement of liquidity risk is based on an internal model created on the basis of analyses of the Bank's specificity, deposit base variability, financing concentration and developments planned for each item. The following are monitored daily: value of mismatch in specific time intervals (gap), the level of liquidity reserves of the Bank, and the rate of usage of external and internal limits. The Bank systematically estimates liquidity as well as probability of its worsening, using scenario methods, herein stress test.

For the purposes of securing liquidity, the Bank establishes resources of current and immediate reinforcement of liquidity which are liquidity reserves.

The Bank holds its own procedures concerning emergency actions against material worsening of financial liquidity of the Bank.

For the purposes of current monitoring liquidity, the Bank establishes values of realistic, cumulated gap of cash flows misfit. The gap is calculated on the basis of contractual cash flows (Note 3.7.1). Both cash flows in portfolios of: non-banking customers' deposits and current account loans are mainly materialized. It is also assumed that term loans portfolio is stable and that there is an earlier sale clause or a clause of pledge of liquid securities portfolio.

Value of realistic, cumulative gap of cash flows misfit (in PLN millions)

Time range	31.12.2008	31.12.2007
up to 3 working days	4 394	3 600
up to 7 calendar days	5 642	3 706
up to 15 calendar days	4 912	3 647
up to 1 month	6 083	4 005
up to 2 months	6 783	4 656
up to 3 months	6 662	4 655
up to 4 months	6 537	4 024
up to 5 months	6 738	3 817
up to 6 months	6 504	3 217
up to 7 months	6 400	2 743
up to 8 months	6 492	2 242
up to 9 months	7 319	2 276
up to 10 months	7 310	2 346
up to 11 months	6 559	1 344
up to 12 months	6 564	1 425

The liquidity of the Bank was maintained on the safe level in the periods presented. The above values should be interpreted as liquidity surplus in relevant time ranges.

Analyzing the liquidity situation of the Bank in the period of the financial market crisis in 2008, it should be underlined that:

- the funding structure was stable. The biggest position in this structure was current and term customer's deposit portfolio. The second big source of funding, with growing share in funding structure, was long-term borrowings from banks (over 1 year), especially from Commerzbank (Note 29). Borrowings and subordinated loans (Note 32) were the main sources of financing mortgage loan portfolio in CHF. BRE Bank's dependency on Money Market funding was low (near 1 % of total funding)
- BRE Bank, which analyze liquidity risk on a daily basis , increased, during the crisis, the number and the range of scenario analysis, especially in a type of stress test scenarios. The results of this scenarios was regularly presented and discussed during ALCO, the Risk Committee and the Board Management meetings. The very detailed stability analysis was done on a loan and deposit portfolios. Additionally, securities portfolio, which is the important source of funding in time of crisis was precisely analyzed. Moreover, the Bank prepared the set of information for the purpose and current needs of Banking Supervisory.

IFRS Consolidated Financial Statements 2008 PLN (000's)

- the Risk Committee of BRE Bank in October 2008 decided to implement actions within the liquidity contingency plan (LCP) to secure Bank's ability to cover its obligations and to have stable funding sources. It should be mentioned that the liquidity profile of the Bank remained safe and stable at that time. The decision to introduce LCP was taken in a context of rapidly drying liquidity on the interbank market, uncertainty of future depositor's decisions and materializing credit risk in a banking sector.

BRE Bank Hipoteczny SA

Liquidity risk occurs due to a gap between the maturity of the Bank's assets and its liabilities. The Bank manages liquidity risk by implementing procedures of monitoring of and reporting on the expected inflows and outflows and the net cash flows.

The sources of financing are diversified by means of co-operation with multiple partners and the selection of diverse instruments in order to finance lending. The Bank finances long-term assets in the first place with mortgage bonds of long-term maturity and with long-term deposits located in BRE Bank and Commerzbank and fulfils its current demand for financing in the interbank market by means of issues of short-term bonds and accepted placements.

The Bank has put in place a contingency plan applicable in the event of deterioration of liquidity.

In 2008, the liquidity ratios up to 1 month were between 15.20% and 128.75% and the average liquidity ratio was 53.47%. The liquidity ratio was 40.54% at 31 December 2008. Liquidity ratio up to 1 month on the level of 40.54% results from including unconditional stand-by lines of credit in the total amount of PLN 250 million.

BRE Leasing Sp. z o.o.

The purpose of liquidity risk management is to assure and maintain the capacity of the company to honour both its current and future liabilities, taking into the account the costs of achieving liquidity.

The company manages its liquidity risk by matching the maturity of amounts receivable under leasing contracts with the maturity of credit liabilities on the basis of cash flow reports. In addition, the company has open sources of refinancing for periods exceeding 6 months.

3.7.1 Cash Flows from Transactions in Non-derivative Financial Instruments

The table below shows cash flows the Group is required to settle, resulting from financial liabilities. The cash flows have been presented as at the Balance Sheet date, categorized by the remaining contractual maturities. The amounts denominated in foreign currencies were converted to Polish zloty at average rate of exchange announced by National Bank of Poland at the Balance Sheet date. The amounts disclosed in maturity dates analysis are the undiscounted contractual cash flows.

Liabilities (by contractual maturity dates)	**as at 31.12.2008**					
	up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**over 5 years**	**Total**
Amounts due to the Central Bank	1 097 633	213 201	-	-	-	**1 310 834**
Amounts due to other banks	3 558 876	578 843	2 309 074	22 178 671	68 836	**28 694 300**
Amounts due to customers	32 093 561	4 458 731	936 948	380 391	104 849	**37 974 480**
Debt securities in issue	238 178	17 808	575 083	1 880 866	-	**2 711 935**
Subordinated liabilities	5 979	9 777	28 196	149 797	2 799 066	**2 992 815**
Technical-insurance provisions	-	9 233	31 738	31 933	1 270	**74 174**
Other liabilities	441 574	42 608	204 016	13 306	33 766	**735 270**
Total liabilities	**37 435 801**	**5 330 201**	**4 085 055**	**24 634 964**	**3 007 787**	**74 493 808**
Assets (by remaining contractual maturity dates)						
Total assets	**13 452 793**	**4 637 121**	**12 122 810**	**21 228 421**	**42 066 940**	**93 508 085**
Net liquidity gap	**(23 983 008)**	**(693 080)**	**8 037 755**	**(3 406 543)**	**39 059 153**	**19 014 277**

Liabilities (by contractual maturity dates)	**as at 31.12.2007**					
	up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**over 5 years**	**Total**
Amounts due to other banks	2 107 563	696 793	3 914 038	5 897 205	1 814	**12 617 413**
Amounts due to customers	29 009 445	1 164 424	694 740	300 339	1 946 554	**33 115 502**
Debt securities in issue	535 515	179 843	1 222 306	993 190	-	**2 930 854**
Subordinated liabilities	537 857	15 047	31 380	166 715	1 309 242	**2 060 241**
Other liabilities	471 905	5 495	21 327	7 265	19 765	**525 757**
Total liabilities	**32 662 285**	**2 061 602**	**5 883 791**	**7 364 714**	**3 277 375**	**51 249 767**
Assets (by remaining contractual maturity dates)						
Total assets	**13 497 096**	**4 034 611**	**9 019 547**	**16 623 119**	**27 510 434**	**70 684 807**
Net liquidity gap	**(19 165 189)**	**1 973 009**	**3 135 756**	**9 258 405**	**24 233 059**	**19 435 040**

The assets which ensure the realization of all the liabilities and lending commitments comprise cash in hand, cash at the Central Bank, cash in transit and T-bonds and other eligible bonds; amounts due from banks; loans and advances to customers.

IFRS Consolidated Financial Statements 2008 PLN (000's)

In the normal course of activities, some of the loans granted to customers with the contractual repayment date falling due within the year, will be prolonged.

Moreover, debt securities and T-bonds and other bonds have been pledged as collateral for liabilities. The Group could ensure cash for unexpected net outflows by selling securities and availing itself of other sources of financing, such as the market of securities secured with assets (e.g. securitization transactions).

3.7.2 Cash Flows from Derivatives

Derivative financial instruments settled in net amounts

Derivative financial instruments settled in net amounts by the Group comprise:

- Derivative futures;
- Forward Rate Agreements (FRA);
- Options;
- Warrants;
- Interest rate swaps (IRS);
- Cross currency interest rate swaps (CIRS);
- Security forwards.

The table below shows derivative financial liabilities of the Group, which will be settled on a net basis, grouped by appropriate remaining maturities as at the Balance Sheet date. The amounts denominated in foreign currencies were converted to Polish zloty at average rate of exchange announced by National Bank of Poland at the Balance Sheet date. The amounts disclosed in the table are undiscounted contractual outflows.

31.12.2008 Derivatives settled on a net basis	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Forward Rate Agreements (FRA)	32 018	100 566	264 617	77 491	-	474 692
Overnight Index Swaps (OIS)	1 822	10 754	84 702	-	-	97 278
Interest Rate Swaps (IRS)	238 732	285 297	552 935	1 545 460	201 702	2 824 126
Cross Currency Interest Rate Swaps (CIRS)	71 013	4 195	127 995	337 391	-	540 594
Options	78 809	237 686	480 680	127 018	15 652	939 845
Futures contracts	-	39	-	-	-	39
Other	868	-	3 249	-	-	4 117
Total derivatives settled on a net basis	423 262	638 537	1 514 178	2 087 360	217 354	4 880 691

31.12.2007 Derivatives settled on a net basis	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Forward Rate Agreements (FRA)	22 154	14 274	94 817	17 014	-	148 259
Overnight Index Swaps (OIS)	3 576	483	12 109	98	-	16 266
Interest Rate Swaps (IRS)	38 202	47 500	324 847	388 744	48 435	847 728
Cross Currency Interest Rate Swaps (CIRS)	2 130	36	39 128	53 738	2 571	97 603
Options	29 364	19 833	110 519	25 275	7 245	192 236
Futures contracts	-	-	435	-	-	435
Other	-	-	1 917	5 040	10 988	17 945
Total derivatives settled on a net basis	95 426	82 126	583 772	489 909	69 239	1 320 472

Derivative financial instruments settled in gross amounts

Derivative financial instruments settled in gross amounts by the Group comprise foreign exchange derivatives: currency forwards and currency swaps.

The table below shows derivative financial liabilities/assets of the Group, which will be settled on a gross basis, grouped by appropriate remaining maturities as at the Balance Sheet date. The amounts denominated in foreign currencies were converted to Polish zloty at average rate of exchange announced by National Bank of Poland at the Balance Sheet date.

31.12.2008 Derivatives settled on a gross basis	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Currency derivatives:						
-outflows	6 719 513	4 394 543	6 353 392	784 894	-	18 252 342
-inflows	6 542 224	4 349 791	6 224 016	837 295	-	17 953 326

31.12.2007 Derivatives settled on a gross basis	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Currency derivatives:						
- outflows	15 352 270	3 284 341	12 341 266	786 180	-	31 764 057
- inflows	15 374 162	3 327 334	12 436 107	765 524	-	31 903 127

IFRS Consolidated Financial Statements 2008 PLN (000's)

The amounts disclosed in the table are undiscounted contractual outflows/inflows.

The amounts presented in the table above are nominal cash flows which have not been settled up yet due to currency derivatives, while the Note 21 shows nominal values of all open by contract derivative transactions.

Detailed data concerning liquidity risk related to off-balance sheet items are presented in the Note 37.

3.8 Fair Value of Financial Assets and Liabilities

Fair value is a price, for which an asset could be exchanged, or an obligation fulfilled, between well informed and interested parties in a direct transaction other than a forced sale or liquidation. The market price, if available, is the best reflection of fair value.

Following market practices the Group values open positions in financial instruments using either mark-to-market method or well established in market practice pricing models (mark-to-model method) which use as inputs market prices or market parameters, and in few cases parameters estimated internally by the Group. All open positions in derivatives (currency or interest rates) are valued by relevant market models fed with prices or parameters observable by market. Domestic commercial papers are mark-to-model (by discounting cash flows), which in addition to market (zero coupon) interest rate curve uses credit spreads estimated internally. If the credit spread had increased by 20 basic points, the valuation of commercial papers would have been lower by PLN 5.4 million. One mezzanine finance deal is valued by a model which uses historical volatility estimated from market observable share prices.

The Group estimated that the fair value of variable rate and short-term (less than 1 year) fixed rate financial instruments was equal to the balance sheet values of such items.

In addition, the Group assumed that the estimated fair value of fixed interest instruments with maturities longer than 1 year was based on discounted cash flows. The discounting factor used to discount cash for such financial instruments was based on the zero coupon curve.

The following table presents a summary of balance sheet and fair values for each group of financial assets and liabilities not recognized in the Balance Sheet of the Group at their fair values.

	31.12.2008		**31.12.2007**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Loans and advances to banks	**6 104 093**	**6 104 093**	**2 089 936**	**2 089 932**
Loans and advances to customers	**52 142 477**	**52 045 697**	**33 682 665**	**33 869 929**
Loans and advances to individuals	***26 358 681***	***26 355 549***	***13 692 771***	***13 691 515***
current accounts	3 358 878	3 358 878	2 184 779	2 184 779
term loans including:	22 999 803	22 996 671	11 507 992	11 506 736
- housing and mortgage loans	21 453 528	21 453 333	10 597 448	10 597 069
Loans and advances to corporate entities	***24 451 911***	***24 359 569***	***18 978 524***	***19 167 044***
current accounts	3 649 710	3 649 710	2 688 130	2 688 130
term loans	18 352 141	18 324 187	13 864 715	14 053 235
- corporate & institutional enterprises	4 004 260	3 989 506	2 934 338	2 921 539
- medium & small enterprises	14 347 881	14 334 681	10 930 377	11 131 696
reverse repo / buy sell back transactions	407 579	407 579	669 018	669 018
other	2 042 481	1 978 093	1 756 661	1 756 661
Loans and advances to public sector	***663 201***	***661 895***	***598 841***	***598 841***
Other receivables	***668 684***	***668 684***	***412 529***	***412 529***
Assets available for sale				
Debt securities unlisted	**51 972**	**51 972**	**64 008**	**64 008**
Equity securities unlisted	**88 436**	**88 436**	**378 562**	**378 562**
Financial liabilities				
Amounts due to other banks	**27 488 807**	**27 488 667**	**12 245 867**	**12 245 732**
Amounts due to customers	**37 750 027**	**37 722 896**	**32 401 863**	**32 384 977**
Debt securities in issue	**1 790 745**	**1 790 594**	**2 928 414**	**2 927 792**

The following sections present the key assumptions and methods used by the Group for estimation of the fair values of financial instruments:

Amounts due from banks. The fair values of variable interest deposits and fixed interest deposits with less than 1 year to maturity approximates the balance sheet carrying amounts.

Loans and advances to customers are disclosed at net values adjusted for impairment write-offs. The fair value of fixed interest rate loans and advances granted to customers with more than 1 year to maturity was calculated as value of expected future receivables on the account of principal and interest discounted on the basis of zero-coupon curve, including credit spread. It was assumed that credits and loans would be repaid on dates set in agreements. The fair values of credits with recognised impairment are equal to their net balance sheet values that take account of all premises indicative of impairment of the value of such credits. So estimated fair value of credits and loans reflects changes in credit risk from the grant of each credit/loan and changes in interest rates for fixed rate credits.

As at 31 December 2008 the value of loans and advances to customers includes the value of bonds of the following companies: ABC Data Holding SA (bonds with embedded warrant), Internet Group SA (bonds with embedded warrant). The aforementioned bonds were taken up by the Bank. The maturity dates for the bonds fall in 2012 and 2013 with earlier redemption clause. Because of complicated agreements and lack of analogous transactions at the Polish market in relation to bonds of the company ABC Data Holding SA it is not possible to determine reliably the fair value of acquired instruments at the moment of the transaction.

So, the Bank, abiding by the principle of prudence, recognised the transactions at acquisition cost being also the nominal value of the acquired bonds.

As at 31 December 2008 the Bank valued share warrants embedded in bonds of Internet Group SA. The valuation in the amount of PLN 767 thousand was recognised in the Balance Sheet under the item "Derivative financial instruments" and reflected in the Profit and Loss Account.

Additionally, as at 31 December 2007 the Bank held bonds of JM Holdings S.a.r.l. (exchange bonds), which were redeemed in June 2008.

All acquired bonds were classified as credit receivables undergoing tests for impairment and valuation at amortised cost.

Available for sale financial assets. Listed available for sale financial instruments held by the Group are valued at fair value. The fair value of the unlisted at active market debt securities is calculated by the use of zero-coupon curve (including credit spread). The model of spread determination in the case of illiquid commercial papers was extended in order to reflect the costs of unexpected credit loss component of the credit spread more precisely. Since November 2008 the above element has been a product of portfolio CVAR risk contribution (modeled by Enhanced Credit Risk Plus model at 99,90% confidence level) of given issuance as a measure of UL and estimation of required return on BRE equity (CAPM model based on WSE data) as a measure of equity / UL costs.

The Group was unable to prepare reliable fair value estimates for unlisted equity instruments and it used the acquisition price adjusted for impairment losses for the balance sheet valuation purposes.
The Group applied this rule concerning equity instruments to the shares of Powszechny Zakład Ubezpieczeń (PZU SA).

The Group holds 653 660 shares of PZU SA, representing 0.76% of the share capital; their book value is PLN 73 988 480.48. PZU SA is Poland's largest property insurer and the owner of the life insurer PZU Życie SA.

Shares of PZU SA are not listed in a regulated market. Shareholders frequently trade in its shares but this usually involves small packages of employee-held shares. The market is liquid to an extent, but in view of a conflict between the major shareholders and due to the fact that the potential IPO date of PZU SA remains unknown, the transaction prices are believed to include a large discount. It is estimated that the actual value is between PLN 180 and PLN 400 per share.

Financial Liabilities. Financial instruments on the liabilities side include the following:

1. Contracted borrowings;
2. Liabilities resulting from the issue of securities;
3. Deposits.

The fair value for these fixed interest rate financial liabilities with more than 1 year to maturity is based on cash flows from principal and interest repayments discounted by a discounting factor based on zero coupon curve.

The Group assumed that the fair values of such variable interest rate instruments or fixed interest rate instruments with less than 1 year to maturity was equal to the balance sheet values of the instruments.

The fair value of the listed debt securities issued was calculated on the basis of the quoted market prices.

Credit risk exposures relating to off-balance sheet items. As at 31 December 2008 the fair value of financial guarantees amounted to PLN 11 644 thousand (31 December 2007: PLN 9 850 thousand). As at 31 December 2008 and 31 December 2007 the fair value of lending commitments did not significantly differ from their carrying amount.

3.9 Other Business

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. In connection with these, the Group makes decisions concerning allocation, purchase and sale of numerous financial instruments of many types. Assets held in a fiduciary capacity are not disclosed in these financial statements.

4. 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 Profit and Loss Account, 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 20.2 million or increase by PLN 27.0 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.

Credit risk management connected with changes in market conditions was described under Note 3, in the part regarding the impact of the worldwide turmoil on financial and insurance risk management.

The matters regarding valuation of bonds acquired under mezzanine transactions were described in the Note 3.8.

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. The matter regarding changes in market conditions on valuation of trading book of the Group (containing inter alia derivatives) was presented in the
Note 3.4.

Impairment of equity securities available for sale

Impairment is regarded to occur if 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.

The matter regarding valuation of shares of PZU SA was presented in the Note 3.8.

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. the Balance Sheet date, separately for each category of debt security. Impairment is recognised, if issuer incurs a loss not covered by its 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 Profit and Loss Account.

As at 31 December 2008 there are no debt financial instruments available for sale threatened with significant and prolonged declines in fair values which would result in charges due to estimated impairment of these instruments reflected in the Profit and Loss Account.

For the purpose of the analysis, the declines in particular securities ratings that decreased by four rating classes were assumed to be significant and prolonged declines in fair values of available for sale debt securities.

Technical-insurance provisions

Provision for unpaid compensations and benefits which were notified to the insurer and in relation to which the information held does not enable to make an assessment is calculated using a lump sum method. Values of lump sum-based ratios for particular risks were established on the basis of information concerning loss arising from the given risk.
As at the end of 2008 provision for damages 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 expected loss-based ratio. The expected loss-based ratios rely upon available market studies concerning average value of loss arising from given group of risks.

5. 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, custody services, credit and debit cards, consumer and mortgage loans, term deposits for retail customers, small and medium-sized enterprises, financial settlements, operations on bills of exchange, checks and guarantees issue.

Since the beginning of the fourth quarter of 2007, the results of Retail Banking include the results of foreign branches of mBank: mBank Czech Republic and mBank Slovakia. Within the year 2008 the branches provided basic products such as current and savings accounts as well as cash loans and mortgage loans. The aim is to operate a full scope of services typical of retail banking.

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 beginning of the second half of 2008 the company emFinanse operated on the market of financial agents and advisors and it was selling bank products. In June 2008 the restructuring process began in order to strengthen the sales network of BRE Bank Retail Banking products, converting of emFinanse outlets into a sales network of BRE Bank Retail Banking products. The restructuring was definitely completed and currently the company continues its activity but in a limited scope (mBank Mobile project - the company provides telecommunication services, the first in Poland virtual operator of mobile telephony). 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:

2.1) Corporates and Institutions, including current accounts, savings accounts and term deposits, FX products and derivative instruments, trust and fiduciary activities, sell buy back and buy sell back transactions, 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 segment 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 client, merger and acquisition advisory, corporate restructuring consulting and privatization projects. The sub-segment has also comprised the results of BRE Holding Sp. z o.o. since the first quarter of 2008.

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 of exchange and certificates of deposit) single-handedly and in syndicates with other banks.

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 segment 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. Proprietary investment also includes the results of Garbary Sp. z o.o. and BRE Finance France SA.

3) Asset Management (discontinued operations) includes the activity of PTE Skarbiec-Emerytura SA (PTE) for the first half of 2008. On 30 June 2008 PTE Skarbiec-Emerytura SA and Aegon PTE SA were merged together and on 30 December 2008 the Group sold the shares of Aegon PTE SA, which were taken over as a result of the merger of the companies. Results of the transactions of merger and sale were also included in the results of this area. Detailed information concerning the merger, sale and discontinued operations was presented under the Note 28 of these financial statements.

4) 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 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 Balance Sheet, 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 in full 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 01.01.2008 to 31.12.2008
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**654 209**	**92 598**	**680 076**	**(18 910)**	**(13 091)**	**-**	**1 394 882**
- sales to external clients	757 570	250 845	394 932	2 430	(10 895)	-	1 394 882
- sales to other segments	(103 361)	(158 247)	285 144	(21 340)	(2 196)	-	-
Net fee and commission income	**375 728**	**(23 199)**	**163 040**	**13 795**	**(1 795)**	**37 690**	**565 259**
- sales to external clients	353 060	(4 527)	167 036	13 795	(1 795)	37 690	565 259
- sales to other segments	22 668	(18 672)	(3 996)	-	-	-	-
Unallocated costs							-
Gross profit / (loss) of the segment	**355 729**	**261 673**	**241 510**	**109 768**	**27 813**	**3 622**	**1 000 115**
Profit on operating acitivities							1 000 115
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit (before tax)							1 000 115
Corporate income tax							(110 771)
Net profit attributable to minority interest							31 885
Net profit (after tax)							857 459
Assets of the segment	**28 934 813**	**28 056 158**	**27 276 331**	**-**	**981 556**	**(2 643 656)**	**82 605 202**
Total assets							82 605 202
Segment's liabilities	**44 519 300**	**13 530 756**	**21 980 940**	**-**	**531 864**	**(2 005 694)**	**78 557 166**
Total liabilities							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	(114 323)	(10 505)	(75 005)	(963)	(3 300)	376	(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)	-	(3)	-	(142 114)
- other costs without outflows	-	*(4 067 265)*	*(63 730)*	-	*(3)*	-	*(4 130 998)*
- other income without inflows	-	*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 results as well as movements in technical-insurance provisions.

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

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2007 to 31.12.2007
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investment Activity					
Net interest income	**556 947**	**63 964**	**431 516**	**(12 979)**	**(1 129)**	**(7 129)**	**1 031 190**
- sales to external clients	633 704	73 846	327 355	3 407	7	(7 129)	1 031 190
- sales to other segments	(76 757)	(9 882)	104 161	(16 386)	(1 136)	-	-
Net fee and commission income	**392 657**	**(17 400)**	**189 977**	**26 978**	**(712)**	**-**	**591 500**
- sales to external clients	374 336	(1 808)	192 706	26 978	(712)	-	591 500
- sales to other segments	18 321	(15 592)	(2 729)	-	-	-	-
Unallocated costs							-
Gross profit / (loss) of the segment	**444 811**	**131 930**	**227 507**	**91 285**	**80 808**	**(21 796)**	**954 545**
Profit on operating acitivities							954 545
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit (before tax)							954 545
Corporate income tax							(206 928)
Net profit attributable to minority interest							37 523
Net profit (after tax)							710 094
Assets of the segment	**22 304 587**	**21 231 555**	**14 201 223**	**501 522**	**759 334**	**(3 056 321)**	**55 941 900**
Total assets							55 941 900
Segment's liabilities	**31 534 832**	**9 870 498**	**12 927 618**	**12 543**	**632 240**	**(2 477 154)**	**52 500 577**
Total liabilities							52 500 577
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(170 508)	(12 094)	(91 711)	(1 853)	(9 292)	-	(285 458)
Amortisation/depreciation	(99 443)	(7 937)	(63 136)	(1 117)	(3 057)	(2 082)	(176 772)
Losses on credits and loans	(233 292)	(6 409)	(38 039)	-	(1 221)	-	(278 961)
Other costs/ income without cash outflows/ inflows*	-	(51 781)	(1)	-	-	-	(51 782)
- other costs without outflows	-	*(1 308 542)*	*(1)*	-	-	-	*(1 308 543)*
- other income without inflows	-	*1 256 761*	-	-	-	-	*1 256 761*

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

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

IFRS Consolidated Financial Statements 2008 PLN (000's)

6. Net Interest Income

	Year ended 31 December	
	2008	**2007**
Interest income		
Loans and advances including the unwind of the impairment provision discount	2 676 885	1 713 284
Cash and short-term placements	394 903	268 495
Investment securities	317 533	184 481
Trading debt securities	238 251	154 418
Other	9 650	34 601
	3 637 222	**2 355 279**
Interest expense		
Arising from amounts due to banks and customers	(2 009 607)	(1 095 770)
Arising from issue of debt securities	(150 895)	(168 682)
Other borrowed funds	(82 086)	(58 460)
Other	(2 182)	(4 584)
	(2 244 770)	**(1 327 496)**

Interest income related to financial assets which have been impaired amounted to PLN 56 350 thousand (PLN 12 555 thousand in 2007).

Net interest income per segment is as follows:

	Year ended 31 December	
	2008	**2007**
Interest income		
From banking sector	410 773	356 401
From clients, including:	3 226 449	1 998 878
- corporate clients	1 685 798	1 123 590
- individual clients	1 039 125	590 494
- public sector	501 526	284 794
	3 637 222	**2 355 279**
Interest expense		
From banking sector	(704 926)	(464 609)
From clients, including:	(1 358 328)	(847 590)
- corporate clients	(629 150)	(603 129)
- individual clients	(648 000)	(203 587)
- public sector	(81 178)	(40 874)
Own issue	(181 516)	(15 297)
	(2 244 770)	**(1 327 496)**

7. Net Fee and Commission Income

	Year ended 31 December	
	2008	**2007**
Fee and commission income		
Credit-related fees and commissions	178 992	201 515
Payment cards-related fees	206 445	152 787
Commissions from insurance activity	89 659	-
Fees from brokerage activity	73 491	138 611
Commissions from money transfers	72 718	76 074
Commissions from bank accounts	62 175	45 398
Guarantees granted and trade finance commissions	39 257	39 182
Commissions on trust and fiduciary activities	10 164	10 997
Fees from portfolio-management services and other management-related fees	8 385	10 755
Other	103 177	109 918
	844 463	**785 237**
Fee and commission expense		
Payment cards-related fees	(143 629)	(106 854)
Brokerage fees discharged	(20 713)	(24 094)
Other fees discharged	(128 655)	(90 011)
	(292 997)	**(220 959)**

The amount of other fees discharged comprises mainly commissions paid for the sale of the Group's products to external customers.

In 2008 commissions from insurance activity comprise income from insurance intermediation in the amount of PLN 87 717 thousand and income from insurance policies administration in the amount of PLN 1 942 thousand.

IFRS Consolidated Financial Statements 2008 PLN (000's)

8. Dividend Income

	Year ended 31 December	
	2008	**2007**
Trading securities	1 699	2
Securities available for sale	7 730	2 325
Total dividend income	**9 429**	**2 327**

9. Net Trading Income

	Year ended 31 December	
	2008	**2007**
Foreign exchange result	**517 314**	**434 956**
Foreign exchange differences from the translation (net)	417 755	506 744
Net transaction gains and losses	99 559	(71 788)
Other net trading income	**(33 459)**	**51 512**
Interest-bearing instruments	(28 564)	18 522
Equities	(8 394)	23 444
Market risk instruments	3 499	9 546
Total net trading income	**483 855**	**486 468**

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.

In 2008 valuation of currency derivatives resulted in decrease of valuation by PLN 56 613 thousand included under the item "Net transaction gains and losses".

10. Other Operating Income

	Year ended 31 December	
	2008	**2007**
Income from sale or liquidation of fixed assets, intangible assets and assets held for resale	172 184	148 449
Income from services provided	44 274	49 417
Income from insurance activity net	20 513	-
Income due to release of provisions for future commitments	10 213	15 801
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	5 048	2 553
Income from the release of impairment provisions for tangible fixed assets and intangible assets	-	1 830
Income from compensation, penalties and fines received	419	513
Other	13 854	31 098
Total other operating income	**266 505**	**249 661**

Income from sale or liquidation of tangible fixed assets, intangible assets as well as assets held for resale 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.

IFRS Consolidated Financial Statements 2008 PLN (000's)

Income from insurance activity, net in 2008

	Year ended 31 December 2008
Income from premiums	
- Premiums attributable	108 551
- Change in provision for premiums	(63 299)
Premium revenue	**45 252**
Reinsurance contracts	
- Premiums attributable	(21 517)
- Change in provision for premiums	5 956
Premiums on reinsurer's share	**(15 561)**
Net premiums	**29 691**
Compensations and benefits	
- Compensations and benefits paid out in the current year including costs of liquidation before tax	(9 513)
- Change in provision for compensations and benefits paid out in the current year including costs of liquidation before tax	(15 148)
- Compensations and benefits paid out in the current year including reinsurer's share of costs of liquidation	8 593
- Change in provision for compensations and benefits paid out in the current year including reinsurer's share of costs of liquidation	8 799
Compensations and benefits net	**(7 269)**
- Other costs on own share	(1 942)
- Other operating income	33
Insurance income net, total	**20 513**

11. Overhead Costs

	Year ended 31 December 2008	2007
Staff-related expenses (Note 13)	(738 697)	(628 586)
Material costs	(561 476)	(447 729)
Taxes and fees	(26 598)	(12 191)
Contributions and transfers to the Bank Guarantee Fund	(6 923)	(5 438)
Contribution to the Social Benefits Fund	(5 483)	(4 326)
Other	(7 424)	(5 049)
Total overhead costs	**(1 346 601)**	**(1 103 319)**

"Material costs" consist of tangible assets operating lease payment costs (mainly real estate) of PLN 22 605 thousand (2007: PLN 30 053 thousand).

12. Other Operating Expenses

	Year ended 31 December 2008	2007
Costs arising from sale or liquidation of fixed assets, intangible assets and assets held for resale	(114 627)	(89 775)
Costs arising from provisions created for other receivables (excluding loans and advances)	(8 604)	(1 111)
Provisions for future commitments	(4 935)	(8 565)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(4 464)	(3 698)
Donations made	(3 360)	(2 630)
Costs of services provided	(1 968)	(3 957)
Costs arising from impairment provisions created for tangible fixed assets and intangible assets under financial lease agreements and rentals	-	(1 367)
Compensation, penalties and fines paid	(790)	(402)
Costs arising from impairment provisions created for tangible fixed assets and intangible assets	-	(367)
Other operating costs	(14 358)	(20 470)
Total other operating expenses	**(153 106)**	**(132 342)**

Costs arising from sale or liquidation of fixed assets, intangible assets and assets held for disposal comprise primarily the expenses incurred by BRE.locum in connection with its developer activity.

Costs of services provided concern non-banking services.

IFRS Consolidated Financial Statements 2008 PLN (000's)

13. Staff Costs

	Year ended 31 December 2008	2007
Wages and salaries	(593 902)	(521 439)
Social security expenses	(82 483)	(64 414)
Pension fund expenses	(1 091)	(3 433)
Remuneration settled in the form of shares and share options	(18 898)	(648)
Other staff expenses	(42 323)	(38 652)
Staff-related expenses, total	**(738 697)**	**(628 586)**

The average level of employment in the Group in the year 2008 was 6 982 persons (2007: 5 826).

The additional information related to share-based payment has been presented in the Note 42 "Retained earnings".

14. Impairment Losses on Loans and Advances

	Year ended 31 December 2008	2007
Impairment losses on amounts due from other banks (Note 19)	(21 894)	(631)
Impairment losses on off-balance sheet contingent liabilities due to other banks (Note 34)	(287)	(247)
Impairment losses on loans and advances to customers (Note 22)	(233 747)	(71 213)
Impairment losses on off-balance sheet contingent liabilities due to customers (Note 34)	(13 216)	(4 719)
Total impairment losses on loans and advances	**(269 144)**	**(76 810)**

15. Income Tax Expense

	Year ended 31 December 2008	2007
Current tax	(306 606)	(232 819)
Deferred income tax (Note 35)	198 171	48 241
Total income tax	**(108 435)**	**(184 578)**
Profit before tax	**867 146**	**845 555**
Tax calculated at Polish current tax rate (19%)	(164 758)	(160 655)
Effect of different tax rates in other countries	(2 677)	(2 070)
Income not subject to tax	42 219	7 136
Costs other than tax deductible costs	(47 409)	(21 509)
Other positions affecting income tax	64 190	(7 235)
Utilisation of previously unrecognized tax losses	-	(245)
Income tax expense	**(108 435)**	**(184 578)**
Effective tax rate calculation		
Profit before income tax	867 146	845 555
Income tax	(108 435)	(184 578)
Effective tax rate	**12.50%**	**21.83%**

In 2008 the item "Other positions affecting income tax" comprises tax result on the sale of the shares of Aegon PTE SA.

Further information about deferred income tax is presented in the Note 35. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as presented above.

Effective tax rate 12.50% mainly comes from result on the sale for redemption purposes of Vectra SA and tax loss on the sale of the Aegon PTE's shares.

IFRS Consolidated Financial Statements 2008 PLN (000's)

16. Earnings per Share

Earnings per share for 12 months – continued operations

	Year ended 31 December	
	2008	**2007**
Basic:		
Net profit from continued operations attributable to the Bank's equity holders	726 826	623 454
Weighted average number of ordinary shares	29 680 542	29 578 675
Net basic profit per share (in PLN per share)	**24.49**	**21.08**
Diluted:		
Net profit from continued operations attributable to the Bank's equity holders applied for calculation of diluted earnings per share	726 826	623 454
Weighted average number of ordinary shares	29 680 542	29 578 675
Adjustments for:		
- stock options for employees	20 704	29 464
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 701 246	29 608 139
Diluted earnings per share (in PLN per share)	**24.47**	**21.06**

Earnings per share for 12 months – together continued and discontinued operations

	Year ended 31 December	
	2008	**2007**
Basic:		
Net profit attributable to the Bank's equity holders	857 459	710 094
Weighted average number of ordinary shares	29 680 542	29 578 675
Earnings per 1 ordinary share (in PLN per share)	**28.89**	**24.01**
Diluted:		
Net profit attributable to the Bank's equity holders applied for calculation of diluted earnings per share	857 459	710 094
Weighted average number of ordinary shares	29 680 542	29 578 675
Adjustments for:		
- stock options for employees	20 704	29 464
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 701 246	29 608 139
Diluted earnings per share (in PLN per share)	**28.87**	**23.98**

The basic earnings per share is computed as the quotient of the Bank stockholders' share of the profit and the weighted average number of ordinary shares during the year.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares as if all possible ordinary shares causing the dilution were replaced with shares. The Bank has one category of potential ordinary shares causing the dilution: share options. The number of diluting shares is computed as the number of shares that would be issued if all share options were realised at the market price, determined as the average annual closing price of the Bank's shares.

According to IAS 33, the Bank prepares a calculation of the so-called "diluted earnings per share", taking account of share purchase options granted to employees.

The Bank conducted two option programs from 1 January 2007 to 31 December 2008. The programs were valued in accordance with IFRS 2.

The employee options program (initiated in May 2003) assumes that the members of the Bank's Management will receive 500 000 options to be exercised in phases between 1 June 2005 and 30 June 2008. Under these options, the employees may have assumed 500 000 of newly issued shares of the Bank.

On 14 March 2008, the Ordinary General Meeting of BRE Bank adopted a resolution approving an incentive program for Management Board Members of the Bank. Under the program, the Management Board Members can acquire bonds with the pre-emptive right to acquire shares of the Bank and shares of the ultimate parent of the Group, Commerzbank AG.

The detailed information concerning remuneration program based on and settled in shares was described in the Note 42.

IFRS Consolidated Financial Statements 2008 PLN (000's)

17. Cash and Balances with Central Bank

	31.12.2008	31.12.2007
Cash in hand	143 340	96 818
Current account	2 368 993	1 906 717
Total cash and balances with the Central Bank (Note 44)	**2 512 333**	**2 003 535**
Including: mandatory reserve deposit	1 190 991	965 707

The mandatory reserve is held in an account with the Central Bank and in the Bank's hand. As at 31 December 2008, the former part of the reserve bore 4.73% interest (31 December 2007: 4.73%).

18. Debt Securities Eligible for Rediscounting at the Central Bank

Debt securities eligible for rediscounting are bills of exchange issued by non-financial organizations with maturities up to 3 months.

19. Loans and Advances to Banks

	31.12.2008	31.12.2007
Current accounts	192 296	87 756
Placements with other banks	4 268 514	638 590
Included in cash equivalents (Note 44)	**4 460 810**	**726 346**
Loans and advances	936 315	687 558
Reverse repo / buy-sell-back transactions	515 694	513 866
Other receivables	222 288	167 375
Total (gross) loans and advances to banks	**6 135 107**	**2 095 145**
Provisions created for loans and advances to banks (negative amount)	(31 014)	(5 209)
Total (net) loans and advances to banks	**6 104 093**	**2 089 936**
Short-term (up to 1 year)	5 766 396	1 851 413
Long-term (over 1 year)	337 697	238 523

The following table presents receivables from Polish and foreign banks:

	31.12.2008	31.12.2007
Loans and advances to Polish banks (gross)	847 391	618 539
Provisions created for loans and advances to Polish banks	(57)	(247)
Loans and advances to foreign banks (gross)	5 287 716	1 476 606
Provisions created for loans and advances to foreign banks	(30 957)	(4 962)
Total (net) loans and advances to banks	**6 104 093**	**2 089 936**

The variable rate loans to banks amount to PLN 860 452 thousand and the fixed rate loans to banks amounted to PLN 54 670 thousand (as at 31 December 2007 – variable rate loans to banks amounted to PLN 558 833 thousand and fixed rate loans: PLN 31 178 thousand). An average deposit interest rate for deposits in other banks and loans granted to banks amounted to 5.32% (31 December 2007: 4.86%).

The following table presents the changes in allowance for losses on amounts due from banks:

	31.12.2008	31.12.2007
Provisions for loans and advances to banks as at the beginning of the period	**5 209**	**4 578**
Increase (due to)	25 805	631
- provisions created (Note 14)	21 894	631
- foreign exchange differences	3 911	-
Provisions for loans and advances to banks as at the end of the period	**31 014**	**5 209**

Provisions for loans and advances to banks in 2008 comprise provisions PLN 26 212 thousand for receivables analysed on an individual basis.

IFRS Consolidated Financial Statements 2008 PLN (000's)

20. Trading Securities and Pledged Assets

	31.12.2008	31.12.2007
Debt securities:	**5 713 217**	**6 985 554**
Government bonds included in cash equivalents and pledged government bonds (sell-buy-back transactions) (Note 44), including:	836 767	4 733 535
- pledged government bonds (sell-buy-back transactions) (Note 38)	716 356	2 717 473
Treasury bills included in cash equivalents and pledged treasury bills (sell-buy-back transactions) (Note 44), including:	874 579	25 623
- pledged treasury bills (sell-buy-back transactions) (Note 38)	380 428	14 362
Other debt securities	4 001 871	2 226 396
Equity securities:	**8 188**	**4 263**
- listed	8 188	4 263
Debt and equity securities, including:	**5 721 405**	**6 989 817**
- Trading securities	*4 624 621*	*4 257 982*
- Pledged assets (Note 38)	*1 096 784*	*2 731 835*

Government bonds include securities used to secure sell-buy-back transactions with customers, the market value of which as at 31 December 2008 amounted to PLN 716 356 thousand (31 December 2007: PLN 2 717 473 thousand). The bonds are disclosed separately within the "Pledged assets" in the Balance Sheet.

Treasury bills include bills used to secure sell-buy-back transactions with customers, the market value of which as at 31 December 2008 amounted to PLN 380 428 thousand (31 December 2007: PLN 14 362 thousand). The bills are disclosed separately within the "Pledged assets" in the Balance Sheet.

"Debt securities" include treasury bills eligible for rediscounting issued by the Polish Treasury for a period of up to one year. All treasury notes bear fixed interest rates.

The above note includes neither government bonds nor Treasury bills pledged under the Bank Guarantee Fund of PLN 176 592 thousand (31 December 2007: PLN 80 442 thousand), which have been classified into investment securities (the Note 23).

21. Derivative Financial Instruments and Other Trading Liabilities

The Group uses the following derivative instruments for hedging and for other purposes:

Forward currency transactions represent commitments to purchase foreign and local currencies, including outstanding spot transactions. **Futures for currencies and interest rates** are contractual commitments to receive or pay a specific net value, depending on currency rate of exchange or interest rate variations, or to buy or sell a foreign currency or a financial instrument on a specified future date for a fixed price established on the organized financial market. Because futures contracts are collateralized with fair-valued cash or securities and the changes of the face value of such contracts are accounted for daily in reference to stock exchange quotations, the credit risk is marginal. **FRA contracts** are similar to futures except that each of them is negotiated individually and each requires payment on a specific future date of the difference between the interest rate set in the agreement and the current market rate on the basis of theoretical amount of capital.

Currency and interest rate swap contracts are commitments to exchange one cash flow for another cash flow. Such a transaction results in swap of currencies or interest rates (e.g., fixed to variable interest rate) or combination of all these factors (e.g., inter-currency interest rate swap contracts). With the exception of specific currency swap contracts, such transactions do not result in swaps of capital. The credit risk of the Group consists of the potential cost of replacing swap contracts if the parties fail to discharge their liabilities. This risk is monitored daily by reference to the current fair value, proportion of the face value of the contracts and market liquidity. The Group evaluates the parties to such contracts using the same methods as for its credit business, to control the level of its credit exposure.

Currency and interest rate options are agreements, pursuant to which the selling party grants the buying party the right, but not an obligation, to purchase (call option) or sell (put option) a specific quantity of a foreign currency or a financial instrument at a predefined price on or by a specific date or within an agreed period. In return for accepting currency or interest rate risk, the buyer offers the seller a premium. An option can be either a public instrument traded at a stock exchange or a private instrument negotiated between the Group and a customer (private transaction). The Group is exposed to credit risk related to purchased options only up to the balance sheet value of such options, i.e. the fair value of the options.

Face values of certain types of financial instruments provide a basis for comparing them to instruments disclosed in the Balance Sheet but they may not be indicative of the value of the future cash flows or of the present fair value of such instruments. For this reason, the face values do not indicate the level of the Group's exposure to credit risk or price change risk. Derivative instruments can have positive value (assets) or negative value (liabilities),

IFRS Consolidated Financial Statements 2008 PLN (000's)

depending on market interest or currency exchange rate fluctuations. The aggregate fair value of derivative financial instruments may be subject to strong variations.
The following table presents the fair values of the derivatives held by the Group:

	Contract amount		Fair value	
	purchase	**disposal**	**assets**	**liabilities**
As at 31 December 2008				
Derivatives held for trading				
Foreign exchange derivatives				
- Currency forwards	16 503 882	16 135 075	615 328	191 351
- Currency swaps	11 380 057	12 090 905	410 042	1 141 798
- Cross-currency interest rate swaps	6 710 761	6 755 264	518 271	513 708
- OTC currency options bought and sold	10 393 957	11 311 674	1 169 471	908 457
Total OTC derivatives	**44 988 657**	**46 292 918**	**2 713 112**	**2 755 314**
Total foreign exchange derivatives	**44 988 657**	**46 292 918**	**2 713 112**	**2 755 314**
Interest rate derivatives				
- Interest rate swap, OIS	163 567 075	163 567 074	2 281 861	2 912 871
- Forward rate agreements	102 672 586	131 095 000	599 517	470 713
- OTC interest rate options	518 134	509 829	15 296	13 742
Total OTC interest rate derivatives	**266 757 795**	**295 171 903**	**2 896 674**	**3 397 326**
Total interest rate derivatives	**266 757 795**	**295 171 903**	**2 896 674**	**3 397 326**
Market risk transactions	**750 581**	**647 227**	**23 086**	**21 851**
Total derivative assets / liabilities held for trading	**312 497 033**	**342 112 048**	**5 632 872**	**6 174 491**
Total recognised derivative assets/ liabilities	**312 497 033**	**342 112 048**	**5 632 872**	**6 174 491**
Total recognised derivative assets/ liabilities and other trading liabilities	**312 497 033**	**342 112 048**	**5 632 872**	**6 174 491**
Short-term (up to 1 year)	217 363 511	242 866 362	3 613 618	4 389 939
Long-term (over 1 year)	95 133 522	99 245 686	2 019 254	1 784 552

	Contract amount		Fair value	
	purchase	**disposal**	**assets**	**liabilities**
As at 31 December 2007				
Derivatives held for trading				
Foreign exchange derivatives				
- Currency forwards	12 866 925	12 839 154	271 004	195 657
- Currency swaps	23 325 610	23 171 985	657 209	518 362
- Cross-currency interest rate swaps	5 124 220	5 015 620	88 104	84 247
- OTC currency options bought and sold	5 373 192	6 162 540	144 038	230 131
Total OTC derivatives	**46 689 947**	**47 189 299**	**1 160 355**	**1 028 397**
Total foreign exchange derivatives	**46 689 947**	**47 189 299**	**1 160 355**	**1 028 397**
Interest rate derivatives				
- Interest rate swap, OIS	169 387 142	169 387 142	699 573	760 889
- Forward rate agreements	102 094 000	94 729 280	184 062	146 944
- OTC interest rate options	401 467	405 383	8 351	8 401
Total OTC interest rate derivatives	**271 882 609**	**264 521 805**	**891 986**	**916 234**
- Stock exchange traded interest rate options	-	-	136	-
Total interest rate derivatives	**271 882 609**	**264 521 805**	**892 122**	**916 234**
Market risk transactions	**683 536**	**1 267 794**	**220 161**	**219 583**
Total derivative assets / liabilities held for trading	**319 256 092**	**312 978 898**	**2 272 638**	**2 164 214**
Total recognised derivative assets/ liabilities	**319 256 092**	**312 978 898**	**2 272 638**	**2 164 214**
Total recognised derivative assets/ liabilities and other trading liabilities	**319 256 092**	**312 978 898**	**2 272 638**	**2 164 214**
Short-term (up to 1 year)	234 686 732	229 978 065	1 527 474	1 425 502
Long-term (over 1 year)	84 569 360	83 000 833	745 164	738 712

In all reporting periods, market risk transactions comprise the fair values of: stock index options, shares and other equity securities, futures for commodities, swap contracts for commodities.

As at 31 December 2008 and 31 December 2007 the Group did not have any other assets or financial liabilities in the category of financial liabilities priced at fair value through the Profit and Loss Account.

IFRS Consolidated Financial Statements 2008 PLN (000's)

22. Loans and Advances to Customers

	31.12.2008	31.12.2007
Loans and advances to individuals:	**26 653 688**	**13 876 425**
- overdrafts	3 564 876	2 301 686
- term loans, including:	23 088 812	11 574 739
housing and mortgage loans	21 489 562	10 622 334
Loans and advances to corporate entities:	**25 016 257**	**19 477 259**
- overdrafts	3 757 743	2 768 093
- term loans:	18 740 334	14 234 717
corporate & institutional enterprises	4 035 266	2 962 818
medium & small enterprises	14 705 068	11 271 899
- reverse repo / buy-sell-back transactions	407 579	669 018
- other	2 110 601	1 805 431
Loans and advances to public sector	**663 580**	**599 155**
Other receivables	**668 684**	**412 529**
Total (gross) loans and advances to customers	**53 002 209**	**34 365 368**
Provisions for loans and advances to customers (negative amount)	(859 732)	(682 703)
Total (net) loans and advances to customers	**52 142 477**	**33 682 665**
Short-term (up to 1 year)	16 241 124	13 824 483
Long-term (over 1 year)	35 901 353	19 858 182

As at 31 December 2008, variable and fixed rate credits amounted to PLN 51 957 457 thousand and PLN 966 471 thousand, respectively (as at 31 December 2007: PLN 32 743 697 thousand and PLN 1 006 177 thousand respectively). The values mentioned above relate to loans granted to individual clients, corporate clients and budget sector. An average loan interest rate for loans granted to customers (excluding reverse repos) amounted to 6.57% (31 December 2007: 6.07%).

The Group accepted exchange-listed securities at the fair value of PLN 789 160 thousand (31 December 2007: PLN 956 634 thousand) as collateral for commercial loans.

Provisions for Loans and Advances

	31.12.2008	31.12.2007
Receivables classified as "non-default"		
Gross balance sheet exposure	51 832 118	33 564 991
Impairment provisions for exposures analysed according to portfolio approach	(166 866)	(112 460)
Net balance sheet exposure	**51 665 252**	**33 452 531**
Receivables classified as "default"		
Gross balance sheet exposure	1 170 091	800 377
Provisions for exposures analysed individually	(692 866)	(570 243)
Net balance sheet exposure	**477 225**	**230 134**

Movements in provisions for loans and advances

	31.12.2008	31.12.2007
INDIVIDUALS		
Current accounts		
As at the beginning of the period	**116 907**	**80 463**
increase (due to)	113 773	40 395
- provisions created	113 773	37 311
- reclassification & foreign exchange differences	-	3 084
release (due to)	(24 682)	(3 951)
- release of provisions	(6 845)	(304)
- write-offs	(17 837)	(3 647)
As at the end of the period	**205 998**	**116 907**

IFRS Consolidated Financial Statements 2008 PLN (000's)

Term loans		
As at the beginning of the period	**66 747**	**73 827**
increase (due to)	35 388	14 112
- provisions created	31 814	14 112
- reclassification of provisions & foreign exchange differences	3 574	-
release (due to)	(13 126)	(21 192)
- release of provisions	(6 113)	(12 536)
- reclassification of provisions & foreign exchange differences	-	(3 936)
- write-offs	(7 013)	(4 848)
- other	-	128
As at the end of the period	**89 009**	**66 747**
including:		
Housing and mortgage loans		
As at the beginning of the period	**24 886**	**20 646**
increase (due to)	15 150	7 421
- provisions created	15 143	7 293
- reclassification of provisions & foreign exchange differences	7	-
- other	-	128
release (due to)	(4 002)	(3 181)
- release of provisions	(1 769)	(3 133)
- write-offs	(2 233)	(48)
As at the end of the period	**36 034**	**24 886**
TOTAL - INDIVIDUALS		
As at the beginning of the period	**183 654**	**154 290**
increase (due to)	149 161	54 507
- provisions created	145 587	51 423
- reclassification of provisions & foreign exchange differences	3 574	3 084
release (due to)	(37 808)	(25 143)
- release of provisions	(12 958)	(12 840)
- reclassification & foreign exchange differences	-	(3 936)
- write-offs	(24 850)	(8 495)
- other	-	128
As at the end of the period	**295 007**	**183 654**

	31.12.2008	**31.12.2007**
CORPORATE ENTITIES		
Current accounts		
As at the beginning of the period	**79 963**	**109 245**
increase (due to)	92 952	38 274
- provisions created	83 417	38 274
- reclassification of provisions & foreign exchange differences	9 535	-
release (due to)	(64 882)	(67 556)
- release of provisions	(50 482)	(11 735)
- reclassification of provisions & foreign exchange differences	-	(16 030)
- write-offs	(14 400)	(39 791)
As at the end of the period	**108 033**	**79 963**
Term loans		
As at the beginning of the period	**370 002**	**527 259**
increase (due to)	167 036	109 986
- provisions created	167 036	90 206
- reclassification of provisions & foreign exchange differences	-	15 877
- other	-	3 903
release (due to)	(148 845)	(267 243)
- release of provisions	(115 468)	(96 309)
- reclassification of provisions & foreign exchange differences	(5 241)	(2 183)
- write-offs	(28 136)	(168 751)
As at the end of the period	**388 193**	**370 002**
including:		

Corporate & institutional enterprises		
As at the beginning of the period	**28 480**	**87 427**
increase (due to)	11 817	10 692
- provisions created	11 817	10 692
release (due to)	(9 291)	(69 639)
- release of provisions	(8 422)	(12 727)
- reclassification & foreign exchange differences	(869)	(2 183)
- write-offs	-	(54 729)
As at the end of the period	**31 006**	**28 480**
Medium & small enterprises		
As at the beginning of the period	**341 522**	**439 832**
increase (due to)	155 219	99 294
- provisions created	155 219	79 514
- reclassification of provisions & foreign exchange differences	-	15 877
- other	-	3 903
release (due to)	(139 554)	(197 604)
- release of provisions	(107 046)	(83 582)
- reclassification of provisions & foreign exchange differences	(4 372)	-
- write-offs	(28 136)	(114 022)
As at the end of the period	**357 187**	**341 522**
- Other		
As at the beginning of the period	**48 770**	**46 194**
increase (due to)	33 783	16 557
- provisions created	25 170	16 557
- reclassification of provisions & foreign exchange differences	8 613	-
release (due to)	(14 433)	(13 981)
- release of provisions	(8 620)	(4 583)
- reclassification of provisions & foreign exchange differences	(681)	(2 034)
- write-offs	(5 132)	(7 364)
As at the end of the period	**68 120**	**48 770**
TOTAL - CORPORATE ENTITIES		
As at the beginning of the period	**498 735**	**682 698**
increase (due to)	293 771	164 817
- provisions created	275 623	145 037
- reclassification of provisions & foreign exchange differences	18 148	15 877
- other	-	3 903
release (due to)	(228 160)	(348 780)
- release of provisions	(174 570)	(112 627)
- reclassification of provisions & foreign exchange differences	(5 922)	(20 247)
- write-offs	(47 668)	(215 906)
As at the end of the period	**564 346**	**498 735**

	31.12.2008	**31.12.2007**
PUBLIC SECTOR		
As at the beginning of the period	**314**	**94**
increase (due to)	193	220
- provisions created	193	220
release (due to)	(128)	-
- release of provisions	(128)	-
As at the end of the period	**379**	**314**

IFRS Consolidated Financial Statements 2008 PLN (000's)

TOTAL - MOVEMENTS IN PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS		
As at the beginning of the period	**682 703**	**837 082**
increase (due to)	443 125	219 544
- provisions created (Note 14)	421 403	196 680
- reclassification of provisions & foreign exchange differences	21 722	18 961
- other	-	3 903
release (due to)	(266 096)	(373 923)
- release of provisions (Note 14)	(187 656)	(125 467)
- reclassification of provisions & foreign exchange differences	(5 922)	(24 183)
- write-offs	(72 518)	(224 401)
- other	-	128
As at the end of the period	**859 732**	**682 703**

Loans and advances to customers include finance lease receivables.

Finance Lease Receivables

	31.12.2008	**31.12.2007**
Gross investment in finance leases, receivable:	**4 606 419**	**3 168 011**
- not later than 1 year	1 668 067	1 115 880
- later than 1 year and not later than 5 years	2 717 550	1 998 797
- later than 5 years	220 802	53 334
Unearned future finance income on finance leases (negative amount)	(363 835)	(383 607)
Net investment in finance leases	**4 242 584**	**2 784 404**
Net investment in finance leases, receivable:		
- not later than 1 year	1 625 270	934 942
- later than 1 year and not later than 5 years	2 429 145	1 799 662
- later than 5 years	188 169	49 800
	4 242 584	**2 784 404**

23. Investment Securities and Pledged Assets

	31.12.2008	**31.12.2007**
Debt securities	**7 754 415**	**6 078 433**
Listed, including:	7 702 443	6 014 425
- pledged government bonds (sell-buy-back transactions)	2 171 905	-
- government bonds pledged under the Bank Guarantee Fund	175 300	-
- Treasury bills pledged under the Bank Guarantee Fund	1 292	80 442
Unlisted	51 972	64 008
Equity securities	**96 394**	**388 583**
- listed	7 958	10 021
- unlisted	88 436	378 562
Total securities	**7 850 809**	**6 467 016**
Total investment securities and pledged assets, including:	**7 850 809**	**6 467 016**
- Available for sale securities	*5 502 312*	*6 386 574*
- Pledged assets (Note 38)	*2 348 497*	*80 442*
Short-term (up to 1 year)	1 545 996	3 061 950
Long-term (over 1 year)	6 304 813	3 405 066

The fair values of equity securities presented above include impairment in the amount of PLN 20 941 thousand (31 December 2007: PLN 29 076 thousand).

As at 31 December 2008, the carrying values of debt securities based on fixed interest rate amounted to PLN 2 234 299 thousand and variable interest rate PLN 5 520 116 thousand respectively (31 December 2007: PLN 4 849 093 thousand and PLN 1 318 084 thousand).

The above note includes government bonds and treasury bills under the Bank Guarantee Fund, which are presented in the Balance Sheet in a separate position "Pledged assets" (see the Note 38).

In accordance with the Bank Guarantee Fund Law of 14 December 1994, the Group had PLN 176 592 thousand, at face value PLN 176 320 thousand of treasury papers (bonds and bills) disclosed in its Balance Sheet as at 31

IFRS Consolidated Financial Statements 2008 PLN (000's)

December 2008 (face value as at 31 December 2007: PLN 81 000 thousand). The notes were used as security under the Bank Guarantee Fund and they were deposited in a separate account at the National Bank of Poland.

Gains and Losses from Investment Securities:

	31.12.2008	31.12.2007
Sale / redemption by the issuer of the financial assets available for sale	136 787	3 882
Impairment of available for sale equity securities	(1 022)	(48)
Total gains and losses from investment securities	**135 765**	**3 834**

The biggest material impact on the value of sale/redemption of financial assets available for sale came with the result on the sale of shares of Vectra SA. In accordance with the agreement on sale of shares of Vectra SA ("Vectra") as of 25 January 2008, BRE Bank disposed 9 045 404 shares of par value of PLN 10 each. The Bank disposed the aforementioned shares for total amount of PLN 264 035 thousand. Payment for the shares took place at the date of the transaction. Disposed shares of Vectra constitute 19.95% of share capital, i.e., 11.20% of voting rights at the General Meeting of Vectra.

The book value of Vectra's shares disposed reported by the Bank amounted to PLN 264 035 thousand. The Bank has held no Vectra shares since the transaction.

In 2008, gross and net profit of the BRE Bank Group arising from the transaction amounts to PLN 137 673 thousand, net of transaction costs.

Movements in investment securities and pledged assets:

	31.12.2008	31.12.2007
Available for sale securities and pledged assets		
As at the beginning of the period	**6 467 016**	**3 112 932**
Exchange differences	23 187	(38 993)
Additions	9 042 087	9 879 618
Disposals (sale, redemption and remission)	(7 515 344)	(6 553 660)
Losses from impairment of equity securities and debt securities available for sale	(1 022)	(48)
Gains / (losses) from changes in fair value (Note 41)	(165 115)	67 167
As at the end of the period	**7 850 809**	**6 467 016**

Changes in allowance for losses on investment securities and pledged assets:

	31.12.2008	31.12.2007
Allowance for impairment losses on available for sale securities and pledged assets		
As at the beginning of the period	**(125)**	**(64)**
allowance for impairment	-	(48)
amounts recovered during the period	-	(13)
As at the end of the period	**(125)**	**(125)**
- Unlisted		
As at the beginning of the period	**(28 951)**	**(28 951)**
allowance for impairment	(1 022)	-
amounts written off during the period as uncollectible	9 157	-
As at the end of the period	**(20 816)**	**(28 951)**
Total available for sale securities		
As at the beginning of the period	**(29 076)**	**(29 015)**
allowance for impairment	(1 022)	(48)
amounts written off during the period as uncollectible	9 157	-
amounts recovered during the period	-	(13)
As at the end of the period	**(20 941)**	**(29 076)**

24. Investments in Associates

The Group had the following shares in its major unlisted associates:

31 December 2008 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
Xtrade SA	Poland	1 448	1 799	3 757	772	24.90
Compania de Factoring SA	Romania	131 324	101 110	49 496	1 755	28.12
S-Factoring d.d.	Slovenia	30 141	28 871	1 920	(580)	22.50

31 December 2007 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
Xtrade SA	Poland	1 785	2 861	1 758	(757)	24.90
Compania de Factoring SA	Romania	109 491	101 609	15 225	1 711	28.12

Changes in investments in associates:

	31.12.2008	31.12.2007
As at the beginning of the period	**4 823**	**5 356**
Increase due to:	**12 130**	**1 003**
- purchase	11 374	1 003
- foreign exchange differences	756	-
Decrease due to:	**-**	**(1 536)**
- movement to other group of financial assets	-	(1 203)
- foreign exchange differences	-	(333)
Investments in associates as at the end of the period	**16 953**	**4 823**

25. Intangible Assets

	31.12.2008	31.12.2007
Development costs	2 774	3 591
Goodwill	7 137	7 137
Patents, licences and similar assets, including:	376 316	311 152
- computer software	311 955	277 302
Other intangible assets	5 635	8 018
Intangible assets under development	46 590	75 069
Total intangible assets	**438 452**	**404 967**

Movements in intangible assets:

IFRS Consolidated Financial Statements 2008 PLN (000's)

Movements in intangible assets from 1January 2008 to 31 December 2008	**Development costs**	**Acquired concessions, patents, licences and other similar assets, including:**	acquired computer software	**Other intangible assets**	**Intangible assets under development**	**Goodwill**	**Total intangible assets**	**Assets held for sale (Note 28)**
Gross value of intangible assets as at the beginning of the period: 01.01.2008	**31 959**	**560 110**	**470 300**	**17 699**	**75 069**	**7 137**	**691 974**	**465 321**
Increase (due to)	**-**	**148 041**	**92 732**	**26**	**85 733**	**-**	**233 800**	**-**
- purchase	-	32 397	7 743	26	84 687	-	117 110	-
- transfer from fixed assets under construction	-	1 852	928	-	-	-	1 852	-
- transfer from intangible assets under development	-	109 942	80 221	-	-	-	109 942	-
- first-time inclusion of the company into consolidation, using full consolidation method	-	1 024	1 014	-	836	-	1 860	-
- other increases	-	2 826	2 826	-	210	-	3 036	-
Decrease (due to)	**-**	**(8 886)**	**(1 150)**	**(68)**	**(114 212)**	**-**	**(123 166)**	**(465 321)**
- liquidation	-	(8 886)	(1 150)	(68)	(108)	-	(9 062)	-
- transfer to intangible assets given to use	-	-	-	-	(109 942)	-	(109 942)	-
- other decreases	-	-	-	-	(4 162)	-	(4 162)	(465 321)
Gross value of intangible assets as at the end of the period: 31.12.2008	**31 959**	**699 265**	**561 882**	**17 657**	**46 590**	**7 137**	**802 608**	**-**
Accumulated amortization as at the beginning of the period: 01.01.2008	**(28 368)**	**(248 951)**	**(192 991)**	**(9 681)**	**-**	**-**	**(287 000)**	**(342)**
Amortization for the period (due to)	**(817)**	**(73 991)**	**(56 929)**	**(2 341)**	**-**	**-**	**(77 149)**	**342**
- amortization	(817)	(81 947)	(57 154)	(2 409)	-	-	(85 173)	-
- first-time inclusion of the company into consolidation, using full consolidation method	-	(93)	(93)	-	-	-	(93)	-
- other increases	-	(921)	(916)	-	-	-	(921)	-
- sale	-	8	8	-	-	-	8	-
- liquidation	-	8 869	1 133	68	-	-	8 937	-
- other decreases	-	93	93	-	-	-	125	342
Accumulated amortization as at the end of the period: 31.12.2008	**(29 185)**	**(322 942)**	**(249 920)**	**(12 022)**	**-**	**-**	**(364 149)**	**-**
Impairment losses as at the beginning of the period: 01.01.2008	**-**	**(7)**	**(7)**	**-**	**-**	**-**	**(7)**	**(243 967)**
- decrease	-	-	-	-	-	-	-	243 967
Impairment losses as at the end of the period: 31.12.2008	**-**	**(7)**	**(7)**	**-**	**-**	**-**	**(7)**	**-**
Net value of intangible assets as at the end of the period: 31.12.2008	**2 774**	**376 316**	**311 955**	**5 635**	**46 590**	**7 137**	**438 452**	**-**

Movements in intangible assets from 1January 2007 to 31 December 2007	**Development costs**	**Acquired patents, licences and other similar assets, including:**	acquired computer software	**Other intangible assets**	**Intangible assets under development, including:**	**Goodwill**	**Total intangible assets**	**Assets held for sale (Note 28)**
Gross value of intangible assets as at the beginning of the period: 01.01.2007	**33 119**	**501 275**	**428 233**	**17 587**	**49 093**	**7 137**	**608 211**	**495 774**
Increase (due to)	**1 528**	**78 568**	**56 848**	**112**	**82 219**	**-**	**162 427**	**100**
- purchase	185	14 717	6 407	27	82 183	-	97 112	100
- transfer from fixed assets under construction	-	273	273	85	-	-	358	-
- transfer from intangible assets under development	1 343	52 705	49 997	-	-	-	54 048	-
- first-time inclusion of the company into consolidation, using full consolidation method	-	170	170	-	-	-	170	-
- other increases	-	10 703	1	-	36	-	10 739	-
Decrease (due to)	**(2 688)**	**(19 733)**	**(14 781)**	**-**	**(56 243)**	**-**	**(78 664)**	**(30 553)**
- sale	-	-	-	-	(21)	-	(21)	-
- liquidation	(2 677)	(8 356)	(3 804)	-	-	-	(11 033)	-
- transfer to intangible assets given to use	-	-	-	-	(54 048)	-	(54 048)	-
- sale of the company consolidated previously	-	-	-	-	-	-	-	(30 553)
- other decreases	(11)	(11 377)	(10 977)	-	(2 174)	-	(13 562)	-
Gross value of intangible assets as at the end of the period: 31.12.2007	**31 959**	**560 110**	**470 300**	**17 699**	**75 069**	**7 137**	**691 974**	**465 321**
Accumulated amortization as at the beginning of the period: 01.01.2007	**(28 804)**	**(191 943)**	**(149 533)**	**(6 314)**	**-**	**-**	**(227 061)**	**(5 683)**
Amortization for the period (due to)	**436**	**(57 008)**	**(43 458)**	**(3 367)**	**-**	**-**	**(59 939)**	**5 341**
- amortization	(1 267)	(66 536)	(48 121)	(3 366)	-	-	(71 169)	(34)
- first-time inclusion of the company into consolidation, using full consolidation method	-	(52)	(52)	-	-	-	(52)	-
- other increases	(985)	-	-	(1)	-	-	(986)	-
- sale of the company consolidation previously	-	-	-	-	-	-	-	5 375
- liquidation	2 677	8 351	3 799	-	-	-	11 028	-
- other decreases	11	1 229	916	-	-	-	1 240	-
Accumulated amortization as at the end of the period: 31.12.2007	**(28 368)**	**(248 951)**	**(192 991)**	**(9 681)**	**-**	**-**	**(287 000)**	**(342)**
Impairment losses as at the beginning of the period: 01.01.2007	**-**	**(39)**	**(39)**	**-**	**-**	**-**	**(39)**	**(239 466)**
- increase	-	-	-	-	-	-	-	(4 501)
- decrease	-	32	32	-	-	-	32	-
Impairment losses as at the end of the period: 31.12.2007	**-**	**(7)**	**(7)**	**-**	**-**	**-**	**(7)**	**(243 967)**
Net value of intangible assets as at the end of the period: 31.12.2007	**3 591**	**311 152**	**277 302**	**8 018**	**75 069**	**7 137**	**404 967**	**221 012**

IFRS Consolidated Financial Statements 2008 PLN (000's)

26. Tangible Fixed Assets

	31.12.2008	31.12.2007
Tangible fixed assets, including:	771 627	615 443
- land	10 937	7 990
- buildings and constructions	247 270	226 393
- equipment	141 431	127 563
- vehicles	185 253	121 487
- other tangible fixed assets	186 736	132 010
Fixed assets under construction	42 842	54 770
Total tangible fixed assets	**814 469**	**670 213**

Movements in fixed assets:

Movements in tangible fixed assets from 1January 2008 to 31 December 2008	Land	Buildings	Equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total	Assets held for sale (Note 28)
Gross value of tangible fixed assets as at the beginning of the period: 01.01.2008	**8 154**	**342 184**	**450 699**	**160 757**	**281 903**	**55 331**	**1 299 028**	**2 841**
Increase (due to)	**3 392**	**30 497**	**64 289**	**113 537**	**85 651**	**103 554**	**400 920**	**-**
- purchase	3 279	2 530	37 319	86 546	28 363	103 082	261 119	-
- transfer from fixed assets under construction	-	27 186	24 864	676	57 106	2	109 834	-
- first-time inclusion of the company into consolidation according to full consolidation method	-	-	773	-	99	416	1 288	-
- other increases	113	781	1 333	26 315	83	54	28 679	-
Decrease (due to)	**(534)**	**(6 575)**	**(9 815)**	**(30 348)**	**(5 599)**	**(115 907)**	**(168 778)**	**(2 841)**
- sale	(65)	(2 474)	(1 373)	(22 611)	(1 099)	-	(27 622)	-
- liquidation	-	-	(8 352)	(1 891)	(3 392)	-	(13 635)	-
- transfer to fixed assets	-	-	-	-	-	(109 834)	(109 834)	-
- transfer to intangible assets	-	-	-	-	-	(1 852)	(1 852)	-
- other decreases	(469)	(4 101)	(90)	(5 846)	(1 108)	(4 221)	(15 835)	(2 841)
Gross value of tangible fixed assets as at the end of the period: 31.12.2008	**11 012**	**366 106**	**505 173**	**243 946**	**361 955**	**42 978**	**1 531 170**	**-**
Accumulated depreciation as at the beginning of the period: 01.01.2008	**(60)**	**(60 184)**	**(321 931)**	**(39 000)**	**(149 762)**	**-**	**(570 937)**	**(1 505)**
Depreciation for the period (due to)	**(15)**	**(5 712)**	**(40 419)**	**(19 430)**	**(25 326)**	**-**	**(90 902)**	**1 505**
- depreciation charge	-	(7 141)	(48 282)	(33 945)	(28 934)	-	(118 302)	-
- first-time inclusion of the company into consolidation according to full consolidation method	-	-	(212)	-	(56)	-	(268)	-
- other increases	(15)	(89)	(937)	(219)	(51)	-	(1 311)	-
- sale	-	436	1 221	11 853	645	-	14 155	-
- liquidation	-	-	7 686	1 002	2 753	-	11 441	-
- other decreases	-	1 082	105	1 879	317	-	3 383	1 505
Accumulated depreciation as at the end of the period: 31.12.2008	**(75)**	**(65 896)**	**(362 350)**	**(58 430)**	**(175 088)**	**-**	**(661 839)**	**-**
Impairment losses as at the beginning of the period: 01.01.2008	**(104)**	**(55 607)**	**(1 205)**	**(270)**	**(131)**	**(561)**	**(57 878)**	**-**
- increase	-	(30)	(187)	(43)	-	-	(260)	-
- decrease	104	2 697	-	50	-	425	3 276	-
Impairment losses as at the end of the period: 31.12.2008	**-**	**(52 940)**	**(1 392)**	**(263)**	**(131)**	**(136)**	**(54 862)**	**-**
Net value of tangible fixed assets as at the end of the period: 31.12.2008	**10 937**	**247 270**	**141 431**	**185 253**	**186 736**	**42 842**	**814 469**	**-**

Movements in tangible fixed assets from 1January 2007 to 31 December 2007	Land	Buildings	Equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total	Assets held for sale (Note 28)
Gross value of tangible fixed assets as at the beginning of the period: 01.01.2007	**2 841**	**345 994**	**405 969**	**113 720**	**240 048**	**39 004**	**1 147 576**	**12 942**
Increase (due to)	**5 381**	**4 691**	**57 842**	**89 350**	**48 010**	**84 752**	**290 026**	**691**
- purchase	5 223	221	33 934	52 192	11 335	84 693	187 598	690
- transfer from fixed assets under construction	-	2 716	22 402	276	36 091	-	61 485	-
- first-time inclusion of the company into consolidation according to full consolidation method	-	1 601	769	1 195	507	10	4 082	-
- other increases	158	153	737	35 687	77	49	36 861	1
Decrease (due to)	**(68)**	**(8 501)**	**(13 112)**	**(42 313)**	**(6 155)**	**(68 425)**	**(138 574)**	**(10 792)**
- sale	(21)	(8 238)	(1 489)	(12 410)	(1 382)	-	(23 540)	-
- liquidation	-	-	(9 494)	(1 566)	(3 558)	-	(14 618)	-
- transfer to fixed assets	-	-	-	-	-	(61 485)	(61 485)	-
- transfer to intangible assets	-	-	-	-	-	(358)	(358)	-
- sale of the company consolidated previously	-	-	-	-	-	-	-	(10 792)
- other decreases	(47)	(263)	(2 129)	(28 337)	(1 215)	(6 582)	(38 573)	-
Gross value of tangible fixed assets as at the end of the period: 31.12.2007	**8 154**	**342 184**	**450 699**	**160 757**	**281 903**	**55 331**	**1 299 028**	**2 841**
Accumulated depreciation as at the beginning of the period: 01.01.2007	**(65)**	**(54 676)**	**(284 515)**	**(34 335)**	**(131 610)**	**-**	**(505 201)**	**(7 295)**
Depreciation for the period (due to)	**5**	**(5 508)**	**(37 416)**	**(4 665)**	**(18 152)**	**-**	**(65 736)**	**5 790**
- depreciation charge	-	(7 146)	(49 300)	(24 823)	(23 887)	-	(105 156)	(414)
- first-time inclusion of the company into consolidation according to full consolidation method	-	(64)	(188)	(195)	(62)	-	(509)	-
- other increases	-	-	(497)	-	(29)	-	(526)	-
- sale	-	1 672	1 365	3 696	1 325	-	8 058	-
- liquidation	-	-	9 240	610	3 264	-	13 114	-
- sale of the company consolidated previously	-	-	1 391	-	97	-	1 488	6 204
- other decreases	5	30	573	16 047	1 140	-	17 795	-
Accumulated depreciation as at the end of the period: 31.12.2007	**(60)**	**(60 184)**	**(321 931)**	**(39 000)**	**(149 762)**	**-**	**(570 937)**	**(1 505)**
Impairment losses as at the beginning of the period: 01.01.2007	**(104)**	**(59 681)**	**(1 469)**	**(289)**	**(163)**	**(561)**	**(62 267)**	**(97)**
- increase	-	(1 367)	-	-	-	-	(1 367)	-
- decrease	-	5 441	264	19	32	-	5 756	97
Impairment losses as at the end of the period: 31.12.2007	**(104)**	**(55 607)**	**(1 205)**	**(270)**	**(131)**	**(561)**	**(57 878)**	**-**
Net value of tangible fixed assets as at the end of the period: 31.12.2007	**7 990**	**226 393**	**127 563**	**121 487**	**132 010**	**54 770**	**670 213**	**1 336**

IFRS Consolidated Financial Statements 2008 PLN (000's)

The recoverable value of impaired fixed assets is the net sale price determined on the basis of market prices for similar assets.

27. Other Assets

	31.12.2008	31.12.2007
Assets taken over and held for resale	**-**	**1 266**
- other	-	1 266
Other, including:	**1 034 543**	**879 397**
- debtors	290 873	277 968
- receivables from income tax	1 668	2 764
- interbank balances	1 208	519
- other accruals	92 933	49 878
- accrued income	24 868	21 560
- inventories	458 559	364 747
- receivables resulting from insurance premiums	15 990	-
- other	148 444	161 961
Total other assets	**1 034 543**	**880 663**
Short-term (up to 1 year)	603 210	633 786
Long-term (over 1 year)	431 333	246 877

The value of inventories results primarily from the business of the companies: BRE.locum and BRE Leasing.

28. Assets and Liabilities Held for Sale and Discontinued Operations

On 29 June 2007, the Bank and Aegon Woningen Nova BV, a 100% shareholder of the company Powszechne Towarzystwo Emerytalne Ergo Hestia S.A. (PTE Ergo Hestia), signed the "PTE Ergo Hestia and PTE Skarbiec-Emerytura Merger Agreement" and the "Option Agreement". Details of these two Agreements were published by the Bank in financial statements prepared for previous reporting periods.

On 28 September 2007, the Bank was informed that the President of the Competition and Consumer Protection Office ("UOKiK") by decision of 27 September 2007 approved the level of market concentration arising in the merger of Aegon PTE SA (previously PTE Ergo Hestia SA) and PTE Skarbiec-Emerytura SA. The UOKiK approval was one of the conditions necessary for the merger of these two pension fund companies.

On 7 November 2007, the two pension fund companies submitted merger applications to the Polish Financial Supervision Authority (KNF). On 9 May 2008, KNF gave the approval of the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA together with other merger-related decisions.

On 30 June 2008, the registration court for the capital city of Warsaw registered the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA. The merger consisted in the transfer of all assets of PTE Skarbiec – Emerytura SA, the acquired company, to Aegon PTE SA, the acquiring company.

In connection with the registration of the merger and with implementation of the above mentioned merger agreement, Aegon PTE SA transferred to the Bank 54 812 shares of Aegon PTE SA with a nominal value of PLN 1 000 per share. The shares represented 49.7% of the share capital of Aegon PTE SA and authorised to exercise 54 812 votes at the General Meeting of Aegon PTE SA, equivalent to 49.7% of the total number of votes at the General Meeting of the company.

Prior to the transaction, the Bank did not hold any shares of Aegon PTE SA.

Prior to the merger, the Bank held 8 516 181 shares of PTE Skarbiec-Emerytura SA representing 100% of the share capital and votes at the General Meeting of the company.

On 21 July 2008 BRE Bank and Aegon Woningen Nova BV entered into agreement on sale of shares of Aegon PTE, owned by the Bank. On 13 August 2008 Aegon PTE SA put a motion on behalf of Aegon Woningen Nova BV to the Polish Financial Supervision Authority concerning acquisition of 54 812 shares of Aegon Woningen Nova BV from BRE Bank which were obtained by BRE Bank in relation to the transaction of merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA.

On 17 December 2008 the Financial Supervision Authority issued its consent for Aegon Woningen BV to acquire 54 812 shares of Aegon PTE from the Bank, representing 49.7% of the share capital. The KNF's decision regarding purchase of the shares by Aegon Woningen BV from the Bank was a final act of fulfilment of the suspending conditions arising from the agreement on the sale of the Aegon PTE's shares.

Ownership of the shares was transferred on 30 December 2008. Following the sale of the aforesaid shares, the Bank has had no shares of Aegon PTE.

<u>Accounting for the merger and sale transaction:</u>

The value of net assets and goodwill of PTE Skarbiec-Emerytura in the consolidated financial statements of the Group was PLN 348 952 thousand before the merger.

IFRS Consolidated Financial Statements 2008 PLN (000's)

The value of shares of Aegon PTE SA in the consolidated financial statements of the Group was PLN 416 150 thousand on the date of the merger and the sale and it was determined on the basis of the share conversion ratio and the fair value of the net assets of the merged companies pursuant to IFRS 3 "Business Combinations".

The final sale price for the shares of Aegon PTE SA was increased by PLN 485 013 thousand according to the price formula indicated in agreement of sale.

The BRE Bank Group's profit before tax on the merger of both companies as well as acquisition and sale of the shares of Aegon PTE SA in 2008 amounted to PLN 121 259 thousand, net of transaction costs, of which the profit before tax on the merger amounted to PLN 67 198 thousand and on the sale of the shares of Aegon PTE SA: PLN 54 061 thousand.

The profit of PTE Skarbiec-Emerytura SA generated in the first half of 2008 was presented under "Asset Management – Discontinued Operations" (Note 5) in the Group's business segment reporting.

Financial data presented below concern non-current assets (disposal groups) held for sale and discontinued operations as at 31 December 2008 and 31 December 2007.

Financial data concerning balance sheet positions connected with the assets held for sale as at 31 December 2008, 31 December 2007 are as follows:

	31.12.2008	31.12.2007
Assets held for sale, including:		
Loans and advances to banks	-	4 064
Investment securities	-	88 744
- held to maturity	-	88 744
Intangible assets (including goodwill)	-	221 012
Tangible fixed assets	-	1 336
Deferred income tax assets	-	1 307
Other assets	-	19 615
Total assets held for sale	**-**	**336 078**

	31.12.2008	31.12.2007
Liabilities held for sale, including:		
Other liabilities	-	10 596
Provisions	-	1 947
Total liabilities held for sale	**-**	**12 543**

Financial data concerning profit and loss positions connected with the assets held for sale and discontinued operations for the periods: from 1 January to 31 December 2008 and from 1 January to 31 December 2007.

	Year ended 31 December	
	2008	**2007**
Interest income	2 430	3 407
Net interest income	**2 430**	**3 407**
Fee and commission income	25 376	46 347
Fee and commission expense	(11 583)	(19 125)
Net fee and commission income	**13 793**	**27 222**
Net trading income, including:	(1)	(4)
Foreign exchange result	*(1)*	*(4)*
Gains less losses from investment securities	-	2 731
Other operating income	701	38
Overhead costs	(4 935)	(8 290)
Amortization and depreciation	(245)	(448)
Other operating expenses	(33)	(5 124)
Operating profit	**11 710**	**19 532**
Income from sale / income from merger of assets held for disposal*	121 259	89 458
Profit before income tax from discontinued operations	**132 969**	**108 990**
Income tax expense	(2 336)	(22 350)
Net profit from discontinued operations including minority interest	**130 633**	**86 640**
Net profit attributable to minority interest	-	-
Net profit from discontinued operations	**130 633**	**86 640**

* For the period ended 31 December 2007, the amount of PLN 89 458 thousand was income from sale of shares of Skarbiec Asset Management Holding SA. For the period ended 31 December 2008, the amount of PLN 121 259 thousand is the Group's income from the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA and the sale of shares of Aegon PTE SA.

IFRS Consolidated Financial Statements 2008 PLN (000's)

Financial data concerning cash-flow positions connected with non-current assets held for sale and discontinued operations for the periods: from 1 January to 31 December 2008 and from 1 January to 31 December 2007.

	Year ended 31 December	
	2008	**2007**
Cash flow from operating activities	10 680	(5 404)
Cash flows from investing activities	485 013	153 957
including sale of assets held for sale	*485 013*	*154 705*

Earnings per share for 12 months - discontinued operations

	Year ended 31 December	
	2008	**2007**
Basic:		
Net profit attributable to the Bank's equity holders	130 633	86 640
Weighted average number of ordinary shares	29 680 542	29 578 675
Earnings per 1 ordinary share (in PLN per share)	**4.40**	**2.93**
Diluted:		
Net profit attributable to the Bank's equity holders applied for calculation of diluted earnings per share	130 633	86 640
Weighted average number of ordinary shares	29 680 542	29 578 675
Adjustments for:		
- stock options for employees	20 704	29 464
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 701 246	29 608 139
Diluted earnings per share (in PLN per share)	**4.40**	**2.93**

29. Amounts due to Other Banks

	31.12.2008	**31.12.2007**
Payables to be settled	26 067	20 068
Current accounts	453 179	567 619
Term deposits	1 374 150	792 730
Loans and advances received	23 541 750	10 316 862
Repo / sell-buy-back transactions	1 861 683	517 107
Liabilities in respect of cash collaterals	231 978	31 481
Amounts due to other banks	**27 488 807**	**12 245 867**
Short-term (up to 1 year)	7 123 662	6 465 814
Long-term (over 1 year)	20 365 145	5 780 053

As at 31 December 2008 term deposits accepted from other banks were fixed interest rate deposits. An average deposit interest rate and loan interest rate for loans obtained from banks in 2008 amounted to 3.95% (31 December 2007: 3.80%).

BRE Bank did not provide collateral to its lenders. The Group did not note any violations of contractual terms related to liabilities in respect of loans received.

As at 31 December 2008, apart from amounts due to other banks, the Group holds amounts due to the Central Bank in the amount of PLN 1 302 469 thousand, arising from repo transactions with maturity dates up to 3 months and average interest rate of 6.04%.

30. Amounts due to Customers

	31.12.2008	31.12.2007
Individual customers:	**21 047 662**	**12 932 340**
Current accounts	13 430 357	9 676 219
Term deposits	7 567 276	3 195 406
Other liabilities:	50 029	60 715
- liabilities in respect of cash collaterals	42 693	55 620
- other	7 336	5 095
Corporate customers:	**16 626 162**	**18 764 868**
Current accounts	7 895 523	9 349 668
Term deposits	6 711 777	5 364 977
Loans and advances received	97 285	193 510
Repo transactions	933 924	3 343 495
Other liabilities:	987 653	513 218
- liabilities in respect of cash collaterals	813 914	336 265
- other	173 739	176 953
Public sector customers:	**76 203**	**704 655**
Current accounts	61 276	658 632
Term deposits	13 812	39 480
Other liabilities:	1 115	6 543
- liabilities in respect of cash collaterals	80	-
- other	1 035	6 543
Total amounts due to customers	**37 750 027**	**32 401 863**
Short-term (up to 1 year)	37 079 660	31 765 645
Long-term (over 1 year)	670 367	636 218

As at 31 December 2008 the majority of the deposits from individual and corporate customers bore variable interest rates. An average interest rate for amounts due to customers (excluding repos) amounted to 3.97% (31 December 2007: 3.03%).

31. Debt Securities in Issue

As at 31 December 2008

Debt securities in issue by cathegory	Nominal value	Contractual interest rate	Guarantee/collateral	Redemption date	Carrying value
Short-term issues					
- Deposit certificates (in PLN)	8 000	7.75%	no collateral	06-05-09	7 829
- Mortgage bonds (in EUR)	5 900	4.96%	mortgage bond register	20-05-09	24 610
- Mortgage bonds (in EUR)	16 000	4.96%	mortgage bond register	20-05-09	66 987
- Mortgage bonds (in USD)	25 000	4.81%	mortgage bond register	20-05-09	104 819
- Mortgage bonds (in PLN)	25 000	3.23%	mortgage bond register	20-05-09	74 260
- Bonds (in PLN)	493 700	average return - 6.55%	no collateral	01/2009-12/2009	293 439
Long-term issues					
- Mortgage bonds (in PLN)	100 000	7.10%	mortgage bonds publicly registered	14-04-10	101 458
- Mortgage bonds (in PLN)	125 000	7.42%	mortgage bond register	28-09-10	126 194
- Mortgage bonds (in USD)	10 000	2.83%	mortgage bond register	22-11-10	29 679
- Mortgage bonds (in PLN)	83 000	7.36%	mortgage bond register	29-11-10	82 219
- Mortgage bonds (in PLN)	95 000	7.26%	mortgage bonds publicly registered	29-11-10	94 581
- Mortgage bonds (in PLN)	250 000	7.78%	mortgage bond register	28-04-11	253 031
- Mortgage bonds (in PLN)	149 000	7.51%	mortgage bond register	15-06-11	142 339
- Mortgage bonds (in PLN)	82 250	6.84%	mortgage bonds publicly registered	27-07-12	84 418
- Mortgage bonds (in PLN)	200 000	6.92%	mortgage bonds publicly registered	28-09-12	203 098
- Mortgage bonds (in PLN)	100 000	7.15%	mortgage bonds publicly registered	20-09-13	101 784
Debt securities in issue (carrying value in PLN '000)					**1 790 745**
Short-term (up to 1 year)					571 944
Long-term (over 1 year)					1 218 801

As at 31 December 2007

Debt securities in issue by cathegory	Nominal value	Contractual interest rate	Guarantee/collateral	Redemption date	Carrying value
Short-term issues					
- Deposit certificates (in PLN)	18 000	average return - 5.66%	no collateral	08/2008-10/2008	18 162
- Mortgage bonds (in PLN)	200 000	0.58%	mortgage bond register	10-04-08	202 572
- Mortgage bonds (in USD)	5 300	5.65%	mortgage bond register	20-05-08	12 948
- Mortgage bonds (in PLN)	200 000	5.73%	mortgage bond register	10-10-08	202 414
- Bonds (in EUR)	200 000	EURIBOR 3m + 0.20%	deposit	27-06-08	716 658
- Bonds (in PLN)	781 200	average return - 5.52%	no collateral	01/2008-09/2008	779 058
Long-term issues					
- Deposit certificates (in PLN)	8 000	7.75%	no collateral	06-05-09	7 330
- Mortgage bonds (in EUR)	8 900	5.34%	mortgage bond register	20-05-09	32 012
- Mortgage bonds (in EUR)	16 000	5.34%	mortgage bond register	20-05-09	57 510
- Mortgage bonds (in EUR)	25 000	5.19%	mortgage bond register	20-05-09	89 830
- Mortgage bonds (in USD)	25 000	5.41%	mortgage bond register	20-05-09	61 036
- Mortgage bonds (in PLN)	100 000	5.54%	mortgage bond register	12-04-10	101 007
- Mortgage bonds (in USD)	10 000	5.10%	mortgage bond register	22-11-10	24 438
- Mortgage bonds (in PLN)	83 000	6.30%	mortgage bond register	29-11-10	82 622
- Mortgage bonds (in PLN)	95 000	6.20%	mortgage bonds publicly registered	29-11-10	94 998
- Mortgage bonds (in PLN)	82 250	5.11%	mortgage bonds publicly registered	27-07-12	84 207
- Mortgage bonds (in PLN)	200 000	5.53%	mortgage bonds publicly registered	28-09-12	202 764
- Bonds (in PLN)	13 200	5.19%	no collateral	26-01-09	13 922
- Bonds (in PLN)	34 000	5.49%	no collateral	16-10-09	34 347
- Bonds (in PLN)	20 000	5.49%	no collateral	16-10-09	20 204
- Bonds (in PLN)	75 000	6.06%	no collateral	01-12-09	75 283
- Bonds (in USD)	6 240	step up coupon (3.25, 3.75, 4.25, 4.75, 5.25)	deposit	09-12-09	15 092
Debt securities in issue (carrying value in PLN '000)					**2 928 414**

Short-term (up to 1 year)	1 931 812
Long-term (over 1 year)	996 602

The Group did not note any violations of contractual terms related to liabilities in respect of issued debt securities.

Movements in Debt Securities in Issue

	31.12.2008	31.12.2007
As at the beginning of the period	**2 928 414**	**3 389 559**
Increase (due to):	914 075	1 440 449
- issuance	759 110	1 305 066
- valuation at amortization cost	91 513	135 383
- foreign exchange differences	42 779	-
- other	20 673	-
Decrease (due to):	(2 051 744)	(1 901 594)
- redemption	(1 906 961)	(1 646 498)
- valuation at amortization cost	(97 389)	(112 025)
- foreign exchange differences	(47 394)	(141 653)
- other	-	(1 418)
Debt securities in issue at the end of the period	**1 790 745**	**2 928 414**

32. Subordinated Liabilities

SUBORDINATED LIABILITIES	Nominal value	Currency	Terms of interest rate (%)	Effective interest rate (%)	Redemption date	As at the end of the period (in PLN '000)
As at 31 December 2008						
- Commerzbank AG	400 000	CHF	3M LIBOR + 0.7%*	1.88	08.03.2017	1 121 966
- Commerzbank AG	80 000	CHF	3M LIBOR + 1.4%**	2.15	not defined	224 246
- Commerzbank AG	120 000	CHF	3M LIBOR + 1.5%***	2.29	18.12.2017	336 468
- Commerzbank AG	170 000	CHF	3M LIBOR + 2.2%****	5.26	not defined	482 077
- Commerzbank AG	90 000	CHF	3M LIBOR + 4.0%	4.72	not defined	252 390
- Commerzbank AG	90 000	CHF	3M LIBOR + 2.5%	3.22	24.06.2018	252 306
						2 669 453

* margin amounting to 0.7% is in force within the period of first five years. Within the period of next five years it will be equal to 1.2%.
** margin amounting to 1.4% is in force within the period of first ten years. Within the period of next years it will be equal to 3.4%.
*** margin amounting to 1.5% is in force within the period of first five years. Within the period of next years it will be equal to 2.0%.
**** margin amounting to 2.2% is in force within the period of first ten years. Within the period of next years it will be equal to 4.2%.

SUBORDINATED LIABILITIES	Nominal value	Currency	Terms of interest rate (%)	Effective interest rate (%)	Redemption date	As at the end of the period (in PLN '000)
As at 31 December 2007						
- Commerzbank AG	400 000	CHF	3M LIBOR + 0,7%*	3.47	08.03.2017	866 391
- Commerzbank AG	100 000	EUR	3M EURIBOR + 2,5%	7.10	not defined	362 440
- Commerzbank AG	80 000	CHF	3M LIBOR + 1,4%**	4.18	not defined	173 153
- Commerzbank AG	120 000	CHF	3M LIBOR + 1,5%***	4.29	18.12.2017	259 801
						1 661 785

* margin amounting to 0.7% is in force within the period of first five years. Within the period of next five years it will be equal to 1.2%.
** margin amounting to 1.4% is in force within the period of first ten years. Within the period of next years it will be equal to 3.4%.
*** margin amounting to 1.5% is in force within the period of first five years. Within the period of next years it will be equal to 2.0%.

IFRS Consolidated Financial Statements 2008 PLN (000's)

In 2008 likewise in the year 2007, the Group did not note any delays in repayments of principal or interest instalments and was not in default of any other contractual provisions related to its subordinated liabilities.

Subordinated liabilities include the amount of issued subordinated debt securities with an indefinite maturity term. The funds raised through the issue used to change the structure of the Bank's equity by increasing the share of supplementary capital. The Bank obtained the approvals of KNF for the inclusion of the funds obtained from the issues into the Bank's supplementary capital.

Movements in Subordinated Liabilities

	31.12.2008	31.12.2007
As at the beginning of the period	**1 661 785**	**1 547 354**
Increase (due to:)	1 443 297	1 298 872
- subordinated loan raised	746 852	1 230 184
- interest on subordinated loan	78 807	68 688
- foreign exchange differences	617 638	-
Decrease (due to):	(435 629)	(1 184 441)
- capital repayment	(359 500)	(969 100)
- interest repayment	(76 129)	(66 104)
- foreign exchange differences	-	(149 237)
Subordinated liabilities as at the end of the period	**2 669 453**	**1 661 785**
Long-term (over 1 year)	2 669 453	1 661 785

33. Other Liabilities

	31.12.2008	31.12.2007
Special Funds	**7 590**	**5 865**
- Social Benefits Funds	7 590	5 865
Other liabilities	**988 690**	**874 110**
- tax liabilities	38 623	11 146
- interbank settlements	88 285	69 825
- creditors	362 265	304 729
- accrued expenses	148 642	116 852
- deferred income	140 878	190 926
- accrual of pension benefits	14 768	12 413
- accrual of holiday equivalents	6 928	6 957
- accrual of other employee benefits	181 453	149 005
- other	6 848	12 257
Total special funds and other liabilities	**996 280**	**879 975**

34. Provisions

	31.12.2008	31.12.2007
For off-balance sheet contingent liabilities *	73 229	58 060
For legal proceedings	4 177	4 355
Technical-insurance provisions	74 174	-
Other	14 426	8 812
Total provisions	**166 006**	**71 227**

* includes valuation of financial guarantees

The estimated cash flow due to created provisions for legal proceedings is expected to crystallise within the period one to two years.

IFRS Consolidated Financial Statements 2008 PLN (000's)

Movements in the Provisions:

	31.12.2008	31.12.2007
As at the beginning of the period (by type)	**71 227**	**70 168**
For off-balance sheet contingent liabilities	58 060	53 370
For legal proceedings	4 355	7 460
Other	8 812	9 338
Increase (due to)	**166 848**	**40 103**
- increase of provisions, due to:	153 575	40 079
for off-balance-sheet contingent liabilities (Note 14)	*78 045*	*35 171*
for legal proceedings	*3 351*	*3 385*
technical-insurance provisions	*63 730*	-
other	*8 449*	*1 523*
- foreign exchange differences	2 829	-
- other	10 444	24
Decrease (due to)	**(72 069)**	**(39 044)**
- charge-offs	(3 625)	(12)
- release of provisions, due to:	(66 608)	(38 225)
for off-balance-sheet contingent liabilities (Note 14)	*(64 542)*	*(30 205)*
for legal proceedings	*(710)*	*(6 836)*
other	*(1 356)*	*(1 184)*
- utilization	(864)	(437)
- reclassification	(972)	-
- foreign exchange differences	-	(370)
As at the end of the period (by type)	**166 006**	**71 227**
For off-balance sheet contingent liabilities	73 229	58 060
For legal proceedings	4 177	4 355
Technical-insurance provisions	74 174	-
Other	14 426	8 812

Other increase of provisions in the amount of PLN 10 444 thousand concerns inclusion of opening balance sheets of the insurance companies.

Technical-insurance provisions

	31.12.2008
Insurance provisions and reinsurance assets	
Insurance provisions gross, including:	
- Provision for losses raised and costs of liquidation	5 106
- IBNR	14 891
- Provision for premiums	77 109
- Provision for the insurers' share in technical profit	33
Insurance provisions gross, total	97 139
Reinsurer's share, including:	
- Provision for losses raised and costs of liquidation	3 393
- IBNR	8 006
- Provision for premiums	11 566
Reinsurer's share, total	22 965
Insurance provisions net, including	
- Provision for losses raised and costs of liquidation	1 713
- IBNR	6 885
- Provision for premiums	65 543
- Provision for the insurers' share in technical profit	33
Insurance provisions net, total	**74 174**

Allowance for Impairment of Off-balance Sheet Contingent Liabilities

	31.12.2008	31.12.2007
Incurred but not identified losses		
Off-balance sheet contingent liabilities	18 881 386	17 117 592
Provisions for impairment of exposures analysed according to portfolio approach (negative amount)	(57 787)	(53 546)
Net off-balance sheet contingent liabilities	**18 823 599**	**17 064 046**
Off-balance sheet contingent liabilities with impairment		
Off-balance sheet contingent liabilities	45 840	29 240
Provisions for impairment of exposures analysed individually (negative amount)	(15 442)	(4 514)
Net off-balance sheet contingent liabilities	**30 398**	**24 726**

IFRS Consolidated Financial Statements 2008 PLN (000's)

35. Assets and Provisions for Deferred Income Tax

Assets and provisions for deferred income tax are calculated for all temporary differences in accordance with the balance sheet method, using an effective income tax rate of 19% in 2008 and 2007.

Below there are presented changes in assets and provisions for deferred income tax:

	31.12.2008	**31.12.2007**
As at the beginning of the period	**115 835**	**64 800**
Deferred income tax included in the financial result of the period (Note 15)	198 171	48 241
Deferred income tax included in equity:	11 617	12 861
- valuation of available for sale securities (Note 41)	11 617	12 861
Other changes	1 854	(10 067)
As at the end of the period	**327 477**	**115 835**
Interest payable on bank deposits	20 086	9 607
Interest payable on customer deposits	22 038	6 513
Valuation of derivatives and futures	162 348	32 471
Valuation of financial instruments at fair value through profit or loss and held for trading	4 974	1 953
Valuation of financial instruments available for sale	46 752	14 698
Provisions for impairment of loans and off-balance sheet exposures	84 350	47 412
Provisions for pensions, holiday equivalents, jubilee and other bonuses	35 653	33 731
Other provisions	290	265
Accruals and prepayments	21 239	20 849
Impairment of shares	-	1 740
Tax loss to be settled in future periods	596	1 613
Other negative temporary differences	160 939	143 291
Interest receivable on loans and advances granted to banks	(3 953)	(1 468)
Interest receivable on loans granted to customers	(29 612)	(19 045)
Valuation of derivatives and futures	(21 425)	(41 482)
Valuation of financial instruments at fair value through profit or loss and held for trading	(11 721)	(6 461)
Valuation of financial instruments available for sale	(61 644)	(32 378)
Investment tax relief	(29 486)	(30 446)
Difference between the amortization and depreciation for tax and accounting purposes	(46 860)	(40 351)
Other positive temporary differences	(27 087)	(26 677)
Total net deferred income tax assets	**327 558**	**116 290**
Total net deferred income tax liabilities	**(81)**	**(455)**

	31.12.2008	**31.12.2007**
Deferred income tax included in the profit and loss account		
Interest	13 210	507
Provisions for impairment of loans and guarantees determined individually	36 938	(13 062)
Valuation of derivatives and futures	149 934	12 130
Valuation of financial instruments at fair value through profit or loss and held for trading	(2 224)	(1 603)
Valuation of financial instruments available for sale	(11 992)	(14 066)
Valuation of financial instruments held to maturity	10	-
Investment tax relief	960	700
Tax losses carried forward	243	387
Provisions for pensions, holiday equivalents, jubilee and other bonuses	1 024	10 752
Other provisions	21	(253)
Accruals and prepayments	541	1 121
Impairment of shares	(1 740)	(4 104)
Difference between the amortization and depreciation for tax and accounting purposes	(6 346)	(7 345)
Other temporary differences	17 592	63 077
Total deferred income tax included in the profit and loss account (Note 15)	**198 171**	**48 241**

Deferred income tax assets are recognized if it is probable that there will be sufficient taxable income in the future.

There were no tax losses from previous years which would be included in the deferred income tax assets calculation as at 31 December 2008 and 31 December 2007.

36. Proceedings Before a Court, Arbitration Body or Public Administration Authority

As at 31 December 2008, 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 31 December 2008 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 40.0 million according to the average exchange rate of the National Bank of Poland of 31 December 2008). 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 consider handing over the case to arbitration in order to 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 bankruptcy filed an appeal on 8 December 2008.

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

   Bank BPH SA 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 dispute focuses on determination of the value of the right to perpetual usufruct of real estate located at Garbary Street on the day (December 2000) of contribution in kind of the right to perpetual usufruct to Milenium Center Sp. z o.o. (now Garbary Sp. z o.o.).

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 with statutory interests 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 27 February 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. 57 entities called the Bank for settlement of the matter amicably via the District Court in Warsaw. Additionally, by 27 February 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.

As at 31 December 2008, 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 31 December 2008 did not go above 10% of the issuer's equity.

Taxes

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 issues that would have a material impact on the financial statements.

In 2007, tax audits concerning correctness of the payment of the corporate income tax to the Treasury for the year 2002 were carried out at the BRE Bank and the findings of the audits were presented in the report of 21 December 2007. The audits did not indicate essential irregularities and consequently the Bank did not make any reservations or explanations to the report.

There were no tax audits at the other companies of the Group within the year 2008 or 2007.

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.

37. Off-balance Sheet Liabilities

Off-balance sheet liabilities of the Group comprise of:

(a) Lending commitments
The amounts and deadlines by which the Group will be obliged to realize its off-balance sheet liabilities by granting loans or other monetary services are presented in the table below.

(b) Guarantees and other financial facilities
Guarantees are presented in the table below based on the earliest contractual maturity date.

(c) Operating lease liabilities
Where the company of the Group is a lessee, the minimum future lease payments as part of irrevocable operating lease agreements are presented in the table below.

The following table presents the Group's off-balance sheet commitments granted and received as well as nominal value of open positions of derivative transactions as at 31 December 2008 and 31 December 2007.

IFRS Consolidated Financial Statements 2008 PLN (000's)

31.12.2008	**up to 1 year**	**1 - 5 years**	**over 5 years**	**Total**
I. Contingent liabilities granted and received	**16 654 281**	**2 732 471**	**1 349 079**	**20 735 831**
Commitments granted	**15 389 632**	**2 455 057**	**1 307 926**	**19 152 615**
1. Financing	**13 181 588**	**1 539 727**	**1 218 736**	**15 940 051**
a) Lending commitments	13 158 860	1 452 455	1 103 347	15 714 662
b) Operating lease commitments	22 728	87 272	115 389	225 389
2. Guarantees and other financial facilities	**2 023 637**	**914 422**	**89 190**	**3 027 249**
a) Banker's acceptances	2 858	-	-	2 858
b) Guarantees and standby letters of credit	1 633 490	914 422	89 190	2 637 102
c) Guarantees of issue	150 000	-	-	150 000
d) Documentary and commercial letters of credit	237 289	-	-	237 289
3. Other commitments	**184 407**	**908**	**-**	**185 315**
Commitments received	**1 264 649**	**277 414**	**41 153**	**1 583 216**
a) Financing	956 208	-	-	956 208
b) Guarantees	308 441	277 414	41 153	627 008
II. Derivatives	**460 229 873**	**184 400 279**	**9 978 929**	**654 609 081**
1. Interest rate derivatives	388 636 987	163 506 144	9 786 567	561 929 698
2. Currency derivatives	70 539 454	20 549 759	192 362	91 281 575
3. Market risk derivateives	1 053 432	344 376	-	1 397 808
Total off-balance sheet items	**476 884 154**	**187 132 750**	**11 328 008**	**675 344 912**

31.12.2007	**up to 1 year**	**1 - 5 years**	**over 5 years**	**Total**
I. Contingent liabilities granted and received	**14 161 318**	**4 360 646**	**1 072 684**	**19 594 648**
Commitments granted	**12 206 419**	**4 090 200**	**1 063 019**	**17 359 638**
1. Financing	**9 937 554**	**3 126 558**	**1 037 829**	**14 101 941**
a) Lending commitments	9 918 073	3 032 295	938 767	13 889 135
b) Operating lease commitments	19 481	94 263	99 062	212 806
2. Guarantees and other financial facilities	**1 750 955**	**963 642**	**25 190**	**2 739 787**
a) Banker's acceptances	4 925	-	-	4 925
b) Guarantees and standby letters of credit	1 368 062	963 642	25 190	2 356 894
c) Guarantees of issue	219 500	-	-	219 500
d) Documentary and commercial letters of credit	158 468	-	-	158 468
3. Other commitments	**517 910**	**-**	**-**	**517 910**
Commitments received	**1 954 899**	**270 446**	**9 665**	**2 235 010**
a) Financing	1 316 495	521	5	1 317 021
b) Guarantees	356 042	269 925	9 660	635 627
c) Other commitments	282 362	-	-	282 362
II. Derivatives	**464 677 976**	**158 194 558**	**9 362 456**	**632 234 990**
1. Interest rate derivatives	381 894 775	145 357 288	9 152 351	536 404 414
2. Currency derivatives	80 914 200	12 754 941	210 105	93 879 246
3. Market risk derivateives	1 869 001	82 329	-	1 951 330
Total off-balance sheet items	**478 839 294**	**162 555 204**	**10 435 140**	**651 829 638**

The above operating lease liabilities fully concerned the lease of buildings.

The nominal values of derivatives are presented in the Note 21.

Apart from financial commitments granted by the Bank, PLN 722 020 thousand worth of commitments granted by BRE Bank Hipoteczny, PLN 423 728 thousand worth of commitments granted by Polfactor and PLN 81 667 thousand worth of commitments granted by Intermarket had the largest impact on the amount of financial commitments granted as at 31 December 2008.

As at 31 December 2008, the list of issues covered by the guarantee of assumption by BRE Bank SA was as follows:

	Payee	**Type of guaranteed securities**	**Amount of guaratee in PLN**	**Financial, organizational and personal relationships**	**Marketability**
1.	ABG S.A.	Bonds	15 000 000	none	Marketable
2.	ECHO Investment SA	Bonds	35 000 000	none	Marketable
3.	Polnord SA	Bonds	35 000 000	none	Marketable
4.	Polski Koncern Energetyczny SA	Bonds	15 000 000	none	Marketable
5.	Tauron Polska Energia S.A.	Bills of exchange	50 000 000	none	Marketable

The foregoing list does not include agreements for one-time underwriting of securities, which are still valid in terms of administrative activities, keeping a register of subscribers and performing other responsibilities with respect to the securities.

No other member of the Group except BRE Bank SA issued any guarantee commitments.

As at 31 December 2008, the Group had PLN 1 583 216 thousand worth of contingent commitments received.

As at 31 December 2008 BRE Bank SA received commitments in the amount of PLN 557 636, including both unused credits granted by foreign banks in the amount of PLN 74 057 thousand and guarantees received, securing given credits and guarantees, in the amount of PLN 483 579 thousand.

As at 31 December 2008, apart from BRE Bank, BRE Leasing Sp. z o.o. received commitments from entities other than the companies of the Group in the amount of PLN 1 015 984 thousand.

IFRS Consolidated Financial Statements 2008 PLN (000's)

38. Pledged Assets

Assets are pledged as security in connection with sell-buy-back agreements made with other banks and securing deposits are created in connection with conclusion of futures or options contracts and with membership in stock exchanges. Further, deposits are held in the Central Bank, representing statutory provisions required by the law.

	31.12.2008	31.12.2007
Pledged assets, including:	**3 445 281**	**2 812 277**
- Trading securities (Note 20)	1 096 784	2 731 835
- Investment securities (Note 23)	2 348 497	80 442
Liabilities arising from pledged assets, including:	**4 250 240**	**3 936 703**
- Sell-buy back transactions (Note 29,30)	4 098 076	3 860 602
- Funds guaranteed under the Bank Guarantee Fund	152 164	76 101

The Group did not pledge any assets as collateral for newly received loans in 2008.

39. Registered Share Capital

The total number of ordinary shares as at 31 December 2008 was 29 690 882 shares (29 660 668 as at 31 December 2007) with PLN 4 nominal value each. All issued shares were fully paid up.

The increase of registered share capital in 2008 results from the issuance of shares connected with realisation of employee option programs. The detailed information concerning the programs is described in the Note 42.

REGISTERED SHARE CAPITAL (THE STRUCTURE)

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

* date of registration of shares in National Securities Deposit (KDPW SA)
** as at the balance sheet date

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting. As at 31 December 2008 Commerzbank Auslandsbanken Holding AG held 69.7847% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2007 - 69.8558%).

On 19 March 2008 BRE Bank informed in Current Report No. 43/2008 that it received from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA a notification concerning a decrease of its stake in both the share capital and the votes at the General Meeting of BRE Bank SA below 5%.

On 8 April 2008 BRE Bank informed in Current Report No. 51/2008 that it received from BZ WBK AIB Asset Management SA a notification concerning a decrease of its stake in both the share capital and the votes at the General Meeting of BRE Bank SA below 5%.

In accordance with the notification sent to BRE Bank on 7 November 2008, the Bank informed in Current Report No. 139/2008 that Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK held 1 498 598 shares of BRE Bank which at 31 December 2008 constituted 5.05% of the share capital of BRE Bank SA and authorized to exercise 1 498 598 votes at the General Meeting of BRE Bank SA which at 31 December constituted 5.05% of general number of votes at the General Meeting of BRE Bank SA.

40. 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. This capital is intended to cover all balance sheet losses that may result from the business activity of the Bank.

The increase of share premium in 2008 results from realization of employee option programs. The detailed information concerning the programs is described in Note 42.

Hyperinflationary restatements of the equity

According to IAS 29 *Financial Reporting in Hyperinflationary Economies* paragraph 25, the components of equity (except retained earnings and any revaluation surplus) are restated by applying a general price index from the dates the components were contributed or otherwise arose for a period when the economy of the carrying business entity was recognised as (according to IAS 29) a hyperinflationary economy.

The effect of restating the components of share capital by applying a general price index is recognised with a corresponding impact on retained earnings. The adoption of IAS 29 paragraph 25 results in an increase of the share capital and at the same time it reduces retained earnings by the same amount.

The Management Board has carried out an analysis to estimate the value of such adjustment, which would result in a growth of the share capital and growth of the share premium as well as in a corresponding decrease in the retained earnings by PLN 107 219 thousand.

Because the effect of the restatement:

- represents 2.75% of own equity of the Group (the effect of the restatement would represent 7.05% of the item "Share capital");
- consists of reallocation of funds between various items of the own equity, which has no effect on the equity as a whole;
- has no material effect on the presented financial data, both as a whole and on line items;

the Management Board of the Bank believes that such restatement will have no material effect on the accuracy and fairness of the presentation of the Bank's financial position as at, and for the period ended 31 December 2008.

Hyperinflationary adjustments would also have no material effect for the period ended 31 December 2007 (the effect of the restatement would represent 3.23% of the owners' equity of the Group and 7.07% of the item "Share capital").

IFRS Consolidated Financial Statements 2008 PLN (000's)

41. Revaluation Reserve

Movements in Revaluation Reserve

	31.12.2008	31.12.2007
Translation reserve		
As at the beginning of the period	**(7 579)**	**(1 321)**
Exchange differences	3 440	(6 258)
As at the end of the period	**(4 139)**	**(7 579)**
Revaluation reserve - available for sale securities		
As at the beginning of the period	**81 783**	**6 431**
Net gains / (losses) from changes in fair value (Note 23)	(165 115)	67 167
- increase	*4 994*	*407 542*
- decrease	*(170 109)*	*(340 375)*
Net (gains) / losses transferred to net profit on disposal and impairment	(138 514)	(4 676)
Deferred income tax (Note 35)	11 617	12 861
As at the end of the period	**(210 229)**	**81 783**
Other capital and reserves	**(214 368)**	**74 204**

Losses on valuation of securities available for sale in 2008 were connected with increasing interest rates in PLN in the first half of the year. Market interest rate, WIBOR6M, increased from 5.64% to 6.81% in this period. Following the increase, valuation of debt securities of the Treasury held by the Bank, classified into portfolio of debt securities available for sale and denominated in PLN, in particular securities with fixed interest rate constituting a considerable part of the portfolio of bonds available for sale, decreased. In the second half of the year the Bank increased the portfolio of debt investment securities, purchasing government bonds in the amount of above PLN 2 billion, which were pledged in sell-buy-back transactions. These bonds will be held to maturity by the Bank in a significant part (liquidity portfolio of securities available for sale) and will be redeemed by the Treasury at their nominal value.

The net gain in total amount of PLN 138 514 thousand representing on securities (bonds, treasury notes and stocks) sold in 2008 was released from the revaluation reserve and recognized in the Profit and Loss Account (as at 31 December 2007: net profit PLN 4 676 thousand).

The biggest material impact on the change in revaluation reserve in 2008 was caused by the release to the Profit and Loss Account of the change in value of the investment in Vectra SA and the release on sale of shares disposed by the Bank on 25 January 2008 (Note 23). Earlier, following the negotiations concerning the sale of Vectra SA shares and carried out in 2007, the Bank revalued shares held to the fair value and the effect of revaluation was reflected in the revaluation reserve.

42. Retained Earnings

Retained earnings include: other supplementary capital, other reserve capital, general risk fund, profit (loss) from the previous year and profit for the current year.

Other supplementary capital, other reserve capital and general risk fund are created from profit for the current year and their aim is described in the By-laws or in different law paragraphs.

	31.12.2008	31.12.2007
Other supplementary capital	971 541	322 262
Other reserve capital	43 495	22 288
General Risk Fund	613 310	559 110
Profit from the previous year	101 332	119 121
Profit for the current year	857 459	710 094
Total retained earnings	**2 587 137**	**1 732 875**

According to the Polish legislation, each bank is required to allocate 8% of its net profit to a statutory undistributable reserve capital until this reserve capital reaches 1/3rd of the share capital.

In addition, the Group transfers some of its net profit to the general risk fund to cover unexpected risks and future losses. The general risk fund can be distributed only on consent of stockholders at a general meeting.

Share Options

IFRS Consolidated Financial Statements 2008 PLN (000's)

Between 1 January 2007 and 31 December 2008, the Bank had two active option programs. Their valuation was determined in accordance with IFRS 2. Moreover, on 27 October 2008 the General Meeting of BRE Bank gave its consent to start a new option program for the key managers of the BRE Bank Group since 2009.

2003 Employee Option Program

Share options were granted to BRE Bank SA managers as an incentive. For the options to be exercised, new BRE Bank SA shares were issued.

471 300 share options were granted at 15 October 2003 with an issue price of PLN 96.16 per share; they expired on 30 June 2008. At 31 July 2004, another 21 700 options were granted. The remaining 7 000 options were granted at 1 July 2005. The program comprised a total of 500 000 options, including 175 000 options for the Management Board and 325 000 options for other managers. The options were stated at fair value.

Options were acquired for 0.1% of the share issue price. Options were allocated on a straight line basis, 20% each year in advance starting on 15 October 2003 until 30 June 2007. Options could be exercised not earlier than 1 June 2005 and not later than 30 June 2008 concerning already acquired options. Options could not be sold. The program ended on 30 June 2008.

The following table presents changes in the number of issued share options under the option program that was active up to 30 June 2008 :

	31.12.2008	**31.12.2007**
As at the beginning of the period	**29 464**	**174 097**
Granted	-	-
Realized	29 364	144 633
Expired	100	-
As at the end of the period	**-**	**29 464**
Exercisable at the end of period	-	29 464

By 30 June 2008, all options were exercised with the exception of 100 options which expired.

Until 31 December 2008, 499 900 shares were issued in implementation of the employee option program.

30 214 shares were issued under options exercised in 2008 (144 633 shares in 2007) under this option program. The weighted average market price of shares at the option exercise date was PLN 390.05 per share in 2008 (the weighted average market price of shares at the option exercise date was PLN 491.54 per share in 2007).

The fair value of options granted as at 15 October 2003, determined using the Black-Scholes valuation model was PLN 45.57 per option. The fair value of options granted as at 31 July 2004 also determined using the Black-Scholes valuation model was PLN 40.15 per option. The valuation model was selected mainly due to the terms of the program. The volatility of BRE Bank shares was calculated based on a standard deviation estimator with a sample of 252 prices (one year back) and an interest rate based on zero-coupon rates capitalized on an on-going basis as required under the Black-Scholes model, determined in the structure of interest rates on the valuation date.

2008 Incentive Program for the Management Board Members of the Bank

On 14 March 2008, the Ordinary General Meeting of BRE Bank adopted a resolution approving an incentive program for Management Board Members of the Bank. Under the program, the Management Board Members can acquire bonds with the pre-emptive right to acquire shares of the Bank and shares of the ultimate parent of the Group, Commerzbank AG.

In implementation of the program in the part comprising BRE Bank shares, the share capital of the Bank will be increased conditionally by PLN 2 200 000 through an issue of 550 000 bearer ordinary shares. In implementation of the program, the Bank will issue 550 000 bonds with the pre-emptive right to acquire shares of the Bank in 10 series (C1 to C10), 55 000 bonds in each series, with an issue price of PLN 0.01. Bonds can be acquired by entitled persons in 2010 – 2018 provided that their employment continues, however in special cases C1 series bonds can be acquired in 2009. The bonds' pre-emptive right to acquire shares from the conditional capital increase can be exercised by entitled persons in the period from the acquisition of bonds until 31 December 2018. The issue price of each share acquired under the program will be equal to the nominal price at PLN 4.

The right to acquire bonds and the number of bonds will depend on the degree of fulfilment of the following conditions: individual assessment of the entitled person by the Supervisory Board, return on equity (ROE) net in the financial year for which shares are granted, performance of the financial year's consolidated profit before tax of the BRE Bank Group or consolidated profit before tax of a BRE Bank Group business line.

IFRS Consolidated Financial Statements 2008 PLN (000's)

The fair value of BRE Bank share options has been estimated as at the grant date of the program that is 14 March 2008 by using the Monte Carlo simulation. This value is placed in the range from PLN 334.55 up to PLN 339.91, depending on the date of possible exercising of the options. For the Management Board Members who took up their offices afterwards (as of 5 September 2008 and as of 19 November 2008) the fair value of BRE Bank share options was estimated as at the date of taking up the offices by the Management Board Members by using Monte Carlo simulation. This value is placed in the range from PLN 328.81 to PLN 332.10 (for the first case) and from PLN 177.15 to PLN 177.70 (for the second case).

The choice of the valuation model has been significantly influenced by the conditions of the program.

The expected volatility of BRE Bank shares has been estimated based on the historical volatility on the sample of quotations for the period between 14 March 2000 and 13 March 2008 in the case of valuation as at 14 March 2008, for the period between 5 September 2000 to 5 September 2008 in the case of valuation as at 5 September 2008 as well as for the period from 19 November 2000 to 19 November 2008 in the case of valuation as at 19 November 2008 – equivalent to the duration of the Incentive Program. The risk-free interest rate has been estimated based on zero-coupon yield curve created according to, available as at the grant date, zero-coupon bonds issued by Polish Government, denominated in PLN. Zero-coupon yield curve has been generated by Nelson-Siegel approximation model.

The table below presents changes in other reserves generated by the above mentioned incentive programs.

	31.12.2008	31.12.2007
Option program ended 30 June 2008		
As at the beginning of the period	**1 346**	**7 275**
- value of services provided (Note 13)	-	648
- settlement of exercised options	(1 346)	(6 577)
As at the end of the period	-	**1 346**
New incentive program		
As at the beginning of the period	-	-
- value of services provided (Note 13)	12 113	-
- settlement of exercised options	-	-
As at the end of the period	**12 113**	**-**
As at the end of the period, total	**12 113**	**1 346**

In addition, under the incentive program, the Management Board Members of the Bank can acquire shares of Commerzbank AG. Shares will be transferred to the Management Board Members by BRE Bank. The right to acquire bonds and the value of shares transferred will also depend on the degree of fulfilment of the above mentioned conditions. The number of granted Commerzbank shares will depend on the market price of the shares within 30 days before their allocation date in 2010 – 2018.

The fair value of Commerzbank AG share options has been estimated as at grant date of the program that is 14 March 2008 by using the Monte Carlo simulation. This value is placed in range from PLN 62.79 up to PLN 63.50, depending on the date of possible exercising of the options. For the Management Board Members who took up their offices afterwards (as of 5 September 2008 and as of 19 November 2008) the fair value of Commerzbank AG share options was estimated as at the date of taking up the offices by the Management Board Members by using Monte Carlo simulation. This value is placed in range from PLN 57.0 to PLN 57.8 (for the first case) and from PLN 21.4 to PLN 22.7 (for the second case).

The choice of the valuation model has been significantly influenced by the conditions of the program.

The expected volatility of Commerzbank AG shares has been estimated based on the historical volatility on the sample of quotations (period between 14 March 2000 and 13 March 2008 in the case of valuation as at 14 March 2008, for the period between 5 September 2000 to 5 September 2008 in the case of valuation as at 5 September 2008 as well as for the period from 19 November 2000 to 19 November 2008 in the case of valuation as at 19 November 2008 – equivalent to the duration of the Incentive Program.

The risk-free interest rate has been estimated based on zero-coupon yield curve created according to, available as at the grant date, zero-coupon bonds issued by Polish Government, denominated in PLN. Zero-coupon yield curve has been generated by Nelson-Siegel approximation model.

The new incentive program for the Management Board of the Bank in the part comprising Commerzbank shares has no impact on other reserves as its cost is taken to the Profit and Loss Account in correspondence with liabilities. The value of provided services associated with this part of the program was PLN 6 785 thousand in 2008 (Note 13).

2008 Incentive Program for key managers of BRE Bank Group

IFRS Consolidated Financial Statements 2008 PLN (000's)

On 27 October the Extraordinary General Meeting of the Bank approved an incentive program for key managers of the BRE Bank Group.

The goal of the program is to tie a large part of remuneration of the key managers with the value of the Bank and the interest of the shareholders by means of building long-term value of the Bank, improvement of the effectiveness of the business of the Bank and the Group, and stabilization of management through the introduction of a long-term element of the remuneration package with lasting value both at the time of a market downtrend and uptrend.
The scheme participants include:

- Members of the Management Boards of the key subsidiaries of the BRE Bank Group;
- Managing Directors of the Bank;
- Representatives of key management.

These officers are responsible for decisions which materially impact the implementation of the strategy defined by the Management Board of the Bank, the results of the Group, the viability and safety of business, and the development and creation of added value of the organization.

The maximum size of the programme is 700 000 shares. The lifetime of the programme is 10 years (2009-2019), and the first 3 tranches will be available in 2009. The first tranche of share options will be available as of 1 May 2010.

43. Dividend per Share

On 17 February 2009, the Management Board of BRE Bank SA passed a resolution related to considering a motion by 22nd Ordinary General Meeting, concerning non-payment of dividend for the year 2008 to the shareholders. The Management Board's motion will be presented to the Supervisory Board of the Bank.

The recommendation of the Management Board is connected with continued unstable situation on the financial markets which has caused deterioration of economic conditions of both the Bank and its customers' environment. Providing safety in functioning of the Bank in such conditions requires ensuring a stable capital base.

44. Cash and Cash Equivalents

For the purposes of the Cash Flow Statements, the balance of cash and cash equivalents comprises the following balances with maturities shorter than 3 months:

	31.12.2008	**31.12.2007**
Cash and balances with the Central Bank (Note 17)*	2 512 333	2 003 535
Debt securities eligible for rediscounting at the Central Bank	9 238	23 259
Loans and advances to banks (Note 19)*	4 460 810	730 410
Trading securities (Note 20)	1 711 346	4 759 158
Total cash and cash equivalents	**8 693 727**	**7 516 362**

* In comparative data loans and advances to banks include current receivables of the company PTE presented under the item "Non-Current Assets Held for Sale and Discontinued Operations" (Note 28).

45. Transactions with Related Entities

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

All transactions between the Bank and related entities, exceeding the equivalent of EUR 500 000 and presented in PLN, were typical and routine transactions concluded on market terms and their nature 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.

- On 9 January 2008 BRE Bank issued subordinated bonds of unspecified maturity, with variable interest rate, of total value of CHF 170 000 thousand (PLN 373 388 thousand at the average NBP exchange rate of 9 January 2008). The issue fulfilled conditions of the agreement, concluded with Commerzbank AG on 12 December 2007 upon which Commerzbank committed itself to take up the issue. On 16 January 2008, in accordance with the next agreement concluded on 12 December 2007 with Commerzbank AG, BRE Bank repurchased bonds of value of EUR 100 000 thousand (PLN 359 500 thousand at average NBP exchange rate of 16 January 2008) which were redeemed on the same day. The bond repurchase and the redemption was connected with the issue described above and the main reason for such action was the change in the currency of the Bank's subordinated debt from EUR to CHF.

- On 5 February 2008, in accordance with the agreement concluded with BRE Holding, the Bank transferred shares and stocks of certain of the Bank's subsidiaries. The transfer resulted from restructuring, conducted within BRE Bank Group with the purpose of maintenance of effective supervision over selected Companies of Corporate Banking. The foregoing transaction was described in Note 1.
- On 17 March 2008, in accordance with the agreement as of 10 March 2008 concluded between the Bank and Commerzbank AG, the Bank received a loan in the amount of CHF 500 000 thousand (PLN 1 147 850 thousand according to average NBP exchange rate as of 17 March 2008) and it was assigned to fulfil general financial needs of the Bank. The loan was granted for a period of 3 years, the interest on the loan consists of 3M LIBOR plus bank margin.
- On 25 April 2008, in accordance with the service sub-issue agreement concluded between BRE Bank and BRE Bank Hipoteczny ("BBH") on 23 April 2008, BRE Bank took up 250 thousand 3-year mortgage bonds issued by BBH of PLN 250 000 thousand in total.
- On 25 April 2008 BRE Bank entered into a loan agreement with Commerzbank AG. In accordance with the agreement, the Bank received a loan in the amount of CHF 1 000 000 thousand (PLN 2 119 600 thousand at average NBP exchange rate of 25 April 2008) for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, interest rate is based on LIBOR 3M plus margin. On 28 April 2008 the Bank received the first tranche in the amount of CHF 700 000 thousand (PLN 1 490 580 thousand at average NBP exchange rate of 28 April 2008). The Bank received the second tranche in the amount of CHF 300 000 thousand (PLN 623 130 thousand at average NBP exchange rate of 29 May 2008) on 29 May 2008.
- On 24 June 2008 the Bank entered into the Agreement on Underwriting Rate with BRE.locum (the Bank's subsidiary). On the basis of the agreement, the Bank was committed to underwrite the assumption of bonds issued by the company up to the maximum amount of PLN 180 000 thousand. The agreement was concluded for the period from 1 July 2008 to 30 June 2009. The aforementioned agreement is the highest-value agreement entered into with the company within 12 months before 24 June 2008. The total amount of agreements concerning the issue of bonds by BRE.locum and their assumption underwriting by the Bank amounts to PLN 363 000 thousand.
- On 24 June 2008 the Bank issued subordinated bonds of unspecified maturity, with variable interest rate, of total par value of CHF 90 000 thousand (PLN 186 732 thousand at average NBP exchange rate of 24 June 2008). The bonds were fully acquired, at par value, by Commerzbank AG, on the basis of the Note Issuance Facility Agreement of 11 June 2008.
- On 24 June 2008 on the basis of the agreement of 11 June 2008, Commerzbank AG granted a subordinated loan to the Bank of value of CHF 90 000 thousand (PLN 186 732 thousand at average NBP exchange rate of 24 June 2008) with a ten-year repayment term and variable interest rate.
- In accordance with the agreement between BRE Bank and Commerzbank AG concluded on 4 November 2008, the Bank received a loan in the amount of CHF 1 000 000 thousand (PLN 2 386 200 thousand at average NBP exchange rate of 4 November 2008) for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, interest rate is based on LIBOR 3M plus margin.
- In accordance with the agreement between BRE Bank and Commerzbank AG concluded on 5 December 2008, the Bank received a loan in the amount of CHF 1 000 000 thousand (PLN 2 535 900 thousand at average NBP exchange rate of 5 December 2008) for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, interest rate is based on LIBOR 3M plus margin.

In presented reporting periods there were no mutual transactions with the direct parent entity of BRE Bank.

The amounts of transactions with related entities, i.e., balances of receivables and obligations and related expenses and income as at 31 December 2008 and 31 December 2007 and for the respective periods then ended were as follows:

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

No.	Company's name	Balance sheet		Profit and loss account				Off-balance sheet items	
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	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 Service Point Sp. z o.o.)	-	150	9	(6)	17	-	1 000	-
	Associates								
	Xtrade SA	-	34	-	(4)	7	-	-	-
	Ultimate Parent Group								
	Commerzbank AG Group	1 834 878	24 587 002	38 424	(549 414)	-	-	580 504	557 636

Numerical data concerning transactions with related entities (in PLN thousand) as at 31 December 2007

No.	Company's name	Balance sheet		Profit and loss account				Off-balance sheet items	
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	354	-	-	2	-	-	-
2	BRE Holding Sp. z o.o.	-	98	-	-	-	-	-	-
3	BRE Ubezpieczenia TU SA	-	8 383	-	(121)	2	-	-	-
4	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	1	-	(8)	1	-	-	-
5	BREL-MAR Sp. z o.o.	-	1	-	-	1	-	-	-
6	ServicePoint Sp. z o.o.	155	74	1	(14)	10	-	345	-
	Associates								
	Xtrade SA	-	61	-	(4)	7	-	-	-
	Ultimate Parent Group								
	Commerzbank AG Group	387 525	9 861 963	25 838	(246 096)	-	-	54 308	106 369

The table below presents the values of transactions between the Bank and: the Members of the Management Board of the Bank, the Management of the Subsidiaries and key executive management of the Group.

(in PLN '000)	**Directors and key management personnel of the Bank**		**Directors and key management personnel of other entities of the Group**	
As at the end of the period	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Loans outstanding	6 731	7 218	2 898	2 177
Deposits received	11 704	34 187	1 170	713
Interest expense on deposits	(352)	(370)	(32)	-
Interest, fee and commission income	250	322	71	66
Directors and key management remuneration	41 379	28 471	37 166	25 132

In 2008 no provisions were created in connection with credits granted to related entities.

499 900 shares connected with realisation of employee option program were issued as at 31 December 2008.

Management Board Compensation

Management Board of BRE Bank consists of seven following persons at the end of 2008:

1. Mariusz Grendowicz – President of the Management Board, Director General of the Bank,
2. Wiesław Thor – Deputy President of the Management Board, the Chief Risk Officer,
3. Przemysław Gdański – Member of the Management Board, Head of Corporate Banking,
4. Karin Katerbau – Member of the Management Board, Chief Financial Officer,
5. Bernd Loewen - Member of the Management Board, Head of Investment Banking,
6. Jarosław Mastalerz – Member of the Management Board, Head of Retail Banking,
7. Christian Rhino – Member of the Management Board, Chief Operation Officer.

On 14 March 2008, the Supervisory Board of BRE Bank SA appointed Management Board Members, as of 15 March 2008, for a joint five-year term of office:

1. Mr Mariusz Grendowicz as the President of the Management Board of BRE Bank SA, General Director of the Bank,
2. Mr Andre Carls as Deputy President of the Management Board of BRE Bank SA, Chief Financial Officer,
3. Mr Wiesław Thor as Deputy President of the Management Board of BRE Bank SA, Chief Risk Officer,
4. Mr Bernd Loewen as Member of the Management Board of BRE Bank SA, Head of Investment Banking,
5. Mr Jarosław Mastalerz as Member of the Management Board of BRE Bank SA, Head of Retail Banking,
6. Mr Christian Rhino as Member of the Management Board of BRE Bank SA, Chief Operation Officer.

Simultaneously, the following persons ceased performing their functions on the Management Board of BRE Bank SA:

1. Mr Sławomir Lachowski – the President of the Management Board, Director General of the Bank,
2. Mr Jerzy Jóźkowiak – Member of the Management Board, Chief Financial Officer,
3. Mr Rainer Ottenstein – Member of the Management Board, Chief Operation Officer,
4. Mr Janusz Wojtas – Member of the Management Board, Head of Corporate Banking.

On 8 August 2008 the Bank received information on consent of the Polish Financial Supervision Authority for appointment of Mr Mariusz Grendowicz to the position of the President of the Management Board of BRE Bank SA.

On 15 July 2008 Mr Andre Carls, Member of the Management Board and the Chief Financial Officer of the Bank, resigned from the office as of 4 September 2008.

IFRS Consolidated Financial Statements 2008 PLN (000's)

According to Resolution of the Supervisory Board of BRE Bank SA as of 5 September 2008 the following persons were appointed to the positions:

1. Ms Karin Katerbau as a Member of the Management Board, Bank Executive Director as of 5 September 2008 until the end of the current term of office of the Management Board,
2. Mr Przemysław Gdański as a Member of the Management Board, Bank Executive Director as of 19 November 2008 until the end of the current term of office of the Management Board.

Information on the Board members' salaries, bonuses and benefits paid out and due to the members of the Management Board of the Bank who were the members at the end of 2008 as at 31 December 2008 and 31 December 2007 is presented below:

	Remuneration paid in 2008 (in PLN)		
	Basic salary	**Other benefits**	**Bonus for 2007**
Mariusz Grendowicz	1 425 000	45 954	-
Wiesław Thor	1 341 250	117 347	2 583 000
Przemysław Gdański	142 105	5 402	-
Karin Katerbau	384 478	29 242	-
Bernd Loewen	1 110 726	107 912	2 400 000
Jarosław Mastalerz	1 103 750	146 988	999 375
Christian Rhino	970 988	129 057	-
Total	**6 478 297**	**581 902**	**5 982 375**

Remuneration of the Management Board Members who ceased performing their functions in the year 2008.

	Remuneration paid in 2008 (in PLN)		
	Basic salary	**Other benefits**	**Bonus for 2007**
Sławomir Lachowski	659 730	1 995 417	4 300 000
Jerzy Jóźkowiak	433 571	1 565 502	2 583 000
Andre Carls	543 240	26 063	-
Rainer Ottenstein	168 878	32 425	2 400 000
Janusz Wojtas	420 393	466 353	2 583 000
Total	**2 225 812**	**4 085 761**	**11 866 000**

	Remuneration paid in 2007 (in PLN)		
	Basic salary	**Other benefits**	**Bonus for 2006**
Sławomir Lachowski	1 200 000	95 000	3 930 395
Jerzy Jóźkowiak	738 000	39 145	2 355 693
Bernd Loewen	681 522	201 847	2 298 237
Jarosław Mastalerz	307 500	36 838	-
Rainer Ottenstein	681 522	242 870	2 298 237
Wiesław Thor	738 000	53 781	2 355 693
Janusz Wojtas	738 000	53 781	2 083 157
Total	**5 084 544**	**723 262**	**15 321 412**

The total compensation of members of the Management Board consists of: salary, bonuses, termination of agreement payment, prohibition of competitiveness payment, insurance costs and accommodation costs.

The above mentioned benefits are short-term employee benefits.

In accordance with the Bank's remuneration system in force, the members of the Management Board of the Bank are bonuses eligible for the year 2008, which will be paid out in 2009. The final decision concerning the level of the bonus will be taken by the Executive Committee of the Supervisory Board on March 16, 2009.

Additionally, in 2008 the members of the Management Board of BRE Bank SA received in aggregate PLN 331 569 as a compensation for their role as members of the management boards and supervisory boards of the Bank's related companies (in 2007: PLN 331 127).

The total amount of remuneration received in 2008 by Bank's Management Board members was PLN 31 551 716 (2007: PLN 21 460 345).

Supervisory Board Compensation

The present composition of the Supervisory Board is as follows at the end of 2008:

1. Maciej Leśny – Chairman of the Supervisory Board, Chairman of the Executive Committee, Member of the Risk Committee, Member of the Audit Committee,
2. Andre Carls – Deputy Chairman of the Supervisory Board, Member of the Executive Committee, Member of the Risk Committee, Member of the Audit Committee,
3. Michael Schmid – Member of the Supervisory Board, Chairman of the Risk Committee,
4. Martin Zielke – Member of the Supervisory Board, Chairman of the Audit Committee,

IFRS Consolidated Financial Statements 2008 PLN (000's)

5. Jan Szomburg – Member of the Supervisory Board, Member of the Executive Committee, Member of the Audit Committee,
6. Achim Kassow – Member of the Supervisory Board, Member of the Executive Committee,
7. Waldemar Stawski – Member of the Supervisory Board, Member of the Risk Committee,
8. Teresa Mokrysz – Member of the Supervisory Board,
9. Marek Wierzbowski – Member of the Supervisory Board.

On 14 March 2008, the Ordinary General Meeting of BRE Bank SA elected three new persons to the Supervisory Board of the Bank SA:

1. Mr Waldemar Stawski,
2. Mr Marek Wierzbowski,
3. Mr Martin Zielke.

The following persons were re-elected to the Supervisory Board for another term of office:

1. Mr Maciej Leśny,
2. Mr Martin Blessing,
3. Mr Achim Kassow,
4. Ms Teresa Mokrysz,
5. Mr Michael Schmid,
6. Mr Jan Szomburg.

On 15 July 2008 Mr Martin Blessing, Member of the Supervisory Board of the Bank, resigned from the office as of 4 September 2008.

According to Resolution of the Supervisory Board of BRE Bank SA as of 5 September, Mr Andre Carls was appointed as a Member of the Supervisory Board and as Deputy Chairman of the Bank Supervisory Board as of 5 September 2008 until the end of the current term of office of the Supervisory Board, a Member of the Executive Committee of the Bank Supervisory Board, Member of the Audit Committee of the Bank Supervisory Board and a Member of the Risk Committee of the Bank Supervisory Board as of 5 September 2008 for the current term of office of the Supervisory Board.

Information about the Supervisory Board members' salaries, bonuses and benefits paid as at 31 December 2008 and 31 December 2007 is presented below:

		Remuneration paid in 2008 (in PLN)	Remuneration paid in 2007 (in PLN)
1.	Maciej Leśny	315 000	315 000
2.	Andre Carls	86 864	-
3.	Jan Szomburg	231 000	231 000
4.	Teresa Mokrysz	132 000	132 000
5.	Waldemar Stawski	156 750	-
6.	Michael Schmid	198 000	198 000
7.	Martin Zielke	156 750	-
8.	Achim Kassow	213 625	198 000
9.	Marek Wierzbowski	104 500	-
	Krzysztof Szwarc*	-	33 000
	Gromosław Czempiński**	27 500	132 000
	Nicholas Teller**	48 125	231 000
	Martin Blessing***	178 011	234 000
	Total	**1 848 125**	**1 704 000**

* On 28 February 2007 Mr Krzysztof Szwarc resigned from the office.
** On 14 March 2008 the members ended the term of office.
*** On 4 September 2008 Mr Martin Blessing resigned from the office.

In accordance with the wording of paragraph 11 letter j) of the Bylaws of BRE Bank SA the General Meeting determines remuneration for members of the Supervisory Board. In relation to remuneration of the Management Board members - competences with this respect holds the Supervisory Board (paragraph 22 section 1 letter e) of the Bylaws of BRE Bank SA).

46. Acquisitions and Disposals

On 30 June 2008, in connection with the transaction of merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA, the Bank took up 54 812 shares of Aegon PTE SA constituting 49.7% of the share capital and general number of votes at the General Meeting of the company.

On 30 December 2008, by virtue of the decision of the Polish Financial Supervision Authority concerning acquisition of Aegon PTE SA's shares by Aegon Woningen Nova BV from the Bank, the transfer of ownership of the company's shares took place.

After the sale of the aforementioned shares, the Group had no shares of Aegon PTE SA.

The detailed information on the transaction as well as assets held for sale and discontinued operations was presented in the Note 28 of these financial statements.

47. Information about the Registered Audit Company

The registered audit company with whom BRE Bank SA signed the agreement is PricewaterhouseCoopers Sp. z o.o. The agreement to conduct an audit of stand-alone financial statements of BRE Bank SA and consolidated financial statements of BRE Bank SA Group was signed on 4 July 2008.

The total amount of PricewaterhouseCoopers Sp. z o.o. remuneration related to the audit and review of stand-alone financial statements and consolidated financial statements of BRE Bank SA was PLN 3 308 thousand in 2008 (2007: PLN 2 924 thousand).

The total amount of PricewaterhouseCoopers Sp. z o.o. remuneration related to consulting services for BRE Bank SA was PLN 1 223 thousand in 2008 (2007: PLN 1 130 thousand).

48. Capital Adequacy Ratio / Capital Adequacy

One of the main tasks of balance sheet management is to ensure an appropriate level of the capital. Within the Group's capital management framework, BRE Bank creates its framework and directions in order to form the most effective planning and utilization of the capital which:

- are consistent with valid external regulations and internal regulations of the Group,
- place in safety continuation of accomplishment of financial aims providing a suitable level of return for shareholders,
- provide maintaining a stable capital basis which is the basis for progress of the business.

Capital management policy in BRE Bank is based on:

1. maintenance of an optimal level and structure of own funds with application of available methods and means (retention of net profit, subordinated loan, issue shares, etc.);
2. effective utilization of existing capital among others through application of set of measure instruments of effective utilization of the capital, limitation of activities that do not provide an expected rate of return, development of products with lower capital absorption.

Effective utilization of the capital is an integral part of the capital management policy oriented to reach an optimal rate of return on capital and thanks to it, forming a stable basis of reinforcement of capital basis in future periods, which enables to maintain the capital adequacy ratio at least on the level required by the supervision authority (the Polish Financial Supervision Authority). Adequacy ratio is calculated as a quotient of own funds by total capital charge, multiplied by 12.5, and it is to equal 8% at least.

Own funds comprise:

a) core funds comprise:

- principal funds (paid and registered initial capital, capital surplus fund and reserve funds excluding any liabilities due to preference shares),
- additional items of core funds (general risk fund for unidentified banking business risk, profit from previous years, profit under approval by shareholders and net profit for the current reporting year, calculated in accordance with valid accounting principles, less any expected costs and dividends in the amounts not greater than the profit verified by auditors, other balance sheet items determined by KNF),
- items reducing core funds – own shares held by the Bank, valued at carrying amount and reduced by impairment losses on them, intangible assets measured according to the balance sheet method, loss from previous years, loss under approval by shareholders, net loss for the current year, other decreases of core funds of the Bank determined by KNF (including missing provisions for banking business risk and exposure to securitization items),

b) supplementary funds comprise:

- revaluation reserve resulting from valuation of tangible fixed assets – formed on the basis of separate regulations,

- balance sheet items on including which KNF takes decisions (including subordinated liabilities, liabilities due to securities with unlimited maturities and other similar instruments),
- items determined by KNF for the purpose of providing business safety and proper risk management within the Bank,
- decreases of supplementary funds, determined by KNF.

Bank adjusts the own funds to the level and kind of the risk, it is exposed to, and to the character, scale and complexity of its business activity. For that purpose, the Bank prepared and implemented ICAAP process (Internal Capital Adequacy Assessment Process). The aim of this process it to have the own funds at the level adequate to the risk profile and the risk level of the Group's activities to ensure the safety of the of BRE Bank SA Group's business.

Internal capital is an estimated by the Group capital level needed to cover all identified, material types of risk within the Group's activity, including so-called permanent material risks and other material risks being difficult to measure. The permanent material risks are to be covered by the economic capital, while other risks are to be covered by the capital for coverage of risks being difficult to measure.

The process of internal risk assessment in BRE Bank SA Group is performed constantly and is based on the following tasks completed by the organisational units of the Bank:

- identification and description of the significant risks distinguished in the business of the Group,
- calculation of the capital to cover each of the material risks,
- aggregation of the capital to cover risks,
- allocation of capital on business lines and the Group's companies,
- monitoring containing permanent identification of the risks occurring in the business activities of the BRE Bank SA Group and analysis of the level of consumed capital in the scope of the risks expected to be significant.

The process of internal capital adequacy assessment is accepted by the Supervisory Board of the Bank.

Total capital charge comprises:

- credit capital charge,
- market risk capital charge comprising: foreign exchange risk capital charge, commodities risk capital charge, specific risk for equity instruments capital charge, specific risk for debt instruments capital charge, general interest rate risk capital charge,
- settlement risk capital charge, delivery risk capital charge and counterparty risk capital charge,
- capital charges due to: risk of exceeding the limit of concentration of exposures and risk of exceeding the limit of concentration of large exposures,
- capital charge due to risk of exceeding the level of capital concentration,
- operational risk capital charge.

The calculation of the Group capital adequacy ratio and own funds is made on the following basis:

- Banking Act dated at 29 August 1997 (Dz.U. from the year 2002 No 72, pos. 665, with amendments),
- Resolution No. 1/2007 of the Polish Banking Supervision Authority dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 2 pos. 3),
- Resolution No. 2/2007 of the Polish Banking Supervision Authority dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 3 pos. 4),
- Resolution No. 3/2007 of the Polish Banking Supervision Authority dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 3 pos. 5).
- Resolution No. 4/2007 of the Polish Banking Supervision Authority dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 3 pos. 6).
- Resolution No. 5/2007 of the Polish Banking Supervision Authority dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 3 pos. 7).

Capital adequacy ratio of the BRE Bank Group amounted to 10.04% as at 31 December 2008. Due to significant trading activity full calculation of the capital charges is being made. Total capital charge of the Group amounted to PLN 4 712 225 thousand as at 31 December 2008, including PLN 4 176 602 thousand of credit capital charge (31 December 2007 respectively: 3 127 259 thousand and PLN 3 009 261 thousand).

Due to the fact that total capital requirement of the BRE Bank Group calculated according to Resolution No. 1/2007 is higher than the internal capital calculated according to Resolution No. 4/2007, the BRE Bank Group's own funds were kept as at 31 December 2008 at the level not lower than the total capital requirement calculated for the Group according to Resolution No. 1/2007.

IFRS Consolidated Financial Statements 2008 PLN (000's)

Capital adequacy	**31.12.2008**	**31.12.2007**
Own funds:		
- Share capital	118 764	118 643
- Supplementary fund	1 402 919	1 398 789
- Reserve fund	1 729 678	1 022 781
- Revaluation reserve arising from valuation of non-current and financial assets available for sale	(253 039)	(1 057)
- Profit for the current year	640 325	323 866
- Uncovered loss from previous years	-	-
- Investments in financial institutions	(49 324)	(37 794)
- Additional increase	153 584	116 812
- Additional decrease	-	(192 283)
- Intangible assets	(438 130)	(433 696)
- Subordinated liabilities	2 606 983	1 655 040
I. Total own funds	**5 911 760**	**3 971 101**
Risk weighted off-balance sheet assets and liabilities:		
- applying a 20% risk weight	1 264 147	514 135
- applying a 35% risk weight	216 210	-
- applying a 50% risk weight	1 085 565	3 618 638
- applying a 75% risk weight	22 074 936	-
- applying a 100% risk weight	28 678 958	33 398 974
- applying a 150% risk weight	386 537	-
- applying other risk weights	-	84 016
II. Total risk weighted off-balance sheet assets and liabilities	**53 706 353**	**37 615 763**
III. Credit risk	**4 176 602**	**3 009 261**
IV. Foreign exchange risk	**14 060**	**14 684**
V. Equity instruments price risk	**571**	**231**
VI. Specific risk for debt instruments	**35 555**	**44 027**
VII. General interest rate risk	**39 068**	**35 366**
VIII. Settlement, delivery and counterparty credit risk	**119 906**	**23 661**
IX. Commodities risk	**1**	**29**
X. Operational risk	**326 462**	**-**
XI. Total capital charge	**4 712 225**	**3 127 259**
XII. Capital adequacy ratio (%)	**10.04%**	**10.16%**

49. Events after the Balance Sheet Date

As a reaction for economy situation changes in Poland, after 31 December 2008 the Group introduced further changes to the creditworthiness calculation model in respect of customers applying for loans denominated in CHF to reduce the risk related to sudden adverse rate movements. Additionally, availability of loans was limited for high-risk customers and the catalogue of acceptable real-property collaterals has been shortened. Despite the significant increase of CHF/PLN exchange rate, the Group didn't notice substantial increase in the number of defaulted loans. The effect of increased exchange rates was reduced by the decrease of CHF interest rates.