BRE Bank SA

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

TRANSLATORS' EXPLANATORY NOTE

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

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

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

This report contains 28 consecutively numbered pages and consists of:

I. General information about the Bank

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

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

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

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

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

I. General information about the Bank (cont.)

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

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

(f) The Bank has the following significant related entities:

Commerzbank Auslandsbanken Holding AG	-	the parent company
BRE Bank Hipoteczny SA	-	a subsidiary
BRE Corporate Finance SA	-	a subsidiary
BRE Finance France SA	-	a subsidiary
BRE Leasing Sp. z o.o.	-	a subsidiary
BRE.locum SA	-	a subsidiary
BRE Ubezpieczenia Towarzystwo Ubezpieczeń SA	-	a subsidiary
BRE Ubezpieczenia Sp. z o.o.	-	a subsidiary
BRE Wealth Management SA	-	a subsidiary
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	-	a subsidiary
Dom Inwestycyjny BRE Banku SA	-	a subsidiary
emFinanse Sp. z o.o.	-	a subsidiary
Garbary Sp. z o.o.	-	a subsidiary
Intermarket Bank AG	-	a subsidiary
Magyar Factor zRt.	-	a subsidiary
Polfactor SA	-	a subsidiary
Tele –Tech Investment Sp. z o.o.	-	a subsidiary
Transfinance a.s.	-	a subsidiary
Xtrade SA	-	an associate

and the companies which belong to the Group of the parent company of the Bank.

(g) The Bank issues securities admitted to trading on the Warsaw Stock Exchange. As permitted by the Accounting Act, the Bank has elected, commencing 2005, to prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The decision to prepare the Bank's financial statements in accordance with those standards was taken by the General Shareholders' Meeting by means of Resolution No. 1 passed on 27 January 2005.

I. General information about the Bank (cont.)

(h) The Bank, as the parent company in the BRE Bank SA Group, also prepared consolidated financial statements in accordance with IFRS as adopted by the European Union, dated 27 February 2009. In order to understand the financial position and the results of operations of the Bank as the parent company, the separate financial statements should be read in conjunction with the consolidated financial statements.

II. Information on the audit

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

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

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

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

III. The Bank's results and financial position

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

The observations below are based on the knowledge obtained during the audit of the financial statements. The financial statements had been prepared in accordance with the going concern principle.

- In the financial year ended 31 December 2008, total assets increased by PLN 23,986,655 thousand (i.e. by 50%) to PLN 72,355,392 thousand as at the end of the audited period. The increase in total assets was mainly financed by the increase in amounts due to other banks of PLN 12,210,933 thousand and the increase in amounts due to customers of PLN 4,704,178 thousand, as well as the net profit generated in 2008, in the amount of PLN 829,531 thousand. The increase in amounts due to other banks resulted from the Bank obtaining loans and advances which increased by PLN 10,820,408 thousand (i.e. by 162%). The increase in amounts due to customers mainly resulted from the increase in amounts due to individuals of PLN 8,231,474 thousand which was accompanied by the decrease in amounts due to corporate customers of PLN 2,898,774 thousand and in amounts due to the public sector of PLN 628,522 thousand.
- The share capital increased by PLN 4,251 thousand compared with the end of the previous year. The increase was due to 30,214 ordinary shares being issued as part of the execution of the Second Management Share Option Scheme.
- In the audited period, there was an increase in lending activities of PLN 15,878,278 thousand, which resulted both from an increase in amounts due from individuals (first of all as a result of increase in the portfolio of mortgage loans granted to mBank and MultiBank customers as well as valuation of loan portfolio denominated in foreign currencies) and in amounts due from corporate customers. As a result, the share of loans and advances granted to customers in total assets increased from 55% to 58%.
- The share of impaired loans and advances from customers in the gross portfolio amounted to 1.7% as at the balance sheet date compared with 2.2% as at 31 December 2007. The balance of impairment write-downs of loans and advances granted to customers and banks amounted to PLN 673,864 thousand as at the end of 2008 and increased by PLN 124,056 thousand compared with the end of the previous year. At the same time the ratio of write-downs to impaired loans dropped by 5 percentage points to 73% as at 31 December 2008, mainly as a result of higher cash flows from loans with identified impairment in the audited year.
- Surplus funds were invested in investment securities, trading securities and pledged assets which mainly comprised sell-buy back transactions in securities. These items totalled PLN 13,911,372 thousand as at the balance sheet date and increased by PLN 297,457 thousand compared with the end of the previous year. The above changes, which were accompanied by a considerable increase in the loan portfolio, contributed to the total share of securities in total assets decreasing from 28% as at the end of 2007 to 20% as at the end of the audited period.
- In the audited period, amounts due from banks increased by PLN 3,899,271 thousand (i.e. by 180%) to PLN 6,065,581 thousand as at the balance sheet date mainly as a result of the increase in interbank deposits of PLN 3,560,205 thousand. At the same time, the balance of cash in hand and with the Central Bank increased by PLN 493,471 thousand (i.e. by 25%) compared with the end of 2007 to PLN 2,491,851 thousand as at the end of the balance sheet date.

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

- In the audited period, the value of derivative financial instruments increased by PLN 3,348,468 thousand to PLN 5,612,313 thousand as at the end of 2008, which was accompanied by an increase in derivative financial instruments recognized in liabilities of PLN 4,029,896 thousand to PLN 6,211,316 thousand as at the end of the audited period.
- The net profit for the current financial year amounted to PLN 829,531 thousand and was PLN 192,300 thousand higher than the net profit for 2007. The net profit comprised mainly: net interest income of PLN 1,127,267 thousand, net trading income of PLN 447,478 thousand, and net fee and commission income of PLN 423,966 thousand. At the same time, the net profit had been affected by Bank overheads together with depreciation and amortization totalling PLN 1,230,715 thousand, as well as net impairment write-downs of loans and advances in the amount of PLN 218,747 thousand.
- The Bank's Management Board continued the policy of optimizing the financial investment portfolio. In 2008, the Bank sold its shares in Vectra SA earning a profit on the sale of PLN 137,673 thousand. In the audited year, PTE Skarbiec – Emerytura SA merged with Aegon PTE SA, and subsequently the Bank sold its shares in the combined pension fund management company. The share sale agreement was concluded on 21 July 2008, whereas Aegon PTE SA shares were transferred on 30 December 2008 after the consent of the Polish Financial Supervision Authority had been obtained. The Bank made a profit of PLN 134,392 thousand on the combination and sale of Aegon PTE SA shares.
- The Bank's profit before tax for 2008 amounted to PLN 901,487 thousand and was PLN 113,059 thousand (i.e. 14%) higher than in 2007. This increase was mainly due to an increase in net interest income (of PLN 339,965 thousand), an increase in the result on investment securities (of PLN 133,419 thousand), an increase in net fee and commission income (of PLN 39,861 thousand), and an increase in dividend income (of PLN 30,955 thousand). These increases were partly offset by the increase in Bank overheads of PLN 203,012 thousand, the increase of PLN 160,525 thousand in net impairment write-downs of loans and advances, the fall in net trading income of PLN 24,883 thousand, as well as the increase of PLN 20,846 thousand in depreciation and amortization charges.
- In the audited financial year, income tax expense decreased by PLN 79,241 thousand to PLN 71,956 thousand. The fall resulted mainly from the decrease in deferred tax of PLN 151,046 thousand which was accompanied by the increase in current income tax expense of PLN 71,805 thousand.
- Return on equity being the ratio of the net profit for the year to average net assets (including the net profit for the year) amounted to 24.75% and was 1.29 percentage points higher than in 2007. In 2008, there was a fall in gross margin which amounted to 20.01% compared with 25.20% for 2007.

IV. Discussion of financial statement components

BALANCE SHEET as at 31 December 2008

	Note	31.12.2008 PLN'000	31.12.2007 PLN'000	Change PLN'000	Change (%)	31.12.2008 Structure (%)	31.12.2007 Structure (%)
Cash, balances with the Central Bank	1	2,491,851	1,998,380	493,471	25	3	4
Debt securities eligible for rediscounting at the Central Bank		9,238	23,259	(14,021)	(60)	-	-
Amounts due from banks	2	6,065,581	2,166,310	3,899,271	180	8	4
Trading securities	3	4,969,212	4,575,320	393,892	9	7	9
Derivative financial instruments	4	5,612,313	2,263,845	3,348,468	148	8	5
Loans and advances to customers	5	42,257,165	26,378,887	15,878,278	60	58	55
Investment securities	6	5,498,171	6,226,318	(728,147)	(12)	8	13
Non-current assets held for sale		-	335,819	(335,819)	(100)	-	1
Pledged assets	7	3,443,989	2,812,277	631,712	22	5	6
Investments in subsidiaries	8	457,305	449,098	8,207	2	1	1
Intangible assets	9	406,360	379,504	26,856	7	1	1
Property, plant and equipment	10	601,649	532,175	69,474	13	1	1
Deferred tax assets	31	156,747	2,824	153,923	5,451	-	-
Other assets	11	385,811	224,721	161,090	72	-	-
TOTAL ASSETS		**72,355,392**	**48,368,737**	**23,986,655**	**50**	**100**	**100**

IV. Discussion of financial statement components (cont.)

BALANCE SHEET as at 31 December 2008 (cont.)

	Note	31.12.2008 PLN'000	31.12.2007 PLN'000	Change PLN'000	Change (%)	31.12.2008 Structure (%)	31.12.2007 Structure (%)
Liabilities		**68,731,245**	**45,288,604**	**23,442,641**	**52**	**95**	**94**
Amounts due to the Central Bank	12	1,302,469	-	1,302,469	-	2	-
Amounts due to other banks	13	20,142,760	7,931,827	12,210,933	154	28	17
Derivative financial instruments and other trading liabilities	14	6,211,316	2,181,420	4,029,896	185	8	5
Amounts due to customers	15	37,438,494	32,734,316	4,704,178	14	52	68
Debt securities in issue	16	7,829	36,810	(28,981)	(79)	-	-
Subordinated liabilities	17	2,669,453	1,661,785	1,007,668	61	4	3
Other liabilities	18	654,676	552,894	101,782	18	1	1
Current income tax liability	31	214,145	120,659	93,486	77	-	-
Deferred tax provision	31	81	62	19	31	-	-
Provisions	19	90,022	68,831	21,191	31	-	-
Equity	**20**	**3,624,147**	**3,080,133**	**544,014**	**18**	**5**	**6**
Share capital	21	1,521,683	1,517,432	4,251	-	2	3
Revaluation reserve		(221,303)	79,231	(300,534)	(379)	-	-
Retained earnings		2,323,767	1,483,470	840,297	57	3	3
TOTAL LIABILITIES AND EQUITY		**72,355,392**	**48,368,737**	**23,986,655**	**50**	**100**	**100**

IV. Discussion of financial statement components (cont.)

INCOME STATEMENT
For the year ended 31 December 2008

	Note	2008 PLN'000	2007 PLN'000	Change PLN'000	Change (%)	2008 Structure (%)	2007 Structure (%)
Interest income		2,940,153	1,860,514	1,079,639	58	65	60
Interest expense		(1,812,886)	(1,073,212)	(739,674)	69	(50)	(46)
Net interest income	**22**	**1,127,267**	**787,302**	**339,965**	**43**		
Fee and commission income		704,842	566,875	137,967	24	16	18
Fee and commission expense		(280,876)	(182,770)	(98,106)	54	(8)	(8)
Net commission income	**23**	**423,966**	**384,105**	**39,861**	**10**		
Dividend income	**24**	**68,681**	**37,726**	**30,955**	**82**	1	1
Foreign exchange position		482,361	427,530	54,831	13	11	14
Net other trading income		(34,883)	44,831	(79,714)	(178)	(1)	1
Net trading income	**25**	**447,478**	**472,361**	**(24,883)**	**(5)**		
Net profit on investment securities	26	265,457	132,038	133,419	101	6	4
Other operating income	27	43,742	59,266	(15,524)	(26)	1	2
Net impairment write-downs of loans and advances	28	(218,747)	(58,222)	(160,525)	276	(6)	(2)
Bank overheads	29	(1,070,917)	(867,905)	(203,012)	23	(30)	(37)
Depreciation and amortization	30	(159,798)	(138,952)	(20,846)	15	(4)	(6)
Other operating expenses	27	(25,642)	(19,291)	(6,351)	33	(1)	(1)
Profit before tax		**901,487**	**788,428**	**113,059**	**14**		
Income tax expense	31	(71,956)	(151,197)	79,241	(52)		
Net profit	**32**	**829,531**	**637,231**	**192,300**	**30**		
Total income		4,505,236	3,128,780	1,376,456	44	100	100
Total expenses		3,603,749	2,340,352	1,263,397	54	(100)	(100)
Profit before tax		**901,487**	**788,428**	**113,059**	**14**		

IV. Discussion of financial statement components (cont.)

Selected ratios characterizing the Bank's financial position and results

The following ratios characterize the Bank's business activities, its results of operations for the financial year, and its financial position as at the balance sheet date compared with the prior period:

	31.12.2008	31.12.2007
Profitability ratios		
Return on equity (net profit for the financial period / average net assets) (1)	24.75%	23.46%
Return on equity (net profit for the financial period / average net assets excluding the net profit/loss for the period)	28.24%	26.57%
Return on assets (profit before tax for the financial period / average assets) (1)	1.49%	1.85%
Gross margin (profit before tax for the financial period / total income)	20.01%	25.20%
Rate of interest income on working assets (interest income / average working assets)	5.40%	4.78%
C/I ratio (Bank overheads / result on banking activities) (2)	52.76%	55.52%
Liability ratios		
Cost of borrowings (interest expense for the financial period / average interest-bearing liabilities) (1)	3.49%	2.86%
Equity to equity & liabilities (average equity / average total equity & liabilities) (1)	5.55%	6.37%
Loans to assets (average gross amounts due from banks and customers / average total assets) (1)	64.72%	59.26%
Impaired loans to loans gross	1.63%	2.02%
Working assets to total assets (3)	89.47%	91.34%
Liquidity ratios		
Liquidity I (assets maturing within 1 month / liabilities maturing within 1 month) (4)	0.36	0.41
Liquidity II (assets maturing within 3 months / liabilities maturing within 3 months) (4)	0.39	0.47
Capital market ratios		
Earnings per share	PLN 27.95	PLN 21.54
Book value per share	PLN 122.06	PLN 103.85
Other ratios		
Equity in accordance with KNB (*Banking Supervision Commission*) Resolution No. 2/2007	PLN 4,887,006 thousand	PLN 3,415,974 thousand
Total regulatory requirement together with the requirement concerning the risk of excessive capital exposures (total regulatory capital requirement in accordance with KNB Resolution No. 1/2007)	PLN 3,893.689 thousand	PLN 2,566,080 thousand
Capital adequacy ratio in accordance with KNB Resolution No. 1/2007	10.04%	10.65%

(1) The average balances of balance sheet items were calculated on the basis of the balances of the individual items as at the beginning and the end of the current financial period and the previous financial period.
(2) The result on banking activities understood as the profit / loss before tax less Bank overheads, net impairment write-downs of loans and advances, and other operating income and expenses.
(3) Interest receivable was not eliminated from working assets.
(4) Individual ratios may differ from the ratios presented in the financial statements due to a different calculation method being used.

IV. Discussion of financial statement components (cont.)

Balance sheet as at 31 December 2008

1. Cash and balances with the Central Bank

As at 31 December 2008, the balance of "Cash and balances with the Central Bank" amounted to PLN 2,491,851 thousand which represented a 25% increase compared with PLN 1,998,380 thousand as at the end of 2007.

The increase in the balance was mainly due to the increase in cash in current accounts of PLN 446,945 thousand to PLN 2,348,574 thousand as at 31 December 2008.

As at the balance sheet date, the Bank calculated and maintained a mandatory reserve in accordance with Resolution No. 15/2004 of the Management Board of the National Bank of Poland dated 13 April 2004 on the terms and procedures for banks calculating and maintaining a mandatory reserve. The declared mandatory reserve maintained with the NBP in December 2008 increased compared with the previous financial year and amounted to PLN 1,172,367 thousand (PLN 934,211 thousand in December 2007).

2. Amounts due from banks

As at 31 December 2008, the balance of amounts due from banks amounted to PLN 6,065,581 thousand and increased by PLN 3,899,271 thousand (i.e. by 180%) compared with the end of 2007.

The increase mainly resulted from the increase in current amounts due comprising short-term deposits and current accounts of PLN 3,614,312 thousand to PLN 4,341,668 thousand as at 31 December 2008 and the increase in "Loans, deposits and advances" of PLN 243,791 thousand to PLN 1,031,641 thousand as at the end of the audited period.

Impairment write-downs of amounts due from banks amounted to PLN 31,014 thousand as at the end of 2008 and increased by PLN 25,805 thousand compared with the end of 2007, which mainly resulted from an impairment write-down being recognized in respect of amounts due from one of the foreign banks.

3. Trading securities

As at 31 December 2008, the balance of trading securities amounted to PLN 4,969,212 thousand, which represented an increase of PLN 393,892 thousand compared with 31 December 2007. As at 31 December 2008, the said balance comprised debt securities with a carrying value of PLN 4,967,900 thousand and equity securities with a carrying value of PLN 1,312 thousand.

The increase in the carrying value of trading securities resulted mainly from the increase in the portfolio of debt securities issued by the NBP of PLN 1,859,898 thousand to PLN 3,162,714 thousand and the increase in the balance of Treasury bills of PLN 482,922 thousand to PLN 494,151 thousand. The said increase was partly offset by the fall in the balance of government bonds of PLN 1,935,724 thousand to PLN 79,571 thousand.

IV. Discussion of financial statement components (cont.)

4. Derivative financial instruments

The balance of "Derivative financial instruments" amounted to PLN 5,612,313 thousand as at the balance sheet date and increased by PLN 3,348,468 thousand (i.e. by 148%) compared with the end of the previous financial year.

The said balance mainly comprised the valuation of interest rate derivatives, which amounted to PLN 2,894,920 thousand on the assets side as at the balance sheet date and increased by PLN 2,005,378 thousand compared with 31 December 2007, and the valuation of foreign exchange derivatives, which amounted to PLN 2,694,307 thousand on the assets side as at the balance sheet date and increased by PLN 1,540,165 thousand compared with the end of 2007. The increase in the valuation of foreign exchange derivatives and interest rate derivatives was partly offset by a decrease in the value of market risk-related transactions of PLN 197,075 thousand to PLN 23,086 thousand as at the end of the audited period.

5. Loans and advances to customers

As at 31 December 2008, the balance of loans and advances to customers amounted to PLN 42,257,165 thousand and increased by PLN 15,878,278 thousand (i.e. by 60%) compared with 31 December 2007. At the same time, the share of this balance in total assets increased by 3 percentage points to 58%. As at 31 December 2008, write-downs of loans and advances amounted to PLN 673,864 thousand compared with PLN 549,808 thousand as at the end of 2007.

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

As at 31 December 2008, loans to individuals, which amounted to PLN 26,538,966 thousand, and loans to corporate customers in the gross amount of PLN 15,688,997 thousand were the largest components of the gross loan portfolio. The increase in gross loans compared with the previous year resulted, among others, from the increase in the portfolio of loans to individuals of PLN 12,748,408 thousand (i.e. of 92%) compared with the end of the previous financial year and the increase in the balance of loans to corporate customers of PLN 2,995,878 thousand (i.e. of 24%). The increase of gross portfolio in this period resulted both from increase in volume of loans granted and the valuation of loans denominated in foreign currencies as a result of significant depreciation of PLN in relation to foreign currencies (mainly USD, EUR and CHF).

The proportions in the gross loan portfolio have changed since the end of 2007, i.e. as at 31 December 2008 loans to individuals accounted for 62% of the portfolio, whereas loans to corporate customers accounted for 37% of the portfolio compared with 51% and 47% respectively as at the end of the previous year.

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

The ratio of impairment write-downs to balance of gross loans decreased by 0.4 of a percentage point and amounted to 1.6% as at the end of the financial year. The said change was due to the dynamic increase in the loan portfolio and a decreasing share of impaired loans in whole portfolio.

IV. Discussion of financial statement components (cont.)

5. Loans and advances to customers (cont.)

Gross impaired loans increased by PLN 134,952 thousand (i.e. by 23%) and amounted to PLN 721,614 thousand as at 31 December 2008. The increase in gross impaired loans was accompanied by the increase in impairment write-downs of PLN 71,323 thousand (i.e. of 16%) to PLN 527,537 thousand as at the end of the audited financial year. The ratio of impairment write-downs to gross impaired loans as at 31 December 2008 amounted to 73% and increased by 5 percentage points compared to previous year.

The carrying value of the gross loans subject to the portfolio analysis amounted to PLN 42,209,415 thousand as at 31 December 2008 and increased by PLN 15,867,382 thousand compared with the previous year. The increase in the loans was accompanied by the increase in the impairment write-downs of the exposures subject to the portfolio analysis of PLN 52,733 thousand to PLN 146,327 thousand as at 31 December 2008. In consequence, the ratio of impairment write-downs to the loans subject to the portfolio analysis amounted to 0.35% as at 31 December 2008 (0.36% as at 31 December 2007).

6. Investment securities

As at 31 December 2008, the balance of "Investment securities" amounted to PLN 5,498,171 thousand (PLN 6,226,318 thousand as at the end of the previous year), which represented a drop of PLN 728,147 thousand (i.e. of 12%).

The said balance comprised debt securities of PLN 5,414,972 thousand (PLN 5,877,067 thousand as at the end of 2007) and equity instruments in the net amount of PLN 83,199 thousand (PLN 349,251 thousand as at the end of 2007).

The drop in the balance of debt securities was largely due to the drop in the balance of Treasury bills of PLN 1,414,283 thousand compared with the previous year, which was partly offset by the increase in the portfolio of PLN bonds of PLN 690,282 thousand to PLN 5,046,297 thousand as at the balance sheet date. At the same time, there was an increase in the balance of debt securities issued by banks of PLN 261,905 thousand to PLN 368,675 thousand as at the balance sheet date.

The balance of equity instruments decreased by PLN 266,052 thousand to PLN 83,199 thousand, which was mainly due to the sale of Vectra SA shares, the value of which amounted to PLN 264,035 thousand as at the end of 2007.

7. Pledged assets

As at 31 December 2008, the balance of pledged assets amounted to PLN 3,443,989 thousand, which represented an increase of PLN 631,712 thousand (i.e. of 22%) compared with 2007. The said increase was mainly due to the increase in securities provided as collateral in sell buy back transactions of PLN 536,055 thousand (i.e. of 20%).

The Bank also showed debt securities pledged to the Bank Guarantee Fund as pledged assets. As at 31 December 2008, they amounted to PLN 175,300 thousand compared with PLN 79,643 thousand as at the end of the previous financial year.

IV. Discussion of financial statement components (cont.)

8. Investments in subsidiaries

As at 31 December 2008, the balance of "Investments in subsidiaries" amounted to PLN 457,305 thousand and increased by PLN 8,207 thousand (i.e. by 2%) compared with the end of the previous year.

The said increase was mainly related to the valuation of investments in foreign entities as a result of the depreciation of the Polish zloty in relation to the currencies in which the said subsidiaries are denominated which compared with the previous year, increased by PLN 9,094 thousand. In addition, the increase in the balance was due to the equity of Garbary Sp. z o.o. being increased by PLN 3,000 thousand.

In 2008, in connection with the commencement of the process of restructuring emFinanse Sp. z o.o., the company's equity was increased by PLN 7,200 thousand, while the company's cash receivable from Bank in respect of payment for shares in the company's increased capital was netted off against Bank's amount receivable from the company in respect of an overdraft facility at the same time. The shares were written down for impairment by a total of PLN 11,020 thousand.

In 2008, the share capital of BRE Holding Sp. z o.o. was also increased. Shares were taken up in return for a contribution in kind in the form of all the shares which the Bank previously held in BRE Leasing Sp. z o.o. and shares in Polfactor SA, as well as 75.71% of shares in BRE Bank Hipoteczny SA.

9. Intangible assets

As at 31 December 2008, the balance of intangible assets amounted to PLN 406,360 thousand, which represented an increase of PLN 26,856 thousand (i.e. of 7%) compared with the end of the previous financial year.

In the audited period, there was an increase in gross intangible assets of PLN 96,344 thousand (i.e. of 15%) to PLN 734,430 thousand in the audited year. The said increase resulted from expenditure on intangible assets in the course of construction incurred in 2008, in the amount of PLN 79,585 thousand, and the purchases of intangible assets in the amount of PLN 25,857 thousand. The said increase was partly offset by liquidation, transfers and other disposals of intangible assets totalling PLN 10,630 thousand.

10. Property, plant and equipment

As at the balance sheet date, the balance of "Property, plant and equipment" amounted to PLN 601,649 thousand and increased by PLN 69,474 thousand (i.e. by 13%) compared with 31 December 2007. The said balance mainly comprised: buildings, apartments and structures with a net book value of PLN 216,995 thousand, plant and machinery with a carrying value of PLN 115,375 thousand, and other fixed assets with a carrying value of PLN 181,439 thousand.

The gross book value of property, plant and equipment increased by PLN 142,292 thousand to PLN 1,222,236 thousand as at the end of the audited year. The said increase mainly resulted from expenditure being incurred on fixed assets under construction with a value of PLN 81,907 thousand, the purchases of equipment in the amount of PLN 26,932 thousand and other fixed assets in the amount of PLN 26,511 thousand, as well as additions to the gross book value of vehicles of PLN 25,644 thousand. The said increase was partly offset by the sale, scrapping, and transfer of fixed assets, as well as other disposals with a total gross book value of PLN 18,740 thousand.

IV. Discussion of financial statement components (cont.)

11. Other assets

As at the end of the audited financial year, the balance of "Other assets" amounted to PLN 385,811 thousand compared with PLN 224,721 thousand as at the end of the previous financial year, which represented an increase of PLN 161,090 thousand (i.e. of 72%).

The change in the balance of "Other assets" was mainly due to the increase in "Debtors" of PLN 116,559 thousand and the increase in other prepayments and deferred costs of PLN 42,217 thousand. As at the end of 2008, "Debtors" and "Other prepayments and deferred costs" accounted for 69% and 23% of other assets respectively.

The change in the balance of "Debtors" was mostly due to the increase in receivables in respect of settlements with the network of ATMs in the amount of PLN 89,674 thousand, which resulted from an increase in the volume of cash withdrawals from ATMs by the Bank's retail customers.

12. Amounts due to the Central Bank

As at the balance sheet date, the balance of "Amounts due to the Central Bank" amounted to PLN 1,302,469 thousand. As at 31 December 2007, the balance of this item was PLN 0. The amounts due to the Central Bank comprised liabilities in respect of repo transactions.

13. Amounts due to other banks

As at 31 December 2008, the balance of "Amounts due to other banks" amounted to PLN 20,142,760 thousand, which represented an increase of PLN 12,210,933 thousand (i.e. of 154%).

The increase in amounts due to banks mainly resulted from the increase of PLN 10,820,408 thousand (i.e. of 162%) in loans and advances received to PLN 17,513,656 thousand and the increase of PLN 1,344,576 thousand (i.e. of 260%) in liabilities in respect of sell-buy back transactions in securities to PLN 1,861,683 thousand as at 31 December 2008.

14. Derivative financial instruments and other trading liabilities

As at 31 December 2008, the said balance comprised solely the negative valuation of derivative financial instruments which amounted to PLN 6,211,316 thousand and increased by PLN 4,029,896 thousand compared with the end of December 2007. The balance comprised: the valuation of interest rate derivatives of PLN 3,407,190 thousand, the valuation of foreign exchange derivatives of PLN 2,782,275 thousand, and the valuation of market risk-related derivatives of PLN 21,851 thousand.

The increase in the said balance resulted mainly from the increase in the valuation of interest rate derivatives of PLN 2,489,034 thousand and the increase in foreign exchange derivatives of PLN 1,738,594 thousand (the increase mainly occurred in the valuation of IRS contracts). The said increase was partly offset by the fall of PLN 197,732 thousand in the valuation of market risk-related derivatives.

IV. Discussion of financial statement components (cont.)

15. Amounts due to customers

As at 31 December 2008, the balance of amounts due to customers amounted to PLN 37,438,494 thousand, which represented an increase of PLN 4,704,178 thousand (i.e. of 14%) compared with the end of the previous financial year.

The increase in the balance was mainly due to the increase in amounts due to individuals of PLN 8,231,474 thousand to PLN 20,875,353 thousand as at the end of the audited period. The said increase was partly offset by the fall in amounts due to corporate customers of PLN 2,898,774 thousand to PLN 16,487,018 thousand (mainly a drop in liabilities in respect of sell-buy back transactions) and the fall in amounts due to the public sector of PLN 628,522 thousand to PLN 76,123 thousand.

16. Debt securities in issue

As at 31 December 2008, liabilities in respect of debt securities in issue amounted to PLN 7,829 thousand and were PLN 28,981 thousand (i.e. 79%) lower than the balance as at 31 December 2007.

The fall in the balance resulted from the redemption of three tranches of deposit certificates with a total par value of PLN 18,000 thousand and of one tranche of bonds with a par value of PLN 11,200 thousand. In 2008, there were no new issues of own debt securities.

17. Subordinated liabilities

As at 31 December 2008, the balance of subordinated liabilities amounted to PLN 2,669,453 thousand and increased by PLN 1,007,668 thousand (i.e. by 61%) compared with the end of the previous financial year.

As at 31 December 2008, the balance of subordinated liabilities comprised bonds and subordinated loans with a total par value of CHF 950,000 thousand. The changes in 2008 mainly resulted from there being two new issues of subordinated bonds totalling CHF 260,000 thousand and a loan of CHF 90,000 thousand being raised. At the same time, the Bank made an early redemption of subordinated bonds in the amount of EUR 100,000 thousand.

18. Other liabilities

As at 31 December 2008, other liabilities amounted to PLN 654,676 thousand, which represented an increase of PLN 101,782 thousand (i.e. of 18%) compared with the end of the previous year.

The increase in the said balance compared with 31 December 2007 was mostly due to the increase in creditors of PLN 32,586 thousand to PLN 202,088 thousand as at the end of audited year.

The increase in other liabilities also comprised the increase in deferred income of PLN 23,636 thousand, the increase in interbank settlements of PLN 18,460 thousand, and the increase in accruals of PLN 12,439 thousand to PLN 112,730 thousand.

IV. Discussion of financial statement components (cont.)

19. Provisions

As at the balance sheet date, the balance of provisions amounted to PLN 90,022 thousand, which represented an increase of PLN 21,191 thousand (i.e. of 31%) compared with the end of the previous year.

As at 31 December 2008, the balance of provisions comprised provisions for off-balance-sheet liabilities in the amount of PLN 73,229 thousand, other provisions for future liabilities in the amount of PLN 14,101 thousand, and provisions for disputes in the amount of PLN 2,692 thousand.

The increase in provisions compared with 31 December 2007 resulted mainly from the increase of PLN 15,169 thousand in provisions for off-balance-sheet liabilities and the increase of PLN 6,034 thousand in other provisions.

IV. Discussion of financial statement components (cont.)

20. Equity

	31.12.2007	Income (expenses) recognized in equity	Change in equity in connection with valuation and execution of share option schemes	Net profit for the year	31.12.2008
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Share capital	1,517,432	-	4,251	-	1,521,683
Revaluation reserve	79,231	(300,534)	-	-	(221,303)
Retained earnings	1,483,470	-	10,766	829,531	2,323,767
Total equity	**3,080,133**	**(300,534)**	**15,017**	**829,531**	**3,624,147**

As at the balance sheet date, the balance of "Equity" amounted to PLN 3,624,147 thousand (PLN 3,080,133 thousand as at 31 December 2007).

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

In the audited period, the revaluation reserve decreased by PLN 300,534 thousand. This decrease resulted mainly from the negative valuation of the portfolio of available-for-sale financial assets in the net amount of PLN 165,579 thousand (mainly decrease of valuation of debt instruments) as well as net gains transferred to net profit on disposal in the amount of PLN 138,514 thousand (mainly due to sale of shares in Vectra SA) and recognition of foreign exchange losses on the shares held by the Bank in subordinated entities and foreign branches totalling PLN 8,058 thousand.

IV. Discussion of financial statement components (cont.)

20. Equity (cont.)

In the audited period, the valuation of an Incentive Scheme for the Management Board in the amount of PLN 12,113 thousand, approved by the General Shareholders' Meeting on 14 March 2008, was recognized in retained earnings. The details of the scheme are described in Note 42 to the financial statements of the Bank. At the same time, the said equity item decreased by PLN 1,346 thousand as a result of the transfer of the valuation of the Second Management Share Option Scheme recognized in the previous periods to the share capital in connection with the completion of the said scheme in the audited year.

Retained earnings increased by the amount of the Bank's net profit for 2008, which amounted to PLN 829,531 thousand.

21. Share capital – ownership structure

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

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

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

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

IV. Discussion of financial statement components (cont.)

Income statement for the year ended 31 December 2008

22. Net interest income

In the current financial period, net interest income amounted to PLN 1,127,267 thousand (PLN 787,302 thousand in the previous financial year), which represented an increase of PLN 339,965 thousand (i.e. of 43%). The increase in net interest income resulted from the increase in interest income (of PLN 1,079,639 thousand to PLN 2,940,153 thousand) being larger than the increase in interest expense (of PLN 739,674 thousand to PLN 1,812,886 thousand).

The largest increase among income items was observed in interest income on loans and advances (an increase of PLN 758,597 thousand, i.e. of 58%), in interest income on investment securities (an increase of PLN 134,695 thousand, i.e. of 75%), and in interest income on trading debt securities (an increase of PLN 104 784 thousand, i.e. of 68%).

The increase in interest income resulted from a 68% increase in interest-bearing assets accompanied by higher interest rates compared with 2007.

The interest expense mainly comprised interest in respect of settlements with banks and customers in the amount of PLN 1,726,959 thousand, which increased by PLN 718,582 thousand (i.e. by 71%) compared with the previous year as a result of both an increase in the volume of amounts due to banks and customers and an increase in interest rates in 2008.

The Bank's interest margin (being the ratio of net interest income to interest income) dropped by 4 percentage points compared with the previous financial year, i.e. from 42% to 38%.

23. Net fee and commission income

In 2008, net fee and commission income amounted to PLN 423.966 thousand, which represented an increase of PLN 39,861 thousand (i.e. of 10%) compared with the previous year. The increase in the said balance resulted from the increase of PLN 137,967 thousand in fee and commission income which was partly offset by the increase in fee and commission expense of PLN 98,106 thousand compared with the previous year.

The increase in this category of income was mainly due to an increase in income from lending activities (of PLN 82,596 thousand), an increase in income from handling payment cards (of PLN 53,658 thousand), and an increase in income from maintaining accounts (of PLN 11,667 thousand). The increase in income from lending activities mainly resulted from an increase in the value of loans and advances to individuals. The increase in income from handling payment cards resulted both from a dynamic increase in the number of cards issued and the number of transactions performed using such cards, whereas the increase in fees and commissions for maintaining accounts was due to an increase in the number of active accounts.

The level of fee and commission expense in the financial period under discussion was mainly affected by the costs of handling and insuring payment cards which increased by PLN 37,447 thousand to PLN 143,629 thousand and other fees which increased by PLN 59,216 thousand to PLN 129,091 thousand and which mainly comprised the fees of financial agents.

IV. Discussion of financial statement components (cont.)

24. Dividend income

Dividend income amounted to PLN 68,681 thousand in 2008 and increased by PLN 30,955 thousand (i.e. by 82%) compared with 2007. The said balance comprised, among others, dividends from Dom Inwestycyjny BRE Banku SA (PLN 41,967 thousand), BRE.locum SA (PLN 9,599 thousand), VISA Europe Limited (PLN 5,380 thousand) and BRE Wealth Management Sp. z o.o. (PLN 2,118 thousand). Dividends from other companies whose shares were held by the Bank amounted to PLN 9,617 thousand.

25. Net trading income

Net trading income amounted to PLN 447,478 thousand in 2008, which represented a fall of PLN 24,883 thousand (i.e. 5%) compared with 2007. The net trading income comprised the foreign exchange position of PLN 482,361 thousand and a loss on other trading activities which amounted to PLN 34,883 thousand.

The foreign exchange position increased by PLN 54,831 thousand compared with the previous year as a result of the increase in profits on transactions of PLN 158,755 thousand, which was partly offset by the fall in net foreign exchange differences on translation of PLN 103,924 thousand.

The net other trading income dropped by PLN 79,714 thousand compared with the previous year mainly as a result of the fall in the result on interest rate instruments of PLN 47,011 thousand and on equity instruments of PLN 24,389 thousand.

26. Gain/Loss on investment securities

In 2008, the Bank made a gain on investment securities of PLN 265,457 thousand, which represented an increase of PLN 133,419 thousand , i.e. of 101%, compared with the previous financial year.

The said gain mainly comprised a gain on the sale of Vectra SA shares in the amount of PLN 137,673 thousand and a gain made in connection with the merger and the sale of shares in Aegon PTE SA in the amount of PLN 134,392 thousand. The gain earned on the said transactions was insignificantly reduced by the recognition of the impairment of emFinanse Sp. z o.o. in the amount of PLN 5,700 thousand.

27. Other operating income and other operating expenses

Other operating income amounted to PLN 43,742 thousand and dropped by PLN 15,524 thousand (i.e. by 26%) compared with 2007. In 2008, other operating income mainly comprised the sales of goods for resale and services in the amount of PLN 22,732 thousand, income from the release of provisions for future liabilities, which amounted to PLN 9,668 thousand, and "Other" in the amount of PLN 6,062 thousand.

Other operating expenses increased from PLN 19,291 thousand in 2007 to PLN 25,642 thousand in the audited year. In 2008, other operating expenses mainly comprised the costs of provisions for other receivables in the amount of PLN 7,365 thousand, provisions for future liabilities in the amount of PLN 4,935 thousand, donations made in the amount of PLN 3,333 thousand.

IV. Discussion of financial statement components (cont.)

28. Net impairment write-downs of loans and advances

The said balance comprised impairment write-downs of loans and advances to customers and banks, as well as provisions for off-balance-sheet liabilities. The balance amounted to PLN 218,747 thousand in the audited financial year compared with PLN 58,222 thousand in the previous year.

In the audited year, the balance comprised mainly the costs of recording net impairment write-downs of loans and advances to customers in the amount of PLN 183,350 thousand, which increased by PLN 130,725 thousand compared with the previous year, and net impairment write-downs of amounts due from banks in the amount of PLN 21,894 thousand, which increased by PLN 21,263 thousand compared with the previous year mainly in connection with an impairment write-down being recognized in respect of amounts due from one of the foreign banks. Write-down recognised in relation to off-balance sheet contingent liabilities due to banks and customers amounted to PLN 13,503 thousand in 2008 (PLN 4,966 thousand in 2007).

29. Bank overheads

In the audited period, Bank overheads amounted to PLN 1,070,917 thousand, which represented an increase of PLN 203,012 thousand (i.e. of 23%) compared with 2007.
The increase in Bank overheads was mainly due to the increase in personnel costs of PLN 111,125 thousand (i.e. of 25%) to PLN 564,256 thousand as at the end of the audited period, mainly as a result of the increase in wages and salaries of PLN 72,399 thousand, which was due to, among others, an increase in the number of employees (the Bank's average employment levels increased by 23%).
At the same time, there was an increase in running costs which reached PLN 476,122 thousand compared with PLN 400,339 thousand in 2007.

30. Amortization and depreciation

The amortization and depreciation expense amounted to PLN 159,798 thousand in the audited period, which represented an increase of PLN 20,846 thousand (i.e. of 15%) compared with the previous financial year.

In the audited period, the amortization and depreciation expense comprised the amortization of intangible assets in the amount of PLN 78,304 thousand and the depreciation of property, plant and equipment in the amount of PLN 81,494 thousand.

31. Income tax expense

	2008 PLN'000	2007 PLN'000	Change PLN'000
Current income tax	214,262	142,457	71,805
Deferred income tax	(142,306)	8,740	(151,046)
Income tax expense	**71,956**	**151,197**	**(79,241)**

In the current financial period, corporate income tax was calculated using the 19% rate on the basis of the profit before tax determined pursuant to the International Financial Reporting Standards as adopted by the European Union, and adjusted for non-taxable

IV. Discussion of financial statement components (cont.)

31. Income tax expense (cont.)

income and non-deductible costs. In the course of 2008, the Bank withheld corporate income tax on a flat rate basis, which reduced the balance of current corporate income tax that amounted to PLN 214,145 thousand as at the balance sheet date.

The balance of deferred tax comprised deductible temporary differences which amounted to PLN 361,322 thousand compared with PLN 169,937 thousand as at 31 December 2007. The deductible temporary differences related to, among others, the valuation of derivative instruments and forward contracts (PLN 161,930 thousand), impairment write-downs of loans and off-balance-sheet liabilities which have not so far been recognized as tax-deductible costs (PLN 64,008 thousand), the valuation of available-for-sale financial instruments (PLN 46,562 thousand), provisions recorded for bonuses, retirement bonuses and holiday pay (PLN 25,475 thousand), and accruals (PLN 19,662 thousand).

Taxable temporary differences amounted to PLN 204,656 thousand as at the end of the audited period and were PLN 37,481 thousand higher than as at the end of the previous year. The taxable temporary differences related to, among others, the valuation of available-for-sale financial instruments (PLN 61,644 thousand), differences between tax depreciation and accounting depreciation (PLN 46,255 thousand), the balance of unutilized investment relief (PLN 29,486 thousand), interest receivable on loans to customers (PLN 25,316 thousand) and the valuation of derivative instruments and forward contracts (PLN 12,403 thousand).

Due to there being net deductible temporary differences, the Bank recognized deferred tax assets of PLN 156,747 thousand as at the end of 2008 (PLN 2,824 thousand as at the end of 2007). In addition, a deferred tax provision was recognized in the amount of PLN 81 thousand (PLN 62 thousand as at the end of 2007), which related to the foreign branches in the Czech Republic and Slovakia.

The effective corporate income tax rate amounted to 8.0%. The difference between the effective tax rate and the applicable tax rate (19%) 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.

A detailed breakdown of the deferred tax recognized in the income statement for 2008 and 2007 is presented in Notes 14 and 35 to the Bank's financial statements.

32. Net profit for the year

The net profit for the audited year amounted to PLN 829,531 thousand.

Pursuant to Resolution No. 2 of the General Shareholders' Meeting of 14 March 2008, a portion of the net profit earned in 2007 in the amount of PLN 50,000 thousand was earmarked for transfer to the general risk reserve, and the remaining portion of the profit in the amount of PLN 587,231 thousand was earmarked for increasing other supplementary capital. Both these items of equity are presented as Retained eranings in Bank's balance sheet.

IV. Discussion of financial statement components (cont.)

33. Contingent liabilities granted and received

The balance of "Contingent liabilities granted and received" comprised liabilities granted, which increased by PLN 2,052,339 thousand compared with the end of the previous year to PLN 18,419,046 thousand, and liabilities received in the amount of PLN 557,636 thousand, which dropped by PLN 426,374 thousand compared with the end of the previous year.

As at 31 December 2008, the balance of liabilities granted mainly comprised commitments to grant a loan in the amount of PLN 14,743,497 thousand, as well as stand-by guarantees and letters of credit in the amount of PLN 2,614,986 thousand, whereas liabilities received mostly comprised guarantee commitments received in the amount of PLN 483,579 thousand.

Detailed information on this balance is presented in Note 37 to the Bank's financial statements.

V. The independent registered auditor's statement

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

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

(c) The Bank had up-to-date documentation of its accounting policies, approved by the Management Board. The Bank's accounting policies were tailored to its needs and ensured the specification, in its accounting records, of all the events material to the assessment of its financial position and results, taking into consideration the prudence principle. Changes in the accounting policies were correctly disclosed in the notes to the financial statements.

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

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

This assessment, together with our verification of the individual items of the financial statements, provides the basis for expressing a general, comprehensive and unqualified opinion on the truth and fairness of these financial statements. Our audit was not aimed at providing a comprehensive opinion on the operations of the said system.

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

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

(h) The counts of assets and equity & liabilities were carried out and reconciled in accordance with the Accounting Act, and their results were included in the books of account for the audited year.

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

(i) The total regulatory requirement along with the requirement concerning the risk of excessive capital exposures amounted to PLN 3,893.689 thousand as at the balance sheet date. The capital adequacy ratio was 10.04% as at 31 December 2008. As at the balance sheet date, the Bank complied with the applicable prudence standards in all material respects.

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

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

(l) The Bank's financial statements as at and for the year ended 31 December 2007 were approved by Resolution No. 1 of the 21st Ordinary General Shareholders' Meeting of 14 March 2008. They were filed with the National Court Register in Warsaw on 21 March 2008 and published in *Monitor Polski B* No. 784, item 4593 on 15 May 2008.

VI. Final information and comments

This report has been prepared in connection with our audit of the financial statements of BRE Bank SA, Warsaw, ul. Senatorska 18 (hereinafter referred to as "the Bank"). The audited financial statements comprised:

(a) the balance sheet as at 31 December 2008, showing total assets and total equity & liabilities of PLN 72,355,392 thousand;

(b) the income statement for the year ended 31 December 2008, showing a net profit of PLN 829,531 thousand;

(c) the statement of changes in equity for the year ended 31 December 2008, showing an increase in the equity of PLN 544,014 thousand;

(d) the cash flow statement for the year ended 31 December 2008, showing net cash inflows of PLN 847,746 thousand;

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

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

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

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

Registered Audit Company
No. 144

Warsaw, 27 February 2009