Consolidated Annual Report of Kredyt Bank S.A. Capital Group prepared for the year ended December 31, 2008

(Submitted to the Polish Financial Supervision Authority on February 27, 2009
- translation from Polish language)

Letter of the President of the Management Board of Kredyt Bank S.A.

Dear Shareholders, Customers and Employees,

On behalf of the Management Board of Kredyt Bank S.A., I have the pleasure to present the consolidated financial statements and the report on the operations of Kredyt Bank S.A. Capital Group in 2008.

In the second quarter of 2008, de facto, a new Management Board of Kredyt Bank S.A. was appointed (two out of five members were new: CEO and CFRO). For us, it was a period of learning more about the organisation and its capabilities. We launched a number of measures to better implement the Group's strategy in conditions of a stable, good economic situation. The most important of them included: the reconstruction of incentive systems, changes in management principles, building profit centres, improving the cooperation with other companies of KBC Group, the reconstruction of the operational risk management system, and the development and improvement of internal communication.

Kredyt Bank Group became visible on the market, increasing the scale of its operations in all strategic areas. We accomplished a 61-percent increase in net loans portfolio and ca. 19-percent growth in customers' deposits. We significantly increased the sale of our key products: mortgages, consumer loans, credit cards, products offered in cooperation with WARTA Group, including 'WARTA GWARANCJA' insurance term deposit. The network of Bank and Żagiel expanded to 752 outlets.

Net profit generated by the Group in 2008 amounted to PLN 324.9 million. Significant improvement in income from banking activities (operating profit before deducting net impairment losses increased by 28%) resulted, to a large extent, from the increase in the sale of loan products. It allowed us to neutralise the increase in costs of risk recorded in the year 2008. The improvement of the effectiveness of the Group's activeness is the area we need to focus on in the nearest future. Cost/income ratio in 2008 was at the level of 67.5%. It was lower than in 2007 by 2.6 p.p.; however, it is still far from our ambitious plans.

The deterioration of macroeconomic conditions which had place in the fourth quarter of 2008 meant the need to change priorities. The following areas will be key for the implementation of the strategy of Kredyt Bank S.A. Capital Group in 2009: management of liquidity, capital adequacy, credit risk and profitability. It means building a greater share in the market of customer deposits, tightening a credit policy, focusing on less risky market segments and cooperation with tested, reliable customers as well as further changes in the area of management, including cost management. The costs streamlining programme launched in December 2008 aims to reduce fixed costs and increase the share of variable costs, freeze certain projects, unification of expenditure management principles and streamline the organisation.

The process of integrating certain areas of Kredyt Bank S.A. Group and WARTA S.A. Group will be continued. The purpose of the changes is to take maximal advantage of the synergy effect resulting from the cooperation of all companies of KBC Group in Poland.

I would like to take this opportunity to thank all customers for their trust and loyalty, and employees of Kredyt Bank S.A. and of the Group's companies for their commitment. I believe that our cooperation will allow us to face successfully all new challenges and guarantee the accomplishment of good results in the future.

Yours faithfully,

Maciej Bardan

President of the Management Board
of Kredyt Bank S.A.

INDEPENDENT AUDITORS' OPINION

To the Supervisory Board of Kredyt Bank S.A.

1. We have audited the attached consolidated financial statements of Kredyt Bank S.A. Group ('the Group'), for which the holding company is Kredyt Bank S.A. ('the Bank') located in Warsaw , Kasprzaka 2/8, for the year ended 31 December 2008 containing:
   - the consolidated income statement for the period from 1 January 2008 to 31 December 2008 with a net profit amounting to 324.917 thousand zlotys,
   - the consolidated balance sheet as at 31 December 2008 with total assets amounting to 38.730.676 thousand zlotys,
   - the statement of changes in consolidated equity for the period from 1 January 2008 to 31 December 2008 with a net increase in equity amounting to 369.209 thousand zlotys,
   - the consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008 with a net cash outflow amounting to 1.728.661 thousand zlotys, and
   - the summary of significant accounting policies and other explanatory notes

   ('the attached consolidated financial statements').
2. The truth and fairness[1] of the attached consolidated financial statements and the proper maintenance of consolidation documentation are the responsibility of the Bank's Management Board. Our responsibility was to audit the attached consolidated financial statements and to express an opinion whether based on our audit, these financial statements are, in all material respects, true and fair[1].
3. We conducted our audit of the attached consolidated financial statements in accordance with the following regulations being in force in Poland:
   - chapter 7 of the Accounting Act, dated 29 September 1994 ('the Accounting Act'),
   - the auditing standards issued by the National Chamber of Auditors,

   in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached consolidated financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Bank's Management Board, as well as evaluating the overall presentation of the attached consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.

[1] Translation of the following expression in Polish: "*rzetelność, prawidłowość i jasność*"

4. In our opinion, the attached consolidated financial statements, in all material respects:
   - present truly and fairly all information material for the assessment of the results of the audited Group's operations for the period from 1 January 2008 to 31 December 2008, as well as its financial position[2] as at 31 December 2008;
   - have been prepared in all material aspects correctly, i.e. in accordance with International Financial Reporting Standards as adopted by the European Union;
   - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.
5. We have read the 'Directors' Report on Group's operations for the period from 1 January 2008 to 31 December 2008 and the rules of preparation of annual consolidated financial statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance of 19 October 2005, on current and periodic information published by issuers of securities (Journal of Law of 2005, No. 209, item 1744).

on behalf of
Ernst & Young Audit sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw
Registration No. 130

Dorota Snarska-Kuman
Certified Auditor No. 9667/7232

Anna Sirocka
Certified Auditor No. 9626/7191

Warsaw, 19 February 2009

[2] Translation of the following expression in Polish: "*sytuacja majątkowa i finansowa*"

Consolidated Financial Statements

of Kredyt Bank S.A. Capital Group

for the Year Ended 31.12.2008

CONTENTS

1. Consolidated Income Statement

in PLN '000'	Note	01.01.2008 - 31.12.2008	Comparable data 01.01.2007 - 31.12.2007
Interest income	10	2 311 781	1 594 854
Interest expense	11	-1 251 909	-723 381
Net interest income		**1 059 872**	**871 473**
Fee and commission income	12	389 744	367 674
Fee and commission expense	13	-96 614	-58 173
Net fee and commission income		**293 130**	**309 501**
Dividend income	14	1 049	1 328
Net trading income	15	242 237	179 243
Net result on derivatives used as hedging instruments and hedged items	16	1 215	-3 619
Net gains from investment activities	17	-11 589	4 533
Other operating income	19	99 534	82 915
Total operating income		**1 685 448**	**1 445 374**
General and administrative expenses	20	-1 104 581	-974 622
Net impairment losses on financial assets, other assets and provisions	21	-108 202	84 962
Other operating expenses	22	-49 567	-55 270
Total operating expenses		**-1 262 350**	**- 944 930**
Net operating income		**423 098**	**500 444**
Share of profit (loss) of associates		-2 043	1 513
Profit before tax		**421 055**	**501 957**
Income tax expense	23	-96 138	-111 418
Net profit from business activities		**324 917**	**390 539**
Net profit from discontinued operations		0	0
Net profit		**324 917**	**390 539**
Including:			
attributable to the Shareholders of the Bank	**24**	**324 917**	**390 539**
per minority interests		0	0
Weighted average number of ordinary shares		271 658 880	271 658 880
Earnings per ordinary share (in PLN)	**25**	**1.20**	**1.44**

The Bank does not calculate diluted earnings per share due to the absence of capital categories resulting in dilution.

2. Consolidated Balance Sheet

in PLN '000'	Note	31.12.2008	Comparable data 31.12.2007
Assets			
Cash and balances with Central Bank	26	827 972	611 690
Gross loans and advances to banks	27	340 865	2 456 352
Impairment losses on loans and advances to banks	28	-2 261	-2 260
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	30	1 317 764	465 027
Derivatives including:	31	2 302 799	495 095
- derivatives used as hedging instruments	36	166 954	34 025
Gross loans and advances to customers	32,34	27 660 647	17 456 184
Impairment losses on loans and advances to customers	33,34	-927 331	-834 327
Investment securities:	35	6 238 011	5 482 335
- available-for-sale		4 365 127	3 437 169
- held-to-maturity		1 872 884	2 045 166
Investments in associates valued using the equity method	37	10 131	12 174
Property, plant and equipment	38	421 866	396 446
Intangible assets	39, 40	60 924	67 212
Goodwill on subordinated companies	41	36 052	36 052
Deferred tax asset	23	98 000	150 658
Current tax receivable		0	1 309
Non-current assets classified as held for sale	42	0	767
Investment properties	44	209 867	219 509
Other assets	43	135 370	113 957
Total assets		**38 730 676**	**27 128 180**

Consolidated Balance Sheet (cont.)

in PLN '000'	**Note**	**31.12.2008**	**Comparable data 31.12.2007**
Liabilities			
Amounts due to Central Bank	45	1 113 275	1 101 661
Amounts due to banks	46	12 125 013	5 301 449
Derivatives including:	31	1 890 221	474 370
- derivatives used as hedging instruments	36	1 708	44 178
Amounts due to customers	47	20 275 366	17 088 638
Liabilities arising from repurchase transactions	48	8 991	50 126
Current tax liability		52 303	7 228
Provisions	49	59 474	161 034
Deferred tax liability	23	855	872
Other liabilities	50	280 022	272 263
Subordinated liabilities	51	279 643	394 235
Total liabilities		**36 085 163**	**24 851 876**

in PLN '000'	**Note**	**31.12.2008**	**Comparable data 31.12.2007**
Equity			
Share capital	52	1 358 294	1 358 294
Supplementary capital	52	604 966	383 711
Revaluation reserve	52	97 938	-87 617
Reserves	52	240 942	180 942
Currency translation differences from the translation of subordinated companies	52	-733	-733
Retained earnings/loss		19 189	51 168
Current net profit attributable to the Shareholders of the Bank		324 917	390 539
Total equity attributable to Shareholders of the Bank		**2 645 513**	**2 276 304**
Minority interest		0	0
Total equity		**2 645 513**	**2 276 304**
Total equity and liabilities		**38 730 676**	**27 128 180**

3. Off-balance Sheet Items

in PLN '000'	Note	31.12.2008	Comparable data 31.12.2007
Contingent liabilities granted and received			
Liabilities granted, including:	**53**	**7 219 430**	**6 002 445**
- financial	53	5 389 649	4 374 464
- guarantees	53	1 829 781	1 627 981
Liabilities received, including:		**1 829 299**	**2 224 054**
- financial		521 748	902 441
- guarantees		1 307 551	1 321 613
Liabilities related to the sale/purchase transactions		**279 092 521**	**218 165 219**
Other:		**5 289 553**	**3 211 824**
- collateral received		5 288 009	3 210 280
- other		1 544	1 544

4. Statement of Changes in Consolidated Equity

Changes in the period 01.01.2008-31.12.2008

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies	Retained earnings (losses)	Net profit/loss for the period	Total equity attributable to shareholders of the Bank	Minority interest	Total equity
Equity at opening balance – as of 01.01.2008	**1 358 294**	**383 711**	**-87 617**	**180 942**	**-733**	**441 707**	**0**	**2 276 304**	**0**	**2 276 304**
Valuation of financial assets available-for-sale			80 069					80 069		80 069
Effects of valuation of derivatives designated for cash flow hedge			149 012					149 012		149 012
Deferred tax on items recognized in equity			-43 526					-43 526		-43 526
Net profit recognized directly in the equity			**185 555**					**185 555**		**185 555**
Net profit/loss for the period							324 917	324 917		324 917
Total of recognized income and expenses			**185 555**				**324 917**	**510 472**		**510 472**
Profit allowance		221 255		60 000		-281 255				
Dividend paid						-141 263		-141 263		-141 263
Equity at end of period – as of 31.12.2008	**1 358 294**	**604 966**	**97 938**	**240 942**	**-733**	**19 189**	**324 917**	**2 645 513**	**0**	**2 645 513**

Changes in the period 01.01.2007-31.12.2007 (comparable data)

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies	Retained earnings (losses)	Net profit/loss for the period	Total equity attributable to shareholders of the Bank	Minority interest	Total equity
Equity at opening balance – as of 01.01.2007	**1 358 294**	**104 789**	**18 275**	**120 942**	**-646**	**490 604**	**0**	**2 092 258**	**0**	**2 092 258**
Valuation of financial assets available-for-sale			-89 090					-89 090		-89 090
Effects of valuation of derivatives designated for cash flow hedge			-41 641					-41 641		-41 641
Deferred tax on items recognized in equity			24 839					24 839		24 839
Net profit recognized directly in the equity			**-105 892**					**-105 892**		**-105 892**
Net profit/loss for the period							390 539	390 539		390 539
Total of recognized income and expenses			**-105 892**				**390 539**	**284 647**		**284 647**
Profit allowance		278 922		60 000		-338 922				
Dividend paid						-100 514		-100 514		-100 514
Currency translation differences					-87			-87		-87
Equity at end of period – as of 31.12.2007	**1 358 294**	**383 711**	**-87 617**	**180 942**	**-733**	**51 168**	**390 539**	**2 276 304**	**0**	**2 276 304**

5. Consolidated Cash Flow Statement

in PLN '000'	Note	01.01.2008 - 31.12.2008	Comparable data 01.01.2007 - 31.12.2007
Net cash flow from operating activities			
Net profit		**324 917**	**390 539**
Adjustments to net profit and net cash from operating activities:		**-3 763 335**	**-2 031 758**
Current and deferred tax recognized in financial result		96 138	111 418
Non-realised profit (loss) from currency translation differences	63b	-8 622	6 737
Investing and financing activities		**110 430**	**-288 162**
Depreciation	20	103 700	110 663
Share in profit (loss) of associates		2 043	-1 513
Net increase/decrease in impairment	63c	91 144	-244 758
Dividends		-1 049	-1 328
Interest	63d	2 367	-136 196
Net increase/decrease in provisions		-101 560	-8 192
Profit (loss) on disposal of investments	63e	13 785	-6 838
Net increase/decrease in operating assets (excluding cash)		**-12 581 167**	**-4 735 265**
Net increase/decrease in gross loans and advances to banks	63f	170 544	199 148
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	63g	-2 519 127	15 413
Net increase/decrease in gross loans and advances to customers		-10 204 463	-4 812 341
Paid/received income tax		-41 488	-60 346
Net increase/decrease in other assets	63h	13 367	-77 139
Net increase/decrease in operating liabilities		**8 619 886**	**2 873 514**
Net increase/decrease in amounts due to Central Bank		11 614	1 099 671
Net increase/decrease in amounts due to banks	63i	4 034 983	1 278 410
Net increase/decrease in derivatives		1 458 321	134 272
Net increase/decrease in amounts due to customers	63j	3 186 728	1 281 375
Net increase/decrease in liabilities arising from repurchase transactions		-41 135	-983 799
Net increase/decrease in other liabilities	63k	-30 625	63 585
Net cash flow from operating activities		**-3 438 418**	**-1 641 219**

in PLN '000'	**Note**	**01.01.2008 - 31.12.2008**	**Comparable data 01.01.2007 - 31.12.2007**
Net cash flow from investing activities			
Inflows		**688 485**	**2 733 517**
Disposal of property, plant and equipment, intangible assets and investment properties		6 105	6 367
Disposal of investment securities	63l	490 298	2 503 086
Dividends		1 049	1 328
Interest received	63l	191 033	222 736
Outflows		**-1 246 277**	**-2 347 545**
Acquisition of property, plant and equipment, intangible assets and investment properties		-138 341	-117 307
Acquisition of interests in subordinated companies		0	-50
Acquisition of investment securities	63l	-1 107 936	-2 230 188
Net cash flow from investing activities		**-557 792**	**385 972**
Cash flow from financing activities			
Inflows		**2 976 713**	**1 846 441**
Proceeds from a subordinated loan	63n	209 580	0
Proceeds from loans and advances		2 767 133	1 846 441
Outflows		**-709 164**	**-171 150**
Dividend paid		-141 263	-100 514
Repayment of subordinated liabilities	63n	-375 045	0
Other financial outflows	63m	-192 856	-70 636
Net cash flow from financing activities		**2 267 549**	**1 675 291**
Net increase/decrease in cash		**-1 728 661**	**420 044**
Cash at the beginning of the period		**2 689 914**	**2 269 870**
Cash at the end of the period, including:	**63a**	**961 253**	**2 689 914**
Restricted cash	63a	789 493	635 061

6. General information

Kredyt Bank Spółka Akcyjna ('Kredyt Bank S.A.', 'Bank', 'parent company') with its registered office in Warsaw, (Poland), ul. Kasprzaka 2/8, was established in 1990 and entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw under No. 0000019597.

Kredyt Bank S.A. is a universal bank which provides banking services addressed and tailored to the needs of all customer groups. A wide range of the Bank's services is addressed to business entities, individual customers and local authorities. The Bank provides convenient access to its services via an extended network of banking outlets and ATMs as well as an Internet banking system.

These financial statements of Kredyt Bank S.A. Capital Group ('Capital Group' or 'Group') as at 31.12.2008 comprise the financial statements of the Bank and its subsidiaries. These consolidated financial statements of Kredyt Bank S.A. Capital Group were approved for publication by the Management Board of Kredyt Bank S.A. on 19.02.2009.

These financial statements were audited by Ernst & Young Audit Sp. z o.o., an independent licensed certified auditor. The audit was performed in accordance with the Polish law and the certified auditors' professional standards issued by the National Council of Auditors in Poland.

Below, there are subsidiaries, which, as at 31.12.2008, were consolidated with the full method:

Parent company	Seat		
Kredyt Bank S.A.	Warsaw		
Subsidiary	**Seat**	**Share (%) in votes at GMS as at 31.12.2008**	**Share (%) in votes at GMS as at 31.12.2007**
1. Reliz Sp. z o.o.	Katowice	100.00	100.00
2. Żagiel S.A.	Lublin	100.00	100.00
3. Kredyt Lease S.A.	Warsaw	100.00	100.00
4. Kredyt Trade Sp. z o.o.	Warsaw	100.00	100.00

The Group's financial statements also entail an associate measured with the equity method.

Associate	Seat	Share (%) in votes at GMS as at 31.12.2008	Share (%) in votes at GMS as at 31.12.2007
KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Warsaw	30.00	30.00

KBC Banking and Insurance Capital Group

Kredyt Bank S.A. is a subsidiary (owned in 82.54%) of KBC Banking and Insurance Capital Group ('KBC Group') established in 1998 as a result of a merger of ABB Insurance Group, Almanij-Kreditbank Group and CERA Bank Group. KBC Group has been operating in the present structure since 2005, i.e. the merger of KBC Bank and Insurance Holding Company with Almanij. KBC Group is listed on the Euronext Stock Exchange in Brussels.

KBC Group focuses on bancassurance-type operations for individual customers, provides services to businesses, is involved in assets management and other types of market activities. It is one of the three largest banking and insurance companies on its home market in Belgium.

In Poland, KBC Group is also a sole shareholder of TUiR WARTA S.A., KBC TFI S.A. and KBC Autolease Polska Sp. z o.o.

7. The description of major accounting policies applied for the purpose of preparing these financial statements

7.1. Declaration of compliance with the IFRS

Under Article 55 clause 6a of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2002, No. 76, item 694) as amended ('the Act'), starting from 01.01.2005, the consolidated financial statements of the Group have been prepared in compliance with the International Accounting Standards ('IAS') and the International Financial Reporting Standards ('IFRS') that were approved by the European Union ('EU').

Under Article 45 clause 1c of the Act and under the decision of the General Meeting of Shareholders of Kredyt Bank S.A. of 25.04.2005, from 01.01.2005, also the Bank's standalone financial statements have been prepared in accordance with the IAS/IFRS.

These consolidated financial statements of the Group for the year ended 31.12.2008 have been prepared in accordance with the IAS and the IFRS in force as at 31.12.2008 and approved by the European Union. Matters not governed by the above-mentioned standards are regulated by the Accounting Act of 29 September 1994 (Journal of Laws of 2002 No. 76 item 694 as amended) and executive regulations thereto, and the Ordinance of the Minister of Finance of 19 October 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005 No. 209 item 1744).

The IFRS include standards and interpretations approved by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC').

Below, we present new and amended IFRS and new IFRIC interpretations that the Group has applied this year. Their application, except for a few additional disclosures, has not affected the financial statements.

<u>IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions*</u>

IFRIC 11 provides guidelines whether transactions in which an entity issues equity instruments to pay for goods and services received by it, or when the payment is in the form of issued equity instruments of an entity of the same capital group, should be treated as equity-settled or cash-settled. The interpretation also provides for the procedure in the case when an entity uses its treasury shares to settle the share-based payment obligation. In 2008, the Group did not carry out transactions which are subject to this interpretation.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – *Reclassification of Financial Assets*

The amendments permit reclassification of some financial instruments held for trading to the category of held-to-maturity investments, available-for-sale assets or loans and receivables. The amendments also permit, in certain circumstances, the reclassification of available-for-sale assets to loans and receivables. The amendments apply to reclassifications made after 1 July 2008 or later. The Group did not carry out any reclassifications of financial assets, either from assets held for trading or from available-for-sale assets.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 provides guidelines on how to determine the limit amount of the surplus in the defined benefit plan which may be recognized as an asset pursuant to IAS 19 Employee Benefits. The Group does not have employee benefits subject to IAS 19.

The following standards and interpretations have been issued by the IASB or the IFRIC, however are not in force yet:

- IFRS 8 *Operating Segments* – applicable to annual periods beginning on 1 January 2009 or later;
- IAS 1 *Presentation of Financial Statements* (amended in September 2007) – applicable to annual periods beginning on 1 January 2009 or later;
- IAS 23 *Borrowing Costs* (amended in March 2007) – applicable to annual periods beginning on 1 January 2009 or later;
- IFRS 3 *Business Combinations* (amended in January 2008) – applicable to annual periods beginning on 1 July 2009 or later – by the date of the approval of these financial statements, not approved by the EU;
- IAS 27 *Consolidated and Separate Financial Statements* (amended in January 2008) – applicable to annual periods beginning on 1 July 2009 or later – by the date of the approval of these financial statements, not approved by the EU;
- IFRS 2 *Share-based Payments: Vesting Conditions and Cancellations* (amended in January 2008) – applicable to annual periods beginning on 1 January 2009 or later;
- Amendments to IAS 32 and IAS 1: *Puttable Instruments and Obligations Arising on Liquidation* (amendments introduced in February 2008) – applicable to annual periods beginning on 1 January 2009 or later;
- IFRIC 12 *Service Concession Arrangements* – applicable to annual periods beginning on 1 January 2008 or later – by the date of the approval of these financial statements, not approved by the EU;
- IFRIC 13 *Customer Loyalty Programmes* – applicable to annual periods beginning on 1 July 2008 or later;
- Amendments resulting from the annual IFRS review – applicable to annual periods beginning on 1 January 2009 or later;

- Amendments to IFRS 1 and IAS 27 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* – applicable to annual periods beginning on 1 January 2009 or later;
- IFRIC 15 *Agreements for the Construction of Real Estate* – applicable to annual periods beginning on 1 January 2009 or later – by the date of the approval of these financial statements, not approved by the EU;
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* – applicable to annual periods beginning on 1 October 2008 or later – by the date of the approval of these financial statements, not approved by the EU;
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (amendments introduced in July 2008) – applicable to annual periods beginning on 1 July 2009 or later – by the date of the approval of these financial statements, not approved by the EU;
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* (amended in November 2008) – applicable to annual periods beginning on 1 July 2009 or later – by the date of the approval of these financial statements, not approved by the EU;
- IFRIC 17 *Distributions of Non-cash Assets to Owners* – applicable to annual periods beginning on 1 July 2009 or later – by the date of the approval of these financial statements, not approved by the EU.

The Management Board does not predict that the introduction of the above standards and interpretations will materially affect the Group's accounting principles (policy).

7.2. Basis of preparation

The figures in these financial statements have been presented in PLN thousands (thousand PLN), unless stated otherwise.

These consolidated financial statements were prepared based on the assumption that the Group's companies would remain going concern in the foreseeable future, i.e. for the period of at least one year from the balance sheet date. As at the approval date of these financial statements by the Management Board, there are no circumstances which could threaten the continuation of the business of the Group's companies, except for Kredyt International Finance BV, for which, pursuant to the decision of the General Meeting of Shareholders of this company, liquidation proceedings were launched on 15.07.2008. On 12.01.2009, the company was deleted from the trade register. As Kredyt International Finance BV has not been carrying any business activities since July 2005, this issue does not significantly affect these financial statements.

These financial statements were prepared according to the historical cost concept, except for financial assets and financial liabilities which are measured at fair value through profit or loss, loans and advances to customers and financial instruments measured at amortised cost having regard for impairment losses as well as held-for-sale financial instruments which are carried at fair value through revaluation reserve.

Accounting principles adopted to prepare these financial statements are applied in a continuous manner in all presented periods.

7.3. Consolidation of financial statements

These consolidated financial statements include the financial statements of Kredyt Bank S.A. and the financial statements of subsidiaries for the period of 12 months ended 31.12.2008. Financial statements of subsidiaries are prepared for the same reporting period as the financial statements of the parent company.

Certain Group's companies keep their accounting books according to the accounting policy (principles) set out in the Act and executive regulations thereto ('Polish Accounting Standards'). These consolidated financial statements include respective adjustments made to ensure the compliance of the financial statements of these entities with the IFRS.

7.3.1. Subsidiaries

Subsidiaries are all entities, in relation to which the Bank may, directly or indirectly, exert control and govern their financial and operating policies in order to gain benefits from their businesses.

7.3.2. Associates

Associates are entities not controlled by the Group in terms of their financial or operational policies, but the Group exerts a significant influence upon them, which is often accompanied by 20%-50% stake in the total number of votes within their decision-making bodies. Investments in shares in associates are initially recognized in the balance sheet at cost and further on, they are measured with the equity method.

7.4. Transactions in foreign currencies

The items included in the financial statements of particular Group's companies are recognized in the currency in which a given business operates.

Transactions in foreign currencies are translated into PLN at the exchange rate as at the transaction date. Monetary assets and liabilities expressed in foreign currencies, recognized at historical cost, are translated into PLN at the average exchange rate of the National Bank of Poland as of the balance sheet date. Gains/losses from the translation of the resulting currency translation differences are recognized in the income statement.

Non-monetary assets and liabilities expressed in foreign currencies, recognized at historical cost, are translated into PLN at an exchange rate as at the transaction date, and items carried at fair value are translated at the average exchange rate of the National Bank of Poland (NBP) as of the measurement date. Currency translation differences on non-monetary items measured at fair value through profit or loss are recognized in net trading income.

Below, we present NBP average rates of exchange applied by the Group to translate balance sheet items.

	31.12.2008	**31.12.2007**
EUR	4.1724	3.5820
USD	2.9618	2.4350
CHF	2.8014	2.1614

7.5. Recognition of financial assets and liabilities in the balance sheet

The Group recognizes financial assets and liabilities in the balance sheet only when it is a party to a transaction.

Sale/purchase transactions related to financial assets valued at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognized in the balance sheet always on the date of the transaction settlement. Loans and receivables are recognized at the time of the payment of cash to the borrower.

7.6. Derecognition of financial assets from the balance sheet

The Group derecognizes financial assets from the balance sheet when and only when contractual rights to cash flows from such assets expire or when the Group transfers a financial asset pursuant to paragraphs 18 and 19 of IAS 39, and the transfer meets the requirements for the derecognition from the balance sheet provided for in paragraph 20 of IAS 39. Particularly, the Group writes off loan receivables from the balance sheet to impairment losses when such receivables are uncollectible receivables, particularly when:

- the costs of further debt recovery will exceed the expected proceeds from debt recovery;
- the ineffectiveness of the Group's debt recovery process is confirmed with a respective document issued by a respective enforcement body;
- the debtor's assets that can be subjected to enforcement, and the debtor's whereabouts cannot be established;
- claims are prescribed.

Following the decision on writing off an asset, the Group fails to undertake any further debt recovery action, and any possible proceeds from a given asset are only of incidental nature.

7.7. Classification and measurement of financial assets and liabilities

7.7.1. Financial assets and liabilities at fair value through profit or loss

This category includes:

- held-for-trading assets or liabilities, i.e. those acquired or contracted with the intention to sell or repurchase them in the nearest future. This category comprises portfolios of the financial assets and liabilities portfolios managed jointly in order to generate profits in a short time horizon. This category also includes derivatives;
- financial assets or liabilities which, at the time of initial recognition, were designated by the Bank as measured at fair value through profit or loss, as the items are managed in a portfolio on the basis of the valuation at fair value, pursuant to the recorded risk management principles or the Group's investment strategy.

Fair value is determined on the basis of quotations on active markets, including prices of the latest transactions and generally adopted measurement models based on variables that can be observed in the market environment.

Interest and acquired discount or premium on securities is settled over time in net interest income based on the effective interest rate method. Securities are carried at fair value, and its change is recognized in the profit/loss on financial operations.

Outflows from assets disposal are calculated with the FIFO method.

Financial derivatives are recognized at fair value, without deductions of transaction expenses that can be incurred at the disposal. The transaction price is the best indicator of fair value at the initial recognition of a derivative. The valuation of derivatives also entails credit risk; the respective charges are recognized in the income statement.

Derivatives with positive valuation as at the date of measurement are recognized in the balance sheet as assets, and derivatives with negative valuation from measurement – in liabilities.

7.7.2. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's entities intend and are able to hold to maturity or by the date very close to maturity.

Held-to-maturity investments are measured at amortised cost using the effective interest method, taking account of impairment losses. Accrued interest and settled discount or premium is recognized in net interest income.

7.7.3. Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted on an active market. Loans and receivables arise when the Group disburses cash to customers for purposes other than generating short-term trading gains. This category entails loans and advances to banks and customers, including purchased debts.

Loans are measured in the balance sheet at amortised cost based on the effective interest rate method, taking account of impairment losses.

Accrued interest with net commission (commissions received less commissions paid) settled over time using the effective interest rate method are recognized in interest income; the commission settled on a straight-line basis is recognized in fee and commission income. Impairment charge is recognized in the income statement in correspondence with accounts of provisions which adjust assets value.

7.7.4. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale or not classified as financial assets valued at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value on the balance sheet. Changes in fair value are recognized in revaluation reserve until the financial asset is derecognized or impairment is recognized; then accumulated gains/losses included in equity are recognized in the income statement. In the case of debt securities, interest income and discount or premium is settled over time in net interest income using the effective interest rate method.

If fair value cannot be determined, assets are recognized at cost less impairment charge. Impairment charge is recognized in the income statement in correspondence with accounts of provisions which adjust assets value.

Dividends from available-for-sale equity instruments are recognized in the income statement at the time when the right to obtain them arises.

Outflows from assets disposal are calculated with the FIFO method.

7.7.5. Financial liabilities not held for trading

This category includes amounts due to banks and customers, loans borrowed by the Group, own debt securities issued, liabilities arising from repurchase transactions and subordinated liabilities, following the deduction of transaction expenses.

Financial liabilities not held for trading are recognized in the balance sheet at amortised cost with the application of the effective interest rate method.

7.7.6. Hedge accounting

Hedge accounting recognizes the effects of compensating for changes in fair value of the hedging instrument and the hedged item, which exert an impact on the income statement. According to adopted hedge accounting principles, the Group designates certain derivatives to hedge fair value and future cash flows of specific assets, on condition that the criteria provided for in IAS 39 are met. Hedge accounting is applied in the Group to hedge certain items, when all the following criteria are met:

- upon the inception of hedge, the Group officially determines and documents hedging relations as well as the purpose of risk management and the strategy of hedge; the documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk and the method of the Group's assessment of hedging instrument effectiveness in offsetting the risk of changes in fair value of the hedged item or cash flows related to the hedged risk;
- the hedging is expected to be highly effective in achieving offsetting changes in fair value (or cash flows) attributable to the hedged risk, according to the initially documented risk management strategy related to a specific hedging relationship;
- the hedge effectiveness may be assessed reliably, i.e. fair value or cash flows attributable to the hedged item resulting from the hedged risk and the fair value of the hedging instrument may be measured reliably;
- the hedge is assessed on an ongoing basis and is found highly effective in all reporting periods in which the hedge was established.

Fair value hedge, which meets hedge accounting conditions, is recognized by the Group as follows:

- gains or losses resulting from the revaluation of fair value of a hedging derivative are disclosed in the income statement;
- gains or losses related to the hedged item, resulting from the hedged risk, adjust the carrying amount of the hedged item and are recognized in the income statement.

Future cash flows hedge, which meets hedge accounting conditions, is recognized by the Group as follows:

- a portion of gains or losses associated with the hedging instrument, which constitutes an effective hedge, is recognized directly in equity;
- a non-effective portion of gains or losses associated with the hedging instrument is recognized in the income statement.

Interest received and paid on derivatives used as hedging instruments is recognized in the income statement in interest income/expense respectively.

7.7.7. Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to the stand-alone derivative.

An embedded derivative is separated from the host contract and accounted for as a derivative only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic and the risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- a hybrid (combined) instrument is not carried at fair value and changes in fair value are not recognized in the income statement.

When an embedded derivative is separated, the host contract is accounted for in accordance with accounting principles appropriate for such a contract.

7.8. Finance lease receivables

Contracts of lease under which the Group generally transfers all the risks and rewards related to the possessed assets are recognized by the Group as finance lease contracts. Receivables due under finance lease contracts are presented by the Group in the balance sheet in the amount equal to net leasing investment, as loans and advances to customers.

Interest income under finance lease contracts is settled with the effective interest rate method in order to reflect the constant, in a given period, rate of return on net leasing investment.

7.9. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet, when the Group has a legally enforceable right to offset the recognized amounts and intends to settle it on a net basis, or realise the asset and settle the liability simultaneously.

7.10. Sale and repurchase agreements

Securities sold under repurchase agreements (‘repos’ and ‘sell buy back’) are not excluded from the balance sheet. Payments due to the counterparty are recognized as financial liabilities as ‘Liabilities arising from repurchase transactions’. Securities purchased under repurchase agreements (‘reverse repos’ and ‘buy sell back’) are reported in ‘Receivables arising from repurchase transactions’. The difference between the sale and repurchase prices is treated as interest and accrued over the life of the agreements using the effective interest method.

7.11. Property, plant and equipment

7.11.1. Owned property, plant and equipment

Property, plant and equipment, complete, prepared for direct use, with a foreseeable useful life of over one year, held by the Group and used by it, are recognized in the balance sheet at cost less depreciation and impairment losses. Property, plant and equipment with low individual value are fully depreciated in the month of putting them into use.

Property, plant and equipment also include construction in progress and property, plant and equipment put into use under a contract of operating lease as well as property, plant and equipment obtained for use under a contract of finance lease. Property, plant and equipment not used by the Group, but classified as held for sale, are recognized in the balance sheet at the lower of: carrying amount as at the classification in this category and fair value less selling costs.

Fixed assets at the time of their acquisition are divided into components which are items of material significance and which can be assigned a separate period of useful life.

7.11.2. Capital expenditure incurred in future periods

The Group recognizes, in the carrying amount of property, plant and equipment, expenses of the increase in value or of the replacement of parts of property, plant and equipment at the time of their incurrence, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of improvement or replacement may be measured reliably. All other expenses are charged to the income statement during the financial period in which they are incurred.

7.11.3. Depreciation

Property, plant and equipment are depreciated with the straight-line method in line with the depreciation schedule. The period of economic useful life is taken into consideration while determining the depreciation period and the annual depreciation rate. Land is not depreciated. Property, plant and equipment that are used together, but which have various useful lives, are depreciated separately.

Estimated periods of expected economic useful life of property, plant and equipment:

Buildings	40 years
Leasehold improvements	10 years
Motor vehicles	6 years
Plant and machinery	between 3 and 7 years
Other property, plant and equipment	5 years

The assets' residual values and useful lives are reviewed on an annual basis. The Group performs an annual analysis of evidence and the tests for impairment of particular groups of property, plant and equipment to ensure whether the present carrying amount does not exceed the higher value of the following two values: market value or discounted value of future economic benefits.

Depreciation rates resulting from the tax regulations in force are applied for the purpose of tax settlements.

7.12. Intangible assets

Intangible assets are assets, which comply with the following criteria:

- they can be separated from a business unit and sold, transferred, licensed or given for gratuitous use to third parties, both individually and jointly with related agreements, assets or liabilities; or
- they arise from contracts or other titles, irrespective of whether they can be transferred or separated from a business unit.

Intangible assets with a foreseeable useful life of over one year, held by the Group and used by it, are recognized in the balance sheet at cost less amortisation and impairment losses. Intangible assets with low individual value are fully amortised in the month of putting them into use.

The Group companies' costs that are associated with the production, at own cost and expense and for internal use, of intangible assets with a planned useful life of over one year that will probably generate economic benefits exceeding incurred costs, are also recognized as intangible assets in the balance sheet. Direct costs of the production of intangible assets activated in this way are amortised in the estimated useful life not exceeding 5 years.

The Group's companies recognize, in the carrying amount of intangible assets, expenses of the increase in value or replacement of the parts of such assets at the time of their incurrence, when it is probable that greater future economic benefits associated with the item will flow to such companies and the cost of improvement or replacement may be measured reliably. All other expenses are charged to the income statement during the financial period in which they are incurred.

7.12.1. Computer software

Acquired computer software licenses are recognized as intangible assets at costs incurred to acquire and bring to use the specific software. The Group amortizes activated expenses in the estimated useful life of 5 years.

The Group's expenditures on maintenance and technical service of computer software are recognized as expense as incurred.

7.12.2. Other intangible assets

Other intangible assets are recognized by the Group in the balance sheet at cost less accumulated amortisation and any impairment loss.

7.12.3. Amortisation

Intangible assets are amortised with the straight-line method according to the amortisation schedule. The economic useful life is taken into consideration while determining the amortisation period and the annual amortisation rate. Estimated periods of the expected useful life for intangible assets are equal to 5 years.

Amortisation rates resulting from the tax regulations in force are applied for the purpose of tax settlements.

The Group does not have any intangible assets with an indefinite useful life.

7.13. Investment properties

In 2007, as the sale of certain assets in the time-limit set forth in the IFRS, i.e. within one year from their classification as non-current assets held for sale (IFRS 5), was not possible, the Group reclassified them into ‘investment properties’. Under IAS 40 and pursuant to the policy of the Group’s main shareholder, the Group values investment properties at cost.

7.14. Goodwill

Goodwill represents an excess of the cost of an acquisition over the fair value of the Group’s share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in the balance sheet in ‘goodwill on subordinated companies’. Goodwill on acquisitions of associates is included in ‘investments in associates’. Goodwill is not amortised, only analysed in terms of the risk of impairment.

Once a year, the Group performs the recognized goodwill impairment test based on the models which comply with the IAS/IFRS guidelines based on generally applied rules of equity investments measurement, e.g. they take into consideration discounted future cash flows.

7.15. The methods of the measurement of impairment of assets other than financial assets

Carrying amounts of particular assets are periodically tested for impairment. If the Group identifies evidence for impairment, further it determines whether the present book value of a given asset is higher than the value that can be obtained from its further use or sale, i.e. the recoverable amount of a given asset is established. If the recoverable amount is lower than the present carrying amount of a given asset, impairment charge is accounted for in the income statement.

7.15.1. Measurement of recoverable amount

A recoverable amount of an asset is determined as the higher of the following: a price than can be obtained from the sale less costs of sells and value in use of a given asset. Value in use is determined as estimated future cash flows generated by a given asset discounted with the market rate and increased with the margin for the risk specific for a given class of assets.

Cash-generating units (CGU), i.e. groups of financial assets and liabilities directly attributable to goodwill and generating cash inflows independent of other groups, are separated for the purpose of goodwill impairment tests. If negative trends in the generated flows are identified, the impairment of the whole group of assets and liabilities is measured and recognized in attributed goodwill.

The analysis of circumstances and any possible impairment tests for property, plant and equipment and intangible assets are performed once a year. The impairment test for goodwill is performed annually, regardless of whether the evidences for impairment were present or not.

7.15.2. Reversal of impairment

Impairment loss on goodwill is not reversed.

In the case of other assets, except for equity instruments classified as available for sale, impairment loss may be reversed if evidence for impairment ceases to exist or the parameters taken into account in estimates of recoverable amount are changed.

Impairment charge may be reversed only up to the carrying amount of an asset, which, having regard for accumulated depreciation, would have been determined if the impairment charge had not been made.

7.16. Trade and other receivables

Trade and other receivables are reported in the amount due less impairment.

In the case when the impact of time value of money (TVM) is material, the value of receivables is determined by discounting forecasted future cash flows to present value, applying a discount rate corresponding to present market valuations of time value of money. In the case the discounting method was applied, the increase in receivables due to the elapse of time is recognized as ‘other operating income’.

7.17. Assets taken over for debts

Assets taken over for debts are measured at their fair value, including the cost of sale. If fair value of assets taken over is lower than the nominal value of receivables, impairment charge is recognized. If the selling price of the assets is higher than debt, the difference constitutes a liability towards the borrower.

7.18. Non-current assets classified as held for sale and discontinued operations

Prior to the classification as ‘held-for-sale’, assets (and all assets and liabilities in the held-for-sale group) are revalued according to IFRS 5. Property, plant and equipment and non-current assets classified as held for sale are measured at the lower of: present carrying value or fair value less costs to sell. Property, plant and equipment, when they are classified as held for sale, are not depreciated.

Discontinued operation is an element of the Group’s operations, which constitutes the Group’s separate major line of business or its geographical area of operations, or if it is a subsidiary acquired exclusively with a view to resale. The Group recognizes operations as discontinued upon sale or classification as ‘held-for-sale’.

7.19. Deferred tax asset and liability

Deferred tax asset is recognized for all deductible temporary differences as well as for carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is subject to a respective decrease by the amount, which corresponds to the lower degree of the probability of generating taxable income or partial or total utilisation of a deferred tax asset.

Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset and deferred tax liability are measured at tax rates that are expected to apply to the period when an asset is realised or a liability settled, based on tax rates (and tax laws) in force as at the balance sheet date or certain to be in force in the future as at the balance sheet date. Deferred tax liability is not discounted.

Deferred tax related to items recognized directly in equity is also charged or credited directly in equity at the present tax rate.

The Group’s companies offset deferred tax asset against deferred tax liability within an entity.

7.20. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include short-term balances used to settle short-term monetary liabilities, with less than three months maturity from the date of acquisition, including cash and balances with Central Bank and other qualifying short-term receivables, including term deposits on the interbank market.

7.21. Provisions

The Group recognizes provisions in the balance sheet when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- reliable estimate can be made of the amount of the obligation.

The provision is recognized at the amount of the estimated outflow of cash. The amount of the provision is determined as the value of the discounted future cash flow for the period after which the provision will be utilized.

7.21.1. Restructuring provision

The Group recognizes a restructuring provision in the balance sheet for evidenced costs of restructuring. The provision is made on the basis of a detailed, official and published restructuring plan. The provision does not include future operating expense.

7.21.2. Employee benefits

The Group does not offer a specific pension scheme for its employees, thus has no commitments to its employees in this respect. The Group's entities, as employers, fulfilling the obligations indicated in the law, are obliged to withhold and pay social security and health insurance contributions for its employees and contributions to the Labour Fund and the Guaranteed Employee Benefits Fund. These payments are a part of short-term employee benefits, including remuneration, bonuses, paid leaves. Short-term benefits are recognized in general expenses under general principles.

A provision for retirement severance pays, which is determined annually by actuarial calculations is the only component of long-term employee benefits.

7.22. Equity

Share capital is recognized at nominal value in the amount compliant with the Bank's Memorandum and Articles of Association and the entry in the Court Register. Other equity is recognized in the balance sheet by types as required by law and Memorandums and Articles of Association of the Bank and of particular subsidiaries. Equity also comprises net profit/loss for the period and retained profit or loss as well as the result of the measurement of financial assets carried through revaluation reserve (in the case of subsidiaries, the Group's equity also comprises net profit/loss of such companies generated from the date of their acquisition by the parent company).

7.23. Granted off-balance sheet liabilities

Within its operations, the Group enters into transactions, which, at the time of their conclusion, are not recognized in the balance sheet as assets or liabilities, but result in contingent liabilities. A contingent liability is:

- a possible obligation that arises firm past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly controlled by the Group's entities;
- a present obligation resulting from past events, but not recognized in the balance sheet, as it is not probable that the outflow of cash or other assets in order to settle the obligation is necessary, or the obligation amount cannot be measured with sufficient reliability.

Granted credit lines and guarantees are the most significant items of granted off-balance sheet liabilities.

Customers' undrawn credit lines granted by the Group and liabilities under guarantees issued by the Group to customers are recognized in off-balance sheet liabilities in the amount resulting from contracts.

Provisions for estimated risk are reported in 'Provisions' in the Group's balance sheet. Credit risk arising from off-balance sheet liabilities is assessed on the basis of IAS 37 and IAS 39.

7.24. Company Social Benefit Fund (CSBF)

CSBF is created on the basis of write-downs made by the Bank and the Group's companies and charged to operating expenses as required by the CSBF Act. The objective of the Fund is to finance social benefits for employees. The Fund's liabilities are accumulated write-downs made by the Bank and the Group's companies for CSBF less non-returnable expenditure from CSBF. The Group has no social assets; all CSBF liabilities are expressed in cash deposited on a separate banking account.

For the purpose of presentation in these financial statements, the Group sets off assets and liabilities of CSBF, as they do not constitute Group's assets.

7.25. Net interest income

Interest income and expense generated by financial assets and liabilities are recognized in the income statement at amortised cost using the effective interest rate method.

The following financial assets and liabilities are measured by the Group at amortised cost:

- loans and advances granted as well as other receivables not held for trading;
- held-to-maturity investments;
- non-derivative financial liabilities not held for trading;

- financial assets (not equity instruments) for which fair value cannot be determined reliably.

In addition, as indicated in 'Financial assets and liabilities' section, in the case of debt securities carried at fair value, the coupon rates and acquired discounts or premiums are amortised using effective interest rate method in the income statement.

The effective interest rate is the rate that discounts a future, expected flow of cash payments to present net carrying amount during the period until maturity or by the time of the next market evaluation of a particular financial asset and liability, and its determination entails any due or cash payments as well as cash flows paid or received by the Group under the agreement on a given instrument, excluding future, possible credit losses.

The method of settling coupon rates, commissions/fees and certain external costs connected with the financial instruments (with the effective interest method rate or straight-line method) depends on the nature of a given instrument. In the case of financial instruments with fixed cash flows schedules, the method of the effective interest rate is applied. In the case of instruments with undefined cash flows schedules, it is impossible to calculate the effective interest rate and commissions/fees are settled on the straight-line basis over time.

And the method of recognizing particular types of commissions/fees in the income statement depends on the economic nature of a commission/fee.

The items included in the commissions/fees settled over time include, e.g. fees for a positive appraisal of a loan application, commissions for granting a credit, commissions for releasing a credit, fees for establishing additional collateral, fees paid to loans extension intermediaries. The collection of the above commissions and fees constitutes an integral part of the return generated by a specific financial instrument. This category also includes fees and costs of changes in contractual terms, what modifies the value of initial effective interest rate. Any significant amendment to the conditions of a given financial instrument in economic terms is connected with the expiry of the financial instrument of the previous type and creation of a new instrument with different characteristics. The fees that are collected in this category include, among others, fees for preparing an annex changing a future cash flows schedule, fees for restructuring loan agreements, fees for postponement of payment dates, etc. The above-mentioned types of fees are deferred and settled over time in the income statement applying the effective interest rate method or on a straight-line basis, depending on the type of a product.

In the case of assets for which evidence for the risk of impairment was identified, interest income is charged to the income statement on the basis of net investment defined as the difference between the gross exposure value (having regard for unsettled commissions) and impairment charge.

7.26. Net fee and commission income

As stated above, fees and commissions deferred and amortised over time using the effective interest rate method are reported in 'net interest income'.

However, fees and commissions not amortised using the effective interest rate, but settled over time with the straight-line method or recognized one-off, are reported in 'net fee and commission income'.

Income settled over time with the straight-line method includes commissions on revolving loans, overdraft facilities, credit cards, off-balance sheet liabilities, and fees for managing current accounts. All fees for the activities in which the Group acts as an agent or provides services related to the distribution of shares of investment funds, transfers, and payments, etc. are recognized once.

7.27. Net trading income

Net trading income comprises gains or losses on the disposal or a change in the fair value of financial assets and liabilities measured at fair value through profit or loss. This item also includes foreign exchange and interest on swaps.

7.28. Dividend income

In the case of equity investments recognized in the balance sheet at historical cost, dividend income is recognized in the income statement at the time when the right to dividend is established. In the case of equity investments recognized in the balance sheet with equity method, dividend income is already included in the measurement with the accrual concept, initially recognized in the measurement with the equity method.

7.29. Other operating income and expenses

Other operating income and expenses include items not related directly to the Group's operations. These are in particular income and expenses on sale and liquidation of property, plant and equipment, received and paid indemnities, lease income, and income and expenses on other services.

Other operating income and expenses also include impairment losses on loans and advances to various debtors.

7.30. Income tax expense

The deductions from profit before tax entail current income tax payable and deductions/credits associated with the change in deferred income tax.

Current tax for the period is calculated by the Group's companies on the basis of their profit before tax as per books adjusted with income and expense which, under the present income tax act, are excluded from the tax base. Furthermore, the book profit before tax in the current year is adjusted to take account of the cash realisation of income and expenses in the current reporting period, which are recognized in profit before tax in previous years. Deferred income tax recognized as an element of income tax charge/credit on book profit before tax is calculated as the net effect of the change in deferred tax assets and liabilities.

Details on the method of calculating deferred tax are presented in Note 7.19.

7.31. Comparable data

Accounting principles adopted to prepare these financial statements are applied in a continuous manner in all presented periods. The description of adjustments of comparable data has been presented in Note 71.

8. Accounting estimates

The preparation of financial statements in line with the IFRS requires a professional judgment of the Bank's Management Board and Management Boards of the Group's companies on the adopted accounting principles and accounting estimates applied with respect to balance sheet items and income statement items. Estimates are related to uncertain future events and are made basing on historical data and a number of assumptions based on the facts available as at the balance sheet date, resulting from internal and external conditions. The actual results of future business operations may differ from the present accounting estimates as at the balance sheet date. Therefore, accounting estimates are verified on a regular basis. Changes in estimates are recognized in the financial statements in the period they were introduced. If such changes are also related to future periods, the assumptions being the basis for the estimates for future periods are also adjusted.

The most important accounting estimates prepared for the purpose of these financial statements refer to:

- measurement of financial assets and liabilities at fair value, including derivatives for which no active market exists;
- identification and measurement of impairment losses for financial assets measured at amortised cost and historical cost;
- value of deferred tax assets;
- provisions;
- recognized goodwill impairment test.

8.1. Valuation of financial assets and liabilities at fair value

In the case of financial assets and liabilities recognized in the balance sheet at fair value, for which no active market is identified, except for equity instruments, they are measured on the basis of generally adopted measurement models based on variables that can be observed in the market environment. Certain variables, e.g. future interest rates, volatility parameters, correlations, must be assessed professionally. The models and variables are verified on a regular basis. The change in adopted models or variables in these models might affect accounting estimates related to measurement.

8.2. Impairment of financial assets valued at amortised cost and historical cost

At each balance sheet date (at least once per quarter), the Group analyses whether there is an indication that a financial asset and/or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence for impairment as a result of one or more events that occurred after initial recognition of the asset and that loss event or events has an impact on the estimated future cash flows generated by the financial asset or the group of financial assets, assuming that reliable estimation is possible. Expected future losses are not taken into account in estimates of impairment.

If the Group identifies an evidence for impairment, the amount of the impairment loss is determined as the difference between the carrying amount of the loan and its economic value measured as the present value of estimated future cash flows discounted using the initial effective interest rate of contracts. Impairment loss is recognized in the income statement in correspondence with provision account which adjusts assets' value.

Loan receivables constitute the most significant class of financial assets recognized in the Group's balance sheet at amortised cost and subject to impairment.

8.2.1. Evidence for impairment

The analysis of the evidence indicating the risk of impairment is performed for individual loans as well as portfolios (groups) of loans.

The list of objective evidence includes:

a) significant financial problems of an issuer or a debtor;

b) a breach of contract, e.g. failure to pay or delaying payment of interest or the principal amount;

c) granting a facility by the lender to the borrower, for economic or legal reasons related to the borrower's financial problems, where such a facility would not have been granted otherwise;

d) high probability of the borrower's bankruptcy or their another financial reorganisation.

If there is no evidence that the impairment occurred, the previously recognized impairment losses are reversed through income statement.

8.2.2. Measurement of individual impairment

Individual impairment is measured for loan receivables over a specific exposure level, for which certain individual evidence indicating impairment were identified. The process of estimating future, expected cash flows is carried out in a specially dedicated IT tool.

Expected future cash flows from collateral are estimated on the basis of debt recovery value which is calculated with the application of periodically verified adjusting indicators determined for each type of hedging on the basis of historical data collected by the Bank concerning the time of debt collection process, recovered amounts from hedging and their value determined in the valuation.

The quality of the measurement of individual impairment of loan receivables is verified during a multi-stage independent process.

8.2.3. Measurement of collective impairment

A collective analysis is conducted in the following cases:

- In the event where no objective evidence for loan impairment assessed on individual basis occurred, regardless of whether or not it constitutes a significant reporting item, such exposure is included in the credit portfolio of similar nature and the collective analysis of the impairment is conducted.
- In the event of objective evidence for the impairment of an asset which is not individually significant (below the defined exposure level).

Homogenous loans portfolios are created basing upon similar characteristics of credit risks that are specific for the defined groups of customers and products. In the second quarter of 2008, the Group changed the method of allocating impairment losses calculated collectively to particular subgroups subject to the collective analysis. However, this change has not affected, to a large extent, the total value of impairment losses which are evaluated collectively. The above change does not constitute a change in accounting principles, but a change in estimates, and the effect of changes was recognized on a long-term basis, hence comparable data presented for previous reporting periods was not restated.

The collective impairment is measured basing on historical parameters of losses generated by similar assets portfolios. Historical trends for losses are cleared of one-off events and are updated against a current risk profile of homogenous groups of assets. Hence, the portfolios systematic risk is identified. The following issues, apart from corrected historical trends, have a material impact on the level of the collective impairment:

- fluctuations in the receivables portfolios;
- the Group's operating effectiveness in credit risk management processes, particularly taking into account the restructuring and debt collecting activities;
- macroeconomic situation.

In the second half of 2008, the Group finished the review and amendments of its methodology of estimating impairment losses on loans and advances valued collectively. As a result of amendments in the methodology, in the second half of 2008, the amount of PLN 27 million was deducted from the Group's profit before tax. The above change was recognized in the Bank's books as a change in estimates.

8.2.4. Available-for-sale financial assets

If the Group identifies objective evidence for the impairment of an asset classified as available for sale, the cumulative negative measurement of this asset, previously accounted for in the revaluation reserve, is written off and recognized directly in the income statement, despite the fact that this asset is not excluded from the balance sheet.

In the case of an equity instrument classified as available for sale for which fair value cannot be determined reliably, i.e. measured at historical cost having regard for impairment, impairment losses are not reversed. In the case of a debt instrument measured at fair value at the time when the circumstances indicating impairment are no longer identified, the amount of the reversed impairment loss is recognized in the income statement.

8.2.5. Recognized goodwill impairment test

After initial recognition, goodwill is reported at cost less all accumulated impairment losses. A goodwill impairment test is carried out on an annual basis. Furthermore, at each reporting date, estimations are made whether evidence for impairment of recognized goodwill is not present.

8.3. The values of deferred tax assets

The probability of realising net deferred tax asset is determined on the basis of financial plans and tax forecasts prepared by the Bank's Management Board, updated on an ongoing basis as at the end of each quarter, having regard for the prudence principle.

In the fourth quarter of 2008, the value of tax asset was adjusted in relation to the changes in the forecasts related to the realization of the values of established impairment losses on loans and advances for tax purposes. However, it did not have any material impact on the Group's net profit – effective tax rate in 2008 was at the level of 22.8% as compared to 22.2% in 2007.

The subsidiaries recognize a deferred tax liability for all temporary differences whereas the deferred tax asset is recognized up to the amount justified by financial plans approved by the Management Boards of such subsidiaries concerning the probable realisation of the asset.

9. Segment reporting

The Group's operation, as in the previous reporting periods, was divided into four basic sector segments: corporate, retail, treasury and investment. The Bank's operations are not diversified in geographical terms. Operations are focused on the Polish market; the main customer base is composed of Polish natural and legal persons and foreign customers operating on the Polish market.

Corporate Segment

Corporate Segment, in management terms, entails transactions with large companies (with annual sales revenue exceeding PLN 16 million) as well as state budgetary units at central and local levels. Beside the traditional deposit, credit and settlement services, the customers from this segment are offered other specific services. They are tailored to customers' individual needs, e.g. organizing syndicates supporting investment projects, financing real estate transactions, financing foreign trade and bulk payments. The Group's offer in this segment is expanded by the products of Kredyt Lease, which offers a complete range of services for companies in respect of leasing of property, plant and equipment and real estates, and also of real estate trade.

Retail Segment

Retail Segment, in management terms, incorporates products targeted at individual customers as well as Small and Medium-sized Enterprises (SME), whose annual sales revenue does not exceed PLN 16 million. The products on offer comprise a wide range of deposit and loan products, insurance products (bancassurance and assurebanking) offered in co-operation with WARTA Insurance and Financial Group as well as clearing services. This offer is addressed to customers through traditional channels of distribution via the Bank's nationwide network of branches as well as KB24 – an Internet network. The results of this segment also comprise the result of Żagiel S.A. (Consumer Finance) specialising in the sale of instalment loans as well as in intermediation in the distribution of the selected services that are found in the Bank's and WARTA Group's offers. Furthermore, the Bank's offer for this segment includes products offered by KBC TFI with regard to the sale of shares in investment funds.

Treasury Segment

Treasury Segment comprises the result of the transactions performed by the Bank on its own account as an active participant of the money market (Treasury and NBP bills), bonds market (Treasury and commercial bonds), currency market and interbank market. The result of the segment also includes net income on derivative instruments transactions concluded on the inter-bank market: forward, FX swap, IRS, CIRS, FRA, interest rate and currency options.

Investment Segment

Investment Segment, in management terms, incorporates income and expenses of consolidated companies of the Group not assigned to the corporate segment and the retail segment, whose core business is focused on generating added value for the Group by specialising in non-banking areas of operation, and also on investments in the shares of companies with an expected high long-term rate of return. In addition, the segment focuses on custodian services.

'Other' Segment

'Other' segment comprises other income and expenses not recognized in the above-mentioned segments (including the salaries of members of the Management Board and of the Supervisory Board, BFG fees, external audit expenses, income and expenses related to the reversal/recognition of provisions for litigations and other operating expenses). Assets and liabilities which cannot be reasonably assigned to one of the defined segments are presented as 'unallocated' in 'Other' segment.

The segment's income and expenses had been determined before inter-segmental eliminations were made. The selling prices exercised among segments are calculated on the basis of the transfer pricing methodology.

Consolidated income statement for the period 01.01.2008-31.12.2008

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	701 580	1 725 224	530 528	19 713	55 711	0	3 032 756
2. Segment income (internal)	296 955	720 709	1 086 276	0	12	-2 103 952	0
3. Total segment income	**998 535**	**2 445 933**	**1 616 804**	**19 713**	**55 723**	**-2 103 952**	**3 032 756**
4. Segment expenses (external)	-251 839	-781 574	-493 075	-23 773	-60 349	0	-1 610 610
4a. Allocated expenses	-90 068	-752 921	-10 483	-2 117	-35 257	0	-890 846
5. Segment expenses (internal)	-463 832	-618 079	-1 017 676	-4 365	0	2 103 952	0
6. Total segment expenses	**-805 739**	**-2 152 574**	**-1 521 234**	**-30 255**	**-95 606**	**2 103 952**	**-2 501 456**
7. Net operating income for the segment	**192 796**	**293 359**	**95 570**	**-10 542**	**-39 883**	**0**	**531 300**
8. Net impairment losses on financial assets, other assets and provisions	**-30 990**	**-167 257**	**0**	**0**	**90 045**	**0**	**-108 202**
9. Segment share in profit (loss) of associates	0	0	0	-2 043	0	0	**-2 043**
10. Profit before tax for the segment	**161 806**	**126 102**	**95 570**	**-12 585**	**50 162**	**0**	**421 055**
11. Income tax expense							-96 138
12. Net profit/loss							**324 917**

Consolidated balance sheet as at 31.12.2008

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations and consolidation adjustments	Total
1. Segment assets	9 537 279	18 218 486	11 045 029	619 749	0	-1 097 506	**38 323 037**
2. Segment investments in associates measured with equity method	0	0	0	10 131	0	0	**10 131**
3. Other assets (unallocated)	0	0	0	0	397 508	0	**397 508**
4. Total assets	**9 537 279**	**18 218 486**	**11 045 029**	**629 880**	**397 508**	**-1 097 506**	**38 730 676**
5. Segment liabilities	7 508 380	13 876 996	15 150 324	310 700	0	-1 097 506	**35 748 894**
6. Equity	0	0	0	2 645 513	0	0	**2 645 513**
7. Unallocated liabilities	0	0	0	0	336 269	0	**336 269**
8. Total liabilities and equity	**7 508 380**	**13 876 996**	**15 150 324**	**2 956 213**	**336 269**	**-1 097 506**	**38 730 676**
1. Investments (costs of assets acquisition)	0	0	0	0	138 341	0	**138 341**
2. Depreciation	0	0	0	0	103 700	0	**103 700**

Consolidated income statement for the period 01.01.2007-31.12.2007 (comparable data)

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	477 014	1 098 818	596 065	79 112	39 140	-59 602	2 230 547
2. Segment income (internal)	216 360	548 847	622 915	0	14	-1 388 136	0
3. Total segment income	**693 374**	**1 647 665**	**1 218 980**	**79 112**	**39 154**	**-1 447 738**	**2 230 547**
4. Segment expenses (external)	-181 070	-494 376	-315 209	-62 430	1 586	59 602	-991 897
4a. Allocated expenses	-110 059	-671 965	-9 197	-1 037	-30 910	0	-823 168
5. Segment expenses (internal)	-290 877	-316 514	-765 221	-4 741	-10 783	1 388 136	0
6. Total segment expenses	**-582 006**	**-1 482 855**	**-1 089 627**	**-68 208**	**-40 107**	**1 447 738**	**-1 815 065**
7. Net operating income for the segment	**111 368**	**164 810**	**129 353**	**10 904**	**-953**	**0**	**415 482**
8. Net impairment losses on financial assets, other assets and provisions	**116 949**	**-34 229**	**0**	**0**	**2 242**	**0**	**84 962**
9. Segment share in profit of associates	0	0	0	1 513	0	0	**1 513**
10. Profit before tax for the segment	**228 317**	**130 581**	**129 353**	**12 417**	**1 289**	**0**	**501 957**
11. Income tax expense							-111 418
12. Net profit/loss							**390 539**

Consolidated balance sheet as at 31.12.2007 (comparable data)

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations and consolidation adjustments	Total
1. Segment assets	7 687 432	9 662 031	9 469 612	603 331	0	-778 641	**26 643 765**
2. Segment investments in associates measured with equity method	0	0	0	12 174	0	0	**12 174**
3. Other assets (unallocated)	0	0	0	0	472 241	0	**472 241**
4. Total assets	**7 687 432**	**9 662 031**	**9 469 612**	**615 505**	**472 241**	**-778 641**	**27 128 180**
5. Segment liabilities	5 261 286	12 211 802	7 274 731	312 351	0	-778 641	**24 281 529**
6. Equity	0	0	0	2 276 304	0	0	**2 276 304**
7. Unallocated liabilities	0	0	0	0	570 347	0	**570 347**
8. Total liabilities and equity	**5 261 286**	**12 211 802**	**7 274 731**	**2 588 655**	**570 347**	**-778 641**	**27 128 180**
1. Investments (costs of assets acquisition)	0	0	0	0	118 477	0	**118 477**
2. Depreciation	0	0	0	0	110 663	0	**110 663**

10. Interest income

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
On account of:		
Loans and advances to banks	114 935	153 875
Loans and advances to customers, including:	1 719 575	1 074 035
- from financial sector	42 052	22 432
- from non-financial sector	1 650 457	1 024 164
- from the budgetary sector	27 066	27 439
Lease receivables	34 440	19 349
Securities:	350 124	302 426
- at fair value through profit or loss	36 222	17 783
- available-for-sale	207 110	164 303
- held-to-maturity	106 792	120 340
Receivables arising from repurchase transactions	413	904
Interest on hedging instruments	92 294	44 265
Total	**2 311 781**	**1 594 854**

Interest income comprises, e.g. cash interest and interest calculated on an accrual basis on receivables for which evidence for impairment was identified. Interest was calculated with the effective interest rate applied in discounting expected cash flows for the purpose of estimating the impairment loss on loan receivables. The amount of interest on receivables for which individual evidence for impairment was identified recognized in interest income for 2008 amounts to PLN 11,053 thousand as compared to PLN 14,897 thousand for 2007. Accrued interest was taken into consideration when estimating impairment losses on such receivables.

11. Interest expense

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
On account of:		
Amounts due to banks	359 650	162 172
Amounts due to customers, including:	747 488	473 822
- from financial sector	114 776	44 831
- from non-financial sector	508 303	363 061
- from budgetary sector	124 409	65 930
Liabilities arising from repurchase transactions	16 895	26 304
Other subordinated liabilities	14 613	22 253
Interest on hedging instruments	113 263	38 830
Total	**1 251 909**	**723 381**
Net interest income	**1 059 872**	**871 473**

12. Fee and commission income

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Fees and commissions on loans	44 906	44 114
Fees and commissions on deposit-related transactions with customers	127 128	131 197
Fees and commissions due for the servicing of payment cards and ATMs	138 753	91 901
Fees and commissions on foreign clearing operations	16 915	16 305
Fees and commissions on guarantee commitments	14 827	10 937
Commissions on distribution and management of combined investment and insurance products	37 543	61 780
Commissions on other custodian services	2 944	3 180
Other fees and commissions	6 728	8 260
Total	**389 744**	**367 674**

13. Fee and commission expense

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Brokerages	1 798	1 202
Fees and commissions due for the servicing of payment cards and ATMs	62 391	36 695
Fees related to loan guarantees	14 916	8 060
Fees of credit reference agency	5 367	1 932
Other fees and commissions	12 142	10 284
Total	**96 614**	**58 173**

Net fee and commission income	**293 130**	**309 501**

14. Dividend income

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Shares	1 049	1 328
Total	**1 049**	**1 328**

15. Net trading income

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Net trading income, including:		
- debt securities, including:	6 892	-6 156
- held for trading	2 201	-5 108
- at fair value through profit or loss	4 691	-1 048
- on derivatives	-272 755	53 153
- foreign exchange	508 100	132 246
Total	**242 237**	**179 243**

16. Net result on derivatives used as hedging instruments and hedged items

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Result on cash flows hedge	**3 326**	**-3 497**
- on hedging derivatives**	3 326	-3 497
Result on fair value hedge	**-2 111**	**-122**
- on hedging derivatives	-2 088	1 014
- on hedged financial assets	-23	-1 136
Total *	**1 215**	**-3 619**

* result on derivatives used as hedging instruments also comprises amounts of transactions settled prior to the balance sheet date
** ineffective part of profits and losses connected with hedging instruments

17. Net gains from investment activities

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Available-for-sale financial assets:	**-11 594**	**4 030**
- equity instruments	2 490	2 851
- debt instruments	-14 084	1 179
Held-to-maturity assets:	**5**	**503**
- debt instruments	5	503
Total	**-11 589**	**4 533**

18. Result for particular categories of financial assets and liabilities

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
- at fair value through profit or loss, including:	-246 123	39 380
- held for trading	-256 347	32 427
- hedging instruments	-19 754	1 816
- available-for-sale	195 516	168 333
- held-to-maturity	106 797	120 843
- loans and advances to banks and to customers	1 868 951	1 247 259
- amounts due to banks and customers	-1 107 139	-635 994
- subordinated liabilities, issue of securities	-14 613	-22 253
Total *	**783 635**	**919 384**

* the item comprises net interest income, net trading income net of result on exchange item, result on derivatives used as hedging instruments and hedged items, net gains from investment activity.

19. Other operating income

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Sale or liquidation of property, plant and equipment and assets to be disposed	1 993	6 832
Recovered bad debts, including reimbursed debt recovery costs	14 407	17 589
Indemnities, penalties and fines received	2 093	1 723
Side income	6 172	5 953
Reversal of impairment losses on receivables from other debtors	9 309	2 109
Lease income	37 966	29 867
Other operating income	27 594	18 842
Total	**99 534**	**82 915**

20. General and administrative expenses

To ensure comparability of figures for 2007, the costs of VAT were separated from particular categories of expenses and presented in ‘taxes and fees’.

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Staff costs, including:	**536 208**	**489 675**
- salaries and wages	440 807	402 037
- salaries and wages mark-up	69 863	63 907
- employee benefits	14 157	13 115
- training expenses	11 381	10 616
General expenses, including:	**464 673**	**374 284**
- costs of buildings maintenance and lease	116 978	94 384
- postal and telecommunication expenses	59 879	48 984
- IT systems operation costs	29 430	25 955
- promotion and advertising services	37 033	31 866
- costs of machinery repairs and services provided under warranties	12 930	11 168
- property protection costs	8 994	8 117
- costs of balance sheet audit, consulting and advisory	14 418	9 881
- transportation costs	15 745	11 544
- other banking services	19 248	18 984
- materials purchase	14 877	13 082
- business trips costs	6 051	5 236
- taxes and fees	90 292	73 693
- other	38 798	21 390
Depreciation and amortisation, including:	**103 700**	**110 663**
- property, plant and equipment	69 683	62 496
- investment properties	10 288	10 263
- intangible assets	23 729	37 904
Total	**1 104 581**	**974 622**

<u>Operating lease rentals</u>

Leasing contracts under which the lessor retains the whole risk and all rewards arising from the possession of the leased property, are accounted for as an operating lease. Fees under operating lease are recognized as expenses in the income statement on a straight-line basis over the period of leasing.

Contracts of operating lease under which the parent company acts as the lessee are mainly related to the lease of real estate and real estate used by the parent company in the normal course of business.

All contracts are executed on market terms, without any exceptional or non-standard terms or conditions.

Net leasing payments paid by the Group and recognized in particular reporting periods as general expenses were as follows (net of VAT):

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Leasing payments	75 409	82 054

The majority of fees were the fees for the leasing of real estates.

The total amount of future gross minimum leasing fees that the Group is obliged to pay under irrevocable contracts of operating leasing, determined as at the balance sheet date, is as follows:

	31.12.2008	Comparable data 31.12.2007
Future gross minimum lease payments (with VAT)		
- not later than one year	97 399	63 245
- later than one year and not later than five years	225 262	154 330
- over 5 years	40 984	27 198
Total	**363 645**	**244 773**

Under operating leasing contracts, the parent company operates two Head Office buildings, which, towards the end of 2004, were sold to companies not related to the Bank and are now leased from them. Sale transactions were executed on market terms; contracts of lease were also executed on market terms. The contracts are executed for 10 years and their terms provide for the possibility of their extension, without the terms set out on the day of their executions. Under the contracts, the parent company has no guaranteed repurchase right to the buildings after the 10-year term of lease. The contracts do not meet the criteria of financial leasing and, therefore, are classified as operating leasing contracts.

21. Net impairment losses on financial assets, other assets and provisions

Recognition of impairment on assets and provisions

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Recognition of impairment on assets		
Loans and advances	1 292 876	658 647
Assets to be disposed, property, plant and equipment and intangible assets	3 297	6 541
Total impairment	**1 296 173**	**665 188**
Additions of provisions		
Provision for restructuring	0	2 780
Provisions for employee benefits	1 231	0
Provisions for liabilities	13 567	34 902
Provision for off-balance sheet liabilities	72 731	79 883
Total provisions	**87 529**	**117 565**
Total	**1 383 702**	**782 753**

Reversal of impairment for assets and provisions

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Reversal of impairment losses on assets		
Loans and advances	1 095 600	725 768
Assets to be disposed, property, plant and equipment and intangible assets	2 776	41 969
Total impairment	**1 098 376**	**767 737**
Reversal of provisions		
Provision for restructuring	1 637	10
Provisions for liabilities*	105 618	14 975
Provision for off-balance sheet liabilities	69 869	84 993
Total provisions	**177 124**	**99 978**
Total	**1 275 500**	**867 715**

Net impairment losses on financial assets, other assets and provisions	**-108 202**	**84 962**

* Reversal of provisions for litigations due to the court judgments and expectations for pending proceedings which are favourable for the Group. Litigations are presented in Note 73.

22. Other operating expenses

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Written off receivables and debt recovery expenses	21 887	22 761
Other impairment – loans and advances to various debtors	3 498	3 244
Disposal or liquidation of property, plant and equipment and intangible assets	5 917	12 665
Indemnities, penalties and fines paid	2 047	397
Other expenses	16 218	16 203
Total	**49 567**	**55 270**

23. Taxation

	01.01.2008-31.12.2008	01.01.2007-31.12.2007
Profit before tax	**421 055**	**501 957**
Share in profit/loss of associates	**2 043**	**-1 513**
Income tax expense at basic tax rate (19%)	**80 389**	**95 084**
Permanent differences, including:	**15 749**	**20 227**
- loss on the sale of receivables	5 332	15 973
- dividends received	-200	-253
- provisions and impairment losses	17 487	2 595
- other permanent differences	-6 870	1 912
Deducted retained losses not recognized in deferred tax asset	**0**	**-484**
Recognized asset surplus related to differences from previous periods	**0**	**-3 409**
Actual deductions from net profit	**96 138**	**111 418**
Effective tax rate	**22.8%**	**22.2%**

Income tax expense in the income statement	**01.01.2008-31.12.2008**	**01.01.2007-31.12.2007**
Current income tax	86 960	83 637
Deferred income tax	9 178	27 781
Deductions from net profit	**96 138**	**111 418**

Deferred tax on the valuation of available-for-sale securities, cash flow hedge instruments, charged to revaluation reserve	31.12.2008	31.12.2007
Debt instruments	2 346	-12 869
Cash flow hedge instruments	20 627	-7 684
Total	**22 973**	**-20 553**

Deferred tax asset	31.12.2008	31.12.2007	Impact on the result for 2008
Impairment on loan and advances portfolio	67 668	78 100	-10 432
Impairment of property, plant and equipment	6 010	7 082	-1 072
Accruals and provisions	17 528	20 747	-3 219
Interest on deposits	25 273	9 808	15 465
Commissions and interest settled according to EIR	69 132	35 674	33 458
Income taxed in advance	1 643	2 985	-1 342
Derivatives	366 025	71 084	294 941
Costs of debt securities	37 757	32 915	4 842
Finance lease	17 345	17 765	-420
Valuation of available-for-sale securities	7 456	21 977	-14 521
Tax losses to be deducted in future periods	827	2 171	-1 344
Other negative temporary differences	7 165	3 660	3 505
Total asset, including:	**623 829**	**303 968**	**319 861**
an asset recognized with the income statement (in the period and in previous periods)	616 373	281 991	334 382
an asset recognized with revaluation reserve	7 456	21 977	-14 521

Deferred tax liability	31.12.2008	31.12.2007	Impact on the result for 2008
Accrued income from securities	-40 084	-33 180	-6 904
Accrued interest on receivables	-28 553	-20 809	-7 744
Derivatives	-401 431	-79 426	-322 005
Depreciation	-4 903	-6 834	1 931
Other negative temporary differences	-21 284	-12 506	-8 778
Valuation of available-for-sale securities	-30 429	-1 424	-29 005
Total liability, including:	**-526 684**	**-154 179**	**-372 505**
a liability recognized with the income statement (in the period and in previous periods)	-496 255	-152 755	-343 500
a liability recognized with revaluation reserve	-30 429	-1 424	-29 005

Presented as		
Net deferred tax asset	**98 000**	**150 658**
Net deferred tax liability	**855**	**872**

24. Net profit attributable to the shareholders of the Bank

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Net profit of the parent company for 12 months	301 072	400 519
Net profit (loss) of subsidiaries for 12 months	107 462	31 535
Consolidation adjustments	-83 617	-41 515
Net profit attributable to the shareholders of the Bank	**324 917**	**390 539**

25. Earnings per share (EPS)

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Net profit	324 917	390 539
Weighted average number of ordinary shares	271 658 880	271 658 880
Net profit (loss) per share (in PLN)	**1.20**	**1.44**

Earnings per share were calculated as the quotient of profit per Bank's shareholders and weighted average number of shares. Diluted earnings per share are not calculated due to the absence of capital categories resulting in dilution.

26. Cash and balances with Central Bank

By types

	31.12.2008	Comparable data 31.12.2007
Cash in hand	649 300	505 232
Current account in the Central Bank	178 672	106 458
Total	**827 972**	**611 690**

27. Gross loans and advances to banks

By types

	31.12.2008	Comparable data 31.12.2007
Current accounts	15 129	20 641
Deposits in other banks	153 785	2 361 935
Loans and advances to banks	148 462	67 281
Purchased debt	21 204	3 488
Other	2 285	3 007
Total	**340 865**	**2 456 352**

By maturity dates

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	157 008	1 760 459
- 1-3 months	22 354	357 434
- 3-6 months	11 962	189 870
- 6 months to 1 year	28 960	81 703
- 1 - 3 years	72 810	63 968
- 3 - 5 years	14 612	658
- 5 - 10 years	30 899	0
- past due	2 260	2 260
Total	**340 865**	**2 456 352**

Classification due to impairment

	31.12.2008	Comparable data 31.12.2007
Loans and advances with no evidence for impairment	338 604	2 454 092
Loans and advances with evidence for impairment	2 261	2 260
Total	**340 865**	**2 456 352**

28. Impairment losses on loans and advances to banks

	31.12.2008	Comparable data 31.12.2007
Impairment on loans and advances to banks at period beginning	2 260	2 753
a) increase	1	0
b) decrease	0	493
- reversal of impairment	0	493
c) utilization	0	0
Period end	**2 261**	**2 260**

29. Receivables arising from repurchase transactions

As at 31.12.2008 and as at 31.12.2007, no receivables arising from repurchase transactions were reported.

30. Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)

	31.12.2008	Comparable data 31.12.2007
Debt securities held for trading	**1 205 916**	**341 948**
Treasury securities	1 204 969	341 672
- bonds	90 968	336 612
- bills	1 114 001	5 060
Other securities	947	276
- bonds	947	276
Financial assets at fair value through profit or loss	**111 848**	**123 079**
Treasury securities	61 692	60 300
- bonds	61 692	60 300
Other securities	32 647	46 251
- bonds	32 647	46 251
Shares in investment funds	17 509	16 528
Total	**1 317 764**	**465 027**

Fair value of bonds presented in ‘Other securities’ is determined by discounting cash flows resulting from the bonds with USD-SWAP swap curve, as there are no quotations on an active market. The bonds are with fixed coupon.

	31.12.2008	Comparable data 31.12.2007
Listed	**1 285 117**	**418 776**
- bonds	153 607	397 188
- bills	1 114 001	5 060
- participation units in investment funds	17 509	16 528
Non-listed	**32 647**	**46 251**
- bonds	32 647	46 251
Total	**1 317 764**	**465 027**

By maturity dates

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	2 654	2 403
- 1-3 months	495 876	198
- 3-6 months	183 058	1 039
- 6 months to 1 year	459 119	41 550
- 1 - 3 years	77 895	122 230
- 3 - 5 years	60 603	54 294
- 5 - 10 years	1 345	126 921
- 10 - 20 years	19 705	99 864
- with unspecified maturity dates	17 509	16 528
Total	**1 317 764**	**465 027**

31. Derivatives

Derivatives (by types)

	31.12.2008		Comparable data 31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Interest rate transactions	**1 448 205**	**1 101 281**	**357 179**	**341 052**
Options purchased	3 898	0	75	0
Options sold	0	3 482	0	75
IRS	1 026 323	634 920	207 605	209 515
FRA	417 984	462 879	149 499	131 462
Foreign exchange transactions	**854 594**	**788 261**	**136 143**	**133 318**
FX swap	169 509	207 868	46 892	37 635
CIRS	35 814	12 357	19 029	14 086
Forward	98 640	16 812	6 138	17 824
Options purchased	536 407	0	62 916	0
Options sold	0	536 812	0	62 816
Spot	14 224	14 412	1 168	957
Futures	**0**	**0**	**0**	**0**
Embedded instruments	**0**	**679**	**1 773**	**0**
Total	**2 302 799**	**1 890 221**	**495 095**	**474 370**

Derivatives (by maturity dates)

	31.12.2008		Comparable data 31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Interest rate transactions (fair value)	**1 448 205**	**1 101 281**	**357 179**	**341 052**
Interest rate transactions (nominal value)	**118 920 183**	**115 064 384**	**108 870 932**	**90 038 880**
- up to 1 month	2 888 900	2 878 000	2 308 200	740 000
- 1-3 months	4 421 040	7 168 240	4 221 750	4 554 029
- 3-6 months	31 443 699	30 019 045	20 402 500	20 352 675
- 6 months to 1 year	48 428 758	43 902 779	47 704 000	34 601 500
- 1 - 3 years	28 690 689	26 369 784	32 251 525	26 584 640
- 3 - 5 years	2 533 249	3 796 688	1 517 373	2 456 500
- 5 - 10 years	513 848	929 848	465 584	749 536
Foreign exchange transactions (fair value)	**854 594**	**788 261**	**136 143**	**133 318**
Foreign exchange transactions (nominal value)	**22 547 515**	**22 490 521**	**9 608 170**	**9 611 264**
- up to 1 month	11 133 216	11 178 139	4 493 926	4 485 410
- 1-3 months	4 838 230	4 863 129	1 105 254	1 105 900
- 3-6 months	2 998 148	2 927 729	1 391 650	1 394 516
- 6 months to 1 year	2 550 375	2 537 576	2 117 549	2 122 882
- 1 - 3 years	989 343	950 419	462 081	463 404
- 3 - 5 years	15 017	11 698	11 517	11 984
- 5 - 10 years	23 186	21 831	26 193	27 168
Futures (fair value)	**0**	**0**	**0**	**0**
Futures (nominal value)	**0**	**0**	**0**	**0**
Total fair value *	**2 302 799**	**1 889 542**	**493 322**	**474 370**
Total nominal value **	**141 467 698**	**137 554 905**	**118 479 102**	**99 650 144**

* net of embedded derivatives
** the item 'Liabilities related to the sale/purchase transactions' in Note 3 also comprises current currency exchange transactions and transactions on securities.

32. Gross loans and advances to customers

By types

	31.12.2008	Comparable data 31.12.2007
Loans and advances	27 010 651	17 050 533
Purchased debt	62 484	38 489
Realised guarantees and sureties	8 646	10 912
Other receivables	578 866	356 250
- including lease receivables	561 950	336 849
Total	**27 660 647**	**17 456 184**

By maturity dates

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	617 664	2 612 640
- 1-3 months	827 967	538 680
- 3-6 months	914 266	486 978
- 6 months to 1 year	5 370 333	2 646 233
- 1 - 3 years	3 608 734	2 301 364
- 3 - 5 years	2 346 079	1 977 836
- 5 - 10 years	4 094 975	2 199 306
- 10 - 20 years	4 588 744	2 186 040
- over 20 years	4 022 498	1 633 074
- past due	1 269 387	874 033
Total	**27 660 647**	**17 456 184**

By customer types

	31.12.2008	Comparable data 31.12.2007
Natural persons*	**18 243 619**	**9 627 336**
- overdraft facilities	695 814	594 784
- purchased debt	10 676	7 041
- term loans**	979 667	1 073 564
- cash and instalment loans	3 685 259	2 063 331
- mortgages	12 854 847	5 876 171
- realised guarantees	1 583	1 519
- other receivables	15 773	10 926
Corporate customers	**9 068 168**	**7 421 935**
- overdraft facilities	1 881 957	1 602 633
- term loans**	6 564 247	5 433 141
- purchased debt	51 808	31 438
- realised guarantees	7 063	9 393
- other receivables, including leasing fees	563 093	345 330
Budget	**348 860**	**406 913**
- overdraft facilities	4 402	932
- term loans**	344 458	405 971
- purchased debt	0	10
Total	**27 660 647**	**17 456 184**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services for households

** The item contains mainly: in the case of natural persons – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary customers – investment and working capital loans

Receivables in breakdown by customer types and by impaired and non-impaired receivables (as at 31.12.2008)

	Gross receivables	Impaired gross receivables	Impairment excluding IBNR	Non-impaired gross receivables by days of delay in payment					
				Total	no delay	up to 30 days	31 - 60 days	61 - 90 days	over 90 days
Natural persons*	**18 243 619**	**688 934**	**417 880**	**17 554 685**	**15 999 318**	**1 333 958**	**200 375**	**20 577**	**457**
- overdraft facilities	695 814	83 322	67 384	612 492	510 005	96 355	4 012	1 966	154
- purchased debt	10 676	6 345	6 339	4 331	55	4 276	0	0	0
- term loans**	979 667	103 650	82 108	876 016	810 468	58 726	6 287	527	8
- cash and instalment loans	3 685 259	326 693	218 926	3 358 566	2 928 364	294 532	128 975	6 630	65
- mortgages	12 854 847	167 340	42 090	12 687 508	11 734 654	880 069	61 101	11 454	230
- realised guarantees	1 583	1 583	1 032	0	0	0	0	0	0
- other receivables	15 773	1	1	15 772	15 772	0	0	0	0
Corporate customers	**9 068 168**	**660 714**	**421 764**	**8 407 454**	**7 744 470**	**618 502**	**43 632**	**766**	**84**
- overdraft facilities	1 881 957	73 176	40 768	1 808 781	1 776 625	31 076	1 042	38	0
- term loans**	6 564 247	531 570	339 991	6 032 678	5 514 663	510 699	6 577	728	11
- purchased debt	51 808	5 348	4 611	46 460	8 629	6 100	31 731	0	0
- realised guarantees	7 063	7 063	3 381	0	0	0	0	0	0
- other receivables, including leasing fees	563 093	43 557	33 013	519 535	444 553	70 627	4 282	0	73
Budget	**348 860**	**0**	**0**	**348 860**	**336 236**	**12 624**	**0**	**0**	**0**
- overdraft facilities	4 402	0	0	4 402	4 402	0	0	0	0
- term loans**	344 458	0	0	344 458	331 834	12 624	0	0	0
- purchased debt	0	0	0	0	0	0	0	0	0
Total	**27 660 647**	**1 349 648**	**839 644**	**26 310 999**	**24 080 024**	**1 965 084**	**244 007**	**21 343**	**541**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services for households

** The item contains mainly: in the case of natural persons – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary customers – investment and working capital loans

Receivables in breakdown by customer types and by impaired and non-impaired receivables (as at 31.12.2007)

	Gross receivables	Impaired gross receivables	Impairment excluding IBNR	Non-impaired gross receivables by days of delay in payment					
				Total	no delay	up to 30 days	31 - 60 days	61 - 90 days	over 90 days
Natural persons*	**9 627 336**	**494 672**	**354 637**	**9 132 664**	**8 433 014**	**615 028**	**59 943**	**24 018**	**661**
- overdraft facilities	594 784	76 520	69 463	518 264	446 804	67 183	2 393	1 382	502
- purchased debt	7 041	6 379	6 334	662	606	56	0	0	0
- term loans**	1 073 564	186 631	131 900	886 933	798 538	82 897	4 362	1 083	53
- cash and instalment loans	2 063 331	131 687	98 645	1 931 644	1 722 418	157 318	32 761	19 103	44
- mortgages	5 876 171	91 936	46 776	5 784 235	5 453 722	307 574	20 427	2 450	62
- realised guarantees	1 519	1 519	1 519	0	0	0	0	0	0
- other receivables	10 926	0	0	10 926	10 926	0	0	0	0
Corporate customers	**7 421 935**	**648 937**	**437 440**	**6 772 998**	**6 231 932**	**537 131**	**903**	**128**	**2 904**
- overdraft facilities	1 602 633	49 511	26 020	1 553 122	1 529 660	23 278	184	0	0
- term loans**	5 433 141	552 009	368 599	4 881 132	4 427 534	450 212	354	128	2 904
- purchased debt	31 438	6 090	5 772	25 348	21 059	4 083	206	0	0
- realised guarantees	9 393	9 393	8 025	0	0	0	0	0	0
- other receivables, including leasing fees	345 330	31 934	29 024	313 396	253 679	59 558	159	0	0
Budget	**406 913**	**10**	**10**	**406 903**	**406 813**	**90**	**0**	**0**	**0**
- overdraft facilities	932	0	0	932	932	0	0	0	0
- term loans**	405 971	0	0	405 971	405 881	90	0	0	0
- purchased debt	10	10	10	0	0	0	0	0	0
Total	**17 456 184**	**1 143 619**	**792 087**	**16 312 565**	**15 071 759**	**1 152 249**	**60 846**	**24 146**	**3 565**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services for households

** The item contains mainly: in the case of natural persons – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary customers – investment and working capital loans

Impairment is measured for all loan receivables in the case of which certain individual evidence for impairment was identified.

As at 31.12.2008, the amount of non-amortised loan commissions settled with the effective interest rate method, which, according to the concept of the measurement of financial assets at amortised cost, decreases the value of gross receivables, amounted to PLN 247,255 thousand, as compared to PLN 163,023 thousand as at 31.12.2007. The amounts have already been recognized in total gross loans and advances.

Receivables quality ratio

in PLN '000'	31.12.2008	Comparable data 31.12.2007
Loans and advances with no evidence for impairment, including interest	26 310 999	16 312 565
Loans and advances with evidence for impairment, including interest	1 349 648	1 143 619
Total gross loan and advances to customers	**27 660 647**	**17 456 184**
Impairment losses on loans and advances to customers	927 331	834 327
including: impairment losses on loans and advances with evidence for impairment	839 644	792 087
Total net loans and advances to customers	**26 733 316**	**16 621 857**
The share of loans and advances with evidence for impairment in total gross loans and advances	4.9%	6.6%
Coverage of loans and advances with evidence for impairment with impairment losses	62.2%	69.3%
Coverage of gross loans and advances to customers with corresponding impairment losses	3.4%	4.8%

In 2008, mainly due to the increase in loans portfolio, the share of doubtful loans and advances in total loans and advances was further reduced. As a result, in spite of the increase in impairment losses on loans and advances, the quality ratio for the Group's gross loans and advances improved by 1.7 p.p. According to the methodology assumed by the Group, there are no loans and advances with evidence for impairment without corresponding impairment losses.

Receivables assessed individually

	31.12.2008	Comparable data 31.12.2007
Gross receivables	522 758	440 240
Impairment	303 077	286 527
Net receivables	219 681	153 713

Loan collaterals accepted by the Bank

In the case of receivables assessed individually, the total fair value of collaterals accepted by the Group considered in estimated future cash flows is presented in the table below.

	31.12.2008	Comparable data 31.12.2007
Value of accepted collaterals for loans and advances assessed individually	147 725	135 062

Apart from standard loan collateral specified in loan agreements which are in line with the practices applied in the industry (mortgage, transfers of ownership to secure a loan, registered pledges, sureties, guarantees and transfers of receivables), the Group does not apply any other loan collaterals, e.g. credit derivatives.

The Group monitors established legal securities of loan transactions by evaluation of the value of approved collateral on the basis of documents lodged by the borrower and internal databases including historic data about the recoverability of collaterals.

Carrying amount of restructured receivables

	31.12.2008	Comparable data 31.12.2007
Carrying amount	102 141	98 346

33. Impairment losses on loans and advances to customers

	Impairment 31.12.2007	Recognized	Reversed	Written off	Other changes	Impairment 31.12.2008
Natural persons*	**386 092**	**937 292**	**-774 523**	**-59 550**	**7 529**	**496 840**
- overdraft facilities	70 803	79 022	-77 032	-2 500	0	70 293
- purchased debt	6 334	163	-145	-6	-1	6 345
- term loans**	134 747	124 033	-169 989	-8 743	4 092	84 140
- cash and instalment loans	105 251	564 480	-340 351	-47 220	-9	282 151
- mortgages	67 258	168 108	-184 980	-955	3 447	52 878
- realised guarantees	1 519	730	-1 217	0	0	1 032
- other receivables	180	756	-809	-126	0	1
Corporate customers	**447 470**	**353 708**	**-318 637**	**-59 976**	**7 682**	**430 247**
- overdraft facilities	28 148	100 971	-83 965	-2 488	0	42 666
- purchased debt	5 851	2 566	-2 576	-1 080	16	4 777
- term loans**	374 545	240 697	-222 152	-55 881	8 620	345 829
- realised guarantees	8 025	1 797	-5 914	-527	0	3 381
- other receivables	30 901	7 677	-4 030	0	-954	33 594
Budget	**765**	**1 876**	**-2 440**	**-1**	**44**	**244**
- overdraft facilities	0	85	-81	0	0	4
- term loans**	755	1 791	-2 350	0	44	240
- purchased debt	10	0	-9	-1	0	0
Total	**834 327**	**1 292 876**	**-1 095 600**	**-119 527**	**15 255**	**927 331**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services for households

** The item contains mainly: in the case of natural persons – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary customers – investment and working capital loans

In the second quarter of 2008, the Group changed the method of allocating impairment losses calculated collectively to particular subgroups subject to the collective analysis. However, this change has not affected the total value of impairment losses which are evaluated collectively to a large extent. The above change does not constitute a change in accounting principles, hence comparable data presented for previous reporting periods was not restated.

In the second half of 2008, the Group finished the review and amendments of its methodology of estimating impairment losses on loans and advances valued collectively. As a result of amendments in the methodology, the amount of PLN 27 million was deducted from the Group's profit before tax in the second half of 2008.

	Impairment 31.12.2006	Recognized	Reversed	Written off	Other changes	Impairment 31.12.2007
Natural persons*	**431 334**	**392 514**	**-321 250**	**-111 615**	**-4 891**	**386 092**
- overdraft facilities	73 975	13 558	-16 730	0	0	70 803
- purchased debt	17 208	914	-1 124	-10 553	-111	6 334
- term loans**	167 056	221 826	-212 944	-36 300	-4 891	134 747
- cash and instalment loans	110 355	103 232	-44 579	-63 868	111	105 251
- mortgages	61 770	52 009	-45 627	-894	0	67 258
- realised guarantees	970	795	-246	0	0	1 519
- other receivables	0	180	0	0	0	180
Corporate customers	**656 106**	**263 673**	**-402 315**	**-68 226**	**-1 768**	**447 470**
- overdraft facilities	33 290	20 341	-25 483	0	0	28 148
- purchased debt	5 778	992	-550	0	-369	5 851
- term loans**	542 093	226 496	-336 273	-56 372	-1 399	374 545
- realised guarantees	30 306	8 335	-30 616	0	0	8 025
- other receivables	44 639	7 509	-9 393	-11 854	0	30 901
Budget	**22**	**2 460**	**-1 710**	**-7**	**0**	**765**
- overdraft facilities	0	24	-24	0	0	0
- term loans**	4	2 436	-1 685	0	0	755
- purchased debt	18	0	-1	-7	0	10
Total	**1 087 462**	**658 647**	**-725 275**	**-179 848**	**-6 659**	**834 327**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services for households

** The item contains mainly: in the case of natural persons – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary customers – investment and working capital loans

IBNR

Impairment losses on incurred but not reported (IBNR) credit losses for homogenous balance sheet and off-balance sheet receivables portfolios as at 31.12.2008 amounted to PLN 93,591 thousand, including PLN 5,904 thousand related to off-balance sheet liabilities; and as at 31.12.2007, amounted to PLN 47,427 thousand, including PLN 5,187 thousand related to off-balance sheet liabilities.

34. Finance lease receivables and a change in charges for lease receivables

	31.12.2008	Comparable data 31.12.2007
Gross investments in finance lease	635 213	386 122
Unrealised future financial income	73 263	49 273
Investments in finance lease (gross carrying amount)	561 950	336 849
Gross investments in finance lease for each period	635 213	386 122
- not later than one year	195 403	111 919
- later than one year and not later than five years	403 368	249 620
- over 5 years	36 442	24 583
Investments in finance lease for each period	561 950	336 849
- not later than one year	162 154	92 046
- later than one year and not later than five years	364 178	221 487
- over 5 years	35 618	23 316

Impairment losses on lease receivables

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Period beginning	30 901	44 540
a) recognition	7 200	5 095
- impairment losses on lease receivables	7 200	5 089
- other changes	0	6
b) reversal	4 984	6 880
- reversal of impairment losses on lease receivables	4 030	6 880
- other changes (inter-account movements)	954	0
c) utilisation	0	11 854
- loan receivables written off in the period as bad debts	0	11 854
Period end	**33 117**	**30 901**

35. Investment securities

	31.12.2008	Comparable data 31.12.2007
Available-for-sale securities	**4 365 127**	**3 437 169**
Treasury securities	3 619 151	2 658 096
- bonds	3 619 151	2 658 096
Central Bank securities	335 776	331 544
- bonds	335 776	331 544
Other securities	402 969	441 626
- bonds	402 969	441 626
Equity securities	7 231	5 903
Held-to-maturity securities	**1 872 884**	**2 045 166**
Treasury securities	1 803 119	2 045 166
- bonds	1 803 119	2 045 166
Total	**6 238 011**	**5 482 335**

All investment securities classified in the portfolio of available-for-sale financial assets are measured at fair value, except for NBP bonds issued for the purpose of statutory reserve of banks and SINPLN commercial bonds issued by THE HONGKONG AND SHANGHAI BANKING CORPORATION as well as non-listed equity investments. NBP bonds are measured at amortised cost, as there is no active market for them, and NBP bonds may only be redeemed by the issuer. And, the fair value of SINPLN bonds is determined by discounting cash flows arising from the bonds with PLN-SWAP swap curve, as there are no quotations on an active market. The bonds are with fixed coupon. Non-listed equity investments are recognized at cost, having regard for impairment losses, as there is also no active market for them and their fair value cannot be determined reliably.

	31.12.2008	Comparable data 31.12.2007
Available-for-sale securities	**4 365 127**	**3 437 169**
Listed	**3 706 711**	**2 658 096**
- bonds	3 706 711	2 658 096
Non-listed	**658 416**	**779 073**
- shares	7 231	5 903
- bonds	651 185	773 170
Held-to-maturity securities	**1 872 884**	**2 045 166**
Listed	**1 872 884**	**2 045 166**
- bonds	1 872 884	2 045 166
Total	**6 238 011**	**5 482 335**

Maturities of available-for-sale investment securities

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	45 227	2 100
- 1-3 months	0	0
- 3-6 months	396 787	0
- 6 months to 1 year	17 015	0
- 1 - 3 years	1 302 025	959 052
- 3 - 5 years	1 548 936	1 563 337
- 5 - 10 years	1 017 604	702 391
- 10 - 20 years	30 302	204 386
- with unspecified maturity dates	7 231	5 903
Total	**4 365 127**	**3 437 169**

Maturities of held-to-maturity investment securities

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	21 640	0
- 1-3 months	0	0
- 3-6 months	244 608	350 423
- 6 months to 1 year	0	0
- 1 - 3 years	1 236 948	1 037 634
- 3 - 5 years	90 319	433 213
- 5 - 10 years	279 369	223 896
- 10 - 20 years	0	0
Total	**1 872 884**	**2 045 166**

36. Financial assets subject to hedge accounting

The Group applies cash flow hedge accounting for asset swaps. The transaction involves hedging cash flows from floating interest rate bonds, as a result of which the Group receives fixed and pays floating interest flows.

The aim of loans-related cash flow hedge is to change floating interest rate cash flows generated by the loans portfolio to cash flows based on a fixed interest rate to match the structure of the interest rate risk for assets and liabilities based on a fixed interest rate. The hedge involves swap transactions in which the Group, on the whole, pays cash flows based on variable O/N interest rate matched to the interest rate of the loans portfolio and receives interest flows at a fixed interest rate with required maturity. The above structure makes it possible to change the floating interest rate into the fixed interest rate without the necessity for employing additional liquid cash for the purchase of new assets (e.g. fixed coupon bonds), at the same time ensuring a stable impact on the result by recognizing changes in fair value of swaps in the Group's equity.

As at 31.12.2008, the Group does not apply hedge accounting to hedge fair value of financial assets. In the fourth quarter of 2008, the fair value hedge for the bonds from the portfolio of available-for-sale assets with IRS became ineffective.

The rules of recognizing and measuring the effectiveness of the hedges for transactions subject to hedge accounting are described in Note 7.7.6 of these financial statements.

As at 31.12.2008

Financial assets subject to cash flow hedge accounting

- bonds

Hedged assets – available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment
100 000	24.09.2011	variable 6.72% (31.12.2008)	every 6 months
36 000	24.09.2011	variable 6.72% (31.12.2008)	every 6 months
70 000	25.01.2018	variable 6.72% (31.12.2008)	every 6 months
50 000	25.01.2018	variable 6.72% (31.12.2008)	every 6 months
80 000	25.01.2018	variable 6.72% (31.12.2008)	every 6 months

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
100 000	24.09.2009	fixed 5.32%	WIB 6M	annually	every 6 months	-247	0
36 000	23.03.2009	fixed 4.38%	WIB 6M	annually	every 6 months	373	4
70 000	23.01.2009	fixed 5.3%	WIB 6M	annually	every 6 months	1 336	66
50 000	25.07.2010	fixed 5.5075%	WIB 6M	annually	every 6 months	692	0
80 000	29.08.2011	fixed 5.66%	WIB 6M	annually	every 6 months	2 476	0
					Total	**4 630**	**70**

- loans portfolio

Hedged assets – overdraft loans of PLN 1,100,000 thousand based on WIBOR O/N rate.

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
70 000	13.06.2012	fixed 5.4475%	WIB 6M	annually	every 6 months	4 299	0
70 000	16.06.2009	fixed 4.50%	WIB O/N	every 6 months	every 6 months	-247	
30 000	13.06.2012	fixed 5.4475%	WIB 6M	annually	every 6 months	1 842	0
30 000	16.06.2009	fixed 5.50%	WIB O/N	every 6 months	every 6 months	-106	
50 000	01.03.2013	fixed 5.11%	WIB 6M	annually	every 6 months	2 767	-16
50 000	03.03.2009	fixed 6.18%	WIB O/N	every 6 months	every 6 months	101	
25 000	03.03.2014	fixed 5.12%	WIB 6M	annually	every 6 months	1 569	-7
25 000	03.03.2009	fixed 6.18%	WIB O/N	every 6 months	every 6 months	51	
25 000	02.03.2015	fixed 5.14%	WIB 6M	annually	every 6 months	1 732	-21
25 000	03.03.2009	fixed 6.18%	WIB O/N	every 6 months	every 6 months	51	
100 000	01.08.2013	fixed 5.075%	WIB 3M	annually	every quarter	4 681	0
100 000	04.02.2009	fixed 6.15%	WIB O/N	every quarter	every quarter	132	
25 000	22.06.2015	fixed 5.09%	WIB 3M	annually	every quarter	1 788	0
25 000	19.03.2009	fixed 4.65%	WIB O/N	every quarter	every quarter	-56	
50 000	18.12.2009	fixed 4.78%	WIB 3M	annually	every quarter	35	0
50 000	19.03.2009	fixed 4.65%	WIB O/N	every quarter	every quarter	-112	
100 000	05.01.2009	fixed 4.6875%	WIB 3M	annually	every quarter	3 039	13
100 000	06.01.2009	fixed 6.20%	WIB O/N	every quarter	every quarter	125	
50 000	02.03.2012	fixed 5.09%	WIB 6M	annually	every 6 months	2 267	-58
50 000	03.03.2009	fixed 6.18%	WIB O/N	every 6 months	every 6 months	101	
100 000	21.03.2011	fixed 4.9275%	WIB 3M	annually	every quarter	4 869	0
100 000	19.03.2009	fixed 4.65%	WIB O/N	every quarter	every quarter	-224	
100 000	30.03.2009	fixed 4.80%	WIB 3M	annually	every quarter	3 177	
100 000	02.01.2009	fixed 6.15%	WIB O/N	every quarter	every quarter	118	332
100 000	01.04.2009	fixed 4.45%	WIB O/N	every quarter	every quarter	-262	
50 000	30.03.2011	fixed 5.00%	WIB 6M	annually	every 6 months	1 716	0

50 000	31.03.2009	fixed 6.13%	WIB O/N	every 6 months	every 6 months	101	
50 000	30.03.2012	fixed 5.03%	WIB 6M	annually	every 6 months	2 201	0
50 000	31.03.2009	fixed 6.13%	WIB O/N	every 6 months	every 6 months	101	
50 000	30.03.2010	fixed 4.94%	WIB 6M	annually	every 6 months	1 314	0
50 000	31.03.2009	fixed 6.13%	WIB O/N	every 6 months	every 6 months	101	
50 000	04.04.2012	fixed 5.03%	WIB 6M	annually	every 6 months	2 203	0
50 000	06.04.2009	fixed 6.18%	WIB O/N	every 6 months	every 6 months	122	
25 000	15.09.2014	fixed 5.085%	WIB 3M	annually	every quarter	1 377	0
25 000	19.03.2009	fixed 4.65%	WIB O/N	every quarter	every quarter	-56	
50 000	09.07.2013	fixed 5.675%	WIB 6M	annually	every 6 months	2 782	0
50 000	09.01.2009	fixed 6.60%	WIB O/N	every 6 months	every 6 months	153	
50 000	09.07.2014	fixed 5.67%	WIB 6M	annually	every 6 months	3 308	0
50 000	10.01.2009	fixed 6.60%	WIB O/N	every 6 months	every 6 months	153	
50 000	14.12.2009	fixed 4.78%	WIB 3M	annually	every quarter	28	66
50 000	19.03.2009	fixed 4.65%	WIB O/N	every quarter	every quarter	-112	
26 000	03.10.2013	fixed 4.595%	WIB 6M	every 6 months	annually	-286	0
					Total	**46 943**	**309**

Hedged assets – mortgage loans of PLN 1,460,000 thousand.

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
100 000	09.07.2012	fixed 5.6975%	WIB 3M	annually	every quarter	6 061	0
100 000	13.08.2012	fixed 5.615%	WIB 3M	annually	every quarter	5 881	0
50 000	13.08.2012	fixed 5.615%	WIB 3M	annually	every quarter	2 941	0
120 000	10.09.2011	fixed 5.65%	WIB 3M	annually	every quarter	5 712	0
20 000	10.09.2011	fixed 5.65%	WIB 3M	annually	every quarter	952	0
150 000	09.11.2012	fixed 5.75%	WIB 3M	annually	every quarter	7 982	0
30 000	17.12.2014	fixed 5.90%	WIB 3M	annually	every quarter	2 594	-12
75 000	10.01.2013	fixed 5.94%	WIB 3M	annually	every quarter	8 089	-16
100 000	07.02.2011	fixed 5.73%	WIB 3M	annually	every quarter	6 904	0

85 000	08.02.2013	fixed 5.63%	WIB 3M	annually	every quarter	8 045	0
85 000	20.02.2015	fixed 5.85%	WIB 3M	annually	every quarter	10 963	0
100 000	04.03.2013	fixed 6.01%	WIB 3M	annually	every quarter	11 332	0
70 000	05.03.2015	fixed 5.9%	WIB 3M	annually	every quarter	9 301	0
50 000	15.04.2013	fixed 5.92%	WIB 3M	annually	every quarter	4 770	0
50 000	17.04.2013	fixed 5.85%	WIB 3M	annually	every quarter	4 612	-13
50 000	17.04.2012	fixed 5.92%	WIB 3M	annually	every quarter	3 977	-2
30 000	08.05.2012	fixed 5.94%	WIB 3M	annually	every quarter	2 447	0
75 000	16.05.2013	fixed 6.01%	WIB 3M	annually	every quarter	7 566	0
60 000	02.10.2013	fixed 5.5375%	WIB 3M	annually	every quarter	3 305	0
60 000	22.12.2013	fixed 4.30%	WIB 3M	annually	every quarter	239	0
					Total	**113 673**	**-43**

As at 31.12.2007 (comparable data)

Financial assets subject to cash flow hedge accounting

- bonds

Hedged assets – available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment
100 000	24.09.2011	variable 5.23% (31.12.2007)	every 6 months
50 000	24.09.2011	variable 5.23% (31.12.2007)	every 6 months
36 000	24.09.2011	variable 5.23% (31.12.2007)	every 6 months
70 000	25.01.2018	variable 4.93% (31.12.2007)	every 6 months
50 000	25.01.2018	variable 4.93% (31.12.2007)	every 6 months
80 000	25.01.2018	variable 4.93% (31.12.2007)	every 6 months

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
100 000	24.09.2009	fixed 5.32%	WIBOR 6M	annually	every 6 months	-1 298	-69
50 000	25.09.2008	fixed 5.25%	WIBOR 6M	annually	every 6 months	-268	-28
36 000	23.03.2009	fixed 4.38%	WIBOR 6M	annually	every 6 months	-4	-13
70 000	23.01.2009	fixed 5.30%	WIBOR 6M	annually	every 6 months	-477	-82
50 000	25.07.2010	fixed 5.5075%	WIBOR 6M	annually	every 6 months	-612	-117
80 000	29.08.2011	fixed 5.66%	WIBOR 6M	annually	every 6 months	-888	-153
					Total	**-3 547**	**-462**

- loans portfolio

Hedged assets – overdraft loans of PLN 1,100,000 thousand based on WIBOR O/N rate.

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
70 000	13.06.2012	fixed 5.4475%	WIBOR 6M	annually	every 6 months	301	229
70 000	13.06.2008	fixed 5.78%	WIBOR O/N	every 6 months	every 6 months	-21	
30 000	13.06.2012	fixed 5.4475%	WIBOR 6M	annually	every 6 months	129	66
30 000	13.06.2008	fixed 5.78%	WIBOR O/N	every 6 months	every 6 months	-9	
50 000	01.03.2013	fixed 5.11%	WIBOR 6M	annually	every 6 months	-593	77
50 000	03.03.2008	fixed 5.11%	WIBOR O/N	every 6 months	every 6 months	-17	
25 000	03.03.2014	fixed 5.12%	WIBOR 6M	annually	every 6 months	-378	41
25 000	03.03.2008	fixed 5.11%	WIBOR O/N	every 6 months	every 6 months	-9	
25 000	02.03.2015	fixed 5.14%	WIBOR 6M	annually	every 6 months	-425	35
25 000	03.03.2008	fixed 5.11%	WIBOR O/N	every 6 months	every 6 months	-9	
100 000	01.08.2013	fixed 5.075%	WIBOR 3M	annually	every quarter	-2 892	248
100 000	02.02.2008	fixed 5.05%	WIBOR O/N	every quarter	every quarter	-29	
25 000	22.06.2015	fixed 5.09%	WIBOR 3M	annually	every quarter	-558	99
25 000	18.03.2008	fixed 5.56%	WIBOR O/N	every quarter	every quarter	2	
50 000	18.12.2009	fixed 4.78%	WIBOR 3M	annually	every quarter	-1 297	101
50 000	18.03.2008	fixed 5.56%	WIBOR O/N	every quarter	every quarter	4	
100 000	05.01.2009	fixed 4.6875%	WIBOR 3M	annually	every quarter	1 983	36

100 000	04.01.2008	fixed 5.02%	WIBOR O/N	every quarter	every quarter	-22	
50 000	02.03.2012	fixed 5.09%	WIBOR 6M	annually	every 6 months	-406	13
50 000	03.03.2008	fixed 5.11%	WIBOR O/N	every 6 months	every 6 months	-17	
100 000	21.03.2011	fixed 4.9275%	WIBOR 3M	annually	every quarter	319	301
100 000	18.03.2008	fixed 5.56%	WIBOR O/N	every quarter	every quarter	8	
100 000	30.03.2009	fixed 4.8%	WIBOR 3M	annually	every quarter	1 942	100
100 000	31.03.2008	fixed 5.45%	WIBOR O/N	every quarter	every quarter	-27	
50 000	30.03.2011	fixed 5.00%	WIBOR 6M	annually	every 6 months	-313	52
50 000	31.03.2008	fixed 5.15%	WIBOR O/N	every 6 months	every 6 months	-42	
50 000	30.03.2012	fixed 5.03%	WIBOR 6M	annually	every 6 months	-577	79
50 000	31.03.2008	fixed 5.15%	WIBOR O/N	every 6 months	every 6 months	-42	
50 000	30.03.2010	fixed 4.94%	WIBOR 6M	annually	every 6 months	-20	33
50 000	31.03.2008	fixed 5.15%	WIBOR O/N	every 6 months	every 6 months	-42	
50 000	04.04.2012	fixed 5.03%	WIBOR 6M	annually	every 6 months	-576	173
50 000	04.04.2008	fixed 5.12%	WIBOR O/N	every 6 months	every 6 months	-72	
25 000	15.09.2014	fixed 5.085%	WIBOR 3M	annually	every quarter	-832	76
25 000	18.03.2008	fixed 5.56%	WIBOR O/N	every quarter	every quarter	2	
50 000	09.07.2013	fixed 5.675%	WIBOR 6M	annually	every 6 months	-531	150
50 000	09.01.2008	fixed 4.90%	WIBOR O/N	every 6 months	every 6 months	8	
50 000	09.07.2014	fixed 5.67%	WIBOR 6M	annually	every 6 months	-532	136
50 000	09.01.2008	fixed 4.90%	WIBOR O/N	every 6 months	every 6 months	8	
50 000	14.12.2009	fixed 4.78%	WIBOR 3M	annually	every quarter	-1 294	77
50 000	13.03.2008	fixed 5.48%	WIBOR O/N	every quarter	every quarter	2	
100 000	02.01.2008	fixed 4.99%	WIBOR O/N	every quarter	every quarter	30	0
					Total	**-6 844**	**2 122**

Hedged assets – mortgage loans of PLN 570,000 thousand.

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
100 000	09.07.2012	fixed 5.6975%	WIBOR 3M	annually	every quarter	261	178
100 000	13.08.2012	fixed 5.615%	WIBOR 3M	annually	every quarter	-152	176
50 000	13.08.2012	fixed 5.615%	WIBOR 3M	annually	every quarter	-76	88
120 000	10.09.2011	fixed 5.65%	WIBOR 3M	annually	every quarter	1	297
20 000	10.09.2011	fixed 5.65%	WIBOR 3M	annually	every quarter	0	50
150 000	09.11.2012	fixed 5.75%	WIBOR 3M	annually	every quarter	-1 476	288
30 000	17.12.2014	fixed 5.90%	WIBOR 3M	annually	every quarter	-29	0
					Total	**-1 471**	**1 077**

Financial assets subject to fair value hedge accounting

- bonds

Hedged assets – available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment	Valuation for 2007 in income statement
25 389	24.10.2013	fixed 5%	annually	-1 136

IRS's hedging fair value of bonds

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
26 000	03.10.2013	WIBOR 3M	fixed 4.595%	every quarter	annually	1 709	1 668
					Total	**1 709**	**1 668**

In the case of cash flow hedge, the amount recognized in equity in 2008 was PLN 108,229 thousand, and the amount derecognized from equity and recognized in the income statement (ineffective part) amounted to PLN 336 thousand. The amount recognized in equity at the end of 2007 was – PLN 44,108 thousand, and the amount derecognized from equity and recognized in the income statement (ineffective part) amounted to PLN 3,662 thousand.

Summary of valuations of hedging derivatives

	31.12.2008	Comparable data 31.12.2007
Total positive valuations (with interest)	166 954	34 025
Total negative valuations (with interest)	-1 708	-44 178

37. Investments in associates valued using the equity method

Investments in associates valued using the equity method																				
	a	b	c	d	e							f			g			h	i	j
No.	Company	Line of business	Carrying amount of shares	Assets	Equity, including:							Liabilities, including:			Receivables, including:			Sales	Bank's stake in capital (%)	Bank's share (%) in votes at GMS
						Share capital	Subscribed unpaid share na kapitał capital (negative sign)	Reserve capital	Other, including:				Short-term	Long-term		Short-term	Long-term			
										Retained earnings	Net profit		liabilities	liabilities		receivables	receivables			
Associates																				
31.12.2008																				
1.	KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Funds' assset management	10 131	47 255	33 769	25 258	0	16 069	-7 558	0	-7 558	13 486	13 486	0	4 918	4 918	0	60 588	30,00	30,00
31.12.2007 (comparable data)																				
1.	KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Funds' assset management	12 174	79 626	40 580	25 258	0	11 335	3 987	0	3 987	39 046	39 046	0	56 917	56 917	0	98 809	30,00	30,00

38. Property, plant and equipment

	31.12.2008	Comparable data 31.12.2007
Property, plant and equipment, including:	364 994	333 045
- land	14 135	14 179
- buildings and premises	177 121	178 369
- plant and machinery	90 394	64 022
- motor vehicles	1 579	1 001
- other property, plant and equipment	81 765	75 474
Construction in progress	56 872	63 401
Total	**421 866**	**396 446**

Movement on property, plant and equipment

For the period of 12 months ended 31.12.2008

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2008	18 797	265 825	471 427	3 781	162 314	63 562	**985 706**
b) increase	0	8 293	72 290	1 341	26 736	9 390	**118 050**
- acquisition	0	6 003	69 132	613	26 370	9 316	**111 434**
- other increase	0	2 290	3 158	728	366	74	**6 616**
c) decrease	46	7 267	89 641	1 228	3 492	15 919	**117 593**
- sale	0	4 153	2 714	267	97	0	**7 231**
- liquidation	0	2 404	81 516	207	3 367	0	**87 494**
- other decrease	46	710	5 411	754	28	15 919	**22 868**
d) gross property, plant and equipment as at 31.12.2008	18 751	266 851	454 076	3 894	185 558	57 033	**986 163**
e) accumulated depreciation of property, plant and equipment as at 01.01.2008	1 477	68 926	406 173	2 550	85 413	0	**564 539**
f) net property, plant and equipment as at 01.01.2008	14 179	178 369	64 022	1 001	75 674	63 201	**396 446**
g) changes in depreciation	104	7 897	-45 577	-398	17 152	0	**-20 822**
- depreciation	0	8 256	41 709	590	19 128	0	**69 683**
- sale	-2	-628	-1 198	-203	0	0	**-2 031**
- liquidation	0	-21	-81 176	-35	-2 259	0	**-83 491**
- other changes	106	290	-4 912	-750	283	0	**-4 983**
h) accumulated depreciation as at 31.12.2008	1 581	76 823	360 596	2 152	102 565	0	**543 717**
i) impairment as at 01.01.2008	3 141	18 530	1 232	230	1 227	361	**24 721**
- increases	0	203	1 984	6	199	0	**2 392**
- decreases	106	5 826	130	73	198	200	**6 533**
j) impairment as at 31.12.2008	3 035	12 907	3 086	163	1 228	161	**20 580**
Net property, plant and equipment as at 31.12.2008	**14 135**	**177 121**	**90 394**	**1 579**	**81 765**	**56 872**	**421 866**

For the period of 12 months ended 31.12.2007 (comparable data)

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2007	16 433	268 929	484 994	23 045	140 605	50 799	**984 805**
b) increase	2 930	7 263	75 950	559	27 330	18 682	**132 714**
- acquisition	0	1 787	49 122	167	27 055	9 682	**87 813**
- other increase	2 930	5 476	26 828	392	275	9 000	**44 901**
c) decrease	566	10 367	89 517	19 823	5 821	5 719	**131 813**
- sale	566	5 536	23 284	1 618	615	0	**31 619**
- liquidation	0	144	59 101	0	2 215	18	**61 478**
- other decrease	0	4 687	7 132	18 205	2 991	5 701	**38 716**
d) gross property, plant and equipment as at 31.12.2007	18 797	265 825	471 427	3 781	162 114	63 762	**985 706**
e) accumulated depreciation of property, plant and equipment as at 01.01.2007	1 291	66 087	429 452	8 376	73 132	0	**578 338**
f) net property, plant and equipment as at 01.01.2007	14 841	186 495	53 168	14 420	66 295	50 438	**385 657**
g) changes in depreciation	186	2 839	-23 279	-5 826	12 281	0	**-13 799**
- depreciation	0	7 042	38 222	650	16 582	0	**62 496**
- sale	-8	-1 855	-22 244	-1 497	-301	0	**-25 905**
- liquidation	0	-49	-49 572	0	-1 343	0	**-50 964**
- other changes	194	-2 299	10 315	-4 979	-2 657	0	**574**
h) accumulated depreciation as at 31.12.2007	1 477	68 926	406 173	2 550	85 413	0	**564 539**
i) impairment as at 01.01.2007	301	16 347	2 374	249	1 178	361	**20 810**
- increases	2 840	2 246	190	14	346	0	**5 636**
- decreases	0	63	1 332	33	297	0	**1 725**
j) impairment as at 31.12.2007	3 141	18 530	1 232	230	1 227	361	**24 721**
Net property, plant and equipment as at 31.12.2007	**14 179**	**178 369**	**64 022**	**1 001**	**75 474**	**63 401**	**396 446**

39. Intangible assets

	31.12.2008	Comparable data 31.12.2007
Patents, licenses and similar rights, including:	42 120	42 326
- computer software	42 057	42 205
Other intangible assets	18 804	24 886
Total	**60 924**	**67 212**

40. Movement on intangible assets

For the period of 12 months ended 31.12.2008

	Patents, licenses and similar rights	including: computer software	Other intangible assets	Total intangible assets
a) gross intangible assets as at 01.01.2008	278 932	276 413	50 032	**328 964**
b) increase	23 665	23 665	1 454	**25 119**
- acquisition	23 241	23 241	1 454	**24 695**
- other increase	424	424	0	**424**
c) decrease	10 604	10 588	4 500	**15 104**
- sale	0	0	0	**0**
- liquidation	10 220	10 204	0	**10 220**
- other decrease	384	384	4 500	**4 884**
d) gross intangible assets as at 31.12.2008	291 993	289 490	46 986	**338 979**
e) accumulated amortisation as at 01.01.2008	232 080	229 682	20 863	**252 943**
f) net intangible assets as at 01.01.2008	42 326	42 205	24 886	**67 212**
g) amortisation in the period	13 926	13 884	97	**14 023**
- amortisation	23 632	23 574	97	**23 729**
- sale	0	0	0	**0**
- liquidation	-9 562	-9 546	0	**-9 562**
- other changes	-144	-144	0	**-144**
h) accumulated amortisation as at 31.12.2008	246 006	243 566	20 960	**266 966**
i) impairment as at 01.01.2008	4 526	4 526	4 283	**8 809**
- increases	0	0	2 939	**2 939**
- decreases	659	659	0	**659**
j) impairment as at 31.12.2008	3 867	3 867	7 222	**11 089**
Net intangible assets as at 31.12.2008	**42 120**	**42 057**	**18 804**	**60 924**

For the period of 12 months ended 31.12.2007 (comparable data)

	Patents, licenses and similar rights	**including: computer software**	**Other intangible assets**	**Total intangible assets**
a) gross intangible assets as at 01.01.2007	265 539	263 052	47 243	**312 782**
b) increase	20 258	19 663	10 925	**31 183**
- acquisition	13 619	13 485	10 874	**24 493**
- other increase	6 639	6 178	51	**6 690**
c) decrease	6 865	6 302	8 136	**15 001**
- sale	34	0	0	**34**
- liquidation	6 260	5 731	1 915	**8 175**
- other decrease	571	571	6 221	**6 792**
d) gross intangible assets as at 31.12.2007	278 932	276 413	50 032	**328 964**
e) accumulated amortisation as at 01.01.2007	200 121	197 667	22 457	**222 578**
f) net intangible assets as at 01.01.2007	60 822	60 789	24 786	**85 608**
g) amortisation in the period	31 959	32 015	-1 594	**30 365**
- amortisation	37 584	37 564	320	**37 904**
- sale	-7	0	0	**-7**
- liquidation	-5 797	-5 728	-1 915	**-7 712**
- other changes	179	179	1	**180**
h) accumulated amortisation as at 31.12.2007	232 080	229 682	20 863	**252 943**
i) impairment as at 01.01.2007	4 596	4 596	0	**4 596**
- increases	501	501	4 283	**4 784**
- decreases	571	571	0	**571**
j) impairment as at 31.12.2007	4 526	4 526	4 283	**8 809**
Net intangible assets as at 31.12.2007	**42 326**	**42 205**	**24 886**	**67 212**

41. Goodwill on subordinated companies

	31.12.2008	Comparable data 31.12.2007
Goodwill - subsidiaries	36 052	36 052
Total	**36 052**	**36 052**

As stated in the section on the accounting principles adopted by the Group, goodwill is not amortised; it is only verified for impairment. Once a year, the Group performs goodwill impairment test based on the models which comply with the IAS/IFRS guidelines. Goodwill from the acquisition of Żagiel was assigned to the Consumer Finance function which is a separate cash-generating unit, comprising Żagiel (loan-related intermediary) and the Bank's loan portfolio (resulting from the Bank's cooperation with Żagiel) along with its financing. The recoverable amount for Consumer Finance was determined on the basis of the value in use. To carry out the impairment test for goodwill from the acquisition of Żagiel as at 31.12.2008, a forecast of financial results for the function for the years 2009-2011 has been prepared. The valuation also includes the residual value resulting from cash flows after the period of the three-year forecast, assuming no growth in further years in extrapolation. To calculate free operating cash flow, net profit in particular years subject to the forecast was adjusted with depreciation and amortisation, the planned payment of dividend and planned capital expenditure. Free cash flow was discounted at the rate of 13.7%. The value in use calculated in this manner was compared to total goodwill and estimated equity of the Consumer Finance function (capital adequacy ratio of 9% was applied in calculations). The test result confirmed the absence of impairment for goodwill of Żagiel as at the balance sheet date.

42. Non-current assets classified as held for sale

	31.12.2008	Comparable data 31.12.2007
Gross non-current assets classified as held for sale	0	767
Impairment losses	0	0
Net non-current assets classified as held for sale	**0**	**767**

43. Other assets

	31.12.2008	Comparable data 31.12.2007
Inventory	1 527	314
Various debtors*, including:	113 269	94 747
- gross various debtors	129 356	117 254
- impairment losses	-16 087	-22 507
Prepaid expenses	20 543	18 688
Other assets, including:	31	208
- gross assets taken over for debts	49	1 057
- impairment on assets taken over for debts	-18	-849
Total	**135 370**	**113 957**

* The item contains: amounts due from the sale of financial assets and property, plant and equipment, returnable security deposits paid by the Bank under operating lease agreements for real properties used by the Bank, settlements under payment cards, amounts due to the State Treasury.

44. Investment properties

In 2007, as the sale of certain assets classified as non-current assets held for sale (IFRS 5) was not possible, the Group reclassified them into investment properties. Under IAS 40 and pursuant to the policy of the Group's main shareholder, the Group values investment properties at cost.

In 2008, income from rent related to the investment properties amounted to PLN 31,360 thousand. The direct operating expenses related to the investment properties and incurred in the period amounted to PLN 9,530 thousand.

In 2007, income from rent related to the investment properties amounted to PLN 26,508 thousand. The direct operating expenses related to the investment properties and incurred in the period amounted to PLN 8,247 thousand.

The building being the main part of the property is depreciated on a straight-line basis for 40 years (annual depreciation rate is 2.5%) and other plant and machinery are depreciated at 7%, 10%, 14% and 18% rates.

The table below presents changes in the investment properties in 2008 and in 2007:

Investment properties

Gross value as at 01.01.2008	**268 219**
Increases	2 212
Decreases	1 606
Gross value as at 31.12.2008	**268 825**
Depreciation as at 01.01.2008	**48 710**
Depreciation	10 288
Decreases	40
Depreciation as at 31.12.2008	**58 958**
Carrying amount as at 31.12.2008	**209 867**

Investment properties

Gross value as at 01.01.2007	**0**
Increases, including:	269 584
- reclassification of non-current assets classified as held for sale	267 618
- including expenditure in 2007 incurred till the reclassification date	3 035
- other increases	1 966
Decreases	1 365
Gross value as at 31.12.2007	**268 219**
Depreciation as at 01.01.2007	**0**
Increases, including:	48 711
- reclassification of non-current assets classified as held for sale	46 152
- including depreciation in 2007 till the reclassification date	7 704
- other increases (depreciation from the reclassification date till 31.12.2007)	2 559
Decreases	1
Depreciation as at 31.12.2007	**48 710**
Carrying amount as at 31.12.2007	**219 509**

45. Amounts due to Central Bank

By types

	31.12.2008	**Comparable data 31.12.2007**
Lombard loan	0	1 100 000
Open market transactions	1 112 131	0
Liabilities	1 144	1 661
Total	**1 113 275**	**1 101 661**

By maturity dates

	31.12.2008	**Comparable data 31.12.2007**
- up to 1 month	194 067	1 101 661
- 1-3 months	918 083	0
- 3-6 months	0	0
- 6 months to 1 year	1 125	0
Total	**1 113 275**	**1 101 661**

46. Amounts due to banks

By types

	31.12.2008	Comparable data 31.12.2007
Current accounts	1 271 449	28 114
Term deposits	4 087 081	2 517 509
Loans and advances	6 763 261	2 750 710
Other amounts due	3 222	5 116
Total	**12 125 013**	**5 301 449**

Amounts due to banks (by maturity dates as at the balance sheet date)

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	2 499 844	2 362 562
- 1-3 months	1 844 149	130 793
- 3-6 months	0	56 782
- 6 months to 1 year	1 017 759	602
- 1 - 3 years	4 714 895	865 715
- over 3 years	2 048 366	1 884 995
Total	**12 125 013**	**5 301 449**

47. Amounts due to customers

By types

	31.12.2008	Comparable data 31.12.2007
Current accounts	11 180 587	10 860 534
Term deposits	8 882 477	6 113 779
Loans and advances	149	0
Other amounts due	212 153	114 325
Total	**20 275 366**	**17 088 638**

By maturity dates

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	14 425 135	14 586 807
- 1-3 months	3 229 994	1 229 160
- 3-6 months	1 476 417	541 260
- 6 months to 1 year	716 340	417 963
- 1 - 3 years	194 506	21 806
- 3 - 5 years	214 787	262 602
- 5 - 10 years	17 327	28 197
- 10 - 20 years	860	843
- over 20 years	0	0
Total	**20 275 366**	**17 088 638**

Liabilities by customer types

	31.12.2008	Comparable data 31.12.2007
Natural persons*	**10 375 169**	**10 298 896**
- in current account	6 797 580	7 039 089
- term deposits	3 403 116	3 154 154
- other	174 473	105 653
Corporate customers	**7 476 805**	**4 732 553**
- in current account	2 345 672	2 483 669
- term deposits	5 093 304	2 240 212
- loans and advances	149	0
- other	37 680	8 672
Budget	**2 423 392**	**2 057 189**
- in current account	2 037 335	1 337 776
- term deposits	386 057	719 413
Total	**20 275 366**	**17 088 638**

* The item contains: amounts due to private persons, individual entrepreneurs, individual farmers, non-commercial institutions providing services for households.

48. Liabilities arising from repurchase transactions

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	8 991	50 126
Total	**8 991**	**50 126**

The securities repurchase price is determined on the basis of or equal to the selling price plus financing cost. In the case when the Bank fails to meet its commitments, the securities subject to the transaction remain in the possession of the Bank's customer.

49. Provisions

	31.12.2008	Comparable data 31.12.2007
Employee benefits provision	1 785	778
Provision for off-balance sheet items	14 899	15 009
Restructuring provision	419	5 256
Provision for litigations	42 371	139 991
Total	**59 474**	**161 034**

The litigations with the highest value claims are described in section 73 below.

The restructuring provision entails the costs of employment and property, plant and equipment restructuring to be incurred while performing the next stage of the rebuilding of the Group's structure resulting from the implemented Group's strategy.

'Employee benefits provisions' are composed of provisions for retirement benefits.

Movement on provisions

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Period beginning	161 034	169 226
- employee benefits provision	778	1 004
- provision for off-balance sheet items	15 009	17 594
- restructuring provision	5 256	10 988
- provision for litigations	139 991	139 640
a) increases	87 529	117 565
- employee benefits provision	1 231	0
- provision for off-balance sheet items	72 731	79 883
- restructuring provision	0	2 780
- provision for litigations	13 567	34 902
b) decreases - utilization	-11 794	-20 176
- employee benefits provision	-237	-231
- provision for off-balance sheet items	0	0
- restructuring provision	-3 200	-8 502
- provision for litigations	-8 357	-11 443
c) decreases - releases	-177 124	-99 978
- employee benefits provision	0	0
- provision for off-balance sheet items	-69 869	-84 993
- restructuring provision	-1 637	-10
- provision for litigations	*-105 618	-14 975
d) other changes	-171	-5 603
- employee benefits provision	13	5
- provision for off-balance sheet items	-2 972	2 525
- restructuring provision	0	0
- provision for litigations	2 788	-8 133
Period end (by items)	**59 474**	**161 034**
- employee benefits provision	1 785	778
- provision for off-balance sheet items	14 899	15 009
- restructuring provision	419	5 256
- provision for litigations	42 371	139 991
Period end	**59 474**	**161 034**

* Reversal of provisions for litigations due to the court judgments and expectations for pending proceedings which are favourable for the Group. Litigations are presented in Note 73.

50. Other liabilities

	31.12.2008	Comparable data 31.12.2007
Amounts due to the State Treasury	22 478	20 967
Various creditors	113 337	122 031
Expenses and income settled over time, including:	**121 344**	**101 741**
- income collected in advance	20 785	11 426
- expenses to be paid	42 071	32 422
- provision for bonuses	46 044	46 423
- provision for unused annual leaves	12 444	11 470
Inter-bank clearings	22 863	25 934
Other	0	1 590
Total	**280 022**	**272 263**

51. Subordinated liabilities

	31.12.2008	Comparable data 31.12.2007
Amount of subordinated liabilities	279 643	394 235
Total	**279 643**	**394 235**

As at 31.12.2008

Entity	Loan value by currency	Loan value in '000	Interest rate terms	Maturity date	Amount of subordinated liabilities
KBC Bank NV O/Dublin	CHF	100 000	3M LIBOR +1.6 p.p.	15.06.2018	279 643
Total					**279 643**

As at 31.12.2007 (comparable data)

Entity	Loan value by currency	Loan value in '000	Interest rate terms	Maturity date	Amount of subordinated liabilities
KBC Bank NV O/Dublin	EUR	110 000	3M EURIBOR +1.20 p.p.	25.05.2008	394 235
Total					**394 235**

52. Equity

Share capital

As at 31.12.2008, the parent company's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares of nominal value PLN 5.00 each. The parent company's shares are registered shares and bearer shares, but not preference shares. Each share entitles its holder to one vote at the parent company's General Meeting of Shareholders. The parent company's shares are admitted to public trading on the main market of the Warsaw Stock Exchange. The share capital did not change in 2008.

The analysis of registered shares and bearer shares presented below was prepared as at 31.12.2008.

Registered shares

The parent company's Shareholders hold 66,443 registered shares, which account for 0.02% of the share capital. Registered shares as at 31.12.2008:

Series	Number of shares
A	2 942
C	1 425
F	5 792
P	29 621
S1	26 663
Total	**66 443**

Series A, C and F shares were admitted to stock exchange trading on condition that they are converted into bearer shares, and series P and S1 shares may be admitted to stock exchange trading when respective authorizations are obtained.

Bearer shares

The parent company's Shareholders hold 271,592,437 bearer shares, which account for 99.98% of the share capital. Originally, the number of bearer shares amounted to 264,204,350. In addition, as a result of the conversion of registered shares into bearer shares, there are 7,388,087 bearer shares. Bearer shares as at 31.12.2008:

(Original) bearer shares		Following the conversion of registered shares into bearer shares	
Series	**Number of shares**	**Series**	**Number of shares**
B	2 500 000	A	2 497 058
D	100 000	C	98 575
E	1 580 425	F	308 923
G	480 000	P	3 660 061
H	3 777 350	S1	823 470
I	5 600 000		
J	4 400 000		
K	2 278 814		
L	2 000 000		
M	10 000 000		
N	847 000		
O	25 000 000		
R	32 583 993		
T	49 301 056		
U	63 387 072		
W	60 368 640		
Total	**264 204 350**	**Total**	**7 388 087**
Total bearer shares			**271 592 437**

The table below presents Shareholders of Kredyt Bank S.A. holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 31.12.2008.

Shareholder	Line of business	Number of shares and votes at GMS	Share in votes and in share capital (in %)
KBC Bank NV*	Banking	217 327 103	80.00
KBC Securities NV – related party of KBC Bank NV *	Brokerage house	6 890 966**	2.54
Sofina S.A.	Investment company	15 014 772	5.53

* By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank NV is entitled to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.
** A memorandum from KBC Securities NV of 6 May 2008.

On 18 December 2007, the Management Board of Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. (‘PPIM’ based in Warsaw) that, on 17 December 2007, PPIM held over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. concerning the financial instruments included in the portfolios managed within the services of managing broker-traded financial instruments upon order provided by PPIM and in performance of the agreement on the management of broker-traded financial instruments upon order, concluded between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM.

Supplementary capital

	31.12.2008	Comparable data 31.12.2007
Profit allowance	604 966	383 711
Total supplementary capital	**604 966**	**383 711**

The Bank's net profit for 2007 amounting to PLN 400,519,095.19 was allocated to:

- reserves – PLN 60,000,000.00;
- dividend payment – PLN 141,262,617.60;
- supplementary capital – PLN 199,256,477.59.

The whole statutory net profit of Żagiel S.A. for the financial year 2007 amounting to PLN 21,998,716.76 was allocated to supplementary capital.

Revaluation reserve

	31.12.2008	Comparable data 31.12.2007
Valuation of available-for-sale financial assets	12 345	-67 724
Valuation of derivatives designated for cash flow hedge	108 566	-40 446
Deferred tax on items recognized in revaluation reserve	-22 973	20 553
Total revaluation reserve	**97 938**	**-87 617**

Reserves

	31.12.2008	Comparable data 31.12.2007
General banking risk reserve created from profit	240 942	180 942
Total reserves	**240 942**	**180 942**

General banking risk reserve is created from profit after tax according to the Banking Law.

Currency translation differences from the translation of subordinated companies

	31.12.2008	Comparable data 31.12.2007
Capitals from translation of subordinated companies	-733	-733
Total other capitals from translation of subordinated companies	**-733**	**-733**

53. Contingent liabilities granted

By types

	31.12.2008	Comparable data 31.12.2007
Financing	**5 389 649**	**4 374 464**
- undrawn credit lines	2 776 440	2 430 146
- undrawn overdraft facilities	1 685 691	1 367 647
- limits on credit cards	820 129	343 645
- opened import letters of credit	107 389	73 026
- term deposits to be released	0	160 000
Guarantees	**1 829 781**	**1 627 981**
- guarantees granted	1 828 589	1 626 433
- export letters of credit	1 192	1 548
Total	**7 219 430**	**6 002 445**

Financing by maturity dates

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	818 777	380 148
- 1-3 months	219 447	181 268
- 3-6 months	302 207	228 173
- 6 months to 1 year	1 391 025	988 888
- 1 - 3 years	760 264	787 954
- 3 - 5 years	262 115	456 037
- over 5 years	1 635 814	1 351 996
Total	**5 389 649**	**4 374 464**

Guarantees by maturity dates

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	52 612	91 574
- 1-3 months	65 566	54 380
- 3-6 months	57 834	110 315
- 6 months to 1 year	274 086	159 764
- 1 - 3 years	465 537	399 719
- 3 - 5 years	245 491	460 112
- over 5 years	668 655	352 117
Total	**1 829 781**	**1 627 981**

Major items in 'contingent liabilities' related to the guarantees issued for customers are guarantees of good contracts performance and loan repayment guarantees. The Group offers its customers guarantees as a standard loan product offer mainly for corporate customers. Commission income from guarantees granted are charged to fee and commission income in the income statement on a straight-line basis over the lifetime of the guarantee

The Group treats guarantees granted and unconditional financing liabilities as an exposure with credit risk concerning the purpose of credit risk management. The assessment of risk under issued guarantees is an element of the credit risk assessment process resulting from other credit products held by particular customers, i.e. all credit facilities, including guarantees, issued to particular borrowers are at the same time analysed for the occurrence of the impairment indicators and required level of allowance for impairment.

As at 31.12.2008, the estimated provision for the guarantees granted and unconditional financing liabilities amounted to PLN 14,899 thousand. This amount is presented in Note 49 as 'provision for off-balance sheet items'.

54. Capital adequacy ratio

	31.12.2008	Comparable data 31.12.2007
Capital requirement, including:	**2 430 774**	**1 699 879**
- credit risk	2 186 453	1 633 045
- market risk	44 308	51 212
- operational risk	200 013	0
- other risk*	0	15 622
Own funds and short-term capital	**2 677 872**	**2 062 670**
- share capital	1 358 294	1 358 294
- supplementary capital	604 966	383 711
- revaluation reserve included in equity	-6 121	-56 148
- other reserves	240 942	180 942
- currency translation differences from the translation of subordinated companies and foreign branches	-733	-733
- subordinated liabilities included in equity	280 140	78 804
- shares in financial entities	-12 368	-14 343
- goodwill	-36 052	-36 052
- intangible assets**	-60 924	-66 431
- retained earnings (loss)	19 189	51 168
- short-term capital	145 731	66 834
- net profit included in the calculation of capital adequacy ratio	144 808	116 624
Capital adequacy ratio (%)	**8.81**	**9.71**

* Pursuant to new regulations, since 2008, it is recognized in credit risk (see Note 75.3.1.5 'Settlement risk and counterparty risk')

** Except for intangible assets used under contracts of finance lease

Capital adequacy ratio was calculated as required by the regulations of the National Bank of Poland in force as at 31.12.2008 and 31.12.2007 respectively.

The calculation of the capital requirement for operational risk:

	Year	
Result*	2005	1 268 438
Result*	2006	1 281 444
Result*	2007	1 450 380
Ratio		15%
Capital Charge	2005	190 266
Capital Charge	2006	192 217
Capital Charge	2007	217 557
Requirement		**200 013**

* calculated according to Annex No. 14 to Resolution No. 1/2007 of the Commission for Banking Supervision of 13.03.2007

The year 2008 is a period when the new principles concerning the capital adequacy ratio (known as Basel II) were applied for the first time. The Group's capital adequacy ratio was calculated with the standardized approach. The application of new regulations has not affected the capital adequacy ratio to a large extend.

55. Risk metrics underlying the calculations of the capital requirements for credit risk set forth in the Banking Law

As at 31.12.2008

Balance sheet instruments

Instrument	Carrying amount	Risk weighted value
Banking portfolio		
Cash	649 300	0
Receivables	**27 250 592**	**21 345 546**
Net loans and advances to banks (including Central Bank)	517 276	170 976
Loans and advances to customers	26 733 316	21 174 570
Natural persons*	**17 746 779**	**13 135 697**
- overdraft facilities	625 521	516 820
- purchased debt	4 331	4 325
- term loans	895 527	763 822
- cash and instalment loans	3 403 108	2 500 838
- mortgages	12 801 969	9 333 569
- realised guarantees	551	551
- other receivables	15 772	15 772
Corporate customers	**8 637 921**	**7 953 637**
- overdraft facilities	1 839 291	1 808 461
- term loans	6 218 418	5 578 615
- purchased debt	47 031	47 031
- realised guarantees	3 682	3 682
- other receivables, including leasing fees	529 499	515 848
Budget	**348 616**	**85 236**
- overdraft facilities	4 398	2 206
- term loans	344 218	83 030
- purchased debt	0	0
Debt securities	6 325 120	159 690
Other securities, shares	202 043	105 202
Property, plant and equipment	631 733	631 733
Intangible assets	60 924	0
Other	269 422	135 369
Total banking portfolio	**35 389 134**	**22 377 540**
Trading portfolio	**3 341 542**	**1 524**
Total balance sheet instruments	**38 730 676**	**22 379 064**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services for households.

Off-balance sheet instruments in the Banking Book

Instrument	Nominal value	Balance sheet equivalent	Risk weighted value
Interest rate instruments	4 233 600	15 863	5 895
Foreign exchange instruments	4 211	42	42
Total derivatives	**4 237 811**	**15 905**	**5 937**

Other off–balance sheet items – banking portfolio

Instrument	Carrying amount	Credit equivalent	Risk weighted value
Credit lines	5 275 590	2 462 133	2 086 903
Guarantees granted	1 810 195	1 574 363	1 525 959
Letters of credit	108 694	54 347	54 069
Other	12 466	12 466	12 466
Total	**7 206 945**	**4 103 309**	**3 679 397**

	Risk weighted value	Capital requirement
Total credit risk exposure (banking portfolio)	**26 062 874**	**2 085 030**

As at 31.12.2007 (comparable data)

Balance sheet instruments

Instrument	**Carrying amount**	**Risk weighted value**
Banking portfolio		
Cash	505 232	0
Receivables	19 182 406	16 204 828
Loans and advances to banks (including Central Bank)	2 560 549	488 118
Loans and advances to customers	16 621 857	15 716 710
Natural persons*	**9 241 244**	**8 818 508**
- overdraft facilities	523 981	513 680
- purchased debt	707	691
- term loans	938 817	891 322
- cash and instalment loans	1 958 080	1 956 197
- mortgages	5 808 913	5 445 872
- realised guarantees	0	0
- other receivables	10 746	10 746
Corporate customers	**6 974 465**	**6 824 502**
- overdraft facilities	1 574 485	1 547 822
- term loans	5 058 596	4 935 379
- purchased debt	25 587	25 504
- realised guarantees	1 368	1 368
- other receivables	314 429	314 429
Budget	**406 148**	**73 700**
- overdraft facilities	932	190
- term loans	405 216	73 510
- purchased debt	0	0
Debt securities	5 582 984	487 878
Other securities, shares	34 606	20 263
Property, plant and equipment	616 722	616 722
Intangible assets (including goodwill)	67 212	781
Other	341 708	57 083
Total banking portfolio	**26 330 870**	**17 387 555**
Trading portfolio	**797 310**	**276**
Total balance sheet instruments	**27 128 180**	**17 387 831**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services for households.

Off-balance sheet instruments in the Banking Book

Instrument	**Nominal value**	**Balance sheet equivalent**	**Risk weighted value**
Interest rate instruments	3 393 600	24 880	4 976
Foreign exchange instruments	8 733	87	44
Total derivatives	**3 402 333**	**24 967**	**5 020**

Other off–balance sheet items – banking portfolio

Instrument	Carrying amount	Credit equivalent	Risk weighted value
Credit lines	4 169 140	1 655 005	1 578 790
Guarantees granted	1 583 723	1 348 563	1 334 100
Letters of credit	74 574	74 574	74 057
Other	161 544	161 544	33 544
Total	**5 988 981**	**3 239 686**	**3 020 491**

	Risk weighted value	Capital requirement
Total credit risk exposure (banking portfolio)	**20 413 066**	**1 633 045**

56. Discontinued operations

The Group did not carry out operations which were discontinued in 2008, except for the operations of KIF BV registered in the Netherlands, which launched the liquidation procedure and was deleted from Dutch trade registers on 12.01.2009. Income and expenses of KIF BV following the launch of the liquidation procedure are insignificant.

57. Social assets and the Company Social Benefit Fund (CSBF)

The Act of 4 March 1994 on Company Social Benefit Fund, as amended, stipulates that the Company Social Benefit Fund shall be established by employers hiring over 20 full-time employees. The Group established such a fund and makes periodical charges in the amount of the basic charge. The fund has no property, plant and equipment. The objective of the Fund is to subsidize the Company's employee-related operations, loans borrowed to employees and other employee-related expenses.

The Group set off the Fund assets against its liabilities to the Fund, as these assets are not Group's separate assets.

The table below presents the analysis of the Fund's assets, liabilities and expenses.

	31.12.2008	Comparable data 31.12.2007
Employee cash loans	9 796	5 462
Cash on CSBF's bank accounts	5 559	9 353
Fund-related payables	15 355	14 815
Charges to the Fund in the period	5 143	3 472

58. Employee benefits

58.1. Employee Stock Ownership Plan

No employee stock ownership plan is implemented in the Group.

58.2. Retirement benefits and other benefits after retirement

The Group's companies pay retirement severance pays to employees who become retired in the amount set out in the Labour Code. As at the balance sheet date, a provision is established on the basis of an actuary's estimate.

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Period beginning	778	1 004
Provision recognized	1 231	0
Paid benefits	-237	-231
Provision reversed	0	0
Other changes	13	5
Total	**1 785**	**778**

58.3 Benefits related to the dissolution of employment

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Period beginning	3 200	8 059
Increases	0	2 555
Decreases - releases	0	0
Decreases - utilization	-3 200	-7 414
Period end*	**0**	**3 200**

* Restructuring provisions presented in Note 49 include network restructuring provisions of PLN 419 thousand for 2008, and of PLN 2,056 thousand for 2007.

59. Related party transactions

On 7.02.2008, Kredyt Bank S.A. executed, with Kredietbank S.A. Luxembourgeoise (which later changed its name to KBL European Private Bankers S.A.), a multicurrency loan agreement up to the amount equivalent to EUR 200 million (i.e. PLN 719,580,000 at the average exchange rate of the NBP of 7.02.2008). The agreement was concluded on market terms with the repayment period of two years and one day. The loan can be drawn in CHF or PLN. The interest rate is based on LIBOR/WIBOR rates plus margin. The amount of cash received under the above-mentioned loan agreement exceeds

10% of the Bank's equity. Cash obtained under the above-mentioned loan was used to finance the Bank’s current operations.

On 19.03.2008, Kredyt Bank S.A. executed, with KBC Bank NV Dublin Branch, a subordinated loan agreement up to the amount equivalent to CHF 100 million. The subordinated loan agreement was concluded on market terms with the repayment period of ten years from the release of the financial resources. On 3.06.2008, the Bank received the decision of the Polish Financial Supervision Authority (KNF) of 26.05.2008, regarding its consent to include cash of CHF 100,000,000 (i.e. PLN 210,520,000 at the average exchange rate of the NBP of 26.05.2008) in the Bank’s supplementary funds.

On 19.06.2008, Kredyt Bank S.A. executed, with KBL European Private Bankers S.A. (formerly Kredietbank S.A. Luxembourgeoise), a multicurrency loan agreement up to the amount equivalent to EUR 200 million (i.e. PLN 673,700,000.00 at the average exchange rate of the NBP of 19.06.2008). The loan agreement was concluded on market terms with the repayment period of three years. The loan can be drawn in EUR, CHF or PLN. The interest rate is based on LIBOR/WIBOR rates plus margin. The amount of cash received under the above-mentioned loan agreement exceeds 10% of the Bank's equity. Cash obtained under the above-mentioned loan was used to finance the Bank’s current operations.

On 25.08.2008, Kredyt Bank S.A. executed, with KBL European Private Bankers S.A., a multicurrency loan agreement up to the amount equivalent to EUR 200 million (i.e. PLN 662,540,000.00 at the average exchange rate of the NBP of 25.08.2008). The loan agreement was concluded on market terms with the repayment period of three years. The loan can be drawn in EUR, CHF or PLN. The interest rate is based on LIBOR/WIBOR rates plus margin. The amount of cash received under the above-mentioned loan agreement exceeds 10% of the Bank's equity. Cash obtained under the above-mentioned loan was used to finance the Bank’s current operations.

On 20.10.2008, Kredyt Bank S.A. (‘Bank’) and KBL European Private Bankers S.A. signed a loan agreement with the value of EUR 200 million (i.e. PLN 710,300,000 at the average rate of exchange of the National Bank of Poland as of 20.10.2008). The loan agreement was concluded on market terms with the repayment period of three years. The interest rate is based on LIBOR rate plus margin. The amount of cash received by the Bank under the above-mentioned loan agreement exceeds 10% of the Bank's equity. Cash obtained under the above-mentioned loan will be used to finance the Bank’s current operations.

On 7.12.2008, Kredyt Bank S.A. and KBC Bank NV Dublin Branch concluded a subordinated loan agreement amounting to PLN 75,000,000. The loan agreement was concluded on market terms with the repayment period of ten years. The interest rate is based on WIBOR rate plus the Bank’s margin. All the cash from the loan was allocated to the establishment of additional supplementary funds. The cash related to this agreement was released on 30.01.2009.

Apart from the above transactions, in 2008, no significant non-standard transactions had place with related parties whose total value, in the period from the beginning of the financial year, would be equal to or exceed PLN equivalent of EUR 500 thousand, and whose nature and terms were not related to current operations.

Transaction volumes as well as related income and expenses are presented below.

As at 31.12.2008

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2008
Loans and advances to banks	0	133 134	12 317	**145 451**
Derivatives	0	408 907	25 828	**434 735**
Loans and advances to customers	0	0	175 000	**175 000**
Other assets	1 093	2	28 130	**29 225**
Total assets	**1 093**	**542 043**	**241 275**	**784 411**

* Including WARTA Group

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2008
Amounts due to banks	0	4 146 139	7 530 840	**11 676 979**
Derivatives	0	641 476	40 121	**681 597**
Amounts due to customers	4 919	0	2 697 595	**2 702 514**
Subordinated liabilities	0	279 643	0	**279 643**
Other liabilities	0	1 439	29 128	**30 567**
Total liabilities	**4 919**	**5 068 697**	**10 297 684**	**15 371 300**

* Including WARTA Group

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2008
Granted financing liabilities	0	0	156 040	**156 040**
Received financing liabilities	0	418 306	300	**418 606**
Guarantees granted	0	47 671	20 365	**68 036**
Guarantees received	0	1 176 891	51 857	**1 228 748**
Derivatives	0	42 742 638	1 777 173	**44 519 811**
Liabilities related to the sale/purchase transactions	0	0	0	**0**
Total off-balance sheet items	**0**	**44 385 506**	**2 005 735**	**46 391 241**

* Including WARTA Group

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2008
Interest income	0	7 351	23 320	**30 671**
Fee and commission income	8 855	86	302 110	**311 051**
Net trading income	0	-185 883	-44 385	**-230 268**
Other operating income	113	167	10 594	**10 874**
Total income	**8 968**	**-178 279**	**291 639**	**122 328**

* Including WARTA Group

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2008
Interest expense	1 038	177 136	190 487	**368 661**
Fee and commission expense	0	411	-10 430	**-10 019**
General and administrative expenses	0	5 213	19 979	**25 192**
Total expenses	**1 038**	**182 760**	**200 036**	**383 834**

* Including WARTA Group

As at 31.12.2007 (comparable data)

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2007
Loans and advances to banks	0	170 059	614 023	**784 082**
Derivatives	0	66 862	1 052	**67 914**
Loans and advances to customers	0	0	205 242	**205 242**
Other assets	1 724	0	27 641	**29 365**
Total assets	**1 724**	**236 921**	**847 958**	**1 086 603**

* Including WARTA Group

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2007
Amounts due to banks	0	3 430 678	968 169	**4 398 847**
Derivatives	0	85 516	248	**85 764**
Amounts due to customers	27 340	0	63 417	**90 757**
Subordinated liabilities	0	394 235	0	**394 235**
Other liabilities	0	807	21 080	**21 887**
Total liabilities	**27 340**	**3 911 236**	**1 052 914**	**4 991 490**

* Including WARTA Group

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2007
Guarantees granted	0	2 252	15 194	**17 446**
Guarantees received	0	1 230 172	0	**1 230 172**
Derivatives	0	13 854 400	396 925	**14 251 325**
Liabilities related to the sale/purchase transactions	0	0	0	**0**
Total off-balance sheet items	**0**	**15 086 824**	**412 119**	**15 498 943**

* Including WARTA Group

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2007
Interest income	0	11 854	39 110	**50 964**
Fee and commission income	12 520	13	197 003	**209 536**
Other operating income	74	31	4 828	**4 933**
Total income	**12 594**	**11 898**	**240 941**	**265 433**

* Including WARTA Group

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2007
Interest expense	1 314	102 182	23 115	**126 611**
Fee and commission expense	0	48	486	**534**
General and administrative expenses	0	1 129	6 077	**7 206**
Total expenses	**1 314**	**103 359**	**29 678**	**134 351**

* Including WARTA Group

60. Remuneration of the Members of the Supervisory Board and the Management Board of Kredyt Bank S.A.

Remunerations, awards, bonuses and other benefits paid to Members of the Bank's Management Board.

Bank's Management Board	Term on the Board	01.01.2008 – 31.12.2008				
		Basic remuneration	Bonus	Other benefits	Severance pay	Total
Maciej Bardan	01.03.2008-31.12.2008	1 007	0	354	0	**1 361**
Lidia Jabłonowska-Luba	15.04.2008-31.12.2008	861	0	810	0	**1 671**
Ronald Richardson	01.01.2008-28.02.2008	260	0	30	3 913	**4 203**
Krzysztof Kokot	01.01.2008-31.12.2008	1 048	547	83	0	**1 678**
Bohdan Mierzwiński	-	0	106	0	212	**318**
Konrad Kozik	-	0	142	33	0	**175**
Umberto Arts	01.01.2008-31.12.2008	1 505	0	406	0	**1 911**
Michał Oziembło	01.01.2008-31.12.2008	86	0	0	0	**86**
Total		**4 767**	**795**	**1 716**	**4 125**	**11 403**

Bank's Management Board	Term on the Board	01.01.2007 – 31.12.2007				
		Basic remuneration	Bonus	Other benefits	Severance pay	Total
Ronald Richardson	01.01.2007-31.12.2007	1 037	99	135	0	**1 271**
Umberto Arts	01.01.2007-31.12.2007	1 639	0	1 129	0	**2 768**
Krzysztof Kokot	01.01.2007-31.12.2007	1 008	257	94	0	**1 359**
Konrad Kozik	01.01.2007-26.04.2007	331	328	16	0	**675**
Bohdan Mierzwiński	01.01.2007-05.05.2007	314	162	12	2 559	**3 047**
Michał Oziembło	01.01.2007-31.12.2007	78	0	0	0	**78**
Andrzej Witkowski	01.07.2007-31.09.2007	109	0	0	0	**109**
Total		**4 516**	**846**	**1 386**	**2 559**	**9 307**

Remuneration, awards, bonuses and other benefits for members of the managing authorities in the Group's companies.

Management Boards of Group's Companies	Gross remuneration in the period 01.01.2008-31.12.2008	Gross remuneration in the period 01.01.2007-31.12.2007
Reliz Sp. z o.o.	269	292
Żagiel S.A.	1 767	1 533
including Michał Oziembło	789	666
Kredyt International Finance BV	0	0
Kredyt Lease S.A.	1 181	756
Kredyt Trade Sp. z o.o.	507	494
BFI Sp z o.o.	26	26
Net Banking Sp z o.o.	0	0
Lizar Sp z o.o.	0	0
Total	**3 750**	**3 101**

Remuneration, awards, bonuses and other benefits paid to Members of the Bank's Supervisory Board.

Bank's Supervisory Board	Term on the Board	01.01.2008-31.12.2008		
		Basic remuneration	Other benefits	Total
Andrzej Witkowski	01.01.2008-31.12.2008	311	10	**321**
Adam Noga	01.01.2008-31.12.2008	272	10	**282**
Francois Gillet	01.01.2008-31.12.2008	234	0	**234**
John Hollows	01.01.2008-31.12.2008	234	0	**234**
Feliks Kulikowski	01.01.2008-31.12.2008	234	10	**244**
Marek Michałowski	01.01.2008-31.12.2008	234	0	**234**
Luc Philips	01.01.2008-31.12.2008	234	0	**234**
Jan Vanhevel	01.01.2008-31.12.2008	234	0	**234**
Krzysztof Trębaczkiewicz	01.01.2008-31.12.2008	234	10	**244**
Total		**2 221**	**40**	**2 261**

Bank's Supervisory Board	Term on the Board	01.01.2007-31.12.2007		
		Basic remuneration	Other benefits	Total
Andrzej Witkowski	01.01.2007-31.12.2007	218	0	**218**
Adam Noga	01.01.2007-31.12.2007	254	0	**254**
Francois Gillet	01.01.2007-31.12.2007	218	0	**218**
John Hollows	01.01.2007-31.12.2007	218	0	**218**
Feliks Kulikowski	01.01.2007-31.12.2007	218	0	**218**
Marek Michałowski	01.01.2007-31.12.2007	218	0	**218**
Luc Philips	01.01.2007-31.12.2007	218	0	**218**
Józef Toczek	01.01.2007-31.03.2007	54	164	**218**
Jan Vanhevel	01.01.2007-31.12.2007	218	0	**218**
Krzysztof Trębaczkiewicz	01.05.2007-31.12.2007	153	0	**153**
Total		**1 987**	**164**	**2 151**

Total remuneration for each category of benefits paid to the Members of the Bank's Management Board and of the Bank's Supervisory Board.

Benefit	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Short-term employee benefits	9 165	8 725
Benefits paid after employment termination	288	10
Severance pays	4 211	2 723
Total	**13 664**	**11 458**

In 2008 and 2007, the Members of the Bank's Management Board and the Members of the Bank's Supervisory Board did not receive remuneration for performing their functions in subsidiaries (except for Michał Oziembło, Vice-President of the Management Board).

All disclosures concerning the Members of the Management Board and the Members of the Supervisory Board are presented in this Note and no other material remuneration-related benefits for the Members of the Management Board and the Members of the Supervisory Board were paid.

61. Value of loans and advances granted to Members of the Management Board and of the Supervisory Board of the Bank and in its subsidiaries

Transactions concluded with the Bank's Management Staff are executed within the standard product offer.

As at 31.12.2008, total indebtness related to loans and cash loans granted by the Group amounted to:

- for Members of the Bank's Management Board – PLN 1,027 thousand;
- for Members of the Bank's Supervisory Board – PLN 694 thousand;
- for the Bank's employees – PLN 258,501 thousand.

As at 31.12.2007, total indebtness related to loans and cash loans granted by the Group amounted to:

- for Members of the Bank's Management Board – PLN 1,071 thousand;
- for Members of the Bank's Supervisory Board – PLN 773 thousand;
- for the Bank's employees – PLN 176,628 thousand.

As at 31.12.2008, the total indebtness of Members of the Management Board and of the Supervisory Board of the Bank is paid on a regular basis, due indebtness is not present. Past due debts of employees amount to PLN 1,542 thousand.

The Members of the Management Board and the Members of the Supervisory Board did not receive any loans and advances in subsidiaries.

All disclosures concerning the Members of the Management Board and the Members of the Supervisory Board are presented in this Note and there is no other material information concerning loans and advances granted to the Members of the Management Boards and the Members of the Supervisory Boards in the Bank and in subsidiaries.

62. Employment structure

FTEs	**31.12.2008**	**Comparable data 31.12.2007**
Bank	5 487	5 440
- Head Office	2 100	2 094
- branches and affiliates	3 387	3 346
Companies	1 563	1 284
Total	**7 050**	**6 724**

63. Consolidated cash flow statement – additional information

a) Cash and cash equivalents	**31.12.2008**	**Comparable data 31.12.2007**
Cash and balances with Central Bank	827 972	611 690
Due from other banks (up to 3 months)	133 281	2 078 224
Cash and cash equivalents	**961 253**	**2 689 914**

In 'Cash and cash equivalents', the Bank presents its obligatory reserve held in line with the adequate regulations, on NBP account, presented as restricted cash, which, as at 31.12.2008 amounted to PLN 789,493 thousand, and as at 31.12.2007 to PLN 635,061 thousand.

b) Operating activities – unrealised gains/losses on currency translation differences	**01.01.2008-31.12.2008**	**Comparable data 01.01.2007-31.12.2007**
Currency translation differences from the translation of subordinated companies	-11	-87
Currency translation differences for investment securities	-51 699	53 159
Currency translation differences from held-for-trading financial assets	-8 385	-18 738
Currency translation differences on subordinated liabilities	51 473	-27 597
Total	**-8 622**	**6 737**

b) Operating activities – unrealised gains/losses on currency translation differences	**01.01.2008-31.12.2008**	**Comparable data 01.01.2007-31.12.2007**
Net increase/decrease in impairment losses on loans and advances to banks	1	-493
Net increase/decrease in impairment losses on loans and advances to customers	93 004	-253 135
Net increase/decrease in impairment losses on property, plant and equipment and intangible assets	-1 861	8 870
Total	**91 144**	**-244 758**

d) Operating activities – interest	**01.01.2008-31.12.2008**	**Comparable data 01.01.2007-31.12.2007**
Interest on investment securities	-207 676	-213 335
Interest on borrowed loans	196 183	54 699
Interest on subordinated liabilities	13 860	22 440
Total	**2 367**	**-136 196**

e) Operating activities – gains/losses from the sale of investments	**01.01.2008-31.12.2008**	**Comparable data 01.01.2007-31.12.2007**
Gains (losses) from the sale of available-for-sale investment securities	14 085	-1 682
Gains (losses) from the sale of held-to-maturity investment securities	-5	0
Profit/loss on sale of property, plant and equipment and intangible assets	-295	- 5 156
Total	**13 785**	**-6 838**

f) Loans and advances to banks	**01.01.2008-31.12.2008**	**Comparable data 01.01.2007-31.12.2007**
Net balance sheet change	2 115 488	-250 442
Change in Nostro accounts – cash	1 812	-14 151
Change in term deposits up to 3 months – cash	-1 946 755	463 248
Impairment	-1	493
Total	**170 544**	**199 148**

g) Financial assets at fair value through profit or loss, including held-for-trading financial assets and valuation of derivatives	**01.01.2008-31.12.2008**	**Comparable data 01.01.2007-31.12.2007**
Balance sheet change in financial assets at fair value through profit or loss, including held-for-trading financial assets	-852 737	163 721
Balance sheet change in derivatives	-1 674 775	-167 046
Currency translation differences in operating activities	8 385	18 738
Total	**-2 519 127**	**15 413**

h) Operating activities – net increase/decrease in other assets	**01.01.2008-31.12.2008**	**Comparable data 01.01.2007-31.12.2007**
Balance sheet change in other assets	-21 413	2 382
Net increase/decrease in property, plant and equipment held for sale	767	194 004
Net increase/decrease in investment properties	9 642	-219 509
Other net increase/decrease in property, plant and equipment, intangible assets and investment properties	11 560	4 170
Other changes	12 811	-58 186
Total	**13 367**	**-77 139**

i) Amounts due to banks

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Balance sheet change in amounts due to the Bank	6 823 564	3 136 623
Proceeds from loans and advances	-2 767 133	-1 846 441
Interest on borrowed loans in operating activities	-196 183	-54 699
Paid interest on borrowed loans – presentation in financing activities	174 735	42 927
Total	**4 034 983**	**1 278 410**

j) Amounts due to customers

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Balance sheet change in amounts due to customers	3 186 728	1 281 375
Total	**3 186 728**	**1 281 375**

k) Operating activities – net increase/decrease in other liabilities

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Balance sheet change in other liabilities	7 759	29 923
Payment of leasing payables from financing activities	3 661	5 482
Valuation of derivatives used as hedging instruments	-42 470	43 624
Other changes	425	-15 444
Total	**-30 625**	**63 585**

l) Net increase/decrease in investment securities

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Acquisition in investment activity	-1 107 936	-2 230 188
Disposal in investment activity	490 298	2 503 086
Interest received in investment activity	191 033	222 736
Net increase/decrease in interest receivables in operating activities	-207 676	-213 335
Net increase/decrease in available-for-sale financial assets in operating activities	-68 370	88 936
Net increase/decrease in impairment of investment securities	-5	0
Balance sheet change in equity investments classified as available-for-sale	-1 321	0
Currency translation differences in operating activities	-51 699	53 159
Balance sheet change	**-755 676**	**424 394**

m) Financing activities – other financial expenses

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Interest repayment on loans received	-174 735	-42 927
Interest repayment on subordinated liabilities	-14 460	-22 227
Interest payment on own issue payables	0	0
Payment of leasing payables	-3 661	-5 482
Total	**-192 856**	**-70 636**

n) Subordinated liabilities

	01.01.2008-31.12.2008	Comparable data 01.01.2007-31.12.2007
Proceeds from a subordinated loan	209 580	0
Repayment of subordinated liabilities	-375 045	0
Repayment of interest on subordinated liabilities – presentation in financing activities	-14 460	-22 227
Accrued interest on subordinated liabilities – presentation in operating activities	13 860	22 440
Currency translation differences on subordinated liabilities – presentation in operating activities	51 473	-27 597
Total	**-114 592**	**-27 384**

64. Disposal of subordinated companies

No subordinated companies were sold in 2008 and in 2007.

65. Assets pledged as collateral

As at 31.12.2008, the following assets in the form of Treasury bonds were collateral for the Group's own liabilities:

- Treasury bonds of the nominal value of PLN 89,140 thousand and of the carrying amount of PLN 93,396 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds of the nominal value of PLN 900,000 thousand and of the carrying amount of PLN 943,091 thousand as security for possible borrowing of a lombard loan in the National Bank of Poland (NBP);
- Treasury bonds of the nominal value of PLN 1,200,000 thousand and of the carrying amount of PLN 1,265,807 thousand pledged in relation to REPO transactions with the National Bank of Poland (NBP);
- Treasury bonds of the nominal value of PLN 8,848 thousand and of the carrying amount of PLN 8,942 thousand pledged in relation to REPO transactions with a customer.

As at 31.12.2007, the following assets in the form of Treasury bonds were collateral for the Bank's own liabilities:

- Treasury bonds of the nominal value of PLN 42,080 thousand and of the carrying amount of PLN 44,061 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds of the nominal value of PLN 1,850 thousand and of the carrying amount of PLN 2,121,754 thousand as security for possible borrowing of a lombard loan in the National Bank of Poland (NBP);
- Treasury bonds of the nominal value of PLN 48,620 thousand and of the carrying amount of PLN 50,286 thousand pledged in relation to REPO transactions with customers.

66. Changes in the Management Board and in the Supervisory Board of Kredyt Bank S.A. in 2008

At the session on 18.12.2007, Mr. Ronald Richardson, President of the Bank's Management Board, resigned from his position of the President of the Bank's Management Board, and from the membership in the Bank's Management Board, as of 29.02.2008.

At the same session, the Bank's Supervisory Board appointed Mr. Maciej Bardan as the President of the Management Board of Kredyt Bank S.A. as of 1.03.2008. On 5.09.2008, the Polish Financial Supervision Authority granted its formal consent to the appointment of Mr. Maciej Bardan as the President of the Bank's Management Board.

The Supervisory Board of Kredyt Bank S.A., at its session on 4.04.2008, under § 25 item 2 of the Articles of Association of Kredyt Bank S.A., decided that, from 15.04.2008, the Management Board of Kredyt Bank will be composed of five members.

At the same session, the Supervisory Board appointed, as from 15.04.2008, Ms. Lidia Jabłonowska-Luba as a Member and Vice-President of the Management Board of Kredyt Bank S.A. responsible for finances and risk.

As at 31.12.2008, the Management Board of Kredyt Bank S.A. was composed of:

Mr. Maciej Bardan	- President of the Management Board, CEO
Mr. Umberto Arts	- Vice President of the Management Board, Vice CEO
Ms. Lidia Jabłonowska - Luba	- Vice President of the Management Board, Vice CEO
Mr. Krzysztof Kokot	- Vice President of the Management Board, Vice CEO
Mr. Michał Oziembło	- Vice President of the Management Board, Vice CEO

No changes had place in the composition of the Bank's Supervisory Board in 2008.

As at 31.12.2008, the Supervisory Board of Kredyt Bank S.A. was composed of:

Mr. Andrzej Witkowski	- Chairman of the Supervisory Board

Mr. Adam Noga	- Vice Chairman of the Supervisory Board
Mr. Francois Gillet	- Member of the Supervisory Board
Mr. John Hollows	- Member of the Supervisory Board
Mr. Feliks Kulikowski	- Member of the Supervisory Board
Mr. Marek Michałowski	- Member of the Supervisory Board
Mr. Luc Philips	- Member of the Supervisory Board
Mr. Jan Vanhevel	- Member of the Supervisory Board
Mr. Krzysztof Trębaczkiewicz	- Member of the Supervisory Board

67. Seasonality or cyclical nature of operations

The operations of the Group's companies are not of seasonal nature.

68. Non-typical factors and events

Both in 2008 and in 2007, no untypical events occurred in the Group (not related to operating activities) that would affect the structure of balance sheet items and the financial result to a large extent, and which were not presented in these financial statements.

69. Dividends paid and declared

On 28.05.2008, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted a resolution on the allocation of PLN 141,262,617.60 from the distribution of profit for 2007 to the payment of dividend (which accounted for ca. 35% of the Bank's net profit). Gross dividend per share amounted to PLN 0.52. The right to dividend was established on 3.07.2008. The payment of dividend was effected on 18.07.2008.

In 2007 (i.e. from net profit generated in 2006), the Bank paid gross dividend of PLN 0.37 per share. Total dividend amounted to PLN 100,513,785.60, which accounted for ca. 23% of the Bank's net profit.

The final conclusions concerning the payment and amount of dividend for 2008 or the decision not to pay dividend will be submitted to the Supervisory Board by the Bank's Management Board prior to the convening of the General Meeting of Shareholders which will approve the Bank's financial statements for 2008. Following their examination, the Supervisory Board will submit its opinion to the General Meeting of Shareholders. Having regard for the Bank's financial situation in terms of its capital adequacy and the plans for the development of the banking activities in the years to come, the Bank's Management Board intends to recommend the non-payment of dividend for 2008.

70. Post-balance sheet events

On 26.01.2009, the Bank received the decision of the Polish Financial Supervision Authority (KNF) concerning its consent to include an amount of PLN 75,000,000 into Kredyt Bank S.A.'s supplementary funds, pursuant to the terms and conditions of the subordinated loan agreement concluded on 17.12.2008 between Kredyt Bank S.A. and KBC Bank NV, Dublin branch. The cash related to this agreement was released on 30.01.2009.

On 26.01.2009, Moody's Investors Service rating agency affirmed the long-term deposit rating of Kredyt Bank S.A. at 'A2' and changed the outlook for the above long-term rating from 'stable' to 'negative'. These rating decisions were made in connection with the decision on downgrading the ratings of KBC Bank, i.e. the parent entity of Kredyt Bank S.A. The remaining ratings of Kredyt Bank S.A. assigned by Moody's Investors Service have been confirmed at previous levels, namely: short term deposit rating – 'Prime-1'; bank financial strength rating – 'D'. The outlook for the above ratings remains 'stable'.

Furthermore, on 26.01.2009, the Bank was informed about the closing, in January 2009, of the liquidation of its subsidiary, Kredyt International Finance BV, registered in the Netherlands and about the deletion of this company from the Dutch trade registers on 12.01.2009.

On 11.02.2009, the Bank informed that, due to the deterioration of the economic situation and the need to lower the business activities costs, the Bank's Management Board made a decision to reduce employment. The Bank plans to reduce employment by group lay-offs which will include up to 300 employees. As a result of consultations with the Workers' Council, procedures, conditions, dates and the level of employment optimisation were agreed. Further employment reductions will be achieved as a result of the discontinuation of employment due to natural reasons and by non-extending agreements concluded for a specified period of time, also in the companies of Kredyt Bank Group, including ca. 200 employees. As at the publication date of these financial statements, the Group did not have a detailed formal plan for group lay-offs which would comply with IAS 37 and, as a result, the Group has not established a provision for restructuring costs.

Apart from the above issues, no significant events which should be disclosed in the financial statements had place from the balance sheet date to the publication date of these financial statements.

71. Comparable data

The comparable data included in these financial statements for previous reporting periods includes the presentation changes which were introduced to the financial statements as at 31.12.2008.

	Published data	Changes	Comparable data	Explanation
	01.01.2007 - 31.12.2007		***01.01.2007 - 31.12.2007***	
Net income from sale of receivables	54 893	-54 893	no such item	a)
Net impairment losses on financial assets, other assets and provisions	30 069	54 893	84 962	a)

Clarification of major reclassifications:

a) the reclassification of net income from sale of receivables to 'Net impairment losses on financial assets, other assets and provisions'

In the opinion of the Bank's Management Board, the presentation of net income from sale of receivables in 'Net impairment losses on financial assets, other assets and provisions' more adequately reflects the economic content of such transactions.

72. Fair value of financial assets and liabilities not recognized at fair value in the balance sheet

72.1. Fair value

Fair value is an amount for which an asset may be sold or exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The main categories of financial assets and liabilities not measured in the Group's balance sheet at fair value are assets or liabilities measured at amortised cost or historical cost:

- loans and advances granted as well as other own receivables not held for trading;
- held-to-maturity investments;
- available-for-sale financial assets recognized at cost, including equity investments;
- financial liabilities not held for trading.

The table below shows differences between the carrying amount and estimated fair value of the Group's financial assets and liabilities not recognized in the Group's balance sheet at fair value.

31.12.2008

	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	**827 972**	**827 972**
Net loans and advances to banks	**338 604**	**339 196**
Net loans and advances to customers	**26 733 316**	**26 056 648**
Natural persons*	**17 746 779**	**17 097 711**
- overdraft facilities	625 521	622 342
- purchased debt	4 331	4 322
- term loans**	895 527	893 544
- cash and instalment loans	3 403 108	3 629 592
- mortgages	12 801 969	12 158 777
- realised guarantees	551	337
- other receivables	15 772	15 772
Corporate customers	**8 637 921**	**8 608 837**
- overdraft facilities	1 839 291	1 835 517
- term loans**	6 218 419	6 193 551
- purchased debt	47 031	47 013
- realised guarantees	3 682	3 257
- other receivables	529 498	529 499
Budget	**348 616**	**350 100**
- overdraft facilities	4 398	4 453
- term loans**	344 218	345 647
- purchased debt	0	0
Investment securities:	**2 208 660**	**2 215 181**
Available-for-sale securities	335 776	335 776
Held-to-maturity securities	1 872 884	1 879 405

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services for households

** The item contains mainly: in the case of natural persons – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary customers – investment and working capital loans

	Carrying amount	Fair value
Liabilities		
Amounts due to banks and Central Bank	13 238 288	13 265 619
Amounts due to customers	20 275 366	20 306 617
Other financial liabilities recognized in the balance sheet at amortised cost ***	288 634	288 634

*** The item contains: issued debt securities, subordinated liabilities and liabilities arising from repurchase transactions

31.12.2007 (comparable data)

	Carrying amount	**Fair value**
Assets		
Cash and balances with Central Bank	**611 690**	**611 690**
Net loans and advances to banks	**2 454 092**	**2 453 917**
Net loans and advances to customers	**16 621 857**	**16 721 474**
Natural persons*	**9 241 244**	**9 365 834**
- overdraft facilities	523 981	528 643
- purchased debt	707	1 493
- term loans**	938 817	937 535
- cash and instalment loans	1 958 080	2 105 720
- mortgages	5 808 913	5 781 697
- realised guarantees	0	0
- other receivables	10 746	10 746
Corporate customers	**6 974 465**	**6 958 620**
- overdraft facilities	1 574 485	1 576 592
- term loans**	5 058 596	5 039 555
- purchased debt	25 587	26 772
- realised guarantees	1 368	1 272
- other receivables	314 429	314 429
Budget	**406 148**	**397 020**
- overdraft facilities	932	933
- term loans**	405 216	396 087
- purchased debt	0	0
Investment securities:	**2 376 710**	**2 358 260**
Available-for-sale securities	331 544	331 544
Held-to-maturity securities	2 045 166	2 026 716

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services for households

** The item contains mainly: in the case of natural persons – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary customers – investment and working capital loans

	Carrying amount	**Fair value**
Liabilities		
Amounts due to banks and Central Bank	6 403 110	6 402 079
Amounts due to customers	17 088 638	17 069 198
Other financial liabilities recognized in the balance sheet at amortised cost ***	444 361	444 361

*** The item contains: issued debt securities, subordinated liabilities and liabilities arising from repurchase transactions

72.2 Loans and advances to banks and to customers

As stated in the sections concerning the accounting principles adopted by the Group and the material accounting estimates, granted loans and advances and other own receivables not held for trading are measured at amortised cost with the effective interest rate method, having regard for impairment measured on the basis of future expected cash flows (including those generated upon the sale of loan collateral) discounted with the original effective interest rate.

Poland does not have an active market on which loans and receivables may be traded, therefore, it is not possible to reliably determine the market price of these assets. Estimates performed on the basis of the models of measurement relying on discounted expected cash flows of the principal and interest is the best reflection of the fair value. The discount rate is the market rate as at the balance sheet date plus credit margin offered on the market for particular loan facilities and specific customer groups/segments.

72.3 Held-to-maturity investments and available-for-sale financial assets

As stated in the section on the accounting principles adopted by the Group, held-to-maturity investments are measured at amortised cost with the effective interest rate methodology. Available-for-sale debt securities not measured at fair value in the balance sheet are also measured in this way. The market prices of securities applied in the measurement of fair value, for both categories of assets, do not take into consideration any potential adjustments resulting from the limited liquidity of the market or transaction costs.

The Group has no material commitment in shares of companies which are recognized at historical cost. Minority interests are also of specific nature, as, to a large extent, they are shares taken up for a borrowers' debt, therefore there is no active market for those assets and the fair value estimation may significantly differ from the real offers.

72.4 Other financial assets not recognized in the balance sheet at fair value

In the case of certain groups of financial assets held at the value of the payment due, it was assumed that fair value was equal to the book value. It is mainly related to cash and current receivables.

72.5 Financial liabilities not held for trading

As stated in Note 46 and Note 47, the bulk of deposits made in banks and customer deposits are deposits on current accounts and term deposits with balance sheet maturities of less than three months.

73. Information on proceedings before courts or public administration authority

In 2008, the Group was not a party to any proceedings before court or public administration authority, where the amount(s) claimed would amount to at least 10% of the Bank's (issuer's) equity.

Below are presented those proceedings, in which the Group is the defendant and in which the amounts claimed are the highest.

- Two court proceedings regarding a credit granted to Laboratorium Frakcjonowania Osocza Sp. z o.o. in Mielec ('LFO'). The Bank is the leader of the syndicate of five banks, which, under the agreement of 04.03.1997, granted a syndicated loan to LFO. The loan was secured by, among others, a registered pledge on the company's property, plant and equipment and the surety of the State Treasury up to 60% of the drawn amount of the loan and accrued interest. As the investment project for which the loan was extended had not been completed and the dates of the payment of commitments had not been met, the Bank, representing the syndicate, terminated the agreement under its terms and conditions and called LFO to pay claims.
    - The State Treasury requested for determination whether the syndicated loan agreement concluded between LFO and the syndicate of five banks had expired on 28.02.1998 as a result of the occurrence of a contractual condition, and, as a result, the commitment of the State Treasury as the guarantor of the loan under the guarantor's agreement had expired as well. The State Treasury is represented by the General Public Prosecutor's Office of the State Treasury. Experts' opinions and auxiliary opinions were prepared and additional witnesses were questioned. In the first quarter of 2007, the State Treasury changed the lawsuit and claimed PLN 8,207 thousand including interest. The parties exchanged pleadings. In the fourth quarter of 2008, the court requested the Bank to submit documents concerning the debt collection process carried out against the State Treasury on the basis of a banking executory title with the enforceability clause. The Bank delivered the required documents to the court.
    - Claims of LFO for damages due to the termination of the loan agreement amounting to PLN 119,477 thousand. At present, after being heard by courts of all instances, the case was referred to the circuit court in Warsaw, which, as a result of LFO bankruptcy, stayed legal proceedings. Upon the request of LFO, the court called upon the trustee in bankruptcy of LFO to participate in the case. In the meantime, the parties submitted pleadings.
- A trustee in bankruptcy of a company operating in the real estate developing sector (the name of the company is subject to confidentiality application) claims for payment of indemnity of PLN 32,256 thousand by the reason of effecting by the Bank of financial orders from the company's account on the basis of bank transfers orders and checks bearing a forged signature of one of the persons authorized to represent the company in dealings with the Bank. At the hearing on 21.11.2006, the plaintiff limited its claim for interest. The total amount claimed by the plaintiff equals PLN 20,665 thousand. On 20.03.2007, the court announced its decision and claimed the whole disputed amount with interest from the Bank. Having received the justification of the judgment, the Bank lodged the appeal and requested to summon the member of the company's management board who had forged signatures.

By the judgment of 8.04.2008, the appeal court overruled the judgment of the court of first instance (in the judgment, the court stated that the limitation of claims for damages by lapse of time had not been examined) and referred the case to the circuit court to be re-examined. The first hearing at which the positions of the parties were established was held on 25.07.2008. The next hearing was scheduled for 16.01.2008. By this date, the parties had had time for possible negotiations to settle the dispute out of court. Due to the judge's illness, the court adjourned the hearing and failed to set the date of the next hearing. The Bank upholds the charge of the limitation of the trustee in bankruptcy's claims by lapse of time. Should the court fail to accept this charge, there is a substantial probability of recognizing that the Bank's liability will be limited to the amount equal to the value of bank transfers for which it is impossible to prove that they were made to pay the company's liabilities, i.e. solely to the extent to which the actions of the member of the company's Management Board were detrimental to this company. This Bank's opinion is confirmed by the information obtained in the fourth quarter of 2008 about the judgment in a criminal case against the former member of the Management Board in which the court stated that, by forging bank transfer documents, he brought about damage to the company worth PLN 400,000.

- A suit filed by MSG Investment Sp. z o.o. in liquidation. The plaintiff claims that, as a result of debt recovery measures taken by the Bank, he lost PLN 25 million (no calculations are presented in the lawsuit). In the Bank's opinion, the basis for claims specified in the lawsuit is doubtful. On 14.03.2008, the court dismissed the lawsuit of MSG for the Bank to pay PLN 25 million. MSG Investment appealed against this decision, however, on 30.06.2008, the appeal court in Łódź dismissed the appeal. The plaintiff made the last resort appeal in this case. On 26.08.2008, the Bank requested to concede the enforceability clause to the court judgment of 14.03.2008 and received the executive title in September 2008.
- On 17.01.2001, the President of the Office for Competition and Customer Protection, upon the request of the Polish Organization of Commerce and Distribution (POHiD), initiated proceedings concerning competition-restricting practices on the payment cards market by VISA and MasterCard as well as 20 banks, including Kredyt Bank S.A. On 29.12.2006, the President of the Office for Competition and Customer Protection issued the decision in which:
    - they imposed a fine on Kredyt Bank of PLN 12,158.4 thousand;
    - HSBC Bank Polska S.A. was fined with PLN 193.0 thousand and the proceedings against this company were discontinued (under a binding agreement between HSBC and Kredyt Bank S.A., the fine for HSBC should be paid by Kredyt Bank S.A. as well).

The decision was to be enforced immediately as regards the order to discontinue the practice of joint determination of the intercharge fee rate. On 17.01.2006 and 19.01.2007, appeals against Decision No. DAR 15/2006 of the President of the Office for Competition and Customer Protection were made on behalf of HSBC Bank Polska and Kredyt Bank. In this decision, the President of the Office for Competition and Customer Protection resolved that joint determination by the Banks, Visa and MasterCard of the interchange fee restricted competition. On 18.01.2007, the President of the Office for Competition and Customer Protection issued a decision in which they obliged the banks to jointly and severally pay PLN 157.6 thousand to the Polish Organization of Commerce and Distribution (POHiD) as reimbursement of the proceedings costs. Kredyt Bank S.A. complained against this decision on 31.01.2007 and deemed it unjustified. The case was referred to the Economic Court in Warsaw which split the case into separate proceedings against each of the banks involved in the case. On 25.08.2008, the court decided to withhold the execution of the decision issued in the case of interchange fees. On 12.11.2008, the circuit court in Warsaw, the Competition and Customer Protection Court, issued a judgment amending the contested decision, in which the court stated that the Banks had not applied monopolistic practices in this respect. On 3.02.2009, the Bank received the appeal against the judgment made by the President of the Office for Competition and Customer Protection.

- In relation to a loan transaction to finance the construction of 'Altus' building in Katowice, the Bank and Reliz Sp. z o.o. (the building owner) are involved in certain disputes of legal nature. The Bank owns 100% shares of Reliz. The said disputes are related to claims of the guarantor of the loan to finance the building, i.e. Mostostal Zabrze Holding S.A., against the Bank and the building owner. The present dispute concerns fraudulent conveyance charge by Mostostal Zabrze Holding S.A. against Reliz Sp. z o.o. regarding the failure to recognize the agreement on the transfer of ownership title to 'Altus' building by Business Center 2000 Sp. z o.o. ('BC 2000') to Reliz Sp. z o.o. as effective. The value of the subject of litigation amounts to PLN 46 million. At the hearing on 15.01.2009, the court focused on procedural issues concerning the securing of the MZH's claims. Reliz requested to decrease the security amount, but the request was rejected. The appraiser's valuation of 'Altus' building commissioned by the court has not been terminated yet. The next hearing will be scheduled by the court *ex officio*. The Bank's legal advisor analysed the potential claims and the claims under court proceedings brought by MZH against BC 2000 which, if upheld, could be satisfied from 'Altus' real property which belongs to Reliz. To the best of our knowledge, a portion of potential claims is prescribed. No lawsuits were filed to the portion of claims. In one of the cases, from the principal amount of PLN 17,287,328 claimed by MZH from BC 2000, the court, under its judgment of 23.10.2008, awarded the amount of PLN 7,066,347 to MZH, but dismissed the lawsuit in other respects. The sentence is not legally valid. Hence, in the Bank's opinion, even in the case of an unfavourable judgment in the fraudulent conveyance case, the risk of satisfying claims by MZH from Reliz's real estate is estimated only for a part of the amount subject to the fraudulent conveyance claim.
- The claim to pay PLN 9 million is directly related to the effective debt recovery measures taken by the Bank against a beer producer and distributor. At the end of August and the beginning of September 2007, the court debt collector, acting upon the Bank's request, seized the company's account and collected PLN 8.7 million from the proceeds to the account. In the justification for the suit, the company challenges the legitimacy and legal grounds of the Bank's debt collection process. It based its claim on the institution of groundless enrichment by the Bank concerning the collected amount and on the Bank's liability in tort related to the company's loss due to the Bank's allegedly illegal debt collection process (concerning the remaining amount). The Bank replied to the lawsuit. At the hearing on 25.07.2008, the court closed the proceedings and, on 4.08.2008, rendered its judgment. The court awarded the whole claimed amount (including interest) and proceedings costs to the plaintiff. Both the plaintiff and the Bank appealed against this judgment.
- The plaintiff claims damages from Kredyt Bank S.A. and HSBC Bank Polska S.A. of PLN 20 million and PLN 10 million as the satisfaction of the claim. In the justification of the lawsuit,

the plaintiff claims that Prosper Bank S.A. (now HSBC Bank Polska S.A.), acting under the cooperation agreement concluded with a leasing company, wrote a bill of exchange which secured the agreement, and further lodged a lawsuit against this company and the plaintiff in the proceedings by writ of payment for this bill of exchange and obtained the order for payment. In the plaintiff's opinion, Prosper Bank violated the agreement, wrote the bill of exchange incorrectly and lodged a completely unjustified lawsuit. The plaintiff claims that the order for payment issued by the district court on 11.01.1999 resulted in the loss of his property and his detriment amounting to PLN 30 million. Kredyt Bank submitted a reply to the lawsuit on its own and HSBC's behalf.

The Bank's Management Board is of the opinion that any risks related to the proceedings before courts or public administration authorities are properly secured by the provisions established by the Bank.

74. Custodian services

An offer of the Bank's custodian services entails maintaining securities accounts for domestic and foreign, both institutional and individual, customers. For the special group of customers, i.e. investment funds, the Bank also plays a role of a depository, a transfer agent and an issue sponsor.

The Bank holds an authorization of the Polish Securities and Exchange Commission to maintain securities accounts; it is also a direct participant of the National Depository for Securities (KDPW) as a Depository and a participant of the Securities Register (RPW) managed by the National Bank of Poland (NBP). On this basis, the Bank maintains accounts for securities admitted to public trading, deposited in KDPW or RPW. The Custody Office in the Bank's Head Office is the Bank's business unit responsible for the said tasks.

In 2008, income related to the maintanance of securities accounts and registers as well as the services of an issue sponsor and of the custodian bank amounted to PLN 4,697 thousand as compared to PLN 3,878 thousand in 2007.

75. Risk management at Kredyt Bank S.A. Capital Group

The Bank's supervisory bodies, explicitly the Management Board and the Supervisory Board, play the most important role in the risk management process.

The Bank's Supervisory Board, through the Audit Committee, is informed about the most vital decisions and gives opinions about the actions of the Management Board in this respect.

Particular risks are dealt with directly by specialised Committees:

- Assets and Liabilities Management Committee – responsible for management of the risk in the banking portfolio and in the trading portfolio as well as management of the Bank's structural liquidity;
- Operating Risk Committee – supervising the management of the operational risk;
- Credit Risk Committee – supervising the credit risk management process.

Members of the Management Board supervise works of the above committees; there are at least two Board Members in each committee.

The Risk Management Department deals with measurement and monitoring of all types of risks in Kredyt Bank. This is the only unit reporting all issues regarding risk, fully independent of business units.

In the process of the identification, measurement and risk management, the Bank applies techniques relevant to a given type of risk.

The overriding objectives of risk management policy concerning mainly the observance of internal and external limits and optimising and mitigating risk in the process of ongoing monitoring are being systematically implemented. The risk management process is strictly related to the capital management process. The main objective of capital management in the Bank is to optimise it and, at the same time, to meet external capital requirements. To achieve this goal, in the first half of 2008, the Bank implemented ICAAP (Internal Capital Adequacy Assessment Process).

75.1 Credit risk

Credit risk in Kredyt Bank S.A. Capital Group is defined as the potential shortfall relative to the value expected for a financial instrument consequent on non-payment or non-performance by a borrower, guarantor or counter-guarantor, counterparty (in relation to treasury transactions) or an issuer (of a debt instrument), due to that party's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country.

Credit risk management process in Kredyt Bank Group entails the following phases:

- Risk identification.
- Risk measurement (e.g. maximum approach, risk weighted assets, Exposure At Default – EAD, Expected Loss – EL, Unexpected Loss – UL).
- Limits monitoring (e.g. exposures concentrations related to loans used to finance commercial properties, related to residential properties, industrial properties, professional properties and commercial properties).
- Reporting.
- Analysis and formulating recommendations.
- Decision-making process.

The main participants in the credit risk management process, within the organisation of the risk management system, are as follows:

- Supervisory Board;
- Audit Committee;
- Bank's Management Board;
- Credit Risk Committee;
- Credit Risk Office in the Risk Management Department;
- Consumer Finance Credit Risk Office;

- SME and Corporate Credits Department;
- Retail Credits Department;
- business lines managers;
- Audit and Inspection Department.

Credit risk is managed taking into account the credit risk aspect corresponding to individual transactions and from the portfolio perspective.

The process of risk management for individual transactions entails risk assessment for such a transaction and, depending on its level, application of an appropriate decision-making process. SME and Corporate Credits Department and Retail Credits Department play the key role in the risk management for individual transactions.

The portfolio risk management is the main responsibility of the Credit Risk Committee. The main tasks of the Committee are as follows:

- Supporting the Management Board in:
    - developing and reviewing of the risk management system, including the lending policy;
    - informing about the risk management system;
    - monitoring the implementation status of the risk management system;
    - establishing tolerance to risk (e.g. portfolio limits);
    - monitoring the implementation status of measures taken in response to observed risk;
    - assessing potential differences concerning the implementation of the credit risk management system between particular companies of Kredyt Bank Group;
- Taking measures in response to observed risk.
- Mathematical and operational aspects (such as the application of models, monitoring measures, etc.) of all credit risk models developed and/or applied in Kredyt Bank Group.
- Taking decisions concerning credit risk related to the powers granted by the Management Board.

As at 31.12.2008, the limits of the concentration were not exceeded.

The Group's exposure towards 10 major corporate customers

As at 31.12.2008

Company	Share (%) in the portfolio
Customer 1	2.8
Customer 2	2.8
Customer 3	2.2
Customer 4	2.1
Customer 5	2.0
Customer 6	2.0
Customer 7	2.0
Customer 8	1.9
Customer 9	1.6
Customer 10	1.5
Total	**20.9**

As at 31.12.2007

Company	Share (%) in the portfolio
Customer 1	3.5
Customer 2	3.3
Customer 3	3.0
Customer 4	2.6
Customer 5	2.5
Customer 6	2.5
Customer 7	2.4
Customer 8	2.3
Customer 9	2.2
Customer 10	1.9
Total	**26.2**

The Group's exposure in industrial segments

Industry	Exposure % 31.12.2008	Comparable data Exposure % 31.12.2007
Production activities	26.6	32.3
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	22.9	20.0
Financial intermediation	15.9	20.8
Real estate administration and lease	14.5	8.6
Construction	5.6	4.0
Transport, storing and communication	4.4	3.8
Public administration and national defence, legally guaranteed social care	2.6	3.9
Agriculture, hunting and forestry	2.2	1.8
Mining	1.5	1.0
Health care and social care	1.0	1.0
Supplies of electricity, gas and water	0.9	0.8
Hotels and restaurants	0.8	0.8
Other services for municipalities, social and individual services	0.8	1.0
Education	0.2	0.2
Fishing and fish culture	0.1	0.0
Total	**100**	**100**

The Bank's exposure in geographical segments

Province	Gross loans structure (%) 31.12.2008	Comparable data Gross loans structure (%) 31.12.2007
Mazowieckie	23.4	23.9
Lubelskie	14.0	13.6
Dolnośląskie	10.7	10.6
Wielkopolskie	8.7	9.1
Pomorskie	7.3	6.9
Śląskie	7.3	6.8
Małopolskie	5.6	7.8
Zachodniopomorskie	4.8	4.3
Łódzkie	3.8	3.8
Podlaskie	3.1	3.1
Kujawsko-pomorskie	2.8	2.5
Podkarpackie	2.5	2.3
Warmińsko-mazurskie	2.1	2.3
Lubuskie	1.5	1.1
Świętokrzyskie	1.2	1.2
Opolskie	1.0	0.6
Non-resident	0.2	0.1
Total	**100**	**100**

Except for standard forms of loan collateral included in loan agreements which are in line with the practices in the industry (mortgages, transfers of ownership to secure a loan, registered pledges, sureties, guarantees and assignment of receivables), the Bank does not apply any other loan collateral, e.g. credit derivatives.

The Bank monitors established legal securities of loan transactions by evaluation of the value of approved collateral on the basis of documents lodged by the borrower (including valuations of appraisers) and internal databases including historic data about the recoverability of collateral.

As at 31.12.2008, the coverage of the Bank's balance sheet and off-balance sheet loans and advances to counterparties other than banks and governments with internal ratings amounted to 97.59%. As at 31.12.2007, the coverage was at the level of 91.5%:

		31.12.2008	**31.12.2007**
Internal PD rating	**Standard & Poors**		
PD 1	AAA - A-	3%	7%
PD 2	BBB+	6%	8%
PD 3	BBB	19%	22%
PD 4	BBB-/BB+	27%	17%
PD 5	BB	21%	18%
PD 6	BB-	12%	8%
PD 7	B+/B	4%	7%
PD 8	B-	2%	4%
PD 9	CCC+ lower	1%	2%
PD 10		2%	1%
PD 11		1%	2%
PD 12		2%	4%
Total		**100%**	**100%**

The Group's maximum exposure to credit risk

Balance sheet instruments	31.12.2008 Carrying amount	31.12.2007 Carrying amount
Debt securities:	**7 548 544**	**5 941 459**
- available-for-sale	4 357 896	3 431 266
- held-to-maturity	1 872 884	2 045 166
- financial assets at fair value through profit or loss	1 317 764	465 027
Derivatives	**2 302 799**	**495 095**
Loans and advances	**27 250 592**	**19 182 407**
- net loans and advances to banks (including Central Bank)	**517 276**	**2 560 550**
- net loans and advances to customers, including:	**26 733 316**	**16 621 857**
Natural persons	**17 746 779**	**9 241 244**
- overdraft facilities	625 521	523 981
- purchased debt	4 331	707
- term loans	895 527	938 817
- cash and instalment loans	3 403 108	1 958 080
- mortgages	12 801 969	5 808 913
- realised guarantees	551	0
- other receivables	15 772	10 746
Corporate customers	**8 637 921**	**6 974 465**
- overdraft facilities	1 839 291	1 574 485
- term loans	6 218 419	5 058 596
- purchased debt	47 031	25 587
- realised guarantees	3 682	1 368
- other receivables	529 498	314 429
Budget	**348 616**	**406 148**
- overdraft facilities	4 398	932
- term loans	344 218	405 216
- purchased debt	0	0
Various debtors (receivables recognized in other assets)	**113 269**	**94 747**
Total	**37 215 204**	**25 713 708**

Contingent liabilities granted	31.12.2008	31.12.2007
Financial	5 389 649	4 374 464
Guarantees	1 829 781	1 627 981
Total liabilities granted	**7 219 430**	**6 002 445**
Total assets and off-balance sheet items	**44 434 634**	**31 716 153**

In the fourth quarter of 2008, in view of the symptoms of slower economic growth, the Bank made decisions to tighten the credit policy for:

- instalment and cash loans by decreasing DtI (Debt to Income) ratio when calculating creditworthiness and by establishing additional restrictions concerning more risky types of customers and points of sale, what will contribute to the reduction of lending activities of Żagiel in 2009;
- mortgages by increasing the margin for loans in CHF and by decreasing LtV, what contributed to the reduction of lending activities already at the end of 2008, particularly in the case of loans in foreign currencies; in the fourth quarter, the value of extended loans amounted to PLN 1.5 billion, including PLN 1 billion of loans granted in October;
- credit cards to individual customers by targeting sale to the customers from the best risk group;
- living costs of households by introducing new, higher living costs to the evaluation of creditworthiness;
- corporate customers by reducing lending activities for higher rated customers and for customers from less risky industries;
- professional limits by reducing the number of available professional limits.

The significant depreciation of the Polish currency in the fourth quarter of 2008 resulted in unfavourable, for the Bank's customers, valuations of professional transactions and, what follows, in increased credit risk related to the possible inability to pay amounts due on the clearing date for the transactions.

The Bank introduced procedures to reduce the risk of open position on derivatives:

- professional limits are approved by the Bank's Credit Committee;
- professional limits (amount, period, product types) are set under a clear policy of granting such limits;
- daily reporting on professional limits for which the utilisation exceeds 80% has been introduced;
- regular reviews and assessments of customers' positions are carried out by the Bank's Credit Committee;
- when a professional limit is exceeded, a security deposit is required (this principle can only be circumvented with the consent of the Bank's Credit Committee);
- the possibility of extending maturing positions was limited;
- a 'special unit' was engaged to manage credit risk already at an early stage of the assessment of such a risk;
- the best practices code for the Bank's employees who sell professional products is applied;
- reducing credit risk concerning interest rate swaps by reducing positions to the actual financing delivered by the Bank to the customer.

Furthermore, as a result of the situation, the Bank restricted access to the above-mentioned transactions by reducing the number of professional limits.

Currency derivatives

	31.12.2008		Comparable data 31.12.2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Total balance sheet exposure, excluding banks	475 187	170 317	45 604	41 599
Net position aggregated at customer level, excluding banks	307 242	2 372	24 948	20 944

As at 31.12.2008, the Bank secured concluded currency contracts by freezing cash on the clients bank accounts in the total amount of PLN 36,098 thousand. As mentioned in section 7.7 of these financial statements, the valuation of derivatives also entails credit risk. In 2008, a charge for this item included in the Bank's income statement amounted to PLN 19 million. The charge concerned currency options.

75.2 Operational risk

The Group defines the operational risk as a possibility of an unexpected influence upon the financial result, as a consequence of maladjustment or unreliability of internal processes, people, technical systems as well as a consequence of external incidents.

To calculate the capital requirement for operational risk, the Bank applies the Basic Indicator Approach.

As a result, the Bank, inter alia:

- has specified roles and responsibilities of employees within this system;
- keeps a record of operational events and losses resulting from the operational risk;
- has the operational risk management system which is regularly reviewed by independent auditors.

The Bank took measures focused on the application of the standardized approach by, among others: enhancing the operational risk assessment system through systematic risk self-assessments (RSA) in particular business areas and risk management, through the implementation of action plans to reduce the risk and the measurement of risk using Key Risk Indicators (KRI). The aim is to effectively include the outcome of risk assessment in the monitoring and control process for Kredyt Bank's operational risk profile.

Operational risk coordinators, supporting the managers of business units, play a crucial role in the implementation of operational risk management tools and techniques. Managers of particular business lines are directly responsible for operational risk management.

The infrastructure of management and methodology are coherent within the Bank and its subsidiaries. Identification and operational risk rating tools are identical. The whole process is supervised by the Operational Risk Committee and the Bank's Management Board.

75.3 Market risk and ALM

Market risk is defined as a degree of the hazard to the Bank's financial standing resulting from adverse changes in market parameters (interest rates, exchange rates and prices of shares) and their market volatility.

The Bank does not trade on the stock market (investments in shares are long-term investments or investments in strategic subsidiaries). The Bank does not trade on commodity markets. In the Bank, among all types of market risks, we deal with interest rate risk and currency risk.

The Bank's activity is divided into two parts: Trading Book and Banking Book. Due to different nature of opened positions, the risk is monitored in each book separately.

75.3.1 Trading Book

The Trading Book is a separated part of the Bank's portfolio, where the Bank intends to generate income resulting from short-term changes in prices, interest rates, exchange rates or other market parameters. The main activity of the Trading Book is associated with financial instruments in PLN, and, to a lesser extent, also in USD and EUR.

Value at Risk (VaR) is the basic metric of risk in the trading portfolio. Value at Risk means such a value that the probability of the Bank's loss exceeding this value amounts to 1% (with assumed 99% level of significance – such a level was assumed by the Bank). Value at Risk (VaR) in the Bank is calculated by historical method in the time horizon of 10 days, taking into account market figures for the previous 500 days. VaR limit for the Trading Book overlaps Global VaR, which includes both the currency risk and the interest rate risk. All presented calculations of risk metrics for the Trading Book relate to the Bank's positions.

VaR (for the whole Trading Book, entails both interest rate risk and currency risk) – in EUR '000

	Limit	31.12.2008	Data for 2008		
			Average	Minimum	Maximum
VaR	3 000.0	1 257.09	1 173.89	353.20	4 611.33

Comparable data as at 31.12.2007

VaR (for the whole Trading Book, entails both interest rate risk and currency risk) – in EUR '000

	Limit	31.12.2007	Data for 2007		
			Average	Minimum	Maximum
VaR	3 000.0	1 100.42	508.06	175.86	1 212.45

75.3.1.1 Interest rate risk

Interest rate risk reflects a degree of a hazard to the Bank's financial standing arising from adverse changes in market interest rates.

Additionally, the level of interest rate risk is monitored and limited (by establishment of limits) against BPV (basis point value – price sensitivity to parallel shifts in interest rates on the yield curve).

All above-mentioned limits concern the total Trading Book. The Trading Book Unit in the Cash Processing Department managing the Trading Book is divided into two sections (with the primary term of instruments/transactions made on the interbank market as the basic division criterion): Short Term Desk and Long Term Desk. Internal VaR limits and stop-loss (maximum acceptable loss) restrict the activities of particular sections.

VaR for particular sections – in EUR '000

	Limit	31.12.2008	Data for 2008		
			Average	Minimum	Maximum
Short term Desk	1 300.0	1 031.91	912.33	366.68	1 794.54
Long Term Desk	1 300.0	291.96	262.75	101.35	828.87

Comparable data as at 31.12.2007

VaR for particular sections – in EUR '000

	Limit	31.12.2007	Data for 2007		
			Average	Minimum	Maximum
Short term Desk	1 300.0	472.86	324.09	96.87	825.02
Long Term Desk	1 300.0	319.03	378.40	84.05	1 039.42

In addition, the analysis of the sensitivity of the total Trading Book position to interest rate risk is performed through the calculation of interest rate risk VaR (with the same parameters as Global VaR, i.e. the significance range of 99%, 10-day time horizon and 500-day observation horizon). Interest rate VaR values are as follows:

VaR for the Trading Book – interest rate risk – in EUR '000

	31.12.2008	Data for 2008		
		Average	Minimum	Maximum
Trading	1 240.23	984.76	355.77	1 958.19

Comparable data as at 31.12.2007

VaR for the Trading Book – interest rate risk – in EUR '000

	31.12.2007	Data for 2007		
		Average	Minimum	Maximum
Trading	514.91	495.95	137.07	1 263.95

The interest rate risk analysis is supplemented by stress-testing which is the amount of possible loss due to extremely adverse (critical) changes in interest rates.

Interest rate options

The Bank also offers interest rate options. The Bank does not maintain options portfolio for its own account, i.e. it does not pursue speculative activities. Options on the inter-bank market are the options hedging the position resulting from transactions with customers. Therefore, the market risk in the portfolio of interest rate option transactions does not exist.

75.3.1.2 Currency risk

Position in currencies

Exchange rate risk is a degree of the risk for the Bank's financial standing resulting from adverse changes in exchange rates on the market. This risk covers income on currency exchange operations and measurement of open position in currencies resulting from the difference between the value of assets and liabilities in a given currency. The Bank's position in currencies is managed for the Trading Book and the Banking Book jointly. The Bank's position in currencies is managed in the Trading Book.

The daily analysis of the sensitivity of the total Trading Book position to currency risk is performed through the calculation of currency risk VaR (with the same parameters as Global VaR, i.e. the significance range of 99%, 10-day time horizon and 500-day observation horizon). Currency risk VaR values are as follows:

VaR for the Trading Book – currency risk – in EUR '000

	31.12.2008	Data for 2008		
		Average	Minimum	Maximum
Trading	343.88	462.00	17.49	4,472.25

Comparable data as at 31.12.2007

VaR for the Trading Book – currency risk – in EUR '000

	31.12.2007	Data for 2007		
		Average	Minimum	Maximum
Trading	810.23	118.93	2.57	864.57

In the event of the currency risk, ‘value at risk’ method is supplemented daily by stress-testing which is the amount of possible loss due to extremely adverse (critical) changes in exchange rates.

Currency options

The Bank also offers currency options. The Bank does not maintain options portfolio for its own account, i.e. it does not pursue speculative activities. Options on the inter-bank market are the options hedging the position resulting from transactions with customers. Therefore, the market risk in the portfolio of currency option transactions does not exist.

Below, we present the breakdown of balance sheet and off-balance sheet items by main currencies.

Consolidated balance sheet (as at 31.12.2008)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Assets							
Cash and balances with Central Bank	2 435	58 667	11 758	29 706	723 710	1 696	**827 972**
Gross loans and advances to banks	58 727	112 918	57 327	50 337	55 627	5 929	**340 865**
Impairment losses on loans and advances to banks	0	0	0	0	-2 261	0	**-2 261**
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	0	1 208	0	41 213	1 275 343	0	**1 317 764**
Derivatives	1 155	486 360	894	158 543	1 655 341	506	**2 302 799**
Gross loans and advances to customers	9 771 758	2 104 409	4 402	361 649	15 417 360	1 069	**27 660 647**
Impairment losses on loans and advances to customers	-11 481	-47 689	-4	-806	-867 113	-238	**-927 331**
Investment securities:	0	439 375	0	17 015	5 781 621	0	**6 238 011**
- available-for-sale	0	303 069	0	17 015	4 045 043	0	**4 365 127**
- held-to-maturity	0	136 306	0	0	1 736 578	0	**1 872 884**
Investments in associates valued using the equity method	0	0	0	0	10 131	0	**10 131**
Property, plant and equipment	0	0	0	0	421 866	0	**421 866**
Intangible assets	0	0	0	0	60 924	0	**60 924**
Goodwill on subordinated companies	0	0	0	0	36 052	0	**36 052**
Deferred tax asset	0	0	0	0	98 000	0	**98 000**
Current tax receivable	0	0	0	0	0	0	**0**
Non-current assets classified as held for sale	0	0	0	0	0	0	**0**
Investment properties	0	0	0	0	209 867	0	**209 867**
Other assets	0	8 941	52	3 385	122 968	24	**135 370**
Total assets	**9 822 594**	**3 164 189**	**74 429**	**661 042**	**24 999 436**	**8 986**	**38 730 676**

Consolidated balance sheet (as at 31.12.2008) (cont.)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	1 113 275	0	**1 113 275**
Amounts due to banks	4 189 836	4 405 177	246	512 155	3 007 857	9 742	**12 125 013**
Derivatives	1 062	406 760	438	147 719	1 333 886	356	**1 890 221**
Amounts due to customers	10 250	2 155 721	90 342	1 048 362	16 966 598	4 093	**20 275 366**
Issued debt securities	0	0	0	0	0	0	**0**
Liabilities arising from repurchase transactions	0	0	0	0	8 991	0	**8 991**
Current tax liability	0	0	0	0	52 303	0	**52 303**
Provisions	412	1 519	0	810	42 031	14 702	**59 474**
Deferred tax liability	0	0	0	0	855	0	**855**
Other liabilities	108	9 329	11	599	269 937	38	**280 022**
Subordinated liabilities	279 643	0	0	0	0	0	**279 643**
Total liabilities	**4 481 311**	**6 978 506**	**91 037**	**1 709 645**	**22 795 733**	**28 391**	**36 085 163**

Off-balance sheet items (as at 31.12.2008)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Off-balance sheet items							
Liabilities granted, including:	**567 253**	**1 292 027**	**8 553**	**277 795**	**5 047 748**	**26 054**	**7 219 430**
- financial	567 131	594 042	0	159 266	4 068 511	699	**5 389 649**
- guarantees	122	697 985	8 553	118 529	979 237	25 355	**1 829 781**
Liabilities received, including:	**98 049**	**900 563**	**0**	**86 515**	**741 813**	**2 359**	**1 829 299**
- financial	98 049	417 240	0	0	4 100	2 359	**521 748**
- guarantees	0	483 323	0	86 515	737 713	0	**1 307 551**
Liabilities related to the sale/purchase transactions	**10 905 738**	**16 087 606**	**54 682**	**11 229 499**	**240 786 811**	**28 185**	**279 092 521**
Other:	**1 632 397**	**184 899**	**0**	**96 982**	**3 375 231**	**44**	**5 289 553**
- collateral received	1 632 397	184 899	0	96 982	3 373 687	44	**5 288 009**
- other	0	0	0	0	1 544	0	**1 544**

Consolidated balance sheet (as at 31.12.2007 – comparable data)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Assets							
Cash and balances with Central Bank	1 335	38 923	11 380	17 266	541 500	1 286	**611 690**
Gross loans and advances to banks	39 333	1 070 042	12 420	431 335	890 872	12 350	**2 456 352**
Impairment losses on loans and advances to banks	0	0	0	0	-2 260	0	**-2 260**
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	0	2 348	54	28 489	434 136	0	**465 027**
Derivatives	32	73 207	580	64 242	356 796	238	**495 095**
Gross loans and advances to customers	2 843 145	1 325 299	1 968	155 446	13 126 602	3 724	**17 456 184**
Impairment losses on loans and advances to customers	-17 488	-38 891	-1	-12 449	-765 251	-247	**-834 327**
Investment securities:	0	330 656	0	13 963	5 137 716	0	**5 482 335**
- available-for-sale	0	272 910	0	13 963	3 150 296	0	**3 437 169**
- held-to-maturity	0	57 746	0	0	1 987 420	0	**2 045 166**
Investments in associates valued using the equity method	0	0	0	0	12 174	0	**12 174**
Property, plant and equipment	0	0	0	0	396 446	0	**396 446**
Intangible assets	0	0	0	0	67 212	0	**67 212**
Goodwill on subordinated companies	0	0	0	0	36 052	0	**36 052**
Deferred tax asset	0	0	0	0	150 658	0	**150 658**
Current tax receivable	0	0	0	0	1 309	0	**1 309**
Non-current assets classified as held for sale	0	0	0	0	767	0	**767**
Investment properties	0	0	0	0	219 509	0	**219 509**
Other assets	0	6 684	51	563	106 638	21	**113 957**
Total assets	**2 866 357**	**2 808 268**	**26 452**	**698 855**	**20 710 876**	**17 372**	**27 128 180**

Consolidated balance sheet (as at 31.12.2007 – comparable data) (cont.)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	1 101 661	0	**1 101 661**
Amounts due to banks	1 242 596	919 457	2 749	240 483	2 891 124	5 040	**5 301 449**
Derivatives	30	36 319	8 085	82 347	347 398	191	**474 370**
Amounts due to customers	8 299	1 513 117	144 301	1 152 739	14 267 674	2 508	**17 088 638**
Issued debt securities	0	0	0	0	0	0	**0**
Liabilities arising from repurchase transactions	0	0	0	0	50 126	0	**50 126**
Current tax liability	0	0	0	0	7 228	0	**7 228**
Provisions	145	1 365	0	0	159 524	0	**161 034**
Deferred tax liability	0	0	0	0	872	0	**872**
Other liabilities	9	5 702	39	431	265 720	362	**272 263**
Subordinated liabilities	0	394 235	0	0	0	0	**394 235**
Total liabilities	**1 251 079**	**2 870 195**	**155 174**	**1 476 000**	**19 091 327**	**8 101**	**24 851 876**

Off-balance sheet items (as at 31.12.2007 – comparable data)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Off-balance sheet items							
Liabilities granted, including:	**199 194**	**869 127**	**129 588**	**170 638**	**4 481 220**	**152 678**	**6 002 445**
- financial	198 972	328 257	804	63 268	3 781 367	1 796	**4 374 464**
- guarantees	222	540 870	128 784	107 370	699 853	150 882	**1 627 981**
Liabilities received, including:	**336 530**	**863 938**	**0**	**84 788**	**936 563**	**2 235**	**2 224 054**
- financial	336 530	82 893	0	17 332	463 451	2 235	**902 441**
- guarantees	0	781 045	0	67 456	473 112	0	**1 321 613**
Liabilities related to the sale/purchase transactions	**2 055 580**	**8 854 269**	**177 094**	**4 870 563**	**202 005 559**	**202 154**	**218 165 219**
Other:	**639 713**	**258 991**	**0**	**86 378**	**2 225 329**	**1 413**	**3 211 824**
- collateral received	639 713	258 991	0	86 378	2 223 785	1 413	**3 210 280**
- other	0	0	0	0	1 544	0	**1 544**

75.3.1.3 Capital market risk

The Bank does not operate on the stock market within the Trading Book.

75.3.1.4 Commodity price risk

The Bank is not active on the commodity market within the Trading Book.

75.3.1.5 Capital requirements

The capital requirements for the Trading Book as of 31.12.2008 and 31.12.2007 are as follows:

Capital requirements for the Trading Book (data in PLN '000')

	31.12.2008	Comparable data 31.12.2007
Equity securities price risk	0	0
Specific risk of debt instruments	0	22
General interest rate risk	44 308	46 748
Settlement risk and counterparty risk	101 423	15 622
Currency risk (total for the Trading Book and the Banking Book)	0	4 442
Total capital requirement in the Trading Book	**145 731**	**66 834**

An increase in the capital requirement for counterparty risk is an effect of increased exposure and changes in the calculation method for the requirement due to the implementation of Basel II principles.

75.3.2 Banking Book

The Banking Book covers operations not covered by the trading portfolio, i.e. commercial activities of branches, credit intermediaries and the portfolios of securities hedging the liquidity and constant interest income.

75.3.2.1 Interest rate risk

The Bank actively manages the interest rate risk for 5 main currencies of the balance sheet: PLN, EUR, USD, CHF, GBP.

An interest rate gap prepared separately for each currency is the basic measurement and risk-limiting tool in the banking portfolio. The following risk metrics are calculated on that basis:

- sensitivity of the measurement of assets and liabilities (BPV);
- duration;
- accumulated gap ratios.

An analysis of the interest rate gap applied in the interest rate risk management of the Banking Book is based on information on particular items of the Bank's balance sheet as well as off-balance items sensitive to changes in interest rates. In the case of financial instruments without defined maturity date (according to a stability analysis for each type of product), the Bank implemented the model of periodic deposits rollover. This approach towards products allows for effective management of risk associated with this type of instruments and for the generation of constant income from investments of these assets.

Stress-testing and VaR calculations are additional interest rate risk monitoring tools in the Banking Book.

Interest rate risk analysis

The interest rate risk analysis was conducted upon the following assumptions:

- a stable part of current accounts in PLN and of accounts in foreign currencies (EUR and USD) is cyclically invested for the period of:
    1. 8 years for PLN;
    2. 5 years for EUR;
    3. 2 years for USD.
- two stable portions are separated from savings accounts in PLN; the first portion is invested cyclically (monthly) for 6 months, and the second part is invested for 5 years (also monthly);
- unstable parts of current accounts in PLN, EUR and USD, and current accounts in other currencies are classified in the shortest time horizon;
- unstable parts of savings accounts in PLN and savings accounts in other currencies are classified in the shortest time horizon;
- the methodology of including free capital has changed – although free capital approved for the whole year is still invested cyclically for the period of 10 years (with $1/120^{th}$ of the free capital invested monthly), an excess or shortage compared to an actual amount of free capital is classified in the shortest time horizon, and the passive portion of the free capital portfolio is deemed as insensitive to changes in interest rates;
- benchmark is applied to non-working loans (40% - ON, 30% - 1M, 30% - 3M);
- loans are recognized in net terms;
- loans are presented according to repayment schedules;
- the gap report, apart from for nominal flows, also presents known future interest flows;
- each flow is divided proportionally into two parts which are classified in adjoining nodes of the curve;
- a cumulative gap is calculated from the longest to the shortest term periods.

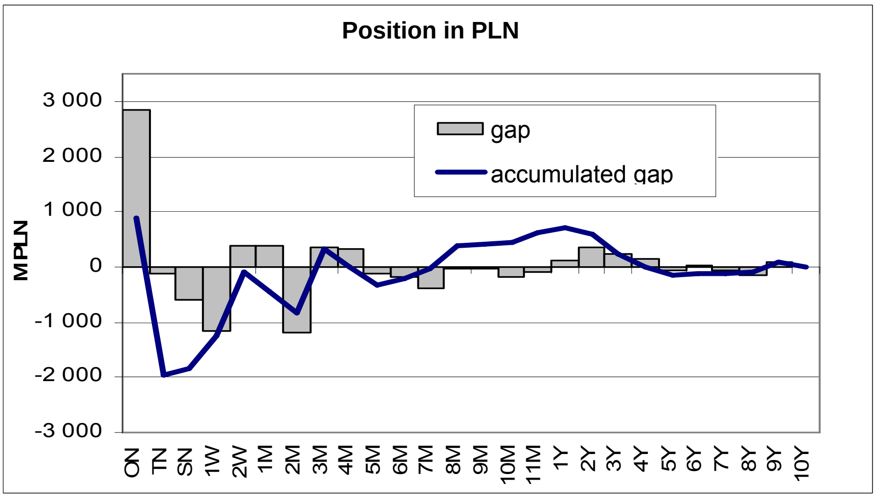
The interest rate gaps diagrams for the position resulting from the operation of branches (including derivatives used as hedging instruments) based on an internal system of transfer rates in particular currencies: PLN, EUR, USD, CHF and GBP, are presented below.

The diagrams present the mismatch between the repricing periods for assets and liabilities in time ranges: from ON time range (overnight) to 10Y time range (10 years). The accumulated gap presents the total mismatch for a given time horizon; the gaps are accumulated beginning from the most remote date. The most noticeable mismatch both in particular time ranges and accumulated ranges appear in time ranges up to 3 months. It is related to the structure of the Bank's balance sheet, namely customers' floating interest rate loans portfolio with repricing periods of 1 month and 3 months and the portfolio of overdraft facilities with an immediate repricing period are the main position affecting the interest rate gap.

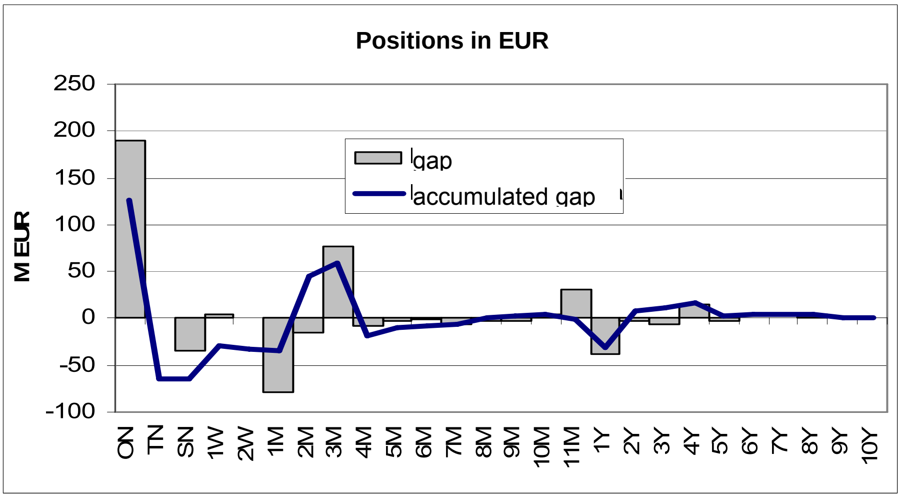
The Bank actively mitigates the risk resulting from the mismatch between balance sheet assets and liabilities, closing the positions with derivatives and applying hedge accounting.

Data for the Bank as at 31.12.2008:

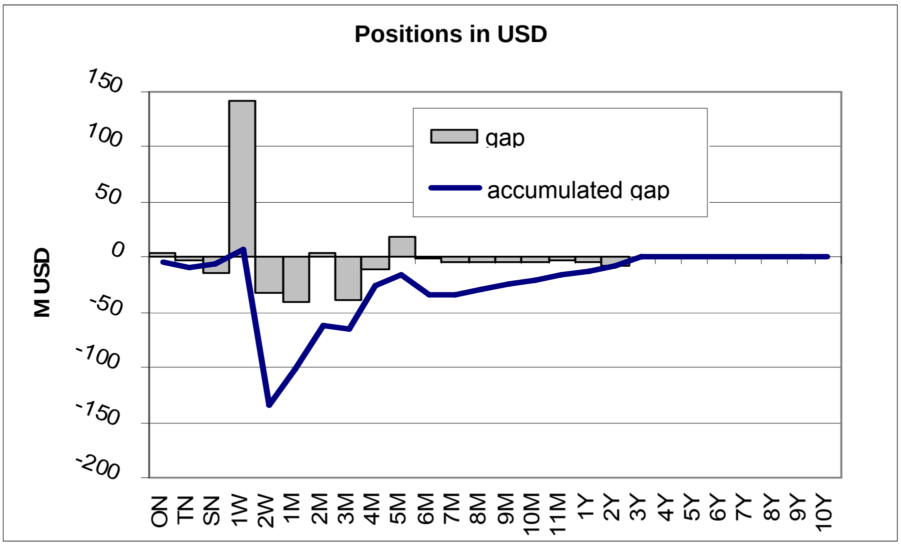
- PLN



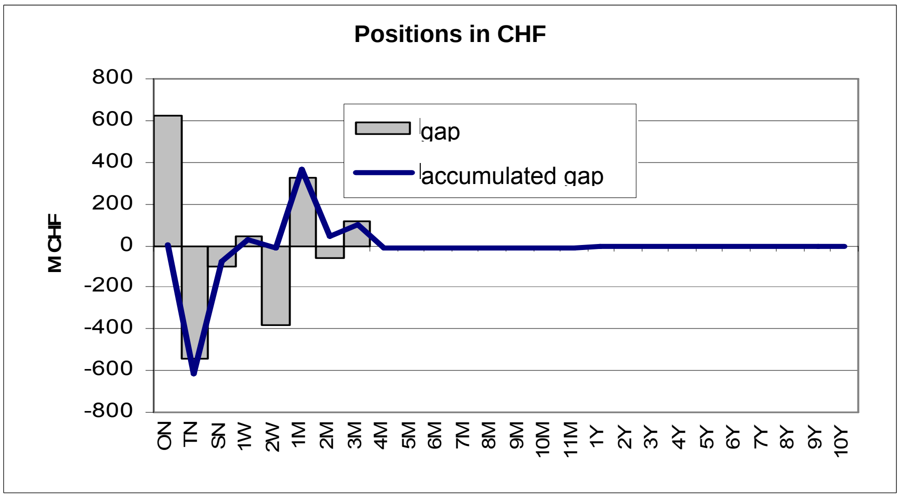
- EUR



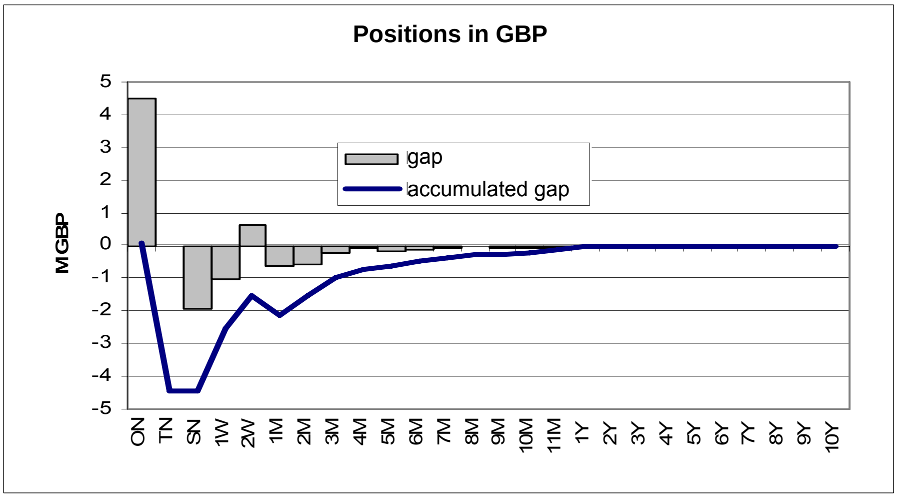
- USD


Positions in USD
M USD
150
100
50
0
-50
-100
-150
-200
gap
accumulated gap
ON
TN
SN
1W
2W
1M
2M
3M
4M
5M
6M
7M
8M
9M
10M
11M
1Y
2Y
3Y
4Y
5Y
6Y
7Y
8Y
9Y
10Y

- CHF

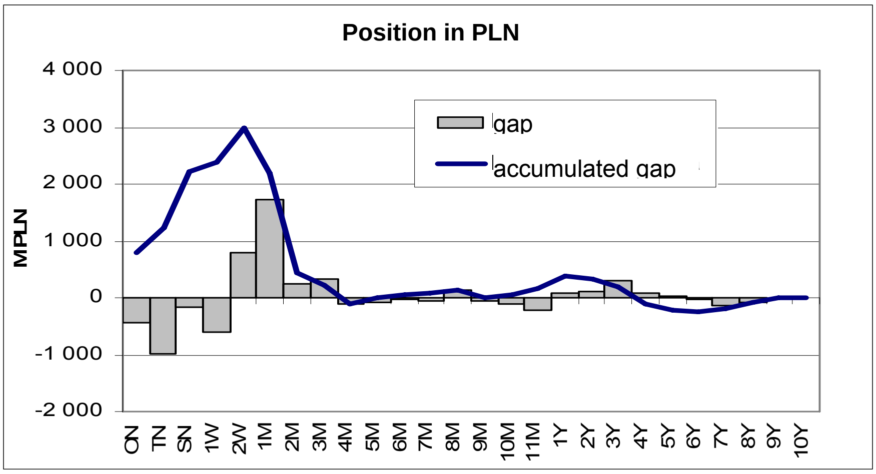

Positions in CHF
M CHF
800
600
400
200
0
-200
-400
-600
-800
gap
accumulated gap
ON
TN
SN
1W
2W
1M
2M
3M
4M
5M
6M
7M
8M
9M
10M
11M
1Y
2Y
3Y
4Y
5Y
6Y
7Y
8Y
9Y
10Y

-GBP

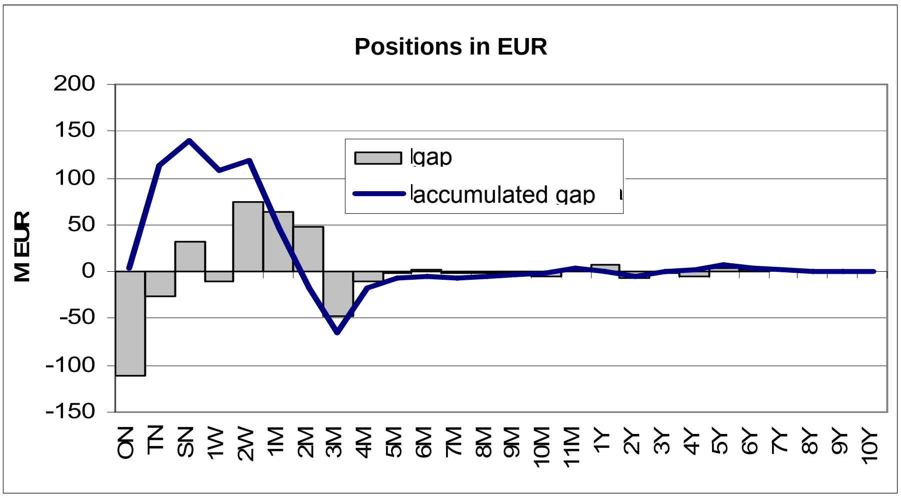

Positions in GBP
M GBP
5
4
3
2
1
0
-1
-2
-3
-4
-5
gap
accumulated gap
ON
TN
SN
1W
2W
1M
2M
3M
4M
5M
6M
7M
8M
9M
10M
11M
1Y
2Y
3Y
4Y
5Y
6Y
7Y
8Y
9Y
10Y

Comparable data for the Bank as at 31.12.2007:

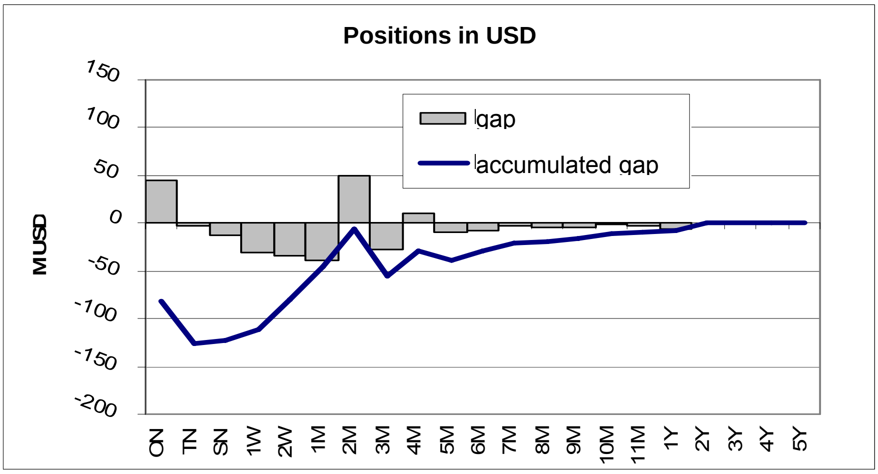
- PLN



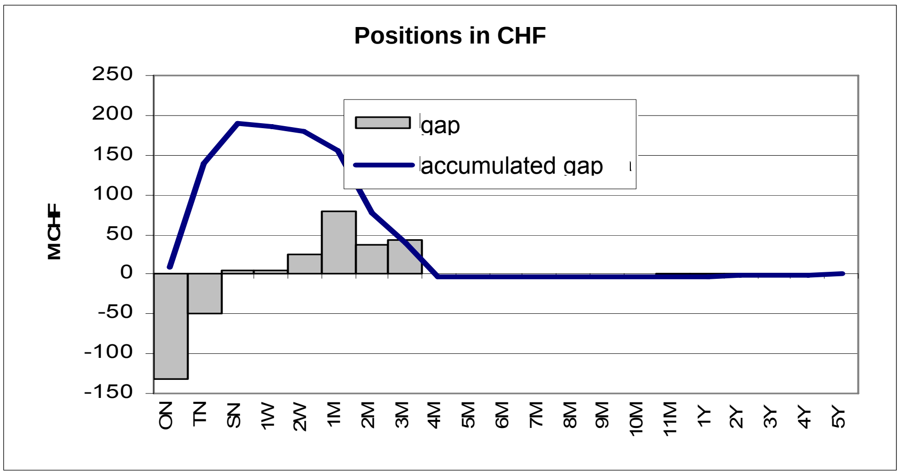
- EUR



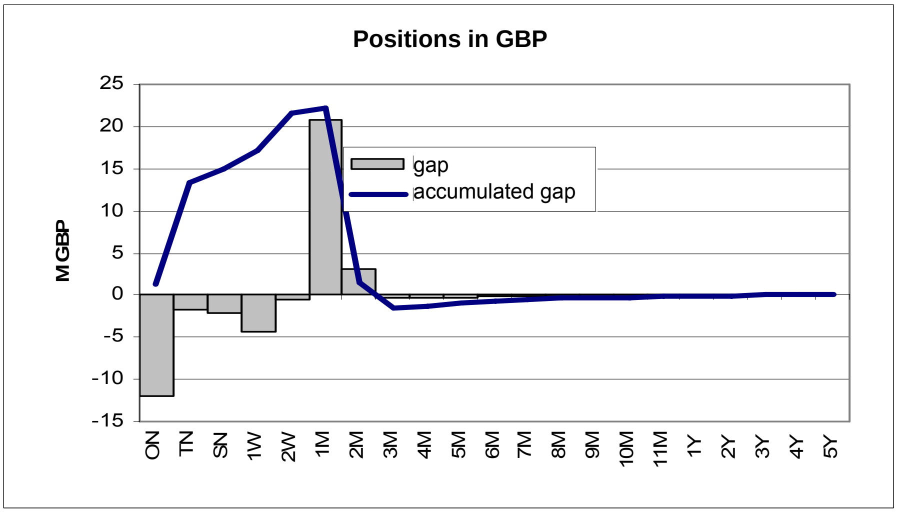
- USD



- CHF



-GBP



The tables below illustrate the Bank's basis point value (BPV) accompanied with the parallel shift in interest rates by 10 b.p. up for particular currencies.

Data as at 31.12.2008:

BPV in millions of a currency	1M	3M	6M	12M	3Y	5Y	Over 5Y	Total
PLN	-0.037	0.096	0.243	0.369	-1.401	-0.238	0.916	**-0.052**
EUR	0.008	-0.012	0.004	0.012	0.017	-0.104	-0.025	**-0.100**
USD	0.001	0.010	-0.004	0.020	0.014	0.000	0.000	**0.041**
CHF	-0.011	-0.020	0.001	0.003	0.014	0.006	0.000	**-0.007**
GBP	0.000	0.000	0.000	0.001	0.000	0.000	0.000	**0.001**

Data as at 31.12.2007:

BPV in millions of a currency	1M	3M	6M	12M	3Y	5Y	Over 5Y	Total
PLN	-0.169	-0.122	0.143	0.216	-1.223	0.065	1.019	**-0.071**
EUR	-0.008	0.004	0.003	-0.001	0.012	0.003	-0.017	**-0.004**
USD	0.006	-0.002	0.004	0.016	0.000	0.000	0.000	**0.024**
CHF	-0.007	-0.017	0.000	0.001	0.003	0.003	0.000	**-0.017**
GBP	-0.002	0.000	0.000	0.000	0.000	0.000	0.000	**-0.002**

The total BPV for the Banking Book is presented below. It is calculated as total BPV for particular currencies and portfolios; contrary to the Bank's basis point value in breakdown into particular time ranges presented above, the 'liabilities' portion of the Free Capital portfolio is not taken into account. It results from the BPV calculation methodology for limits and the assumption of the insensitivity of the 'liabilities' side of the Free Capital to changes in interest rates.

		31.12.2008	Comparable data 31.12.2007
BPV in millions of EUR (calculation to limit)	Present rules (effective since May 2007)	-2.055	-1.571

75.3.2.2 Hedge accounting

Fair value hedging accounting

In the second half of 2008, the Bank ceased to apply hedge accounting for fair value hedge for asset swaps. The purpose of hedge accounting was to hedge fixed interest rate bonds with an IRS, on which the Bank paid a fixed interest rate and received a floating interest rate.

Hedge accounting of cash flows

As at the end of 2008, the Bank continued to apply hedge accounting of cash flows for asset swaps which consists in hedging cash flows resulting from floating interest rate bonds (which involves the conclusion of an IRS in which the Bank receives fixed and pays floating interest flows).

At the end of 2008, the Bank also continued to apply hedge accounting as regards the part of the loans portfolio based on O/N rate and the part of mortgage loans based on 3M WIBOR. The first hedge consists in creating swap structure composed of a revolving OIS (the Bank pays cash flow based on O/N rate) and a standard IRS in which the Bank pays cash flow based on a floating interest rate adjusted to OIS maturity date and receives fixed interest flows. The hedged risk in this case is an interest rate risk resulting from a change in short-term interest rates. The second hedge involves the conclusion of IRS in which the Bank receives fixed and pays floating interest flows. Interest rate risk resulting from a change in the 3-month interest rate is the hedged risk in this case.

75.3.2.3 Currency risk

As mentioned above, the position in currencies is managed in the Trading Book. The positions related to the Bank's customers' transactions arising during the day are transferred, via internal transactions, to the Trading Book.

It should be noted here that the currency risk at Kredyt Bank is perceived not only as the risk occurring for an open position in currencies, but also as the risk of a change in the value of certain products as a result of changes in exchange rates. In particular, this risk occurs in the case of loans extended in foreign currencies. In order to mitigate credit risk, increasing in the case of the growth in the exchange rate of the loan currency (this also refers to loans granted in PLN, with its value indexed to the foreign currency exchange rate), the loans agreements for institutional customers contain clauses on the establishment of additional collateral or permit to translate the loan, when the customer does not generate income in the loan currency. Additionally, in order to hedge the exchange rate risk the customer is exposed to, derivatives (forwards, options) are offered to him.

In order to mitigate the currency risk on granting mortgages in a foreign currency to individual customers, the Bank, analysing the creditworthiness:

a) determines the value of the highest monthly interest and principal repayment instalment for the applied loan with the assumption that the principal of the applied loan is 20% higher;

b) the Bank calculates the maximum level of LtV *(Loan To Value)* ratio on a lower level than for loans in PLN (LtV ratio should be understood as the loan value/collateral value ratio);

c) additionally, the applicant is informed about the foreign exchange risk.

75.3.3 Liquidity risk

The liquidity risk is strictly associated with activities of any bank. It results, among other things, from the mismatch of assets and liabilities in terms of maturity dates what is a natural effect of varied customers' requirements as regards deposits and loans. Maintenance of financial liquidity, understood as the ability to timely meet financial liabilities, is the crucial element of the policy on assets and liabilities management applied by the Bank. The current liquidity is maintained through correcting the surplus or shortage of liquid cash by operations conducted on the interbank money market. The Bank's safety calls for the maintenance of liquid reserves as well as the term and quality structure of the whole balance sheet. Decisions related to liquidity risk management are made by the Bank's Assets and Liabilities Management Committee. The Risk Management Department measures and monitors strategic (long-term) liquidity.

The Bank hedges the liquidity risk by:

- maintenance of an appropriate level of cash, taking into account volume of statutory provisions;
- possession of a proper volume of portfolios of liquid securities (governmental bonds);
- performing transactions on derivatives;
- maintenance of a diversified portfolio of deposits as regards terms and customers;

- access to the interbank market and open market transactions;
- access to the lombard loan.

Support of KBC Group, the strategic investor, is a crucial factor affecting the safety of the Bank operations.

An analysis of the Bank's liquidity is performed mainly on the basis of the liquidity gap report and the assessment of the deposit base stability by, among others, monitoring the mismatch of the maturity dates of assets and liabilities, what makes it possible to forecast the demand for liquid assets and avoid excessive concentration of cash disbursements on a close date.

Amounts due to customers as at 31.12.2008 – contractual flows (interest flows according to the methodology of FSA (Financial Services Authority – the British financial regulator) are recognized up to 6 months); the stable part of savings and current accounts is recognized according to benchmark method.

Liquidity gap report

Data as at 31.12.2008 (in millions of PLN) – data for the Bank and the most significant companies in the Group:

	up to 1M	1 - 3M	3 - 6M	6M – 1Y	1Y - 2 Y	2Y - 3Y	3Y - 5Y	Over 5Y	Total
Current accounts/savings accounts	1 770.98	471.62	523.62	631.62	1 438.62	1 384.67	2 321.84	948.75	**9 491.72**
Deposits	4 691.00	3 036.83	1 469.60	1 387.19	75.60	95.44	200.50	1.01	**10 957.18**
Inter-bank deposits	2 940.29	2 314.83	39.58	275.77	0.00	0.00	0.00	0.00	**5 570.47**
Perpetual bonds and cash loans	35.72	32.82	54.09	0.00	1 844.66	2 634.85	2 037.17	279.91	**6 919.22**
LORO	38.00	0.29	0.47	0.00	0.00	0.00	0.00	0.00	**38.76**
REPO	203.50	924.15	0.00	0.00	0.00	0.00	0.00	0.00	**1 127.66**
Free capital*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 754.30	**1 754.30**
Other	0.04	54.65	0.00	184.89	0.87	0.00	0.00	0.00	**240.44**
Derivatives – cash flows to be received									
Swaps - sale	4 172.50	2 196.50	755.44	147.99	192.53	23.35	0.00	0.00	**7 488.30**
IRS/CCIRS	499.98	849.47	1 088.93	278.02	155.75	24.23	32.03	34.85	**2 963.26**
FRA	28.02	72.18	123.37	166.74	55.30	0.00	0.00	0.00	**445.62**
Derivatives – cash flows to be paid									
Swaps - purchase	4 216.03	2 237.56	716.80	155.55	173.81	19.88	0.00	0.00	**7 519.62**
IRS/CCIRS	443.40	692.16	1 028.09	279.91	148.63	20.14	27.10	31.98	**2671.40**
FRA	20.30	74.23	130.29	206.72	65.00	0.00	0.00	0.00	**496.54**
TOTAL	**9 658.76**	**6 720.98**	**1 994.79**	**2 528.90**	**3 343.62**	**4 107.40**	**4 554.58**	**2 981.10**	**35 890.13**

* equity net of current result less net property, plant and equipment (net of finance lease and operating lease), net intangible assets (net of finance lease and operating lease) and net value of interests in financial subsidiaries.

Comparable data as at 31.12.2007 (in millions of PLN):

	up to 1M	1 - 3M	3 - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	Over 5Y	Total
Current accounts/savings accounts	2 491.46	876.09	599.89	579.72	1 299.94	1 246.38	1 914.33	719.17	**9 726.98**
Deposits	6 280.46	1 196.28	546.74	393.41	18.37	2.44	260.56	1.28	**8 699.54**
Inter-bank deposits	2 376.90	131.77	57.54	0.60	0.00	0.00	0.00	0.00	**2 566.81**
Perpetual bonds and cash loans	13.39	24.99	432.25	0.00	0.00	861.26	1 846.31	0.00	**3 178.20**
LORO	23.71	0.17	0.27	0.00	0.00	0.00	0.00	0.00	**24.15**
REPO	50.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**50.10**
Free capital*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 535.23	**1 535.23**
Other	0.13	64.93	0.00	87.89	0.00	0.00	0.00	0.00	**152.95**
Derivatives – cash flows to be received									
Swaps - sale	2 485.64	123.92	14.43	114.26	0.81	0.00	0.00	0.00	**2 739.06**
IRS/CCIRS	426.32	389.10	761.63	505.54	0.00	0.00	11.51	26.19	**2 120.29**
FRA	13.44	25.50	41.13	51.87	16.17	-	-	-	**148.11**
Derivatives – cash flows to be paid									
Swaps - purchase	2 477.29	123.87	13.55	113.90	0.72	0.00	0.00	0.00	**2 729.33**
IRS/CCIRS	437.00	391.31	864.55	507.72	0.00	0.00	11.98	27.17	**2 239.73**
FRA	12.82	25.87	37.92	43.46	11.67	-	-	-	**131.74**
TOTAL	**11 237.86**	**2 296.76**	**1 735.52**	**1 055.03**	**1 313.72**	**2 110.08**	**4 021.67**	**2 256.66**	**26 027.30**

* equity net of current result less net property, plant and equipment (net of finance lease and operating lease), net intangible assets (net of finance lease and operating lease) and net value of interests in financial subsidiaries.

At the end of 2008, as compared to the end of 2007, the following changes in the structure of the Bank's financial liabilities can be observed:

- a decrease in the balance of current accounts and savings accounts (by PLN 1,365 million);
- an increase in the balance of deposits (by PLN 2,652 million);
- the amount of accepted inter-bank deposits increased by PLN 1,614 million;
- an increase in the balance of loans on the wholesale market (by PLN 3,077 million);
- at the end of 2008, the Bank reported REPO transactions in its balance sheet (PLN 1,128 million).

The Bank's financial liquidity is also monitored on the basis of a system of ratios reflecting the structure of liabilities and receivables for time ranges from 7 days to 5 years.

- Stock Liquidity Ratio (SLR) – short-term liquidity ratio (up to 5 working days);
- Liquidity Mismatch Ratio (LMR) – medium-term liquidity ratio (up to 3, 6 months);
- Coverage Ratio (CR) – liquidity ratio which informs about a degree of financing long-term assets with long-term liabilities (1, 2, 3 and 5 years).

The Bank's liquidity is also monitored with the set of regulatory liquidity ratios.

The Bank continues works on the methodology of making a liquidity gap report real. The process of making the gap real is aimed at presenting a true picture of liquidity; the Bank models customers' behaviour (the quantity of revolving term deposits, amounts of extended but still undrawn loans) and takes into account results of those analyses in the picture of the Bank's liquidity.

75.3.3.1 Regulatory liquidity ratios

On 1.01.2008, Resolution No. 9/2007 of the Commission for Banking Supervision of 13.03.2007 concerning the establishment of mandatory liquidity standards for banks came into effect. Since 30.06.2008, the Bank has been required to maintain the ratios listed in the said resolution above the established minimum limit.

Data for the Bank as at 31.12.2008:

	Assets	in PLN '000'
A1	Basic liquidity reserve	6 532 668.10
A2	Supplementary liquidity reserve	5 118 775.37
A3	Other transactions on the wholesale financial market	11 419 666.16
A4	Limited liquidity assets	26 989 782.88
A5	Non-liquid assets	444 664.61
	Liabilities	**in PLN '000'**
B1	Own funds less total capital requirements related to market risk, and to settlement risk and counterparty risk	2 395 476.81
B2	Stable external financing	27 404 747.41
B3	Other liabilities on the wholesale financial market	11 169 290.15
B4	Other liabilities	240 237.83
B5	Unstable external financing	11 091 833.30

	Liquidity ratios	Minimum value	Value
M1	Short-term liquidity gap: ((A1+A2)-B5)	0.00	559 610.17
M2	Short-term liquidity ratio:((A1+A2)/B5)	1.00	1.05
M3	Own funds to non-liquid assets: (B1/A5)	1.00	5.39
M4	Own funds and stable external financing to non-liquid assets and limited liquidity assets:((B1+B2)/(A5+A4))	1.00	1.09

75.3.3.2 Stability of financing sources

in PLN '000'	31.12.2008	31.12.2007
Loans and advances from KBC Group	6 763 261	2 750 710
- including loans and advances in foreign currencies	*4 991 104*	*1 513 882*
Term deposits	4 087 081	2 517 509
- including term deposits from KBC Group	*3 993 949*	*370 239*
Current accounts	1 271 449	28 114
Other amounts due	3 222	5 116
Total amounts due to banks	**12 125 013**	**5 301 449**
Subordinated liabilities *	279 634	394 235
Total	**12 404 647**	**5 695 684**

** fully denominated in a foreign currency*

The Group finances the lending activities (especially loans in foreign currencies) not only with deposits but also, to a large extent, with financing made available by the Bank's main shareholder – KBC. Borrowed loans and advances as well as received deposits will be renewed at their maturities, what enables the Bank to treat them as long-term financing.

The diversification of the deposit base allows for the Bank's clear independence of any specific market segment, customer group or specific deposit type.

	31.12.2008	Comparable data 31.12.2007
- individual customers	46%	51%
- financial institutions	16%	9%
- business entities	28%	28%
- budgetary sector	10%	12%
Total	**100%**	**100%**

A noticeable change in the structure of the deposit base by types of entities is an effect of the development of bancassurance and of the closer cooperation with TUnŻ Warta S.A. and TUiR Warta S.A.

	31.12.2008	Comparable data 31.12.2007
- current deposits	24%	28%
- negotiable term deposits	30%	34%
- term deposits	22%	10%
- savings accounts	24%	28%
Total	**100%**	**100%**

On the one hand, changes in the structure of the deposit base by types of deposits reflect the Bank's policy in the area of bancassurance and, on the other hand, change the Bank's policy concerning the products offered to individual customers, which took place at the end of the year (an increase in the balance of term deposits at an expense of the decrease in balances of current accounts and savings accounts).

The structure of term deposits (except for interbank term deposits and negotiable term deposits) is advantageous from the point of view of an initial maturity date. As at 31.12.2008 and 31.12.2007, it was as follows:

	31.12.2008	Comparable data 31.12.2007
- up to 1 week	11%	26%
- up to 1 month	2%	7%
- up to 3 months	32%	18%
- up to 6 months	37%	23%
- up to 12 months	15%	17%
- up to 24 months	1%	3%
- other	2%	6%
Total	**100%**	**100%**

	31.12.2008	Comparable data 31.12.2007
PLN	86%	83%
USD	5%	7%
EUR	8%	9%
GBP	1%	1%
CHF	0%	0%
Total	**100%**	**100%**

Signatures of all Management Board Members

date	19.02.2009	Maciej Bardan	President of the Management Board	....
date	19.02.2009	Umberto Arts	Vice President of the Management Board	....
date	19.02.2009	Lidia Jabłonowska - Luba	Vice President of the Management Board	....
date	19.02.2009	Krzysztof Kokot	Vice President of the Management Board	....
date	19.02.2009	Michał Oziembło	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	19.02.2009	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....

The Management Board's Report on the Operations of Kredyt Bank S.A. Capital Group in the Period Subject to the Consolidated Financial Statements for the Year Ended 31.12.2008

CONTENTS

1. Factors affecting the results of Kredyt Bank S.A. Capital Group in 2008

In 2008, Kredyt Bank S.A. Group generated the highest net operating income in the last five years amounting to PLN 1,635,881 thousand. It was higher than the figure in 2007 by 17.7%.

Net profit in 2008 amounted to PLN 324,917 thousand and allowed for ROE at 13.2% and ROA at 1.0%.

Selected financial ratios and figures	31.12.2008	31.12.2007	31.12.2006	31.12.2005	31.12.2004
Net loans and advances to customers	26 733 316	16 621 857	11 556 381	9 702 080	11 365 524
Amounts due to customers	20 275 366	17 088 638	15 807 263	14 553 624	14 061 105
Net operating income	1 635 881	1 390 104	1 220 367	1 220 113	1 379 611
Profit before tax	421 055	501 957	460 595	321 368	178 774
Net profit	324 917	390 539	468 090	415 878	156 840
ROE	13.2%	17.9%	24.8%	26.0%	14.5%
ROA	1.0%	1.6%	2.2%	2.0%	0.7%
CIR	67.5%	70.1%	76.2%	73.0%	76.5%
Capital adequacy ratio	8.8%	9.7%	13.7%	16.4%	14.7%
Loans and advances with evidence for impairment/total gross loans and advances	4.9%	6.6%	13.5%	28.9%	30.2%

The deduction of PLN 108,202 thousand of net impairment losses on financial assets, other assets and provisions from the profit for 2008, contrary to 2007, when the result for this year was increased by PLN 84,962 thousand (this category includes net income from the sale of receivables), was the most important factor which had an impact on the comparison of the financial results in 2007 and 2008.

Other, major factors which affected the financial result in 2008:

- Very good sale of loans, including mortgages and consumer loans. As compared to the end of 2007, net loans and advances to customers increased in nominal terms by 60.8%, i.e. by PLN 10,111,459 thousand, and by 131.3%, i.e. by PLN 15,176,935 thousand, as compared to the end of 2006. Positive sale-related trends allowed for the increase in the shares in the total loan market and in the mortgages market. At the end of 2008, the share of Kredyt Bank S.A. equalled 4.4% and 6.7% respectively (an increase against the end of 2007 by 0.6 p.p. and 1.7 p.p.).
- Improved acquisition of customers' cash as compared to 2007. As compared to the end of 2007, total amounts due to customers increased by 18.6%, i.e. by PLN 3,186,728 thousand, and by 28.3%, i.e. by PLN 4,468,103 thousand, as compared to the end of 2006.
- Focus on the increase in the result from the core banking business and on the maintenance of a higher growth rate for income than for expenses. Cost/income ratio in 2008 amounted to 67.5% and decreased by 2.6 p.p. as compared to 2007, and by 8.7 p.p. as compared to 2006. This ratio has been improving constantly, despite an increase in the costs of the expansion of

the distribution networks of both Kredyt Bank S.A. and Żagiel S.A. and an increase in telecommunications costs and IT costs related to the development of infrastructure and the need to upgrade IT systems.

- Net interest income was considerably higher than in 2007. The increase by 21.6% was affected mainly by the above-mentioned increase in the value of the loans portfolio.
- A considerable increase in net trading income. In 2008, it was higher than in the previous year by 35.1%. An increase in the sale of mortgages in foreign currencies and in the result on the foreign exchange were the main reasons.

The most important events and factors for the Group's operations in 2008 are as follows:

- Good business conditions persisting in the first three quarters of the year reflected in an improved economic situation of individual customers and in the fast development of the household loans market.
- The development and implementation of an effective mortgage sale process, which resulted in the increase in the value of the loans portfolio.
- Further development of the consumer finance segment including, particularly, increased sales and further reorganisation and expansion of the distribution network of Żagiel S.A.
- Closer cooperation within KBC Group in Poland, primarily in the area of bancassurance in collaboration with WARTA Group. Good results of the sale of 'WARTA GWARANCJA' insurance term deposit – a product which offers customers an alternative to traditional bank term deposits by combining investments with an insurance cover – were one of the effects of this cooperation.
- Ensuring financing of the further development of lending activities through the access to the resources of KBC Bank NV, the major shareholder of Kredyt Bank S.A.
- Further restructuring and debt collecting activities, which, when combined with a considerable increase in new loans, resulted in improved quality of the loans portfolio. At the end of 2008, the share of loans and advances with evidence for impairment in total gross loans and advances amounted to 4.9%, as compared to 6.6% at the end of 2007, 13.5% as at the end of 2006 and 28.9% at the end of 2005.
- Finalisation of the expansion of Kredyt Bank S.A.'s network.

2. Business conditions in Poland and the banking sector in 2008

Overall economic conditions in Poland in 2008

We witnessed the most difficult year in the Polish economy in many years. Following three quarters of declining, though still dynamic growth, in the last months of 2008, macroeconomic conditions deteriorated drastically. Another severe wave of the crisis on financial markets brought about a shock response of European companies and consumers, and the collapse of the internal demand at Poland's major business partners translated into a dynamic reduction of activeness in the Polish economy. The worse economic situation hit the industry first, however, we should assume that the halt of the growth in the EU will result in far-reaching implications for the state of the whole economy. Due to the persisting and difficult access to external financing, an increased aversion to risk and the depreciation of the Polish zloty, the majority of Polish banks decided to radically restrict access to loans. The perspective of further restriction of the portfolio of orders (also of domestic orders) and difficult access to financing translated into the halted growth rate of investments. As a result, the economic growth, according to preliminary estimates, declined in the fourth quarter to slightly less than 3.0% y/y and was driven almost solely by the still growing consumer demand.

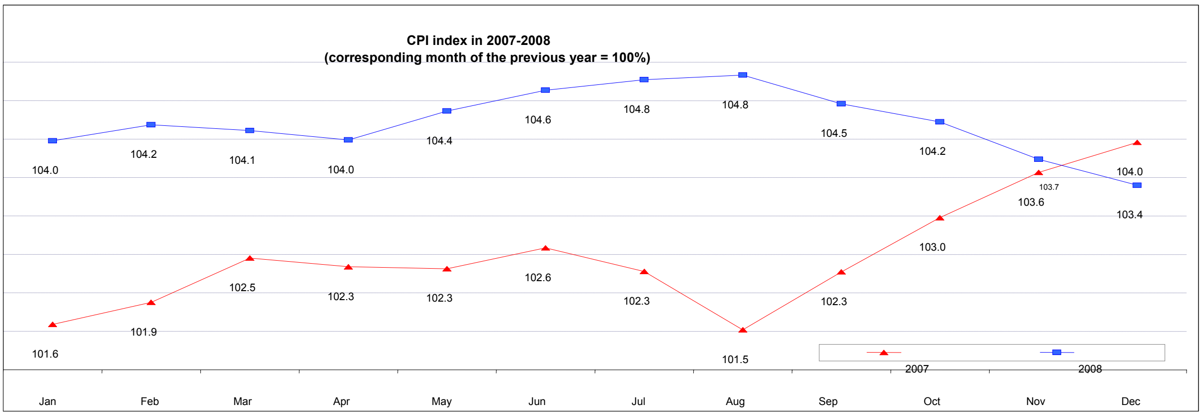
Perspectives for the successive two years do not seem to be optimistic. Due to the risk of prolonged/deeper recession in the Eurozone and having regard for the effects of the probable freeze of the lending activities in further quarters, we may expect a further, fast decline in the GDP growth rate. The expected freeze of investment processes in enterprises suggests that, despite a continuing flow of funds engaged in the EU infrastructure projects, the growth rate for spending on property, plant and equipment will probably decline and remain below zero throughout the year. As a result, for the first time in many years, the share of investments in GDP will diminish. Although, for the major part of 2008, the economic slowdown was not yet deep enough so as to limit the demand for labour in a noticeable way, however, the end of the previous year was marked by fast slowdown in the employment growth rate. Furthermore, figures from the beginning of 2009 suggest that the future to come will bring about the intensification of negative (from employees' viewpoint) trends on the labour market. The decline in the number of employees, increased unemployment and limited pressure on wages will also make the real purchasing power of consumers, which so far has been the main driver of the economic growth, weaker, despite lower inflation rate. This trend will be counteracted by advantageous changes in personal income tax and, to a more limited extent, the annual indexation of social benefits; however, taking into account pessimistic consumer views on a future economic situation, it seems probable that the limitation of the present consumption may prove to be deeper than the limitation resulting from the worsening of the situation on the labour market alone.

Unfavourable economic conditions and the fast deterioration of expectations concerning economic growth in the quarters to come was a turning point from the point of view of perspectives for inflation and, as a result, turned out to be a key argument for the Monetary Policy Council, which, in November, launched an aggressive campaign of interest rates cuts.

The major factors having a positive impact upon the macroeconomic environment are as follows:

- declining pressure of demand;
- a reduced growth rate for food and energy prices;
- a relatively safe deficit on the current account;
- (still) positive GDP growth on a year-to-year basis;
- the determination declared by the government to maintain the discipline in public finances.

In the first half of 2008, consumer prices rose faster than in previous years (on a year-to-year basis), what was a direct effect of an increase in prices of food and energy. The unprecedented improvement on the labour market was at the same time a source of stronger pressure of demand. A decline in prices of energy media and a reduced food prices growth rate resulted, however, in the reversal of the upward trend for inflation (also base inflation) in the second half of 2008. The year-to-year inflation rate declined in December to 3.3% y/y, i.e. below the upper limit for the permitted range of fluctuations around the inflation target of the National Bank of Poland (2.5% y/y +/- 1 p.p.). Coming months will bring about a further inflation decrease, which will be reflected both in limited pressure of demand and in relatively stable prices of fuels and food. The annual growth rate for consumer prices may return to the range of the NBP's target as early as in the mid-year period.



The following factors are listed among the worrying macroeconomic trends and negative phenomena:

- deepening recession at our major business partners;
- limited access to external financing;
- halted investment processes;
- unsatisfactory absorption of EU funds;
- reducing high financial profitability of enterprises.

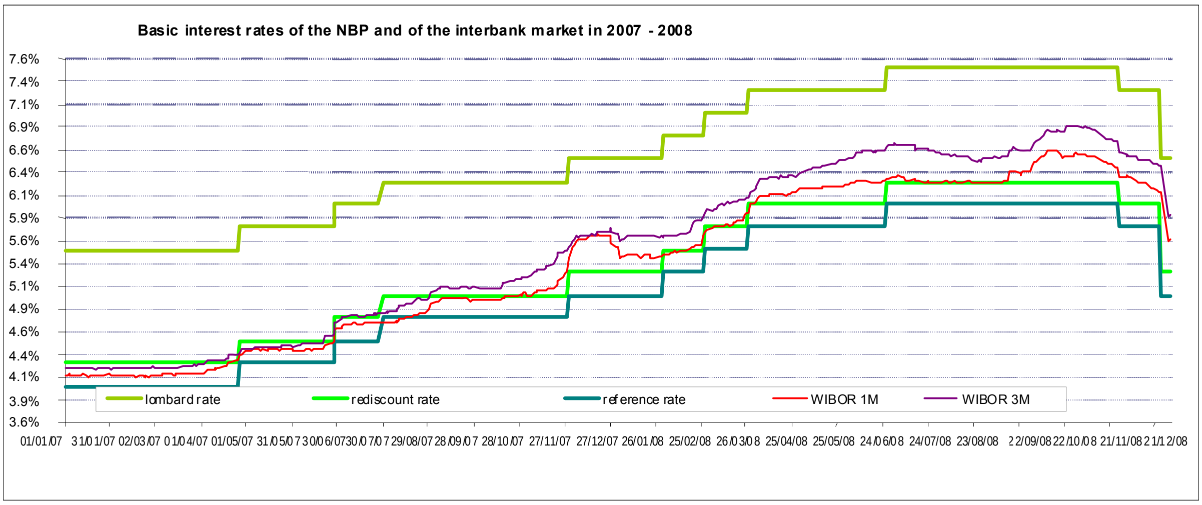
The maintenance of the share of investments in GDP is the key issue and, at the same time, the main threat for the maintenance of the positive economic growth rate in medium term. Having regard for unfavourable changes in the external environment and a probable further decline in consumer demand in Poland, the effective use of aid funds from the European Union and measures taken to heal the situation on financial markets, what would result in greater access to sources of external financing, will be of particular importance in this respect.

Monetary policy of the National Bank of Poland (NBP) in 2008

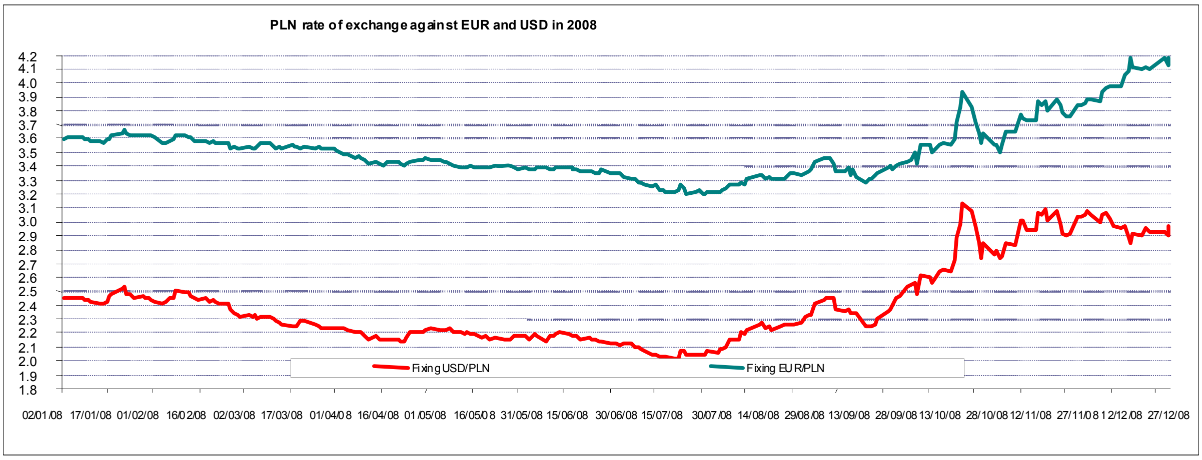
Since November 2008, the Monetary Policy Council carried out a series of three cuts of basic interest rates (by the total of 175 b.p.), hence launching the first, within the last four years, cycle of monetary policy easing . This move, as the previous ones, was anticipatory in nature and was a response to the fast-improving balance of risks for future inflation, what, in turn, resulted mainly from rapid weakening of medium-term perspectives for economic growth. Unfortunately, in view of the persisting lack of trust among the market players (banks), the monetary transmission mechanism does not function properly. Although aggressive decreases translated into a decline in interest rates on the inter-bank market, the cuts were not reflected in them fully. The ineffectiveness mentioned above, on the one hand, invites to pursue a more aggressive monetary policy (faster and deeper interest rates cuts), but, on the other hand, having regard for the risk of the depreciation of Polish zloty, suggests looking for other possible instruments to stimulate the economy. In this situation, the decline in the rate of statutory provisions from the present 3.5% to 2% seems to be probable in the medium term.

At the end of January 2009, the basic interest rates of the central bank were as follows:

- reference rate – 4.25% p.a.;
- lombard rate – 5.75% p.a.;
- rediscount rate – 4.5% p.a.;
- NBP deposit rate – 2.75% p.a.



Despite the turmoil on financial markets caused by the mortgage crisis in the USA, in the first half of the previous year, Polish zloty appreciated both against euro and the US dollar weakening against major currencies. Another harsh phase of the crisis on financial markets in the middle of the year diminished, however, the trust of investors in economies of Central and Eastern Europe, hence triggering the dynamic correction on the home foreign currencies market which has continued till now. Very low liquidity persisting on the market also contributed to increased volatility of rates of exchange. At the end of January 2009, 1 euro was worth PLN 4.44, and 1 US dollar – PLN 3.46.



Perspectives for the economy in 2009

Further quarters will probably bring about a further decline in the economic growth rate. The scenario, which in autumn seemed pessimistic (a decrease in the GDP growth rate to ca. 1.5% y/y), since then have become the most probable variant. Furthermore, having regard for the rate and the scale of the deterioration of the economic conditions in the Eurozone economy and a declining probability of the fast recovery of trust on global financial markets, the balance of risks for the above forecast remains explicitly negative. Simultaneously, due to the dynamically changing macroeconomic environment, the forecasts are now burdened with an extremely high risk.

A consumer demand will be the major (and, in fact, the sole) driver of the economic growth in 2009. Due to the large home market, private consumption may, admittedly, become a stabilizer of economic growth, however, one should not expect that its strength will not be affected in view of deepening negative trends on the labour market and worse consumers' vibes.

Lower activeness in enterprises, combined with a persisting trend of labour productivity decline, indicates the need to adjust wages and employment. Further quarters will probably bring about a decline in demand for labour, which, in turn, will reduce pressure on the rise of wages and, in the long run, will result in reduced inflational pressure of demand. Assuming the stabilisation on the market of food and fuels, the inflation in the mid-year period should revert to the level equal to or below the level of the NBP target, i.e. 2.5% y/y. The lack of pressure on wages will be reflected in declining base inflation.

In view of persisting aversion to risk, predictions concerning the behaviour of the rate of exchange of Polish zloty in 2008 are burdened with an extremely high risk. On the one hand, fundamental factors (declining, but still positive, economic growth, high interest rates, relatively safe deficit on the current account, and expected flows of funds from the EU, a part of which will find their way to the market in the years to come) indicate that at present Polish currency is extremely underappreciated. According to estimates, the long-term equilibrium rate of exchange is ca. 4.00 EUR/PLN. On the other hand, in the short and medium terms, the lack of liquidity on the market results in the Polish zloty being vulnerable to speculative attacks and, in consequence, to further depreciation.

Banking sector in 2008

The year 2008, when evaluated from the perspective of expanding global crisis trends, may be deemed as a good one for the Polish banking sector. After three quarters of 2008, the results of the banking sector were again record-high[1], however, in the last quarter, their growth rate declined radically. External factors, stemming from huge losses of certain financial institutions operating on a regional or a global scale, what resulted in extreme disturbances in the operation of financial markets and in reduced trust between their players, were the source of risk for the Polish banking sector and the whole Polish economy. Finally, it resulted in the transfer of crisis phenomena outside the financial sector (e.g. due to limited lending activities) and shaped the perspective of global recession.

An analysis of annual volumes does not show any material slowdown in the banking sector. It rather reflects pre-crisis trends. As in previous years of the cycle, the expansion on the market of household loans was the basic manifestation of business conditions. In three quarters of 2008, the average monthly increment of receivables volumes amounted to 3.1% (cf. 2.7% the year before). It was achieved mainly due to record-high results of the sale of mortgages (214.7 thousand loan agreements for the total amount of over PLN 41.6 billion). The nominal increase in loans volumes in the last months of the year was under the influence of exchange rate-related factors[2]. The average monthly increment of receivables volumes in the fourth quarter amounted to 4.8%. At the end of the year,

[1] According to figures published by the Polish Financial Supervision Authority (in incremental terms), the sector of monetary financial institutions ended the third quarter with net profit of PLN 12.7 billion. It was higher by 20.7% than net profit generated in the corresponding period of the previous year. At the end of the third quarter of 2008, ROE was at the level of 26% against last year's 26.2%.

[2] The effects of the turmoil on the global financial markets became visible on the Polish market in 2008 as share price falls on the Warsaw Stock Exchange, but also as rapid depreciation of the Polish zloty against EUR, USD and CHF. Due to foreign exchange effects, annual growth rates for loans do not reflect the situation on the market completely.

mortgages of individuals accounted for almost 52% of household debts in banks. Since the third quarter, the sector began to suffer from liquidity problems, which were escalated by the lack of trust on the inter-bank market and greater exchange rate fluctuations. In the end, banks began to adjust the conditions of the lending activities (e.g. an increase in margins, eliminating or restricting the criteria for extending loans in foreign currencies).

In 2008, banks upheld high activeness level on the consumer finance market, which is conditioned by the demand for durable goods and the improvement of the economic situation of customers. At the end of 2008, the annual growth rate for consumer loans exceeded 31%. Debts of institutional entities in the banking sector increased by 26% on an annual basis. The statistical increase in the value of loans extended to enterprises, despite the signals of the 'trust crisis', resulted, to a great extent, from the revaluation of receivables in foreign currencies.

The development of the lending activities was financed with term deposits from the inter-bank market (and with foreign liabilities), but, first of all, with the growth of customers' deposits. In the third and the fourth quarters, the liquidity of the wholesale market deteriorated radically, what forced banks to revert to traditional sources of financing its activities. As a result of fierce price competition for deposits (supported with advertising campaigns in the mass media) and the bear stock market[3], the annual growth rate for banking savings of households amounted to 26%[4]. The institutional sector (non-banking) recorded a relatively lower growth rate (+13% y/y).

The loans/deposits relations (non-financial sector) became a measure of the growing structural liquidity gap in the sector. The scale of the imbalance growth is reflected in the change in this relation – from 102% at the end of 2007 to 115% after three quarters of 2008.

Summing up, the situation of the banking sector in 2008 was relatively favourable and stable. Nevertheless, in further quarters, the signs of deteriorating business conditions were escalating. Although the annual high results of the banking sector correspond with good macro conditions in previous periods, as regards the results for the fourth quarter, the effect of the accumulation of risks (mainly in the lending activities) resulting from the deficit of trust of the financial market players, was already visible.

3. The strategy of Kredyt Bank S.A. Capital Group

The Group's main strategic objective is to increase the number of its customers and the share in the banking services market in Poland. The chief assumption is to improve the effectiveness of operations and generated returns without an increase in the operating risk. Having regard for the high cost of the external growth in Poland, Kredyt Bank S.A. Capital Group prefers the business model which involves organic growth. However, it does not mean that the internal growth will not be supplemented by acquisitions of entities from the financial sector. The following areas will be key for the implementation

[3] Following the collapse of the upward trend in the fourth quarter of 2007, the importance of the stock exchange and investment funds societies for the level and structure of household savings has been declining on an ongoing basis. The value of net assets invested in investment funds decreased in 2008 by almost 45%.

[4] A factor which increased the attractiveness of bank deposits and stabilised the deposits base was an increased (from 28 November 2008) limit of guarantees for cash deposited in banks by one depositor up to the equivalent of EUR 50 thousand. The funds are 100% guaranteed.

of the strategy of Kredyt Bank S.A. Capital Group in 2009: liquidity management, capital adequacy, credit risk and profitability.

The Group's strategic goals:

In Retail Segment:

- cross-sale of banking and insurance products addressed to the present customers of Kredyt Bank S.A. Group and WARTA S.A. Group;
- focus on mass customers and upper mass customers;
- development of the offer and cooperation with SMEs;
- increased share in the deposits market.

In Corporate Segment:

- focus on services to medium-sized companies, including customers of other KBC Group's members operating in Poland;
- focus on the increase in customer relations efficiency.

Methods of the goals accomplishment:

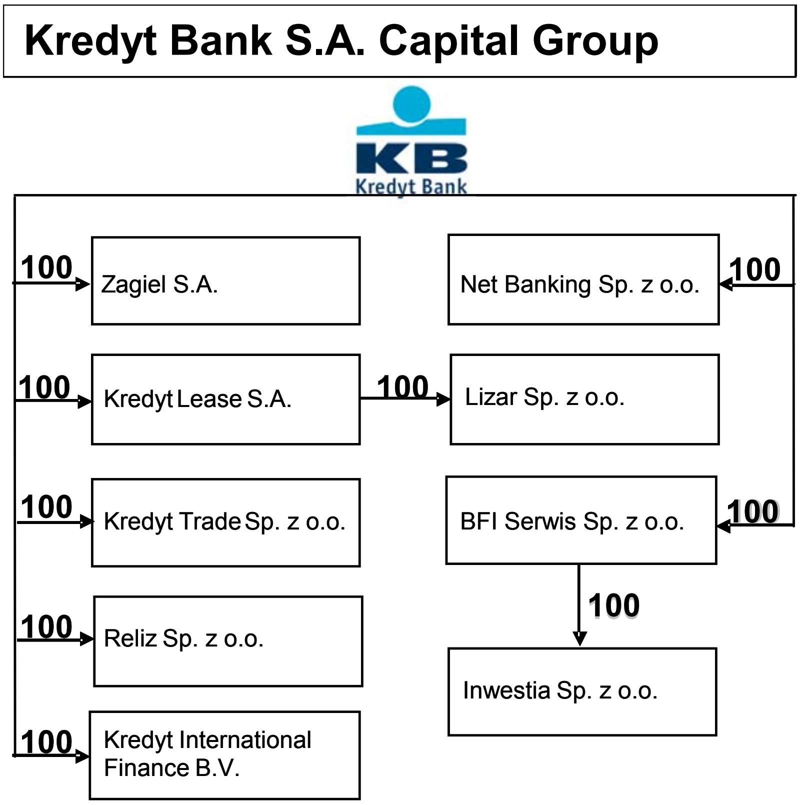
- close cooperation with entities of KBC Group in Poland to provide the customers with a complete, professional and modern offer of financial services with limited costs of its development; particularly, further implementation of the bancassurance model in cooperation with WARTA S.A. Group on the basis of the major shareholder's experience; further cooperation regarding the distribution of banking and insurance products;
- focus on deposit products, striving to balance customers' receivables and liabilities to a greater extent;
- further development of lending activities conditioned by the growth rate for the deposits base;
- taking advantage of revolving long-term financing made available by KBC Group, the Bank's major shareholder;
- limitation of credit risk through tightening credit policy, focusing on the cooperation with reliable, tested customers and the development of the customer standing monitoring system (an early warning system);
- in terms of retail loans, focus on less risky customer segments and products which ensure higher margins: overdraft facilities, cash loans and credit cards;
- in terms of the acquisition of financial resources of retail customers, focus on a portfolio-oriented approach which will facilitate easy and flexible customers' access to various investment options;
- in the corporate segment, focus on the development of the sale of products supplementing the traditional loan and deposit offer, such as: cash processing, trade financing and leasing. Expanding cooperation with existing customers;
- implementation of a new cost management model to align matching of costs to the existing potential for generating income. Decreasing the level of fixed costs, increasing the share of variable costs;
- implementation of a comprehensive staff management system; from recruitment, through development and appraisal, to the aspects of an incentive system and a payroll structure;

- improvement of the effectiveness of the major customer service processes, increasing the effectiveness of the existing network, high quality of services and customer satisfaction;

4. The structure and description of Kredyt Bank S.A. Capital Group

4.1 The Group's structure, investment plans, related party transactions

Kredyt Bank S.A. Capital Group is composed of legally separated business entities, whose operations are closely coordinated. The capital relations linking the Group, defining the nature of the relationship, are strengthened by business relations, contracts, a joint product offer, controlling functions performed by the Bank over the operating and financial policies as well as a transfer of management staff and know-how. The Group's companies and ownership structure as at 31.12.2008 were as follows:



As of 31.12.2008, the following companies were consolidated with the full method: Kredyt Lease S.A., Kredyt Trade Sp. z o.o., Żagiel S.A. and Reliz Sp. z o.o.

Due to the immateriality of their operations and financial figures, the Group does not consolidate financial statements of the following entities: Lizar Sp. z o.o., Kredyt International Finance B.V., Net Banking Sp. z o.o., BFI Serwis Sp. z o.o. The General Meeting of Shareholders of Kredyt International Finance B.V. (KIF B.V.), based in Amsterdam, adopted a resolution on the launch of the liquidation procedure for KIF B.V. on 15.07.2008. On 12.01.2009, the company was deleted from the court register.

Investment plans, including equity investments

One of the basic objectives of the Group's strategy is to increase its share in the financial services market. It may be accomplished through equity investments in entities from the financial sector. In each such potential case, undertaken measures are lawful and analysed in terms of economic and organizational conditions. According to the Group's development strategy which provides for the incorporation of a universal banking and insurance group, the Bank will focus on operations other than investment banking.

As at 31.12.2008, equity investments made outside the Group were mainly investments in shares of such companies as KIR S.A., BIK S.A., G.P.W. S.A., SWIFT and of companies acquired in the course of debt recovery and restructuring processes. As at 31.12.2008, their share in the Group's balance sheet was immaterial. A detailed list of equity investments in subsidiaries, associates and entities valued with the equity method is presented in section 6 and Note 37 to the consolidated financial statements of Kredyt Bank S.A. Capital Group for 2008.

Related party transactions

Apart from the transactions described in section 4.4 'Events and contracts material for the Group's operations in 2008', in the said period, no significant non-standard transactions had place with related parties whose total value, in the period from the beginning of the financial year, would be equal to or exceed PLN equivalent of EUR 500 thousand, and whose nature and terms were not related to current operations. Transactions volumes and related income and expenses are presented in Note 59 to the consolidated financial statements of Kredyt Bank S.A. Capital Group for 2008.

4.2 Shareholding structure of the Group's parent company

As at 31.12.2008, the Bank's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares with the nominal value of PLN 5.00 each. The Bank's shares are registered shares and bearer shares; they are not preference shares and each share entitles its holder to one vote at the Bank's General Meeting of Shareholders. All the Bank's shares are admitted to public trading on the regulated market. In comparison with share capital as at 31.12.2007, the Bank's share capital did not change.

The Bank's Management Board is not aware of any contracts under which the proportion of shares held by existing shareholders may change in the future. The table below presents Shareholders of Kredyt Bank S.A. holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 31.12.2008.

Shareholder	Line of business	Number of shares and votes at GMS	Share in votes and in share capital (in %)
KBC Bank N.V.*	Banking	217 327 103	80.00
KBC Securities – related party of KBC Bank NV *	Brokerage house	6 890 966**	2.54
Sofina S.A.	Investment company	15 014 772	5.53

** By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V. is entitled to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.*

*** A memorandum from KBC Bank NV of 6 May 2008.*

On 18 December 2007, the Management Board of Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. ('PPIM' based in Warsaw) that, on 17 December 2007, PPIM had held over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. concerning the financial instruments included in the portfolios managed within the services of managing broker-traded financial instruments upon order provided by PPIM and in performance of the agreement on the management of broker-traded financial instruments upon order, concluded between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM.

The quotations of shares of Kredyt Bank S.A. at the Warsaw Stock Exchange

Stock markets of emerging economies, including Poland, suffered particularly strongly due to global economic deterioration. Companies of all quoted industries and sectors recorded long-term share price declines at the Warsaw Stock Exchange (WSE). As a result, in 2008, shareholders of these companies experienced high negative rates of return. The share price of Kredyt Bank was also on the decrease; shares were valued relatively lower than the market. On an annual basis, the share price of KB S.A. declined by 51.8%. The reduced shares trading volume for KB S.A., resulting from a relatively low free-float, also affected the volatility of the share price. The annual change in WIG index was at the level of –51.1%, in WIG-20 index at the level of –48.2%, and in WIG-Banks sectoral index at the level of –44.8%.

From the perspective of 2008, it is clear that both the stable financial standing of Kredyt Bank S.A. as well as the good condition of the whole financial services industry ceased to play a significant role in the valuation of the shares of KB S.A. The condition of the stock exchange and vibes affecting investment decisions, which deteriorated month by month, were the key factor. Substantial declines on global markets resulted in slumps on the Polish stock exchange, despite the consensus of analysts as regards 'strong foundations' of our economy. A systematic outflow of funds from investment funds societies, invested in the period of the bull market in equity funds and balanced funds, deepened the pressure on the decline of indices.

The Bank's market value at the closing price on the last stock exchange session of 2008 amounted to PLN 3,077.9 million (2.7% of the market value of the 'Banks' sector[5]), and P/BV was at the level of 1.27. For comparison purposes, on the first session in 2008, the Bank's shares were valued at the total of PLN 6,519.81 million at P/BV of 2.94. The annual maximum closing price was PLN 24.0, and the annual minimum for 2008 was PLN 9.0.

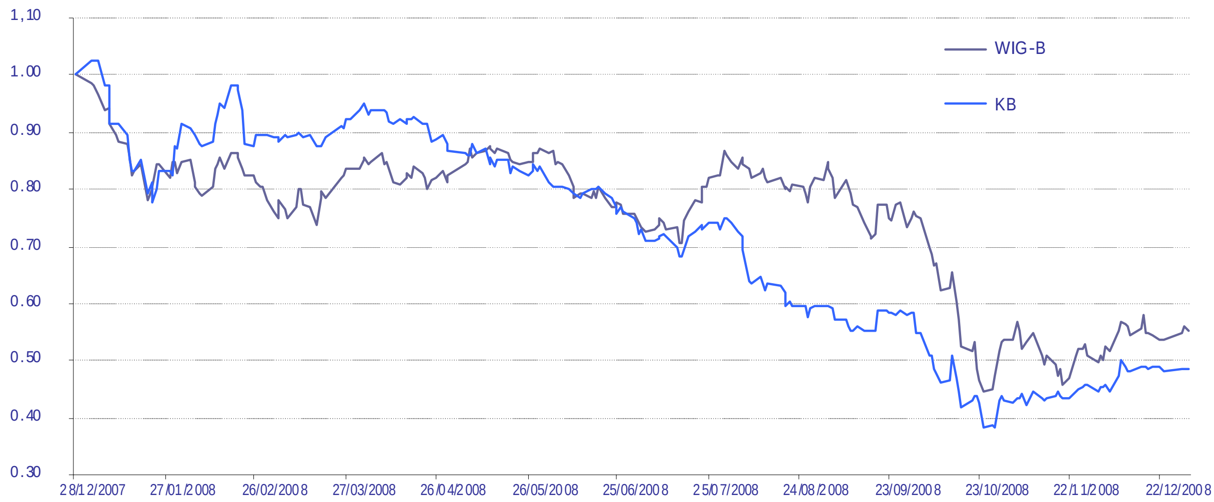
	28.12.2007	**30.12.2008**	**change (%)**
KB S.A. share price (PLN)	23.50	11.33	-51.8%
Dividend rate	1.6%	4.6%	+3.0 p.p.
WIG 20	3 456	1 790	-48.2%

[5] Except for the market value of shares of Unicredit, a foreign bank listed on the WSE, but not operating directly on the Polish market.

WIG	55 649	27 229	-51.1%
Earnings per share* (PLN)	1.44	1.20	-16.7%
Book value per share* (PLN)	8.38	9.74	16.2%

* computed on the basis of consolidated figures

KB share prices against WIG-Banks index in 2008



4.3 The authorities of the Group's parent company

The Bank's Management Board manages the Bank's affairs and represents it vis-à-vis third parties. The Management Board's President is appointed and dismissed by the Supervisory Board. The Management Board's Vice Presidents and Members are appointed and dismissed by the Supervisory Board upon the request or with the consent of the Management Board's President, having regard for the requirements stipulated in the Banking Law.

On 18 December 2007, Mr. Ronald Richardson, the President of the Bank's Management Board, resigned from his position of the President of the Bank's Management Board, and from the membership in the Bank's Management Board as of 29 February 2008.

On 18 December 2007, at the session of the Bank's Supervisory Board, Mr. Maciej Bardan was appointed the President of the Management Board of Kredyt Bank S.A. as of 1 March 2008.

The Supervisory Board of Kredyt Bank S.A., at its session on 4 April 2008, under § 25 item 2 of the Statutes of Kredyt Bank S.A., decided that, from 15 April 2008, the Management Board of Kredyt Bank will be composed of five members.

At the same session, the Supervisory Board appointed, as from 15 April 2008, Ms. Lidia Jabłonowska-Luba as a Member and Vice-President of the Bank's Management Board responsible for finances and risk.

As at 31.12.2008, the Management Board of Kredyt Bank S.A. was composed of:

Mr. Maciej Bardan	President of the Management Board
Mr. Umberto Arts	Vice-President of the Management Board
Ms. Lidia Jabłonowska-Luba	Vice-President of the Management Board
Mr. Krzysztof Kokot	Vice-President of the Management Board
Mr. Michał Oziembło	Vice-President of the Management Board

The Supervisory Board supervises the Bank's operation in all areas of its business on an ongoing basis. The particular duties of the Supervisory Board include the examination of all requests and matters which must be approved by virtue of a resolution of the General Meeting of Shareholders; selection, upon the request of the Management Board, of an independent auditor; supervising the implementation of the internal audit system; determining the policy of borrowing and extending loans; and approving Bank's long-term development plans and annual financial plans. The Supervisory Board is elected by the General Meeting of Shareholders.

As at 31.12.2008, the Supervisory Board of Kredyt Bank S.A. was composed of:

Mr. Andrzej Witkowski	Chairman of the Supervisory Board
Mr. Adam Noga	Vice Chairman of the Supervisory Board
Mr. Francois Gillet	Member of the Supervisory Board
Mr. John Hollows	Member of the Supervisory Board
Mr. Feliks Kulikowski	Member of the Supervisory Board
Mr. Marek Michałowski	Member of the Supervisory Board
Mr. Luc Philips	Member of the Supervisory Board
Mr. Krzysztof Trębaczkiewicz	Member of the Supervisory Board
Mr. Jan Vanhevel	Member of the Supervisory Board

The Bank's shares and the shares in the Group's subsidiaries held by the Management Board and the Supervisory Board Members

As at publication date of this report, i.e. 19.02.2009, Mr. Marek Michałowski, a Member of the Bank's Supervisory Board, held 1,000 shares of Kredyt Bank S.A. with the nominal value of PLN 5 thousand. Other Members of the Bank's Management Board and of the Bank's Supervisory Board did not hold any Bank's shares or shares in the Bank's subsidiaries and associates.

As compared to the situation as at the publication date of the annual consolidated financial report for 2007, the number of the Bank's shares held by Members of the Bank's Management Board decreased by 5000 shares. This change is a result of the fact that on 18 December 2007, Mr. Ronald Richardson resigned from his position of the President of the Bank's Management Board, and from the membership in the Bank's Management Board, as of 29 February 2008.

Remunerations of persons managing and supervising the Group's parent company

Details of remunerations of persons managing and supervising the Group's parent company are presented in Note 60 to the consolidated financial statements of Kredyt Bank S.A. Capital Group for the year ended 31.12.2008.

A contract of employment concluded with one of the Members of the Bank's Management Board provides for the entitlement to one-off compensation due to the termination of the contract of employment as a result of the dismissal from the Bank's Management Board amounting to:

- 24-fold average monthly remuneration – if the period to the end of the term of office of the Bank's Management Board is 24 months or more;
- the product of average monthly remuneration and of the number of months remaining to the end of the term of office of the Bank's Management Board, however, not less than 12-fold average monthly remuneration – if the period to the end of the term of office of the Bank's Management Board is less than 24 months.

The said contract also contains a provision that the compensation shall not be paid if the reason for the dismissal from the Management Board is as follows:

- acting to the Bank's detriment;
- committing a felony which is obvious or is confirmed by a valid court judgment;
- causing a material damage to the Bank's assets;
- infringing the non-competition agreement;
- disclosing a business secret;
- serious violation of the Bank's internal regulations or resolutions of the Bank's authorities.

In the case of not entering into a new agreement due to the failure to appoint the Employee as a member of the Bank's Management Board for the next term of office, he will be entitled to obtain one-off compensation amounting to 12-fold average monthly remuneration.

According to a non-competition agreement concluded with the employee, should the employee resign from his/her position in the Bank's Management Board during the term of office of the Management Board, the Bank's Supervisory Board may oblige the employee not to engage in business competitive towards the Bank for 12 calendar months from the termination of the contract of employment, except for business in these entities in which the Bank or its related party holds shares or other rights. For each month of the non-competition restriction, the employee is entitled to compensation amounting to 100% of his/her average remuneration from the last six months of the term of his/her contract of employment.

Contracts of employment concluded with two Members of the Bank's Management Board contain provisions concerning the amount of the compensation for the compliance with the non-competition clause in the case of terminating their work as members of the Management Board. The compensation amounting to 100% of average monthly remuneration will be paid for the period of six calendar months from the termination of the contract of employment by the employee and the Bank.

4.4 Events and contracts material for the Group's activity in 2008

The following events were material for the Group's operations in 2008:

- On 7 February 2008, Kredyt Bank S.A. executed, with Kredietbank S.A. Luxembourgeoise, a multicurrency loan agreement up to the amount equivalent to EUR 200 million. The agreement was concluded on market terms with the repayment period of two years and one day. Cash obtained under the above-mentioned loan were used to finance the Bank's current operations.
- On 29 February 2008, the Bank was notified by Fitch Ratings of the upgrade of the Individual Rating for Kredyt Bank to 'C/D' from 'D'. Other ratings have been affirmed at previous levels, i.e. Issuer Default Rating (IDR): 'A+' (single A with a plus), Short-term Rating: 'F1', Support Rating: 1. The outlook for the rating remains 'stable'.
- On 19 March 2008, Kredyt Bank S.A. executed, with KBC Bank NV Dublin Branch, a subordinated loan agreement up to the amount equivalent to CHF 100 million. The subordinated loan agreement was concluded on market terms with the repayment period of 10 years from the payment of the resources. The interest rate is based on LIBOR rate + margin. The agreement provides for the possibility of an earlier repayment, upon the Bank's request, of the subordinated loan amount, however, not earlier than five years following the release of resources. The earlier repayment will call for the consent of the Polish Financial Supervision Authority. The agreement contains a condition precedent which involves the submission to the Lender, i.e. KBC Bank NV Dublin Branch, by the Borrower, i.e. Kredyt Bank, of the authorization of the Polish Financial Supervision Authority to include the amount of the said subordinated loan in the Bank's equity.
- On 3 June 2008, the Bank received the decision of the Polish Financial Supervision Authority of 26 May 2008, on its consent to include cash of CHF 100,000,000 in the Bank's supplementary funds, according to the terms and conditions of the said subordinated loan agreement.
- On 26 March 2008, the Management Board of Kredyt Bank S.A. resolved to recommend the draft Resolution concerning the distribution of profit for 2007, to be later discussed at the General Meeting of Shareholders of Kredyt Bank S.A., to be examined by the Supervisory Board. The above-mentioned draft assumed the payment of gross dividend to shareholders of PLN 0.52 per share. The proposed day of establishing the right to dividend is 3 July 2008, and the proposed dividend payment date is 18 July 2008.
- On 4 April 2008, the Supervisory Board of Kredyt Bank S.A., under § 24 Clause 1 item 3 of the Bank's Statutes, upon the request of the Bank's Management Board, appointed the certified auditor, Ernst & Young Audit Sp. z o.o., with its registered office in Warsaw, ul. Rondo ONZ 1, registry No. 130, to perform an independent review and audit of financial statements of Kredyt Bank S.A. and of consolidated financial statements of Kredyt Bank S.A. Capital Group as of 30 June 2008 and 31 December 2008.
- On 28 May 2008, the General Meeting of the Shareholders of Kredyt Bank S.A. adopted, among other things, a resolution on the payment of gross dividend for the financial year 2007 amounting to PLN 0.52 per share, i.e. the total amount of PLN 141,262,617.60. Holders of 271,658,880 Bank's series A to W shares were entitled to dividend from such shares. The day of dividend declaration was established on 3 July 2008. The payment of dividend was effected on 18 July 2008.
- On 19 June 2008, Kredyt Bank S.A. executed, with KBL European Private Bankers S.A., a multicurrency loan agreement up to the amount equivalent to EUR 200 million. The loan

agreement was concluded on market terms with the repayment period of three years. Cash obtained under the above-mentioned loan were used to finance the Bank's current operations.

- The General Meeting of Shareholders of Kredyt International Finance B.V. (KIF B.V.), with its registered office in Amsterdam (a wholly-owned subsidiary of Kredyt Bank S.A., registered on 14 February 2001 to perform and handle the issue of bonds in EUR and to source financial resources on foreign markets), adopted a resolution on the commencement of the liquidation proceedings of KIF B.V. on 15 July 2008. On 12.01.2009, the company was deleted from the court register.
- On 25 August 2008, Kredyt Bank S.A. executed, with KBL European Private Bankers S.A., a multicurrency loan agreement up to the amount equivalent to EUR 200 million. The loan agreement was concluded on market terms with the repayment period of three years. Cash obtained under the above-mentioned loan are to be used to finance the Bank's current operations.
- On 26 August 2008, Kredyt Bank signed a loan agreement concerning the financing of the client's current operations with the client being a non-banking financial institution. The total value of all the agreements concluded by the Bank with this client in previous 12 months was equal to PLN 308,101,000.
- On 27 August 2008, Kredyt Bank S.A. concluded, with a client from the wood processing sector, a loan agreement which provides for the financing of the client's investment. The total value of all the agreements concluded by the Bank with the companies of the capital group this client belongs to in previous 12 months was equal to PLN 299,860,669.
- On 5 September 2008, the Polish Financial Supervision Authority granted its consent to the appointment of Mr. Maciej Bardan as the President of the Management Board of Kredyt Bank S.A.
- On 20 October 2008, Kredyt Bank S.A. executed, with KBL European Private Bankers S.A., a loan agreement up to the amount equivalent to EUR 200 million. The loan agreement was concluded on market terms with the repayment period of three years. Cash obtained under the above-mentioned loan are to be used to finance the Bank's current operations.

In 2008, the Bank did not enter into any material agreements with the central bank or the regulatory authorities.

Major post-balance sheet events

On 23 January 2009, the Polish Financial Supervision Authority decided to grant its consent to include cash of PLN 75 million in the supplementary funds of Kredyt Bank S.A., according to the terms and conditions of the subordinated loan agreement of 17.12.2008 between Kredyt Bank S.A. and KBC Bank NV Dublin Branch. The loan was released on 30.01.2009.

On 26 January 2009, Moody's Investors Service rating agency affirmed the Long-term Deposit Rating of Kredyt Bank S.A. at 'A2' and changed the outlook for the above long-term rating from 'stable' to 'negative'. These rating decisions were made in connection with the decision on downgrading the ratings of KBC Bank, i.e. the parent entity of Kredyt Bank S.A. The levels of the remaining ratings of Kredyt Bank S.A. previously granted by Moody's Investors Service have been confirmed, namely: Short-term Deposit Rating – 'Prime-1'; Bank Financial Strength Rating – 'D'. The outlook for the above ratings remains 'stable'.

Furthermore, on 26 January 2009, the Bank was informed about the ending, in January 2009, of the liquidation of its subsidiary, Kredyt International Finance B.V., registered in the Netherlands and about the deletion of this company from the Dutch court registers on 12.01.2009.

On 11 February 2009, the Bank informed that, due to the deterioration of the economic situation and the need to lower the business activities costs, the Bank's Management Board made a decision to reduce employment. The Bank plans to reduce employment by group lay-offs which will include up to 300 employees. As a result of consultations with the Workers' Council, procedures, conditions, dates and the level of employment optimisation were agreed. Further employment reductions will be achieved as a result of the discontinuation of employment due to natural reasons and by non-extending agreements concluded for a specified period of time, also in the companies of Kredyt Bank Group, including ca. 200 employees.

Apart from the above issues, no significant events which should be disclosed in the financial statements had place from the balance sheet date to the publication date of these financial statements.

Contracts entered into by the Issuer with an entity authorized to audit financial statements

On 9 April 2008, the Bank entered into an agreement with an entity authorized to audit financial statements, Ernst&Young Audit Sp. z o.o. in Warsaw, on the review of the semi-annual condensed, standalone and consolidated financial statements of the Bank and of the Group for the first half of 2008 and the audit of the standalone and consolidated financial statements of the Bank and of the Group for 2008. The total net remuneration under this agreement amounted to PLN 1,416 thousand (as compared to PLN 1,416 thousand in 2007 under the agreement of 10.05.2007). Furthermore, the Bank entered into an agreement with an entity authorized to audit financial statements concerning the performance of agreed procedures related to the quarterly consolidated financial statements for the first and the third quarter of 2008 with net remuneration under this agreement amounting to PLN 520 thousand (cf. PLN 520 thousand in 2007) and an agreement concerning the performance of agreed procedures related to the financial result and net assets of the Bank's subsidiary, Reliz Sp. z o.o., whose net value amounted to PLN 75 thousand (cf. PLN 75 thousand in 2007).

5. Kredyt Bank S.A. Group's products, services and areas of operation

5.1 Retail banking

5.1.1 Business area, distribution channels and results of the retail banking segment

The Retail Segment in Kredyt Bank S.A. Group is defined as services provided to individual customers as well as Small and Medium-sized Enterprises (SME), for which their annual income is below PLN 16 million.

The traditional network of the Bank's branches is the main channel of distribution. As at 31.12.2008, it comprised 401 branches, affiliates, banking outlets and agencies located all over Poland. The number comprises 98 out of 104 outlets that will be finally opened under the network development programme implemented since the end of 2005. KB24 network is the second primary distribution channel for products targeted at retail customers.

Due to their specific nature, services for the Private Banking customers are provided separately within the retail banking segment, by 11 branches reporting directly to the Private Banking Department in the Bank's Head Office.

Small and Medium-sized Enterprises (SMEs) that keep full accounting records are served by Mobile Customer Service Teams, operating in all large cities (with more than one Branch). In other cases, they are served by the Bank's Branches.

The retail branches also carry out cash transactions, also for corporate customers.

The Bank's network is supplemented by the distribution network of Żagiel S.A. composed of two distribution channels. The first channel utilized mainly to sell instalment loans, is composed of affiliates, representatives and cooperating shops. The second channel dedicated to the sale of cash loans, credit cards and selected services from the Bank's and WARTA S.A.'s offers is composed of a network of small outlets called 'Kredyt Punkt' ('Credit Point'), which, at the end of 2008, comprised 351 outlets (as compared to 252 at the end of 2007).

Measures aimed at enabling the sale of banking facilities through the distribution network of WARTA S.A. Group are continued. This project is a pivotal measure concerning the implementation of the cross-sale of banking and insurance products.

As at the end of December 2008, Kredyt Bank S.A. provided services to 1,012 thousand individual customers and SMEs.

in '000'	**31.12.2008**	**31.12.2007**	**31.12.2006**	**31.12.2005**
Individual customers	929	869	849	797
SMEs	83	82	87	81
Total customers	1 012	951	936	878

At the end of 2008, the number of KB 24 users amounted to 334 thousand as compared to 278 thousand at the end of 2007 (an increase by 20.1%).

in '000'	**31.12.2008**	**31.12.2007**	**31.12.2006**	**31.12.2005**
Number of KB24 users	334	278	228	165
Number of transfers via KB24 in the quarter	4 066	3 340	2 614	1 925

Net operating income for the segment in 2008 amounted to PLN 293,359 thousand and was higher than the figure in 2007 by 78.0%. Due to much higher net impairment losses on financial assets, other assets and provisions (– PLN 167,257 thousand and – PLN 34,229 thousand respectively), profit before tax in 2008 was lower by 3.4% than the year before and amounted to PLN 126,102 thousand (as compared to PLN 130,581 thousand in 2007).

5.1.2 Product strategy in retail banking area in 2008

Kredyt Bank S.A. Group offers a full range of financial services, due to close cooperation with the entities of KBC Group in Poland. The offer entails:

- traditional banking facilities;
- SME products;

- consumer finance products, developed and distributed in collaboration with Żagiel S.A.;
- insurance products offered in cooperation with WARTA S.A. Group;
- KBC TFI's products (shares in investment funds);
- leasing products of Kredyt Lease;
- mortgage loans.

In 2008, Kredyt Bank Group continued its action aiming at the development of the retail banking, pursuant to the strategy adopted in autumn 2005. The basic elements of the product strategy are as follows:

- the sale of mortgages;
- the sale of instalment loans, cash loans and credit cards;
- the sale of personal accounts and savings accounts;
- the launch of new bancassurance products in cooperation with WARTA Group and the development of cross-selling banking and insurance products;
- the sale of shares in investment funds, including capital guaranteed funds.

Mortgages

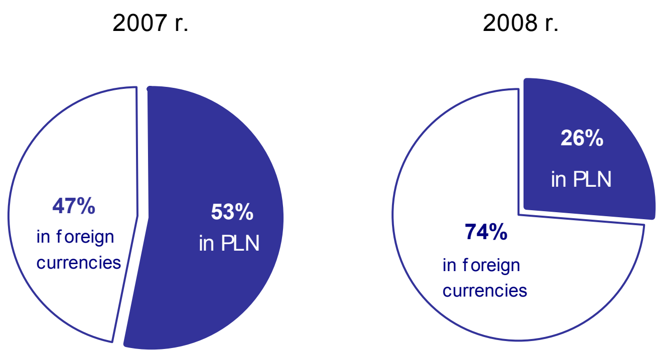
In 2008, the Bank extended 38.5 thousand mortgages; the total sales in this period amounted to PLN 6,000.7 million. As compared to the corresponding period in the previous year, the sales of loans increased by 54.2%. The debt resulting from mortgages amounted to PLN 12,854.8 million (an increase by 118.8%). As the majority of mortgages are in foreign currencies, the value of the portfolio and the sales value in the fourth quarter of 2008 were affected, to a large extent, by the depreciation of the Polish zloty that occurred in this period. The figures below present mortgages portfolio volume and sale in PLN '000' and in thousands of facilities.

in PLN '000'	**2008**	**2007**	**2006**	**2005**
Mortgages				
Gross value of the portfolio at the end of the quarter	12 854 847	5 876 171	3 172 752	2 035 351
No. of loans extended in the year (in thousands)	38.5	25.4	16.6	12.1
No. of loans extended in the year*	6 000 699	3 890 578	2 021 800	951 514

* new loans

In the fourth quarter of 2008, in view of the symptoms of slower economic growth, the Bank made decisions to tighten the credit policy for mortgages (in particular, to increase the margin on loans in CHF and to decrease LtV), and, as a result, to reduce lending activities, especially in the case of loans in foreign currencies. In the fourth quarter, the value of extended loans amounted to PLN 1.5 billion, including PLN 1 billion of loans granted in October.

The figure below presents the portfolio structure at the end of 2008 and of 2007.



Retail and cash loans – cooperation with Żagiel S.A.

In 2008, Kredyt Bank S.A. Group took measures to establish Consumer Finance – a separate business line. They aimed at the reorganisation of the management model as well as acceleration of the development of the distribution network and of the product offer, and the establishment of a dedicated IT platform. The works were carried out on the basis of Żagiel S.A. and the organisational structure of Kredyt Bank S.A. To achieve maximal effect, the management at the national level is centralised by appointing the same person as the President of the Management Board of Żagiel S.A. and as the Vice President of the Management Board of Kredyt Bank S.A.

Żagiel S.A. operates two independent distribution channels – the first one is dedicated to the sale of instalment loans and, the second one, to the sale of cash loans, credit cards and selected products of Kredyt Bank Group.

In 2008, total sales of loan products via Żagiel S.A. amounted to PLN 3,234.2 million, i.e. increased by 48.4% as compared to 2007.

in PLN '000'	2008	2007	2006	2005
Instalment and cash loans				
Gross value of the portfolio at the end of the quarter, including:	3 685 259	2 063 331	1 498 973	1 423 623
Loans extended via Żagiel:				
Gross value of the portfolio at the end of the quarter*	2 811 786	1 655 475	1 322 222	1 353 864
No. of loans extended in the year (in thousands)	1 205	1 031	964	1 021
No. of loans extended in the year	3 234 233	2 178 718	1 684 413	1 794 115

* including the consolidation adjustment due to EIR for 2008 and 2007

In the fourth quarter of 2008, in view of the symptoms of slower economic growth, the Bank made decisions to tighten the credit policy for instalment loans and cash loans, and, in particular, to decrease DtI (Debt to Income) ratio for the calculation of the creditworthiness. In addition, additional limitations established for more risky types of customers and points of sale will result in the reduction of lending activities of Żagiel in 2009.

Credit cards

At the end of 2008, the number of active credit cards sold by Kredyt Bank S.A. Group amounted to 477 thousand (an increase by 124.2% as compared to figures recorded at the end of 2007). Almost 66% of all those credit cards were sold via Żagiel.

in thousands	2008	2007	2006	2005
Credit cards				
No. of credit cards sold via Żagiel S.A. (in thousands)	313	84	24	6
No. of credit cards sold by the Bank (in thousands)	164	129	99	66

Total number of credit cards (in thousands)	477	213	123	72

Traditional deposit products

At the end of 2008, the number of current accounts was higher by 4.8% as compared to figures at the end of 2007. The value of deposits on these accounts was slightly lower (by 0.1%) as compared to the end of 2007.

	2008	2007	2006	2005
ROR current accounts				
No. of ROR accounts (in thousands)	588	561	552	508
Carrying amount (in PLN '000')	1 216 932	1 218 247	1 020 146	766 090

The number of savings accounts increased in 2008 by 19.0%. The value of cash on these accounts declined in the same period by 3.2% and, at the end of 2008, amounted to PLN 4,245.4 million.

	2008	2007	2006	2005
Savings accounts				
No. of savings accounts (in thousands)	370	311	237	160
Carrying amount (in PLN '000')	4 245 387	4 385 666	3 864 597	1 951 041

The above-mentioned decline occurred in the fourth quarter of 2008 and resulted mainly from an escalation in the competition on the deposits market due to the liquidity crisis triggered by deeper global financial crisis. In the fourth quarter of 2008, short-term deposits with high fixed interest rates were the leading deposit products. A portion of cash so far deposited by customers in savings accounts was transferred to such accounts. 'Constans' term deposit was such a product in Kredyt Bank's offer, and the insurance term deposit 'WARTA GWARANCJA'.

SMEs

At the end of 2008, the value of loans granted to small and medium-sized enterprises increased by almost 39.3% as compared to figures at the end of 2007. The cash on current accounts of SME customers after four quarters of 2008 was lower by 3.3% than the cash at the end of 2007. The table below presents balances at the period end according to the Bank's internal segmentation applicable in the year.

	31.12.2008	31.12.2007	31.12.2006	31.12.2005
SMEs				
Loans for SMEs (in PLN '000')	1 259 097	903 712	645 543	688 745

Current accounts of SMEs (in PLN '000')	1 438 746	1 487 181	1 241 458	1 009 595

Bancassurance – cooperation with WARTA Group

The extension of the bancassurance products offer and of the sale of insurance products through the Bank's chain are the basic assumptions of the strategy of Kredyt Bank S.A. Group. In 2008, the value of gross written premium under life and property insurance agreements of WARTA S.A. Group sold by the Group increased almost 4-fold as compared to the results recorded in 2007. The increase resulted, to a large extent, from excellent results of the sale of 'WARTA GWARANCJA Lokata Ubezpieczniowa' product (a 6- or 12-month life insurance or endowment insurance from TUnŻ WARTA). The income from the sale contributes to the Bank's net interest income.

Basic groups of products sold through the chain of Kredyt Bank S.A. Group are as follows:

- combined investment-insurance products – deposits connected with life insurance, open-end and close-end investment funds with life insurance;
- insurance linked with loans – insurance agreements for borrowers of Żagiel S.A. loans;
- embedded insurance – life insurance within mortgages and cash loans, insurance for credit cards holders, owners of personal accounts and current accounts for SMEs;
- insurance – standalone products (house or car insurance, personal insurance, property insurance for SMEs).

	2008	2007	2006	2005
Bancassurance				
Gross written premium (in PLN '000')	3 018 594	736 573	506 363	321 935
Gross written premium from 'WARTA GWARANCJA' product (in PLN '000')	2 560 111	311 453	9 094	17 781

Investment funds – cooperation with KBC TFI

The total value of net assets of investment funds and unit–linked funds sold via the Group's distribution network and managed by KBC TFI S.A. (excluding non–registered funds) declined in 2008 by 21.9%. Due to the product structure (a significant share of close-end capital guaranteed investment funds), the rate of the decrease in the value of assets of KBC TFI was much lower than the average rate on the market (a decrease by 45%).

	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Investment funds				
Net assets of funds (excluding non–registered funds) sold via the Bank's distribution network (in PLN '000')	2 789 563	3 572 284	3 007 849	1 834 117

5.2 Corporate banking

5.2.1 Business area, distribution channels and results of the corporate banking segment

The Corporate Segment entails the cooperation with large companies (with annual income exceeding PLN 16 million) as well as state budgetary units at central and local levels.

Corporate customers are served (except for payments) in 12 Corporate Banking Centres located in Białystok, Bydgoszcz, Gdańsk, Katowice, Kraków, Lublin, Łódź, Poznań, Rzeszów, Szczecin, Warsaw and Wrocław. The subsegment of customers with the turnover of over PLN 250 million is served by an additional Centre in Warsaw, which provides services to customers from all over Poland. There are 10 additional agencies reporting to the Corporate Banking Centre covering the largest operating area. Account Managers maintain direct customer relations. In the case of specialist products, they are supported by product specialists – the employees of the Head Office organizational units.

In the case of leasing products, customers are served by units and employees of Kredyt Lease, which offers a complete range of services to companies in respect of the leasing of fixed assets and properties, and in the case of means of transport, by a new company KBC Autolease, which, apart from leasing, also offers all-inclusive fleet management services. In the case of investment banking, corporate customers are served in cooperation with KBC Securities, and the investment of free resources in investment funds is provided by KBC TFI.

In 2008, Kredyt Bank S.A. Group focused on the development of leasing, cash processing and trade finance. Measures aimed at the reinforcement of the Bank's image as an institution which offers the highest quality and complete services to large corporations. The increase in sales caused an increase in the value of the loans and deposits portfolio. The table below presents balances at the period end according to the Bank's internal segmentation applicable in the year.

in PLN '000,000'	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Corporate Segment				
Loans for corporate customers	9 426.4	8 023.8	5 373.6	4 538.0
Budget	296.3	407.9	543.6	637.9
Enterprises	9 130.1	7 615.9	4 830.0	3 900.1
Deposits of corporate customers	6 661.5	4 968.7	4 116.3	3 970.8
Budget	2 564.0	1 612.0	1 226.9	1 318.2
Enterprises	4 097.5	3 356.7	2 889.4	2 652.6

The corporate segment's net operating income in 2008 amounted to PLN 192,796 thousand, i.e. was higher by 73.1% than in 2007 (PLN 111,368 thousand). Due to net impairment losses on financial assets, other assets and provisions (– PLN 30,990 thousand against + PLN 116,949 thousand), profit before tax in 2008 was lower by 29.1% than the year before and amounted to PLN 161,806 thousand (as compared to PLN 228,317 thousand in 2007).

5.2.2 Product strategy in corporate banking segment in 2008

In 2008, Kredyt Bank S.A. Group took measures to better align the existing offer to customers' needs and improve sales organization and customer services quality. The basic assumptions of the product strategy are as follows:

- developing a complete cash and payment management offer;
- developing products and Trade Finance services applying best practices and experiences of the main shareholder, i.e. KBC Group;
- financial risk hedging solutions;
- the development of leasing services in cooperation with Kredyt Lease in KB S.A. sales network.

The Bank offers a complete range of services to corporate customers, both traditional banking products and treasury, trade finance and corporate finance products. The offer is tailored to customer size and the nature of their operations: corporations, large and medium-sized enterprises and state budgetary units.

Traditional transactional banking products, such as current accounts, term deposits, consolidated current accounts (which make it possible to provide services to multi-branch companies and manage liquidity of capital groups) are supplemented by such products as the Bulk Payment System (which makes it possible to identify details of payments, their assignment and settlement against respective settlement accounts of debtors in the customer's accounting system), direct debit, payment and credit cards and cash processing: cash deposits and withdrawals in Branches (open and closed), closed cash deposits collection, supplementing customers' own cash desks.

The Bank offers a complete range of traditional loan facilities, e.g. working capital loans in credit and current account, revolving and non-revolving loans, short-term cash and investment loans, each of them in the national and foreign currencies (standard currencies: EUR, USD, GBP). At the same time, customers may also take advantage of other credit-related services, such as leasing, bank guarantees, sureties and bill guarantees, project and investment financing, syndicates and the organization of and services related to the issue of debt securities.

A separate group of services are complete services related to trading transactions, except for the purchase and sale of foreign currencies, including transfers and cheques in foreign trade, export and import financing credits, covering payments under own letters of credits, guarantees in foreign trade, documentary letters of credit, documentary export collection, medium-term and long-term export credits (MLT), bill discount, factoring, forfeiting.

The Bank also offers market risk hedging products, particularly products hedging currency risk and interest rate risk: options, swaps and FRA's.

In addition, via KBC Securities and KBC Private Equity, the Group's customers have access to investment banking services, such as advisory services concerning mergers and acquisitions, capital restructuring, acquisition of capital (stock exchanges, investors, financial partners), transactions on capital markets (primary and secondary market, bonds, capital increase, public calls, buyouts), mezzanine finance, equity finance, MBO, LBO, MBI.

5.3 Treasury Segment and cooperation with international financial institutions

The Bank performs transactions on the inter-bank market, both domestic and international, on own account and on behalf of customers. Active participation in the inter-bank market makes it possible to obtain competitive quotations, what is the basis of stabilization and development of existing corporate customers base. The Bank is the Treasury Securities Dealer and Money Market Dealer.

The treasury products offer is being expanded and ensures appropriate services both to Private Banking customers and medium-sized and large companies. It entails, among other things, the exercise of options hedging the market risk for customers.

Kredyt Bank S.A. established active relations with domestic and foreign banks providing FX/MM, Custody, Trade Finance and payments services. They are supplemented by cooperation agreements with global foreign institutions, e.g. European Investment Bank, European Reconstruction and Development Bank, Visa International. Thanks to the base of 35,000 SWIFT keys exchanged with other institutions, the Bank is able to exchange correspondence with banks and provide services in the area of foreign trade in the majority of countries worldwide.

As at 31.12.2008, Kredyt Bank managed 7 LORO accounts in foreign currencies and 34 LORO accounts in PLN for 36 correspondent banks (32 foreign banks and 4 national banks). The network of NOSTRO accounts included 18 accounts in 16 banks and it fully satisfied the clearing needs of Kredyt Bank.

5.4 Custodian services

The Bank's custodian services entail mainly the maintanance of securities accounts for domestic and foreign, both institutional and private, customers. For the special group of customers, i.e. investment funds, the Bank also plays a role of a custodian bank, a transfer agent and issue sponsor.

The Bank holds an authorization of the Polish Securities and Exchange Commission to maintain securities accounts; it is also a direct participant of the National Depository for Securities (KDPW) as a Custodian Bank and the participant of the Securities Register (RPW) managed by the National Bank of Poland (NBP). On this basis, the Bank maintains accounts for securities admitted to public trading, deposited in KDPW or RPW. The Custody Office in the Bank's Head Office is the Bank's business unit responsible for the said tasks.

In 2008, income from the maintanance of securities accounts and registers as well as from the services of an issue sponsor and of the custodian bank amounted to PLN 4,697 thousand as compared to PLN 3,878 thousand in 2007.

5.5 Operations of the Group's companies

Żagiel S.A.

As at 31 December 2008, the share capital of Żagiel S.A. amounted to PLN 23,964 thousand. The Bank launched cooperation with Żagiel in 1995. The core business of Żagiel S.A. is the intermediation in the sale of retail loans as well as in the distribution of selected services offered by the Bank and WARTA S.A. Group. The company offers instalment loans, cash loans, mortgages and mortgage loans for individuals, leasing, EKSTRABIZNES and EKSTRAKONTO accounts and the issue and processing of credit cards. The company also distributes insurance products of WARTA S.A. Group. In 2007, on the basis of the distribution network of Żagiel S.A., Kredyt Bank S.A. Group created a separate consumer finance business line.

Kredyt Lease S.A.

As at 31 December 2008, the company's share capital amounted to PLN 27,501 thousand. Kredyt Lease is engaged in leasing services, rental and lease of rights and assets, trade in real estate and intermediation in the sale of goods and services. The company focuses mainly on services provided to the Bank's customers, but also offers its services on the market. Kredyt Lease's offer is supplementary to the Bank's offer and provides a complete range of services to corporate customers and SMEs.

Kredyt Trade Sp. z o.o.

As at 31 December 2008, the company's share capital amounted to PLN 64,179 thousand. Kredyt Trade provides services complementary to the Bank's administrative services, mainly concerning the maintanace and lease of properties and equipment.

Kredyt International Finance B.V. (KIF)

As at 31 December 2008, the share capital of KIF amounted to EUR 18 thousand. The company was registered on 14 February 2001 to perform and handle the issue of bonds in EUR on foreign markets. KIF B.V. is also involved in sourcing of financial resources for Kredyt Bank S.A. Capital Group on foreign markets. As at 31.12.2008, the company did not have any material commitments related to the issue of securities or loan agreements. The General Meeting of Shareholders of KIF adopted a resolution on the commencement of the liquidation proceedings of KIF B.V. on 15 July 2008.

Reliz Sp. z o.o.

As at 31 December 2008, the share capital of Reliz amounted to PLN 50 thousand. The company's main asset is ALTUS multi-purpose building in Katowice. The company is involved in the lease and administration of this property.

6. Financial results of Kredyt Bank S.A. Capital Group in 2008

6.1. Assets structure

The Group's total assets as at 31.12.2008 amounted to PLN 38,730,676 thousand against PLN 27,128,180 thousand as at 31.12.2007 and were higher by 42.8%.

Net loans and advances to customers and investment securities generated the greatest shares in assets structure; as at the end of 2008, they accounted for 85.1% of total assets.

The major changes in assets structure as compared to the end of 2007 were as follows:

- an increase in the share of net loans and advances to customers from 61.3% to 69.0%. It results from a significant increase in the value of the loans portfolio, particularly of mortgages and consumer loans, as well as loans for corporate customers. It was reflected in the increase in market shares of Kredyt Bank S.A.

- a decrease in the share of investment securities in total assets from 20.2% to 16.1%.

The value of particular assets is presented in the table below (in PLN '000):

	31.12.2008	31.12.2007	Change
Cash and balances with Central Bank	827 972	611 690	35.4%
Gross loans and advances to banks	340 865	2 456 352	-86.1%
Impairment losses on loans and advances to banks	-2 261	-2 260	0.0%
Financial assets at fair value through profit or loss, including financial assets held for trading	1 317 764	465 027	183.4%
Derivatives including:	2 302 799	495 095	365.1%
- derivatives used as hedging instruments	166 954	34 025	390.7%
Gross loans and advances to customers	27 660 647	17 456 184	58.5%
Impairment losses on loans and advances to customers	-927 331	-834 327	11.1%
Investment securities	6 238 011	5 482 335	13.8%
- available-for-sale	4 365 127	3 437 169	27.0%
- held-to-maturity	1 872 884	2 045 166	-8.4%
Investments in associates valued using the equity method	10 131	12 174	-16.8%
Property, plant and equipment	421 866	396 446	6.4%
Intangible assets	60 924	67 212	-9.4%
Goodwill on subordinated companies	36 052	36 052	0.0%
Deferred tax asset	98 000	150 658	-35.0%
Current tax receivable	0	1 309	-100.0%
Non-current assets classified as held for sale	0	767	-100.0%
Investment properties	209 867	219 509	-4.4%
Other assets	135 370	113 957	18.8%
Total assets	**38 730 676**	**27 128 180**	**42.8%**

An increase in the scale of lending activities and, due to the large share of mortgages in foreign currencies in the portfolio, the depreciation of the Polish zloty, especially in the fourth quarter of 2008, were the factors affecting the scale of the increase in the balance sheet total in 2008. At the end of 2008, EUR rate of exchange was PLN 4.1724, and CHF rate of exchange was PLN 2.8014. They were higher by 16.5% and 29.6% respectively than at the end of 2007. At the end of 2008, mortgages in CHF accounted for ca. 25% of assets.

Credit portfolio quality

In 2008, the Group continued the process of reducing non-performing loans portfolio through restructuring and debt recovery measures. Contrary to the years 2006-2007, the scale of the sale of receivables was small.

As a result of the said activities and the fast growth of the loans portfolio, the share of loans and advances with evidence for impairment in total gross loans and advances to customers decreased further. At the end of 2008, the ratio was at the level of 4.9% against 6.6% at the end of 2007. As compared to the end of 2007, the value of non-performing receivables, i.e. those for which evidence for impairment was identified increased by 18%.

The Group, when estimating credit risk for individual credit exposures and loan portfolios, follows the overriding prudence concept. As at 31.12.2008, the coverage of loans and advances with evidence for impairment with impairment losses was at the level of 62.2%.

in PLN '000'	**31.12.2008**	**31.12.2007**	**Change**
Loans and advances with no evidence for impairment, including interest	26 310 999	16 312 565	61.3%
Loans and advances with evidence for impairment, including interest	1 349 648	1 143 619	18.0%
Total gross loan and advances to customers (including interest)	**27 660 647**	**17 456 184**	**58.5%**
Impairment losses on loans and advances to customers	927 331	834 327	11.1%
including: impairment losses on loans and advances with evidence for impairment	839 644	792 087	6.0%
Total net loans and advances to customers	**26 733 316**	**16 621 857**	**60.8%**
The share of loans and advances with evidence for impairment in total gross loans and advances	**4.9%**	**6.6%**	**-1.7p.p.**
Coverage of loans and advances with evidence for impairment with impairment losses	**62.2%**	**69.3%**	**-7.1p.p.**

Number and value of executory titles and the value of collateral established on customers' accounts and assets.

In 2008, in the course of debt collection measures aimed at recovering debts from non-paying customers, the Bank issued 23,722 banking executory titles for the total amount of PLN 223.1 million. In 2007, there were issued 34,036 banking executory titles for the total amount of PLN 184.5 million.

In the case of receivables assessed individually, the total fair value of collateral approved by the Group considered in estimated future cash flows, as at 31.12.2008 amounted to PLN 147,725 thousand. As at 31.12.2007, this value was equal to PLN 135,062 thousand.

Gross loans and advances to customers – item-by-item structure

The most important change in the structure of the Group's loan portfolio, as assumed in the strategy, is the further increase in the share of loans and advances to individuals in total loans and advances to customer. As of 31.12.2008, the share was at the level of 66.0% (an increase by 10.8 p.p.).

	31.12.2008	31.12.2007	Change in p.p.
Individuals*	**66.0%**	**55.2%**	**10.8**
- overdraft facilities	3.8%	6.2%	-2.4
- purchased debt	0.1%	0.1%	0.0
- term loans**	5.4%	11.2%	-5.8
- cash and instalment loans	20.2%	21.4%	-1.2
- mortgages	70.5%	61.0%	9.4
- realised guarantees	0.0%	0.0%	0.0
- other receivables	0.1%	0.1%	0.0
Corporate customers	**32.8%**	**42.5%**	**-9.7**
- overdraft facilities	20.8%	21.6%	-0.8
- term loans**	72.4%	73.2%	-0.8
- purchased debt	0.6%	0.4%	0.2
- realised guarantees	0.1%	0.1%	0.0
- other receivables, including leasing fees	6.2%	4.7%	1.6
Budget	**1.3%**	**2.3%**	**-1.0**
- overdraft facilities	1.3%	0.2%	1.0
- term loans**	98.7%	99.8%	-1.0
- purchased debt	0.0%	0.0%	0.0
Total	**100.0%**	**100.0%**	**0.0**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households.

** The item contains mainly: in the case of individuals – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary customers – investment and working capital loans.

6.2. The structure of liabilities and equity

At the end of 2008, as in the previous year, amounts due to customers were the main category of liabilities. Over 12 months of 2008, their value increased by 18.6%. At the end of 2008, the share of amounts due to customers in total liabilities and equity amounted to 52.3% (a decrease by 10.6 p.p.).

The share of amounts due to banks (including the central bank) in total liabilities and equity increased significantly. At the end of 2008, it was at the level of 34.2% against 23.6% at the end of 2007. Cash obtained from entities of KBC Group – the Bank's major shareholder – constituted the majority of the said liabilities. At the end of 2008, the value of long-term loans obtained from entities of KBC Group amounted to PLN 7,042,895 thousand, which accounted for 18.2% of total liabilities and equity. In addition, at the end of 2008, KB S.A. Group obtained from entities of KBC Group short-term financing amounting to PLN 3,993,949 thousand (10.3% of total liabilities and equity). Borrowed loans and advances as well as interbank deposits will be renewed at their maturities, what enables the Bank to treat them as long-term financing. The value of particular liabilities and equity items is presented in the table below (in PLN '000):

	31.12.2008	31.12.2007	Change
Amounts due to Central Bank	1 113 275	1 101 661	1.1%
Amounts due to banks	12 125 013	5 301 449	128.7%
Derivatives including:	1 890 221	474 370	298.5%
- derivatives used as hedging instruments	1 708	44 178	-96.1%
Amounts due to customers	20 275 366	17 088 638	18.6%
Liabilities arising from repurchase transactions	8 991	50 126	-82.1%
Current tax liability	52 303	7 228	623.6%
Provisions	59 474	161 034	-63.1%
Deferred tax liability	855	872	-1.9%
Other liabilities	280 022	272 263	2.8%
Subordinated liabilities	279 643	394 235	-29.1%
Total equity	2 645 513	2 276 304	16.2%
Total liabilities and equity	**38 730 676**	**27 128 180**	**42.8%**

Amounts due to customers – structure by items and types

The changes in the structure of the Group's customers' deposits at the end of 2008 reflect the situation on the market in the fourth quarter of the year due to the deeper global financial crisis. A significant increase in competition contributed to the rise in interest rates of term deposits what resulted in the outflow of cash from current accounts. In 2008, the highest increase was recorded for term deposits of corporate customers, what resulted in the increase in the share of deposits of this group of customers by 9.2 p.p. (mainly due to the Bank's sourcing of funds from TUnŻ WARTA generated from the sale of 'WARTA GWARANCJA' insurance term deposit – the balance as at the end of 2008 was PLN 1.8 billion, which accounts for 9.0% of total amounts due to customers).

Amounts due to the Group's customers	31.12.2008	31.12.2007	Change in p.p.
Individuals*	**51.2%**	**60.3%**	**-9.1**
- in current account	65.5%	68.4%	-2.8

- term deposits	32.8%	30.6%	2.2
- other	1.7%	1.0%	0.7
Corporate customers	**36.9%**	**27.7%**	**9.2**
- in current account	31.4%	52.5%	-21.1
- term deposits	68.1%	47.3%	20.8
- loans and advances	0.0%	0.0%	0.0
- other	0.5%	0.2%	0.3
Budget	**12.0%**	**12.0%**	**-0.1**
- in current account	84.1%	65.0%	19.0
- term deposits	15.9%	35.0%	-19.0
Total	**100.0%**	**100.0%**	**0.0**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households

6.3. Off-balance sheet items

The value of particular off-balance sheet items is presented in section 3 of the consolidated financial statements of Kredyt Bank S.A. Capital Group for 2008.

A noticeable increase in the value of off-balance sheet items, mainly amounts due received and related to sale/purchase transactions, is an effect of an increase in the business activeness and larger numbers of transactions with customers.

Guarantees and sureties issued, including those granted to the Issuer's related parties

As of 31.12.2008, the Bank did not issue guarantees with the total value of at least 10% of the Bank's equity, to one company or entities of one capital group.

As at 31.12.2007, the Bank issued guarantees with the total value of at least 10% of the Bank's equity to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 278,228 thousand, on market terms. The Bank's fee for issuing the guarantees was also determined on market terms.

6.4. Income statement structure

The Group's net profit in 2008 amounted to PLN 324,917 thousand and was lower by 16.8% in comparison with 2007. The Group's profit before tax in 2008 amounted to PLN 421,055 thousand (16.1% less than in the previous year). The deduction of – PLN 108,202 thousand of net impairment losses on financial assets, other assets and provisions from profit before tax for 2008 (contrary to the addition of PLN 84,962 thousand to profit before tax for 2007) was the most important factor which had an impact on the differences between the compared periods.

At the same time, in 2008, the Group recorded an increase in net operating income by 17.7%. The result on core business improved mainly due to:

- the fast growth of the value of retail loans portfolio due to the increased scale of the sale of mortgages and consumer loans in foreign currencies;

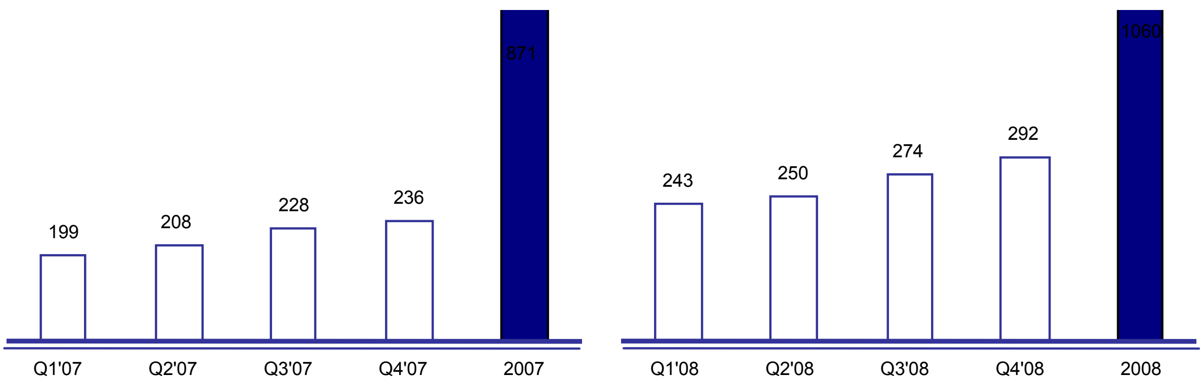
- an increase in the value of deposits portfolio and of the scale of transactions with customers;
- an increase in the scale of the sale and of the income from payment cards.

The main items of the Group's income statement are presented below.

in PLN '000'	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007	Change
Net interest income	1 059 872	871 473	21.6%
Net fee and commission income	293 130	309 501	-5.3%
Net gains from trading and investing activities (including dividend income and net result on derivatives used as hedging instruments and hedged items)	232 912	181 485	28.3%
Net gains from other operating income/expenses	49 967	27 645	80.7%
Total income	**1 635 881**	**1 390 104**	**17.7%**
General and administrative expenses, and depreciation	-1 104 581	-974 622	13.3%
Net impairment losses on financial assets, other assets and provisions	-108 202	84 962	-
Share in profit (loss) of associates	-2 043	1 513	-
Profit before tax	**421 055**	**501 957**	**-16.1%**
Income tax expense	-96 138	-111 418	-13.7%
Net profit (attributable to the shareholders of the Bank)	**324 917**	**390 539**	**-16.8%**

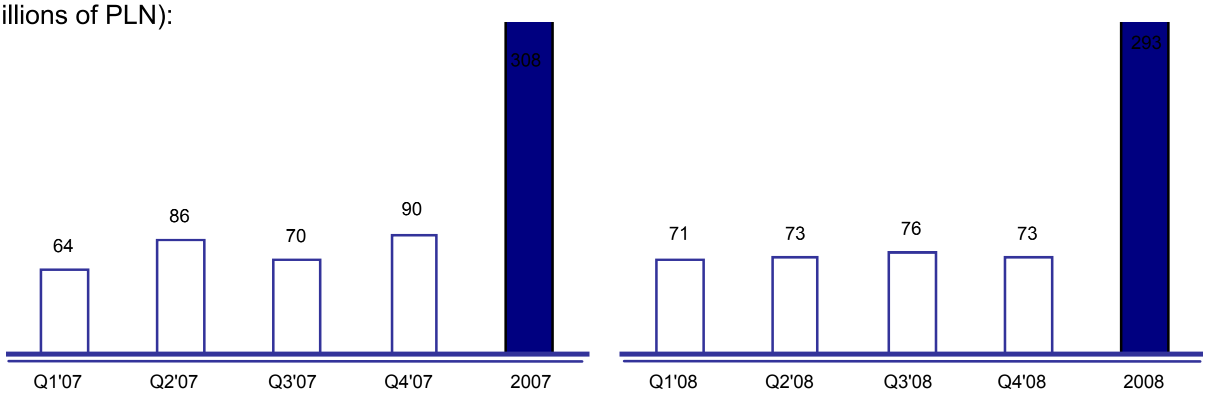
Net interest income and net fee and commission income generated by the Group in 2008 amounted to PLN 1,353,002 thousand and was higher by 14.6% than the figure in 2007 (PLN 1,180,974 thousand). The increase resulted from the good sale of strategic products for the Group mainly mortgages, consumer loans, credit cards and insurance products offered in cooperation with TUiR WARTA S.A., including 'WARTA GWARANCJA' insurance term deposit.

Net interest income was higher as compared to figures recorded in 2007 by 21.6%. It rose systematically quarter by quarter due to the fast increase in the sale of mortgages in foreign currencies, consumer loans, as well as loans for corporate customers. The fast growth rate for mortgages, which halted only in the fourth quarter of 2008, due to the expanding economic crisis, at the same time resulted in lower credit margin for the whole loans portfolio of the Group. It was the second reason, apart from the fact that a part of income generated from foreign currency mortgages is reported in net trading income (from foreign exchange transactions), for slower growth of net interest income than the growth of the value of the loans portfolio. Net interest income in 2007-2008 is presented in the figures below (in millions of PLN):



Net fee and commission income was lower as compared to figures recorded in 2007 by 5.3%. The increase in fee and commission expenses, including particularly loan insurance fees and fees for credit reference agency by 66.1% was the main reason. The decline in commission income from the distribution and management of combined investment and insurance products related to the slump on the stock market was another reason. In 2008, it amounted to PLN 37,543 thousand, as compared to PLN 61,780 thousand in 2007. This decline was, to a large extent, set off by the increase in net fee and commission income related to payment cards processing and ATMs maintanance, which in 2008 increased by 38.3% to PLN 76,362 thousand.

Net commission income in particular quarters and in 2007-2008 is presented in the figures below (in millions of PLN):



The table below presents the structure of commission income in 2008 and 2007.

	01.01.2008 - 31.12.2008	Structure %	01.01.2007 - 31.12.2007	Structure %
Fees and commissions on deposit-related transactions with	127 128	32.62%	131 197	35.68%
Fees and commissions due for payment cards processing and ATMs maintenance	138 753	35.60%	91 901	25.00%
Commissions on distribution and management of combined investment and insurance products	37 543	9.63%	61 780	16.80%
Fees and commissions related to lending activities	44 906	11.52%	44 114	12.00%
Commissions on foreign clearing operations	16 915	4.34%	16 305	4.43%
Commissions on guarantee commitments	14 827	3.80%	10 937	2.97%
Commissions on custodian services	2 944	0.76%	3 180	0.86%
Other fees and commissions	6 728	1.73%	8 260	2.25%
Total	**389 744**	**100%**	**367 674**	**100%**

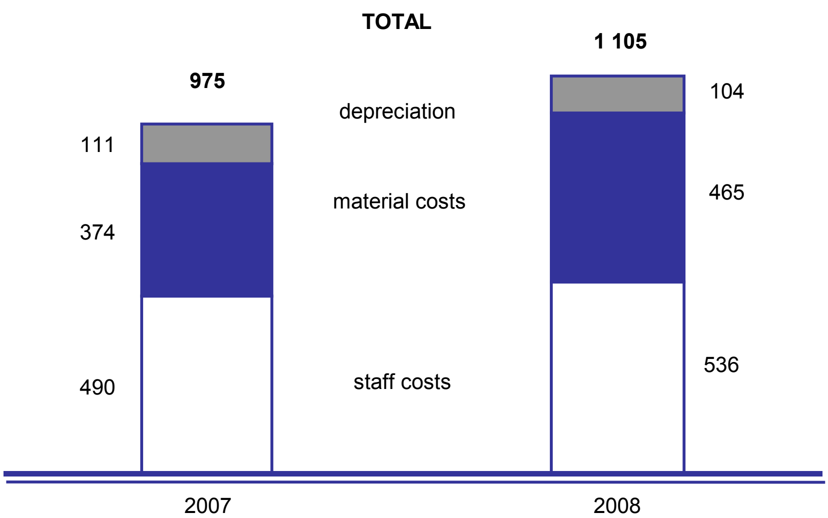
Net gains from trading and investing activities (including dividend income and net result on derivatives used as hedging instruments and hedged items) in 2008 amounted to PLN 232,912 thousand, i.e. was higher by 28.3% than in 2007. Net trading income increased by 35.1% and amounted to PLN 242,237 thousand as compared to PLN 179,243 thousand in 2007. The increase in net income from foreign exchange transactions related to very good sale, and the increase in the value of the portfolio of mortgages in foreign currencies were of the greatest importance in this category. In addition, the category comprises the results from the valuation and sale of held-for-trading assets carried at fair value through profit or loss and the result for derivatives.

In 2008, the Group's general and administrative expenses amounted to PLN 1,104,581 thousand and were up by 13.3% in comparison with the previous year. Both staff costs and general expenses were higher.

Staff costs increased by 9.5%. The increase in employment associated with the development of the distribution network both in Żagiel and in KB S.A. was one of the reasons. As compared to the end of 2007, the employment in the Group increased by 4.8%, i.e. by 326 FTEs. An increase in remunerations resulting from the increase in remunerations in the banking sector and in the economy as well as changes in incentive systems introduced during the year were another factor. An increase in expenses in Żagiel and Kredyt Lease amounted to ca. PLN 22 million, and in Kredyt Bank – to ca. PLN 24 million.

The increase in general expenses by 24.1% resulted mainly from the upgrade of the selling infrastructure and the back-office area. In 2008, Kredyt Bank S.A. ended network development works (36 outlets were opened). New 99 'Kredyt Punkt' outlets were opened by Żagiel in 2008. The increase in expenses was recorded mainly for costs of buildings maintenance and lease (PLN 22.6 million), postal and telecommunications charges (PLN 10.9 million), costs of marketing and advertising (PLN 5.2 million), and costs of transport services (PLN 4.2 million). In addition, an increase was recorded for taxes and fees (PLN 16.6 million), which was related mainly to the introduction in 2008 of a fee collected by the Polish Financial Supervision Authority for the supervision of banks (PLN 6.2 million) and an increase in non-deducted VAT related to the increase in particular costs subject to this tax. Depreciation costs remained on unchanged.

General and administrative expenses, and depreciation costs, in particular quarters of 2007 and 2008, are presented in the figures below (in millions of PLN):



Cost/income ratio (CIR) in 2008 was equal to 67.5%, what denotes an improvement as compared to 2007 level by 2.6 p.p. It should be noted that the improvement is a result of an increase in recurring income.

In 2008, net result on net impairment losses on financial assets, other assets and provisions was negative and amounted to – PLN 108,202 thousand as compared to the positive impact upon profit before tax in 2007 of PLN 84,962 thousand. It resulted from the increase, in 2008, of impairment losses on loans and advances to individuals, mainly related to consumer loans, with the simultaneous decrease in reversals of impairment losses on loans and advances to corporate customers which contributed to the Group's financial result in 2007 to a greater extent. A substantial increase in impairment losses on loans and advances in the whole 2008 was partially set off by the reversal of provisions for litigations due to the court judgments and expectations for pending proceedings which are favourable for the Group – amounting to PLN 90,045 thousand in 2008 (PLN 2,242 thousand in 2007).

Income tax expense on the Group's result in 2008 amounted to - PLN 96,138 thousand and was lower by 13.7% than income tax expense in 2007 (- PLN 111,418 thousand).

7. Risk management

The following risks can be distinguished in banking activities: credit risk, liquidity risk, market risk and operational risk. The Bank's supervisory bodies, explicitly the Management Board and the Supervisory Board, play the most important role in the risk management process. The Bank's Supervisory Board, through the Audit Committee, is informed about the most vital decisions and give opinions about the actions of the Management Board in this respect.

Particular risks are dealt with directly by specialised Committees:

- Assets and Liabilities Management Committee – responsible for the management of the risk in the banking portfolio and in the trading portfolio as well as the management of the Bank's structural liquidity;
- Operational Risk Committee – supervising the management of the operational risk;
- Credit Risk Committee – supervising the credit risk management process.

Members of the Management Board supervise works of the above committees; there are at least two Board Members in each committee.

The overriding objectives of risk management policy concerning mainly the observance of internal and external limits and optimising and mitigating risk in the process of ongoing monitoring are being systematically implemented. The risk management process is strictly related to the capital management process. The main objective of capital management in the Bank is to optimise it and, at the same time, to meet external capital requirements. To achieve this goal, in 2007, the Bank implemented ICAAP (Internal Capital Adequacy Assessment Process).

Details of the risk management system and applied risk metrics are presented in Note 75 to the consolidated financial statements of Kredyt Bank S.A. Capital Group for 2008.

7.1 Credit risk

Credit policy and credit risk management

Credit risk in Kredyt Bank S.A. Capital Group is defined as the potential shortfall relative to the value expected for a financial instrument consequent on non-payment or non-performance by a borrower, guarantor or counter-guarantor, counterparty (in relation to treasury transactions) or an issuer (of a debt instrument), due to that party's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country.

Kredyt Bank S.A. Capital Group follows a prudent credit risk policy. The main objective is to prevent impairment of loans portfolio and minimize the share of receivables for which premises of impairment were identified in total loan receivables. The primary assumptions of the credit policy are as follows:

- clear-cut division between sale and credit risk management functions;
- ongoing monitoring and early identification of hazards;
- centralization of decision-making powers in the credit process and in the process of the management of impaired loans portfolio;
- risk diversification and limited financing of higher-risk business activities.

Credit risk is managed taking into account the credit risk aspect corresponding to individual transactions and from the portfolio perspective.

In the second half of 2008, in view of the symptoms of slower economic growth, the Bank took action and decisions to tighten the credit policy and, what follows, to limit lending activities. The significant depreciation of the Polish currency resulted in unfavourable, for the Bank's customers, valuations of professional transactions and, what follows, in increased credit risk related to the possible inability to pay amounts due on the clearing date for the transactions. As a result of the situation, the Bank restricted access to the above-mentioned transactions by reducing the number of professional limits. In 2009, the Bank will focus on closer cooperation with existing, reliable customers, restricting its commitment to more risky market segments.

Apart from standard loan collateral specified in loan agreements which are in line with the practices applied in the industry (mortgage, transfers of ownership to secure a loan, registered pledges, sureties, guarantees and transfers of receivables), the Bank does not apply any other loan collateral, e.g. credit derivatives. The Bank monitors established legal securities of loan transactions by evaluation of the value of approved collateral on the basis of documents lodged by the borrower (including valuations of appraisers) and internal databases including historic data about the recoverability of collateral.

As at 31.12.2008, the coverage of the Bank's balance sheet and off-balance sheet loans and advances to counterparties other than banks and governments with internal ratings amounted to 97.59%: As at 31.12.2007, it was at the level of 91.5%. As at 31.12.2008, the concentration limits were not exceeded.

Exposure towards 10 major corporate customers

as at 31.12.2008

Company	Share (%) in the portfolio
Customer 1	2.8
Customer 2	2.8

Customer 3	2.2
Customer 4	2.1
Customer 5	2.0
Customer 6	2.0
Customer 7	2.0
Customer 8	1.9
Customer 9	1.6
Customer 10	1.5
Total	**20.9**

as at 31.12.2007

Company	Share (%) in the portfolio
Customer 1	3.5
Customer 2	3.3
Customer 3	3.0
Customer 4	2.6
Customer 5	2.5
Customer 6	2.5
Customer 7	2.4
Customer 8	2.3
Customer 9	2.2
Customer 10	1.9
Total	**26.2**

Exposure in industrial segments

Industry	Exposure % 31.12.2008	Comparable data Exposure % 31.12.2007
Production activities	26.6	32.3
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	22.9	20.0
Financial intermediation	15.9	20.8
Real estate administration and lease	14.5	8.6
Construction	5.6	4.0
Transport, storing and communication	4.4	3.8
Public administration and national defence, legally guaranteed social care	2.6	3.9
Agriculture, hunting and forestry	2.2	1.8
Mining	1.5	1.0
Health care and social care	1.0	1.0

Supplies of electricity, gas and water	0.9	0.8
Hotels and restaurants	0.8	0.8
Other services for municipalities, social and individual services	0.8	1.0
Education	0.2	0.2
Fishing and fish culture	0.1	0.0
Total	**100**	**100**

Geographical exposure

Province	Gross loans structure (%) 31.12.2008	Comparable data Gross loans structure (%) 31.12.2007
Mazowieckie	23.4	23.9
Lubelskie	14.0	13.6
Dolnośląskie	10.7	10.6
Wielkopolskie	8.7	9.1
Pomorskie	7.3	6.9
Śląskie	7.3	6.8
Małopolskie	5.6	7.8
Zachodniopomorskie	4.8	4.3
Łódzkie	3.8	3.8
Podlaskie	3.1	3.1
Kujawsko-pomorskie	2.8	2.5
Podkarpackie	2.5	2.3
Warmińsko-mazurskie	2.1	2.3
Lubuskie	1.5	1.1
Świętokrzyskie	1.2	1.2
Opolskie	1.0	0.6
Non-resident	0.2	0.1
Total	**100**	**100**

7.2 Liquidity risk

The liquidity risk is strictly associated with activities of any bank. It results, among other things, from the mismatch of assets and liabilities in terms of maturity dates what is a natural effect of varied customers' requirements as regards deposits and loans. Maintenance of financial liquidity, understood as the ability to timely meet financial liabilities, is the crucial element of the policy on assets and liabilities management applied by the Bank. The current liquidity is maintained through correcting the surplus or shortage of liquid cash by operations conducted on the interbank money market. The Bank's safety calls for the maintenance of liquid reserves as well as the term and quality structure of the whole balance sheet. Decisions related to liquidity risk management are made by the Bank's

Assets and Liabilities Management Committee. The Risk Management Department measures and monitors strategic (long-term) liquidity.

The Bank hedges the liquidity risk by:

- maintenance of an appropriate level of cash, taking into account volume of statutory provisions;
- possession of a proper volume of portfolios of liquid securities (governmental bonds);
- performing transactions on derivatives;
- maintenance of a diversified portfolio of deposits as regards terms and customers;
- access to the interbank market and open market transactions;
- access to the lombard loan.

An analysis of the Bank's liquidity is performed mainly on the basis of the liquidity gap report and the assessment of the deposit base stability by, among others, monitoring the mismatch of the maturity dates of assets and liabilities, what makes it possible to forecast the demand for liquid assets and avoid excessive concentration of cash disbursements on a close date. The Bank's financial liquidity is also monitored on the basis of a system of ratios reflecting the structure of liabilities and receivables for time ranges from 7 days to 5 years, i.e. Stock Liquidity Ratio (SLR) – a short-term liquidity ratio (up to 5 working days); Liquidity Mismatch Ratio (LMR) – a liquidity ratio (up to 3, 6 months); and Coverage Ratio (CR) – a liquidity ratio which informs about a degree of financing long-term assets with long-term liabilities (1, 2, 3 and 5 years).

The Bank continues works on the methodology of making a liquidity gap report real. The process of making the gap real is aimed at presenting a true picture of liquidity. The Bank models customers' behaviour (the quantity of revolving term deposits, amounts of extended but still undrawn loans) and takes into account results of those analyses in the picture of the Bank's liquidity.

The Group finances the lending activities (especially loans in foreign currencies) not only with deposits but also, to a large extent, with financing made available by the Bank's main shareholder – KBC. Borrowed loans and advances as well as received deposits will be renewed at their maturities, what enables the Bank to treat them as long-term financing.

in PLN '000'	31.12.2008	31.12.2007
Loans and advances from KBC Group	6 763 261	2 750 710
- including loans and advances in foreign currencies	*4 991 104*	*1 513 882*
Term deposits	4 087 081	2 517 509
- including term deposits from KBC Group	*3 993 949*	*370 239*
Current accounts	1 271 449	28 114
Other liabilities	3 222	5 116
Total amounts due to banks	**12 125 013**	**5 301 449**
Subordinated liabilities	279 634	394 235
Total	**12 404 647**	**5 695 684**

The diversification of the deposit base allows for the Bank's independence of any specific market segment, customer group or specific deposit type. Except for Mazowieckie Province, the deposits base is also not highly concentrated in one specific region.

The Bank's amounts due to customers by provinces:

Province	Deposits structure in % 31.12.2008	Deposits structure in % 31.12.2007
Mazowieckie	41.7%	31.4%
Dolnośląskie	7.0%	8.4%
Małopolskie	6.3%	7.2%
Pomorskie	5.7%	6.8%
Lubelskie	5.4%	5.9%
Śląskie	5.4%	5.8%
Podlaskie	5.2%	5.9%
Wielkopolskie	5.1%	6.3%
Łódzkie	4.7%	6.4%
Podkarpackie	3.5%	4.1%
Zachodniopomorskie	3.0%	3.6%
Kujawsko-pomorskie	2.3%	2.7%
Warmińsko-mazurskie	1.7%	2.1%
Świętokrzyskie	1.5%	1.6%
Lubuskie	0.9%	1.2%
Opolskie	0.6%	0.8%
Total	100%	100%

The structure of the deposits base is advantageous also due to the original maturity date. As at 31.12.2008 and 31.12.2007, it was as follows:

Amounts due to customers by maturity dates

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	14 425 135	14 586 807
- 1-3 months	3 229 994	1 229 160
- 3-6 months	1 476 417	541 260
- 6 months to 1 year	716 340	417 963
- 1 - 3 years	194 506	21 806
- 3 - 5 years	214 787	262 602

- 5 - 10 years	17 327	28 197
- 10 - 20 years	860	843
- over 20 years	0	0
Total	**20 275 366**	**17 088 638**

Gross loans and advances to customers by maturity dates

	31.12.2008	Comparable data 31.12.2007
- up to 1 month	617 664	2 612 640
- 1-3 months	827 967	538 680
- 3-6 months	914 266	486 978
- 6 months to 1 year	5 370 333	2 646 233
- 1 - 3 years	3 608 734	2 301 364
- 3 - 5 years	2 346 079	1 977 836
- 5 - 10 years	4 094 975	2 199 306
- 10 - 20 years	4 588 744	2 186 040
- over 20 years	4 022 498	1 633 074
- past due	1 269 387	874 033
Total	**27 660 647**	**17 456 184**

7.3 Market risk

Market risk is defined as a degree of the hazard to the Bank's financial standing resulting from adverse changes in market parameters (interest rates, exchange rates and prices of shares) and their market volatility.

The Bank does not trade on the stock market (investments in shares are long-term investments or investments in strategic subsidiaries). The Bank does not trade on commodity markets. In the Bank, among all types of market risks, we deal with interest rate risk and currency risk. The Bank's activity is divided into two parts: Trading Book and Banking Book. Due to different nature of opened positions, the risk is monitored in each book separately.

Trading Book

The Trading Book is a separated part of the Bank's portfolio, where the Bank intends to generate income resulting from short-term changes in prices, interest rates, exchange rates or other market parameters. The main activity of the Trading Book is associated with financial instruments in PLN, and, to a lesser extent, also in USD and EUR.

Value at Risk (VaR) is the basic metric of risk in the trading portfolio. Value at Risk means such a value that the probability of the Bank's loss exceeding this value amounts to 1% (with assumed 99% level of significance – such a level was assumed by the Bank). Value at Risk (VaR) in the Bank is calculated by historical method in the time horizon of 10 days, taking into account market figures for the previous 500 days. VaR limit for the Trading Book overlaps Global VaR, which includes both the currency risk and the interest rate risk. All presented calculations of risk metrics for the Trading Book relate to the Bank's positions.

VaR (for the whole Trading Book, entails both interest rate risk and currency risk) – in EUR '000

	limit	31.12.2008	Data for 2008		
			Average	Minimum	Maximum
VaR	3 000.0	1 257.09	1 173.89	353.20	4 611.33

VaR (for the whole Trading Book, entails both interest rate risk and currency risk) – in EUR '000

	limit	31.12.2007	Comparable data for 2007		
			Average	Minimum	Maximum
VaR	3 000.0	1 100.42	508.06	175.86	1 212.45

The Bank does not maintain interest rate options or currency options for its own account, i.e. it does not pursue speculative activities. Therefore, the market risk in the portfolio of option transactions does not exist.

Trading Book – interest rate risk

Interest rate risk reflects a degree of a hazard to the Bank's financial standing arising from adverse changes in market interest rates.

The level of interest rate risk is monitored and mitigated (by establishing limits) against BPV (basis point value – price sensitivity to parallel shifts in interest rates on the yield curve).

In addition, the analysis of the sensitivity of the total Trading Book position to interest rate risk is performed through the calculation of interest rate risk VaR (with the same parameters as Global VaR, i.e. the significance range of 99%, 10-day time horizon and 500-day observation horizon). The interest rate risk analysis is supplemented by stress-testing which is the amount of possible loss due to extremely adverse (critical) changes in interest rates.

VaR for the Trading Book – interest rate risk – in EUR '000

	31.12.2008	Data for 2008		
		Average	Minimum	Maximum
Trading	1 240.23	984.76	355.77	1 958.19

VaR for the Trading Book – interest rate risk – in EUR '000

	31.12.2007	Data for 2007		
		Average	Minimum	Maximum
Trading	514.91	495.95	137.07	1 263.95

Trading Book – currency risk

Currency risk is a degree of the risk for the Bank's financial standing resulting from adverse changes in exchange rates on the market. This risk covers income on foreign exchange transactions and measurement of open position in currencies resulting from the difference between the value of assets and liabilities in a given currency. The Bank's position in currencies is managed for the Trading Book and the Banking Book jointly. The Bank's position in currencies is managed in the Trading Book.

The daily analysis of the sensitivity of the total Trading Book position to currency risk is performed through the calculation of currency risk VaR (with the same parameters as Global VaR, i.e. the significance range of 99%, 10-day time horizon and 500-day observation horizon).

VaR for the Trading Book – currency risk – in EUR '000

	31.12.2008	Data for 2008		
		Average	Minimum	Maximum
Trading	343.88	462.00	17.49	4,472.25

VaR for the Trading Book – currency risk – in EUR '000

	31.12.2007	Data for 2007		
		Average	Minimum	Maximum
Trading	810.23	118.93	2.57	864.57

In the event of the currency risk, 'value at risk' method is supplemented daily by stress-testing which is the amount of possible loss due to extremely adverse (critical) changes in exchange rates.

Banking Book

The Banking Book covers operations not covered by the trading portfolio, i.e. commercial activities of branches, credit intermediaries and the portfolios of securities hedging the liquidity and constant interest income.

Banking Book – interest rate risk

The Bank actively manages the interest rate risk for 5 main currencies of the balance sheet: PLN, EUR, USD, CHF, GBP.

An interest rate gap prepared separately for each currency is the basic measurement and risk-limiting tool in the banking portfolio. The following risk metrics are calculated on that basis:

- sensitivity of the measurement of assets and liabilities (BPV);
- duration;
- accumulated gap ratios.

An analysis of the interest rate gap applied in the interest rate risk management of the Banking Book is based on information on particular items of the Bank's balance sheet as well as off-balance items sensitive to changes in interest rates. In the case of financial instruments without defined maturity date (according to a stability analysis for each type of product), the Bank implemented the model of periodic deposits rollover. This approach towards products allows for effective management of risk associated with this type of instruments and for the generation of constant income from investments of these assets.

Stress-testing and VaR calculations are additional interest rate risk monitoring tools in the Banking Book.

Banking Book – currency risk

As mentioned above, the position in currencies is managed in the Trading Book. The positions related to the Bank's customers' transactions arising during the day are transferred, via internal transactions, to the Trading Book.

It should be noted here that the currency risk at Kredyt Bank is perceived not only as the risk occurring for an open position in currencies, but also as the risk of a change in the value of certain products as a result of changes in exchange rates. In particular, this risk occurs in the case of loans extended in foreign currencies. In order to mitigate credit risk, increasing in the case of the growth in the exchange rate of the loan currency (this also refers to loans granted in PLN, with its value indexed to the foreign currency exchange rate), the loans agreements for institutional customers contain clauses on the establishment of additional collateral or permit to translate the loan, when the customer does not generate income in the loan currency. Additionally, in order to hedge the exchange rate risk the customer is exposed to, derivatives (forwards, options) are offered to him.

In order to mitigate the currency risk on granting mortgages in a foreign currency to individual customers, the Bank, analysing the creditworthiness:

- determines the value of the highest monthly interest and principal repayment instalment for the applied loan with the assumption that the principal of the applied loan is 20% higher;
- the Bank calculates the maximum level of LtV (Loan To Value) ratio on a lower level than for loans in PLN (LtV ratio should be understood as the loan value/collateral value ratio);
- additionally, the applicant is informed about the foreign exchange risk.

Details of the values of particular risk metrics and the application of hedge accounting for the Banking Book are presented in Note 75 to the consolidated financial statements of Kredyt Bank S.A. Capital Group for 2008.

Average interest rates in Kredyt Bank S.A. in 2008

Average interest rates of customers' deposits, calculated as the ratio of interest expenses to average deposits volume in the year, for major currencies, were as follows:

	31.12.2008	31.12.2007
PLN	4.1	2.9
EUR	2.5	2.3
USD	2.0	3.4
CHF	0.5	0.4

Average interest rates of customers' loans, calculated as the ratio of interest income from performing loans to the average volume of loans and advances in the year, for major currencies, were as follows:

	31.12.2008	31.12.2007
PLN	8.3	6.5
EUR	5.7	5.5
USD	4.1	6.7
CHF	4.3	4.2

7.4 Operational risk

The Group defines the operational risk as a possibility of an unexpected influence upon the financial result, as a consequence of maladjustment or unreliability of internal processes, people, technical systems as well as a consequence of external incidents. To calculate the capital requirement for operational risk, the Bank applies the Basic Indicator Approach.

As a result, the Bank, inter alia,:

- defined specific roles and responsibilities of employees within this system;
- keeps a record of operational events and losses resulting from the operational risk;
- introduced the operational risk management system which is regularly reviewed by independent auditors.

The Bank took measures focused on the application of the standardized approach, by, e.g.: enhancing the operational risk assessment system through systematic risk self-assessments (RSA) in particular business areas and risk management, through the implementation of action plans to reduce the risk and the measurement of risk using Key Risk Indicators (KRI). The aim is to effectively include the outcome of risk assessment in the monitoring and control process for Kredyt Bank's operational risk profile.

Operational risk coordinators, supporting the managers of business units, play a crucial role in the implementation of operational risk management tools and techniques. Managers of particular business lines are directly responsible for operational risk management.

The infrastructure and methodology of management are coherent within the Bank and its subsidiaries. Identification and operational risk rating tools are identical. The whole process is supervised by the Operational Risk Committee and the Bank's Management Board.

8. Financial ratings for the Group's parent company

As at 31.12.2008, Kredyt Bank S.A. was assigned the following financial ratings:

Moody`s Investors Service

Long-term Deposit Rating	**A2**
Short-term Deposit Rating	**P1**
Financial Strength	**D**
Outlook	**Stable**

The last change in the rating of Moody's Investors Service took place on 23 February 2007 and involved the change in the Financial Strength Rating of Kredyt Bank S.A. from 'D-' to 'D' (stable outlook), due to the implementation of new ratings calculations methodologies. A2 rating denotes good capacity to pay liabilities and P-1 rating means perfect ability to pay current liabilities.

On 26 January 2009, Moody's Investors Service rating agency affirmed the Long-term Deposit Rating of Kredyt Bank S.A. at 'A2' and changed the outlook for the above long-term rating from 'stable' to 'negative'. These rating decisions were made in connection with the decision on downgrading the ratings of KBC Bank, i.e. the parent entity of Kredyt Bank S.A.

Fitch Ratings

Long-term Issuer Default Rating (IDR)	**A**
Short-term Rating	**F1**
Individual Rating	**C/D**
Support Rating	**1**
Outlook for long-term rating	**Negative**

On 29 February 2008, Fitch Ratings increased the Individual Rating of Kredyt Bank to 'C/D' from 'D'. The Bank's other ratings have been affirmed at previous levels. The outlook for the rating remained 'stable'.

On 24 October 2008, Fitch Ratings placed 'A+' Issuer Default Rating (IDR) of Kredyt Bank S.A. on Rating Watch Negative. This decision was directly connected with the Fitch Ratings' decision on placing the Issuer Default Rating (IDR) of KBC Bank N.V. (the parent company of Kredyt Bank S.A.) on Rating Watch Negative. The remaining ratings of Kredyt Bank S.A. from Fitch Ratings have been confirmed at the previous levels.

On 2 December 2008, Fitch Ratings decreased Long-term Issuer Default Rating (IDR) of Kredyt Bank S.A. from 'A+' to 'A'. At the same time, Fitch Ratings deleted the above-mentioned rating from Rating Watch Negative. The outlook for this rating is 'negative'. This decision was directly connected with the Fitch Ratings' decision on decreasing the Long-term Issuer Default Rating (IDR) of KBC Bank N.V. (the parent company of Kredyt Bank S.A.) from 'AA-' to 'A+'. The remaining ratings of Kredyt Bank S.A. from Fitch Ratings have been confirmed at the previous levels.

The Individual Rating 'C/D' (scale: A to E) signifies a potential possibility of the occurrence of such a situation in the future which might require the external support for the Bank. And the Support Rating '1' (scale: 1 to 5) denotes very high probability of obtaining external support by the Bank.

9. Corporate Governance

The Management Board of Kredyt Bank S.A. attach great importance to the application of Corporate Governance rules in the management process, where Corporate Governance is understood as a set of rules required to maintain proper relations between the interests of all entities and individuals engaged in the company's functioning.

In the Management Board's opinion, appropriate proportions between managers, shareholders, customers and employees are a key factor which leads, in the long term, to the Bank's ongoing development and, hence, an increase in its value as a reliable and effective partner.

Corporate Governance rules

Since the implementation of Corporate Governance principles (for the first time, they were incorporated by the authorities of the Warsaw Stock Exchange in 2002), the Management Board of Kredyt Bank S.A. declared its adherence to them and made every effort to apply recommendations and corporate governance principles to the largest possible extent. Each year, the Bank's Management Board made statements on the compliance with the principles.

The intention to introduce Corporate Governance rules specified in 'Best Practices in Public Companies in 2002' was declared by the Bank's Management Board on 23 December 2002. This document was approved in the form of a Statement by the Extraordinary General Meeting of Shareholders by Resolution No. 5/2003 of 25 June 2003. After two years of their validity, the Warsaw Stock Exchange updated Corporate Governance rules and issued a new document 'Best Practices in Public Companies in 2005'. This document was approved in the form of a Statement by the Ordinary General Meeting of Shareholders by resolution No. 25/2005 of 25 April 2005.

On 4 July 2007, the Supervisory Board of the Warsaw Stock Exchange, by virtue of Resolution No. 12/1170/2007, approved new Corporate Governance rules enlisted in the document entitled 'Code of Best Practice for WSE Listed Companies' which came into force on 1 January 2008. The Bank's Management Board, pursuant to the new principles, drew up 'Corporate Governance Report – 2007'. The report included the provisions of Resolution No. 1013/2007 of 11 December 2007 of the Warsaw Stock Exchange, and referred to the principles in force in 2007 (i.e. 'Best Practices in Public Companies in 2005'). 'Corporate Governance Report – 2007' was attached to the Bank's Annual Report for 2007 and published on the Bank's website.

On 28 May 2008, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A., under Resolution No. 25/2008 approved the document 'Code of Best Practice for WSE Listed Companies' to be applied in the Bank's activities. The Bank's application of Corporate Governance rules has been described in 'Corporate Governance Report – 2008'.

Compliance Function

The Bank, as the public trust institution, is especially obliged to carry out its business in an ethical way and comply with the present law and social standards.

The implementation of the compliance function in Kredyt Bank S.A. involves monitoring of the compliance of the Bank's activities with the regulations of the commonly applicable law and internal rules. The Compliance Department, established in November 2003, supports the Bank's Management Board in the implementation of new standards and procedures stemming from the European Union's law and from the national law (Banking Law and Resolutions of the Commission for Banking

Supervision) as well as the assumptions of the policy of KBC – the Belgian banking and insurance group to which Kredyt Bank S.A. belongs.

The Compliance Department implements measures to monitor and promote the Bank's compliance with the regulations which govern fair and ethical banking business. 'The Ethical Code for Kredyt Bank's Employees' is the basic document for the staff. It sets out ethical rules resulting from general moral standards, which emphasize integrity, loyalty, professionalism, diligence and care as the basic principles applicable to all employees of the Bank, regardless of their position or function.

The Bank follows the compliance policy by the management of the incompliance risk in the following areas:

- counteracting money laundering and terrorism financing;
- professional ethics;
- banking offences;
- protection of banking and professional secrets;
- protection of personal data;
- employee's own transactions;
- market abuse, i.e. insider trading, price manipulation;
- tax frauds;
- incompatibility of mandates.

The incompliance risk in the above areas is managed on a continuous basis and entails the overall business of the Bank and its subsidiaries.

Social commitment

Kredyt Bank, apart from activities characteristic of financial institutions, perceives the need to actively participate in issues important for the society. Following its motto: 'Razem Możemy Więcej' ('Together We Can Do More'), the Bank, along with Warta, consequently supports charities and carries out valuable programmes and projects in response to the needs of local communities. Social commitment is a crucial aspect of the company's communication strategy.

Campaigns concerning the safety of children and fostering correct attitudes and behaviour among them are of special interest in the Bank's social activities.

In cooperation with Stowarzyszenie Laboratorium Troski, Kredyt Bank and Warta implement a social and educational project for pupils, classes 1-3, of primary schools called 'Akademia Misia Ratownika' ('The Academy of Teddy-Bear the Rescuer'). The aim of the project is to reduce accidents involving the youngest children, to protect their health and to guard them against violence and addictions. Children participate in a series of classes with representatives of rescue forces: the police, emergency ambulance services and fire fighters. The classes focus mainly on safety on the road, crime-related threats (assertiveness exercises), prevention of fires as well as health protection and basic first aid rules – children learn how to assess danger properly and respond to threats. Pupils also undergo medical examinations of their hearing, sight and lateralization.

The campaign, which took place from September 2007 to April 2008, engaged over 6,000 children from 46 schools from Małopolskie Province. Also, parents of children participating in the project were engaged. Since October 2008, the companies have been continuing the project in two other provinces. At present, 12,000 children from 38 primary schools in the Mazovia region and 44 schools in Podkarpacie region are attending the classes.

'Podróże na medal' ('Travels deserving a medal') educational programme was another initiative in 2008. Publication of three volumes of educational books for kindergarten children titled 'Kocie podróże małe i duże' ('Cat's short and long travels') which presented, in a simple and easy way, various aspects of safe travelling was the main element of this programme. The total of 45 thousand books were handed out free of charge to children who visited the Bank's and Warta's outlets with their parents throughout the country. In addition, the project website was launched: www.podrozenamedal.pl. The content of the Programme was supervised by the National Road Traffic Safety Board (KRBRD).

In 2008, Kredyt Bank and Warta became Strategic Partners of the Responsible Business Forum (FOB), and joined the Partnership Programme of the Responsible Business Forum Association. The community of Partners entails those companies which 'through their values, actions and experience as well as commitment to the Partnership Programme of the Responsible Business Forum support the development of responsible business in Poland on a long-term basis'.

Kredyt Bank S.A. established cooperation with Stowarzyszenie Centrum Wolontariatu and became a Partner to 'Wolontariat Biznesu' ('Business Volunteer') Programme, designated for companies which perceive chances in employee volunteering, both for themselves and employees – companies aware of this potential and socially responsible. In December 2008, the companies inaugurated Kredyt Bank and Warta's Employee Volunteering Programme called 'TAK od serca' ('YES straight from my heart'). In cooperation with Centrum Wolontariatu and 'Razem możemy więcej' Foundation of Warta and Kredyt Bank, companies want to encourage employees to become involved in activities targeted at local communities or NGOs. Both individual initiatives and those undertaken by organised groups are promoted.

In 2008, for the eighth time, 'Razem możemy więcej' Foundation of Warta and Kredyt Bank organised a contest for a Christmas postcard called 'Moje wymarzone Boże Narodzenie' ('My perfect Christmas'), in which children from several children's homes in Poland, chosen and invited by local units of Warta and Kredyt Bank participate each year. The winning postcard becomes the official Christmas postcard of Kredyt Bank and Warta, and children taking part in the contest receive precious awards and financial means designated for education, recreation and development of children's interests.

To support talented students and PhD students, for the tenth time the Foundation organised a nationwide contest for the best MA and PhD thesis concerning insurance, banking and bancassurance.

In addition, last year, Kredyt Bank donated ca. 900 computer sets to various institutions, e.g. schools, kindergartens, children's homes, hospitals, hospices, sports clubs, etc.

Sponsoring

Kredyt Bank and Warta have been sponsoring cultural events for years. Both companies willingly support both high and popular culture to make Poles' lives more attractive in a non-banal way, at the same time ensuring world-class artistic experience. By sponsoring such events the companies intend to develop cultural life in Poland and, at the same time, establish and maintain customer relations.

Kredyt Bank and Warta were the exclusive sponsors of the concert of Carlos Santana, a legendary guitarist, which took place in Warsaw on 27 June 2008. This is yet another – after the concert of Genesis in 2007 – sponsorship engagement of Kredyt Bank and Warta in a spectacular music event of a significant social overtone.

The promotion of Belgian culture is also a key area of the sponsorship activities of Kredyt Bank. The Bank was again the sponsor of 'Belgian Days', which take place each year in Warsaw. In addition, the Bank has been a member of the Belgian Business Chamber for years now. Also, Warta and Kredyt Bank's Foundation supported the initiative of the Belgian Embassy – making, for the first time in Poland, a carpet of fresh begonias. The flower carpet with the area of 400m² was arranged according to the design by Mark Schautteet, a landscape architect, from 120,000 flowers delivered to Warsaw from Eastern Flanders. Making flower carpets is an element of Belgian culture and tradition. They have been arranged every two years on Grand Place in Brussels since 1971.

10. The outlook and growth drivers for Kredyt Bank S.A. Capital Group

External drivers

After two decades of unshaken belief in the rationality of the market, in the second half of 2008 the existing capital creation mechanism on the global financial market collapsed. Hence, the belief in self-controlling functions of banks which combine investing activities with commercial activities, and, at the same time, able to disperse and level risk, failed. In view of the real threat of the collapse of the global economic system and the conspicuous, at this background, lack of global institutions and tools to respond to the crisis, the role of the policy run at the level of the state as a leader and, at the same time, the last crisis management institution, is growing rapidly.

According to the published data, Poland may suffer from slowdown/recession, which, as in other EU states, will not be limited only to the virtual world of global finances, stock markets and foreign currencies. The initial 'cool' distance towards the expanding financial crisis in the USA as seen from the peripheries of the Polish market, at the beginning of the fourth quarter of 2008 turned into a dangerous process of losing mutual trust by financial institutions (which manifested itself in the panic on the stock exchange, an increase in market rates and the outflow of foreign capitals). The turmoil on the markets was handled already in 2008 due to the interventions of monetary authorities which restored minimum trust (including the cuts of NBP rates, repos and guarantees for bank deposits) as well as the rescue plans announced by the government. Nevertheless, it became clear that the banking sector entered the period of deterioration of the scale and time difficult to predict.

The new reality comprises, first of all, credit risk growing along with the symptoms of worse business conditions, the scale of savings growth and problems concerning the increase in liquidity in interbank transactions.

A perspective of the accumulation of risk for the banking operations is more and more visible. The policy of tightening lending standards[6] and capital requirements for banks announced by the Polish Financial Supervision Authority is its consequence.

Limited access to financing on the interbank market (and in parent companies) and conspicuous balance sheet imbalance between loans and deposits visible in the scale of the sector, limits the possibilities of such a dynamic development of lending activities towards retail customers as in 2008. At the same time, the shift of lending towards corporate loans means increased risk of impairment losses on non-performing receivables due to the higher exposure for corporate exposures to the effects of the economic crisis.

Summing up, the most important factors which may affect future financial results of the Group are as follows:

- slower growth of household income in real terms due to the persisting weakening of positive trends on the labour market (expected stagnant or even lower employment levels, higher unemployment rate and the continuing decline in the wages growth rate) and the resulting lower consumer demand;
- limited investing activeness in enterprises sector;
- a rapid decline in the demand for export, only partially compensated for, at the financial result level, by the depreciation of Polish zloty;
- persisting high costs of long-term liquidity both in PLN and in foreign currencies;
- high costs of deposits sourcing;
- a lower demand for mortgages due to reduced purchasing power of households;
- a decrease in prices on the real properties market;
- potential deeper/long-term depreciation of Polish zloty resulting in, e.g. higher risk of the failure to settle transactions on derivatives by the Bank's customers and potential problems concerning the timely repayment of mortgages in foreign currencies;
- long-term turmoil on financial markets which may lead to a further decline in demand for investment products offered by the Group due to the deepening of clients' already high aversion to risk.

Internal drivers

Internal drivers material for the development of the Group still include more wide–spread and in-depth cooperation with WARTA S.A., aimed to develop bancassurance services and optimise the synergy effect. Apart from the cooperation in terms of sales and customer service, the Bank continued organizational changes in Kredyt Bank S.A. Group and WARTA S.A. Group to better adjust the management model to the needs resulting from the implemented bancassurance business model. The changes aim at the maximum use of synergy effects both in the sales network and support function.

Factors affecting the implementation of strategic objectives of Kredyt Bank S.A. Capital Group in 2009: effective credit risk management and ongoing control and adjustment of costs. The most important objectives for 2009 include the development and implementation of a new cost management model to

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[6] According to the Polish Financial Supervision Authority, Recommendation T, which is to govern the principles of credit risk management for households, will not come into force before 2010. Its preliminary draft raised objections and doubts, e.g. concerning the relation of expenditure related to loans and household income.

ensure flexible matching of incurred costs to the scale of operations (reducing the share of fixed costs, increasing the share of variable costs). The success of organisational structure streamlining projects launched in 2008 in order to better align the existing resources to the scale of business and the planned implementation of the comprehensive staff management system, from recruitment, through development, appraisal and aspects of the incentive system and the payroll structure, will be of extreme importance.

In view of an uncertain liquidity situation in the sector and the pressure on increased financing costs, maximum utilisation of the developed distribution network to source new customers and sell products, mainly deposits, will be one of the most important objectives for Kredyt Bank S.A. Group. The growth rate for lending activities will depend on the growth rate for the deposit base.

11. Statements of the Management Board

Under art. 96.1.5 and art. 96.1.6 of the Ordinance by the Minister of Finance of 19 October 2005 on current and interim information provided by issuers of securities (Journal of Laws No. 209, item 1744), the Management Board of Kredyt Bank S.A. hereby makes the following statements:

11.1. True and fair view presented in the financial statements

According to the best knowledge of the Management Board of Kredyt Bank S.A., the annual consolidated financial statements of Kredyt Bank S.A. Capital Group for the period 01.01.2008-31.12.2008 along with the comparable data, were prepared according to the accounting principles effective in the Group and present a true and fair view of the financial standing and assets of Kredyt Bank S.A. Capital Group as well as of its financial result. In addition, the Management Board of Kredyt Bank S.A. hereby declares that the annual Management Board's report presents a true picture of the development and accomplishments, as well as the situation (including the description of basic risks and threats) of Kredyt Bank S.A. Capital Group in 2008.

11.2. Appointment of the certified auditor for financial statements

The Management Board of Kredyt Bank S.A. hereby declares that the certified auditor to audit the annual consolidated financial statements of Kredyt Bank S.A. Capital Group as at 31.12.2008 was appointed as required by law. This entity and certified auditors performing the audit complied with the conditions on the issue of impartial and independent audit report, as required by the Polish law.

Signatures of all Management Board Members

date 19.02.2009	Maciej Bardan	President of the Management Board	....
date 19.02.2009	Umberto Arts	Vice-President of the Management Board	....
date 19.02.2009	Lidia Jabłonowska - Luba	Vice-President of the Management Board	....
date 19.02.2009	Krzysztof Kokot	Vice-President of the Management Board	....
date 19.02.2009	Michał Oziembło	Vice-President of the Management Board	....

KREDYT BANK S.A. CAPITAL GROUP

LONG-FORM AUDITORS' REPORT
SUPPLEMENTING THE INDEPENDENT AUDITORS' OPINION
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

I. GENERAL NOTES

1. Background

The holding company of the Kredyt Bank S.A. Capital Group (hereinafter 'the Group' or 'the Capital Group') is Kredyt Bank S.A. ('the holding company', 'the Bank').
The holding company was incorporated on the basis of a Notarial Deed dated 4 September 1990. The holding company's registered office is located in Warsaw, Kasprzaka 2/8 Street.

The holding company is an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of International Accounting Standards (EC Official Journal L243 dated 11 September 2002, page 1, Polish special edition chapter 13, title 29 page 609) and, based on the article 55.6a of the Accounting Act dated 29 September 1994 (uniform text: Journal of Laws of 2002, No. 76 with subsequent amendments – 'the Accounting Act'), prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the European Union.

The holding company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000019597 on 12 June 2001.

The holding company was issued with tax identification number (NIP) 527-02-04-057 on 14 June 1993 and statistical number (REGON) 006228968 on 15 December 1999.

The holding company is part of the KBC Bank N.V. capital group.

The principal activities of the holding company are as follows:

- accepting call (demand) or term deposits and keeping deposit accounts,
- keeping other types of bank accounts,
- extending loans,
- extending and confirming bank guaranties, letters of credit and sureties,
- issuing bank securities, including in non material form,
- performing bank settlements,
- operations including cheques and bills of exchange, as well as operations warrants,
- issuing payment cards and performing operations using such cards,
- performing forward financial operations,
- purchasing and disposing of debt,
- storing valuable items and securities and renting safe deposit box,
- purchasing and selling of foreign exchange,
- intermediation in money transfers and settlements in foreign exchange trade,
- performing commissioned services relating to issuance of securities,
- extending cash loans,
- issuing electronic money instruments,
- acting as a bank – representative of bond holders,
- taking over or purchasing shares and rights arising from banks' shares and other rights from shares from other legal entities or participation units in investment funds,

- purchasing securities on own account or third parties, dealing with those securities, keeping securities accounts and intermediation in the conclusion and execution of securities accounts agreements,
- performing brokerage activities,
- incurring liabilities relating to the issuance of securities,
- acting as a trustee in dealing with securities, realizing commissioned services relating to the management of securities and other financial instruments, exercising rights arising from these securities on behalf of Banks' clients and on their request,
- performing lease operations, factoring, underwriting and forfeiting, as well as acting as an intermediary in this areas,
- managing investments and pension funds, serving as intermediary for investment funds, acting as depositary for investment and pension funds, keeping accounting books and members registers for funds, serving as payment agent for foreign investment funds,
- insurance agency activities for individuals and corporations,
- acquisition for open pension funds,
- performing, in accordance with agreement with debtors, conversion of liabilities to parts of debtor assets in line with the Banking Law,
- acquiring and disposing of real estate,
- financial consulting and advisory services,
- intermediation in performing banking services for other banks and financial services for other banks, credit and financial institutions.

The scope of activities of the Group's subsidiaries, jointly controlled entities and associates include the following activities:

- Żagiel S.A. – intermediary financial services including instalment sales of goods and services, renting properties and selling materials and goods;
- Kredyt Lease S.A. – lease services, renting and leasing of intangibles and tangibles assets, real estate trading and acting as an intermediary in selling goods and services;
- Kredyt Trade S.A – providing developer services, substitute investments, brokerage services relating to real estate, managing and administrating real estate and technical objects, advisory services and economic and financial expertises, preparing business plans, performing enterprise valuation, organizing and conducting trainings;
- Reliz Sp. z o.o. – financial and developer advisory services, market research and valuations, managing of commercial real estates, an intermediation in renting of commercial areas and sale of flats on the primary market. Moreover, Reliz manages the office building called ALTUS.

As at 31 December 2008, the Bank's issued share capital amounted to 1,358,294 thousand zlotys and it comprised of 271,658,880 shares with a nominal amount of 5 zlotys each. The Group's equity as at that date amounted to 2,645,513 thousand zlotys.

In accordance with the excerpt from the Shares Register of 5 February 2009, the ownership structure of the Bank's issued share capital as at 31 December 2008, was as follows:

	Number of shares	Number of votes	Par value of shares (in PLN thousand)	% of issued share capital
KBC Bank N.V. (Brussels)	217,327,103	217,327,103	1,086,636	80.00%
KBC Securities NV-affiliated entity KBC Bank (Brussels)	6,890,966	6,890,966	34,454	2.54%
Sofina S.A.	15,014,772	15,014,772	75,074	5.53%
Others	32,426,039	32,426,039	162,130	11.93%
Total	271,658,880	271,658,880	1,358,294	100.00%

On 18 December 2007 the Management Board of Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. ('PPIM' located in Warsaw) that on 17 December 2007 PPIM exceed the 5% level of votes at the General Shareholders' Meeting of Kredyt Bank S.A. relating to financial instruments in comprising the portfolios managed by PPIM in relation to the brokerage commissioned services performed by PPIM and services performed on the base of the agreement between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM concerning the performance of brokerage services.

There were no changes in the Bank's share capital from the balance sheet date up to the date of this report.

As at 19 February 2009, the Bank's Management Board was composed of:

Maciej Bardan	- President
Umberto Arts	- Vice-President
Lidia Jabłonowska-Luba	- Vice-President
Krzysztof Kokot	- Vice-President
Michał Oziembło	- Vice-President

On 18 December 2007, during the Supervisory Board meeting Mr Ronald Richardson resigned from the function of the President of the Bank's Management Board as well as from the membership in the Bank's Management Board effective from 29 February 2008.
During this meeting the Bank's Supervisory Board appointed Mr Maciej Bardan for the position of the Management Board's President starting from 1 March 2008. On 5 September

(in thousand zlotys)

2008 Polish Financial Supervision Authority accepted taking the position of Management Board's President by Mr Maciej Bardan.

On 4 April 2008 the Supervisory Board of Kredyt Bank S.A. according to Art. 25, clause 2 of the Bank's Statute decided that the Management Board of Kredyt Bank S.A. is acting in extended team consisting of 5 members starting from 15 April 2008.

During this meeting the Supervisory Board appointed Mrs Lidia Jabłonowska-Luba for the position of the Management Board's Vice-President responsible for finance and risk starting from 15 April 2008.

There were no changes in the Management Board of the Bank from the balance sheet date to the date of the issuance of this report.

2. Group Structure

As at 31 December 2008, the Kredyt Bank S.A. Capital Group consisted of the following subsidiaries consolidated with full method:

Entity name	Consolidation method	Type of opinion	Name of authorised entity that audited financial statements	Balance sheet date
Żagiel S.A.	full	in progress	Ernst&Young Audit sp. z o.o.	31.12.2008
Kredyt Lease S.A.	full	in progress	Ernst&Young Audit sp. z o.o.	31.12.2008
Kredyt Trade Sp. z o.o.	full	in progress	Ernst&Young Audit sp. z o.o.	31.12.2008
Reliz Sp. z o.o.	full	in progress	A.M. Jesiołowscy – Finanse sp. z o.o.	31.12.2008

As at 31 December 2008 shares in the following associates (direct and indirect) were accounted for in the Group's consolidated financial statements using the equity method:

Name and registered office	Type of activity
KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Investments funds management

Details of the type and impact of changes in entities included in the consolidation as compared to the prior year may be found in Note 6 of the summary of significant accounting policies and other explanatory notes to the consolidated financial statements of the Group for the year ended 31 December 2008.

3. Consolidated Financial Statements

3.1 Auditors' opinion and audit of consolidated financial statements

Ernst & Young Audit sp. z o.o. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audit sp. z o.o. was appointed by the Supervisory Board of Kredyt Bank S.A. on 4 April 2008 to audit the Group's financial statements.

Ernst & Young Audit sp. z o.o. and the certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the consolidated financial statements, as defined in Art. 66, clause 2 and 3 of the Accounting Act.

Under the contract executed on 9 April 2008 with the holding company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2008.

Our responsibility was to express an opinion on the consolidated financial statements based on our audit. The auditing procedures applied to the consolidated financial statements were designed to enable us to express an opinion on the consolidated financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the consolidated financial statements taken as a whole.

Based on our audit, we issued an auditors' unqualified opinion dated 19 February 2009, stating the following:

"To the Supervisory Board of Kredyt Bank S.A.

1. We have audited the attached consolidated financial statements of Kredyt Bank S.A. Group ('the Group'), for which the holding company is Kredyt Bank S.A. ('the Bank') located in Warsaw , Kasprzaka 2/8, for the year ended 31 December 2008 containing:
   - the consolidated income statement for the period from 1 January 2008 to 31 December 2008 with a net profit amounting to 324,917 thousand zlotys,
   - the consolidated balance sheet as at 31 December 2008 with total assets amounting to 38,730,676 thousand zlotys,
   - the statement of changes in consolidated equity for the period from 1 January 2008 to 31 December 2008 with a net increase in equity amounting to 369.209 thousand zlotys,
   - the consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008 with a net cash outflow amounting to 1,728,661 thousand zlotys, and
   - the summary of significant accounting policies and other explanatory notes

('the attached consolidated financial statements').

2. The truth and fairness[1] of the attached consolidated financial statements and the proper maintenance of consolidation documentation are the responsibility of the Bank's Management Board. Our responsibility was to audit the attached consolidated financial statements and to express an opinion whether based on our audit, these financial statements are, in all material respects, true and fair[2].

3. We conducted our audit of the attached consolidated financial statements in accordance with the following regulations being in force in Poland:
   - chapter 7 of the Accounting Act, dated 29 September 1994 ('the Accounting Act'),
   - the auditing standards issued by the National Chamber of Auditors,

   in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached consolidated financial statements. The audit also included assessing the accounting principles adopted and used by the Group and significant estimates made by the Bank's Management Board, as well as evaluating the overall presentation of the attached consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.

4. In our opinion, the attached consolidated financial statements, in all material respects:
   - present truly and fairly all information material for the assessment of the results of the audited Group's operations for the period from 1 January 2008 to 31 December 2008, as well as its financial position[3] as at 31 December 2008;
   - have been prepared in all material aspects correctly, i.e. in accordance with International Financial Reporting Standards as adopted by the European Union;
   - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.

5. We have read the Directors' Report on Group's operations for the period from 1 January 2008 to 31 December 2008 and the rules of preparation of annual consolidated financial statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance of 19 October 2005, on current and periodic information published by issuers of securities (Journal of Law of 2005, No. 209, item 1744)"

We conducted the audit of the consolidated financial statements during the period from 10 November 2008 to 19 February 2009. We were present at the holding company's head office from 12 November 2008 to 16 February 2009.

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[1] Translation of the following expression in Polish: "*rzetelność, prawidłowość i jasność*"
[2] Translation of the following expression in Polish: "*rzetelny, prawidłowy j jasny"*
[3] Translation of the following expression in Polish: "*sytuacja finansowa i majątkowa"*

3.2 Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness[4] of the consolidated financial statements and the correctness of consolidation documentation. The Management Board stated that it provided us with all financial statements of the Group companies included in the consolidated financial statements, consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 19 February 2009, from the Management Board of the holding company confirming that:

- the information included in the consolidation documentation was complete,
- all contingent liabilities had been disclosed in the consolidated financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the consolidated financial statements,

and confirmed that the information provided to us was true and fair to the best of the holding company Management Board's knowledge and belief, and included all events that could have had an effect on the consolidated financial statements.

3.3 Consolidated financial statements for prior financial year

The consolidated financial statements of the Group for the year ended 31 December 2007 were audited by Dorota Snarska-Kuman, Certified Auditor No. 9667/7232, acting on behalf of Ernst & Young Audit sp. z o.o located in Warsaw at Rondo ONZ 1. The certified auditor issued an unqualified opinion on the consolidated financial statements for the year ended 31 December 2007. The consolidated financial statements for the year ended 31 December 2007 were approved by the General Shareholders' Meeting on 28 May 2008.

The consolidated financial statements of the Group for the financial year ended 31 December 2007, together with the auditors' opinion, a copy of the resolution approving the consolidated financial statements and the Directors' Report, were filed on 4 June 2008 with the National Court Register.

The introduction to the consolidated financial statements, the consolidated balance sheet as at 31 December 2007, the consolidated profit and loss account, the statement of changes in consolidated equity and the consolidated cash flow statement for the year ended 31 December 2007 together with the auditors' opinion and a copy of the resolution approving the financial statements were published on 2 September 2008 in Monitor Polski B No. 1205.

[4] Translation of the following expression in Polish: "*rzetelność ,prawidłowość i jasność*"

(in thousand zlotys)

4. Analytical Review

4.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Group for the years 2006 – 2008. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2007 and 31 December 2008.

	2008	2007	2006
Total assets	38,730,676	27,128,180	22,232,028
Shareholders' equity	2,645,513	2,276,304	2,092,258
Net profit	324,917	390,539	468,090
Capital adequacy ratio according to NBP methodology	8.81%	9.71%	13.68%
Profitability ratio	38.11%	51.50%	49.51%
Profit before taxation / General and administrative expenses			
Cost to income ratio	67.52%	70.11%	67.90%
General and administrative expenses / Total operating income less other operating expenses			
Return on equity (ROE)	13.20%	17.88%	24.81%
Net profit / Average shareholders' equity			
Return on assets (ROA)	0.99%	1.58%	2.17%
Net profit / Average assets			
Rate of inflation:			
Yearly average	4.2%	2.5%	1.0%
December to December	3.3%	4.0%	1.4%

4.2 Comments

The following trends may be observed based on the above financial ratios:

- Net profit of the Group for 2008 amounted to 324,917 thousand zloty in comparison to the net profit of 390,539 thousand zlotys in 2007 and 468,090 thousand zlotys in 2006.
- In 2008 compared to 2007 and 2006, there was an increase in total assets of the Group; the total assets as at 31 December 2008 amounted to 38,730,676 thousand zloty.
- The profitability ratio increased from 49.51% in 2006 to 51.50% in 2007 and decreased to 38.11%i in 2008.
- Cost to income ratio increased from 67.90% in 2006 to 70.11% in 2007 and decreased to 67.52% in 2008.
- Return on equity ratio decreased from 24.81% in 2006 to 17.88% in 2007 and 13.20% in 2008.
- Return on assets ratio decreased from 2.17% in 2006 to 1.58% in 2007 and 0.99% in 2008.
- The Group's solvency ratio calculated in accordance with NBP methodology amounted 8.81% as at 31 December 2008 as compared to 9.71% at the end of 2007 and 13.68% at the end of 2006.

4.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the holding company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2008 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 7.2 of the additional notes and explanations to the audited consolidated financial statements for the year ended 31 December 2008, the Management Board of the holding company has stated that the financial statements of the Group entities included in the consolidated financial statements were prepared on the assumption that these entities will continue as a going concern for a period of at least twelve months subsequent to 31 December 2008 and that there are no circumstances that would indicate a threat to their continued activity.

4.4 Application of regulation mitigating banking risk

As at 31 December 2008, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland and Resolution of the Polish Financial Supervision Authority (which took over competencies of Banking Supervisory Committee from 1 January 2008) envisaged banking regulatory norms in relation to following items:

- level of currency positions,

- concentration of credit risk,
- concentration of investments in shares,
- classification of loans and issued guarantees and suretyships to risk categories, recognition of provisions related to banking operations,
- solvency,
- level of obligatory reserve,
- capital adequacy.

During the 2008 audit we have not identified any facts indicating that during the period from 1 January to 31 December 2008 the Bank did not comply with the above regulations. In addition, we have received written representation from the Bank's Management Board that during the financial year the banking regulatory norms were not breached, except for reported to the Polish Financial Supervision Authority.

4.5 Correctness of calculation of solvency ratio

During our audit we have not identified any irregularities in relation to the calculation of the capital adequacy ratio as at 31 December 2008 in accordance with Resolution no 1/2007 of the Polish Financial Supervision Authority (which took over competencies of Banking Supervisory Committee from 1 January 2008) dated 13 March 2007 on the scope of the capital requirements against particular risks and the detailed principles to be applied in determining those requirements, including but not limited to the scope and conditions of applying statistical methods and the scope of information attached to an application for authorization to apply them, principles and conditions of taking account of contracts on debt assignment, subparticipation, credit derivative and contracts other than those on debt assignment, subparticipation, in calculating the capital requirements, terms and conditions, scope and manner of making use of ratings assigned by external credit assessment institutions and the export credit agencies, manner and specific principles of calculating their capital requirements as well as establishing additional items of bank balance sheets presented jointly with the bank regulatory own funds in the calculation of capital adequacy, the amount thereof and the conditions of setting them (Official Journal of the National Bank of Poland No 2, dated 30 March 2007)

II. DETAILED REPORT

1. Completeness and accuracy of consolidation documentation

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements, and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

2. Accounting policies for the valuation of assets and liabilities

The Group's accounting policies and rules for the presentation of data are detailed in note 7 of the additional notes and explanations to the Group's consolidated financial statements for the year ended 31 December 2008.

3. Structure of assets, liabilities and equity

The structure of the Group's assets and equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2008.

The data disclosed in the consolidated financial statements reconcile with the consolidation documentation.

3.1 Goodwill on consolidation and amortisation

The method of determining goodwill on consolidation, the method on determining impairment of goodwill, the impairment charged in the financial year and up to the balance sheet date were presented in note 7.1 and 41 of the additional notes and explanations to the consolidated financial statements.

3.2 Shareholders' funds including minority interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. There was no minority shareholders' interest as at 31 December 2008.

Information on shareholders' funds has been presented in note 52 of the additional notes and explanations to the consolidated financial statements.

3.3 Financial year

The financial statements of all Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2008 and include the financial data for the period from 1 January 2008 to 31 December 2008.

4. Consolidation adjustments

4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities.

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

5. Disposal of all or part of shares in a subordinated entity

During the financial year the Group did not sell any shares in subordinated entities.

6. Items which have an impact on the group's result for the year

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2008.

7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the EU

During the process of preparation of the consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting

8. Issues specific for the audit of banks

We have addressed the issue of complying by Bank with the obligatory norms mitigating banking risks and the issue of correctness of calculation of capital adequacy ratio in our report dated 19 February 2009, supplementing the independent auditors' opinion on the financial statements of the Bank for the year ended 31 December 2008.

9. Additional Notes and Explanations to the Consolidated Financial Statements

The additional notes and explanations to the consolidated financial statements for the year ended 31 December 2008 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

10. Directors' Report

We have read the Directors' Report for the period from 1 January 2008 to 31 December 2008 and the rules of preparation of annual consolidated financial statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance of 19 October 2005, on current and periodic information published by issuers of securities (Journal of Law of 2005, No. 209, item 1744).

11. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board of the holding company confirming that no laws, regulations or provisions of the Group entities' Articles of Association were breached during the financial year that have an impact on the Group's consolidated financial statements.

12. Work of Experts

During our audit we have taken into account the results of the work of the following independent experts:

- real estate experts – in calculation regarding the level of loan impairment we took into consideration the valuations of collateral, prepared by property appraisers, that were engaged by the Bank;
- actuary – actuarial calculation of provision for retirement benefits performed on the Bank's request.

on behalf of
Ernst & Young Audit sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw
Registration no. 130

Dorota Snarska-Kuman
Certified Auditor no. 9667/7232

Anna Sirocka
Certified Auditor no. 9626/7191

Warsaw, 19 February 2009

Report Corporate governance – 2008

This Report was prepared pursuant to & 29, item 5 of the Warsaw Stock Exchange Regulations and pursuant to the Resolution 12/1170/2007 of the Warsaw Stock Exchange Supervisory Board of July 4, 2007, & 2, item 2 of the Resolution 13/1171/2007 of the Warsaw Stock Exchange Supervisory Board of July 4, 2007 as well as the resolutions 1013/2007 and 1014/2007 of the Stock Exchange Management Board of December 11, 2007.

Contents of the report:

1. The principles of the corporate governance

The Management Board of Kredyt Bank S.A. attaches a great importance to the application of corporate governance principles in the management process understood as a set of regulations indispensable to maintain proper relations between the interests of all entities as well as the natural persons involved in functioning of a company.

The Management Board is of the opinion that the establishment of appropriate relationships among the governing persons, shareholders, clients and employees is of vital importance and leads to the Bank's continuous growth and therefore increases its value as a stable and effective partner.

The corporate governance principles provide for higher standards of companies' internal organization and their functioning than those included in the Commercial Companies Code since a special emphasis is laid on the transparency of companies' activity.

As soon as the corporate governance principles became effective (for the first time they were incorporated in 2002 by the authorities of the Warsaw Stock Exchange) the Management Board of Kredyt Bank S.A. declared a compliance with them and has made every effort to apply the recommendations and corporate governance principles to the broadest extent. Every year the Management Board has made the statements on complying with the principles.

On December 23, 2002 the Bank's Management Board declared an intention to implement corporate governance principles contained in the document „Good practices in the listed companies in 2002". This document was approved in a form of Declaration by the resolution 5/2003 dated June 25, 2003 of the Extraordinary General Assembly.

After two years the principles had been in effect the Stock Exchange updated the corporate governance provisions, introducing the document „Best practices in the listed companies in 2005". On April 25, 2005 the document in a form of a declaration was approved by the resolution no. 25/2005 by the Ordinary General Assembly.

On July 4, 2007 the Supervisory Board of the Warsaw Stock Exchange by its resolution no. 12/1170/2007 adopted new principles of the corporate governance mentioned in the document "Best practices of the companies listed on the WSE" – and they became effective on January 1, 2008.

The Bank's Management Board – in accordance with the new principles – prepared "2007 Corporate Governance Report". This report included the provisions that were contained in the resolution no. 1013/2007 of December 11, 2007 passed by the Warsaw Stock Exchange, and also concerned the principles that were in force in 2007 (i.e. "Best practices in the listed companies in 2005"). The "2007 Corporate Governance Report" was attached to the Bank's "2007 Annual Report" and published on the Bank's internet page.

On May 28, 2008 the Ordinary General Assembly of Kredyt Bank S.A. by its resolution no. 25/2008 approved the application in the Bank's activity of the document "Best practices of the companies listed on the WSE".

2. Application of Corporate Governance Principles by Kredyt Bank S.A.

In accordance with the preamble of "Best practices of the companies listed on the Stock Exchange" that are in effect from January 1, 2008, the compliance with principles specified in parts I – IV is the subject of annual reports.

2.1. Recommendations concerning good practices of the listed companies

Kredyt Bank S.A. conducts a transparent and reliable information policy and respects the law and best practices in its activity. In its activity KB is headed by the clients' right interest.

The Bank's information policy is directed to:

- mass media through the press conferences, press information, a contact with the press spokesman as well as the information on the www pages,
- employees through internal magazine and mailing,
- wide groups of people by inserting information on the internet page.

The Bank prepares and makes publicly known the current and periodical reports by publishing them on www pages. Besides, on its internet pages the Bank publishes also the schedule, ratings and quarterly presentations about the Bank's financial results as well as other information about the Bank's activity both in Polish and English languages.

The Bank makes every effort so that the communication with the financial market participants is based on the principle of an equal access to information and its truthfulness and each person or institution interested in obtaining information should be attended to with care and commitment.

The basic principle of providing information is to secure an equal access to precise, reliable and current information about the Bank and the Capital Group in accordance with the principles and regulations applicable to the listed companies. The text of the Information Policy is available on the Bank's internet page.

The Bank works out quarterly presentations of its financial results and arranges the meetings with the analysts and investors, securing in this way a broad access to information as well as the opportunity of a direct meeting of the Bank's managing staff with the active investors.

In order to secure an effective information policy in the crisis situation, the Physical and Technical Safety Policy as well as the Action Continuity Plans were implemented at the Bank.

2.2. Good practices followed by the management boards of listed companies

The Bank, complying with the corporate governance principles, presents on its internet page (www.kredytbank.pl., in English and Polilsh version), the basic corporate documents, cv's of the Management Board and the Supervisory Board members, current and periodical reports as well as other information allowing to reliably assess the functioning of the company. The information about the Bank's General Assembly (among other: its date, draft resolutions along with the justification, the report on the Supervisory Board activity) as well as corporate events and conclusion of significant agreements, is prepared and published in accordance with the regulations in force. The statements of the Supervisory Board members about the links with the shareholders as well as the statements from the previous years regarding the compliance with the corporate governance principles have also been made available on the Bank's internet page. The process of determining and paying out the dividend and determination of the shareholders' rights stemming from the corporate events are performed on the basis of the regulations in force, maintaining the necessary time intervals. The Bank complies with the principle of equal treatment of shareholders with respect to the transactions and agreements concluded by the Bank with the shareholders or parties related to the shareholders. The proposal of the Bank's Management Board concerning the selection of an entity entitled to audit the financial statements is examined by the Supervisory Board after the recommendation of the Audit Committee is submitted.

The cv's are inserted in the bookmark "About the Bank", and other information is inserted in the bookmark "Investor's relations" and "Press Center" in the Polish and English version.

Promptly after Ms Lidia Jabłonowska-Luba had been appointed Deputy President of the Bank's Management Board a current report no. 10/2008 was published on April 4, 2008 along with her cv and that report was inserted on the Bank's internet page.

The General Assembly of Kredyt Bank S.A. in 2008 was convened to take place on May 28, 2008. All the documents related to the Assembly were made publicly known and were inserted on the internet page in the bookmark "Corporate Governance/General Assemblies".

An announcement along with the date, venue, agenda and hour of the assembly as well as the information necessary to participate were disclosed on April 22, 2008 by a current report no. 13/2008.

The Bank's financial reports examined by the Ordinary General Assembly were published on February 29, 2008 as periodical reports and made avaiolable on the Bank's internet page in the bookmark „Investor's relations/Periodical reports".

On May 14, 2008 the draft resolutions along with their justification as well as the necessary attachments were published as a current report no. 14/2008.

The Supervisory Board of Kredyt Bank S.A. prepared its 2007 activity report where for the first time the activity of the Audit Committee and Remuneration Committee was included. Besides, the report also included the assessment of the Supervisory Board activity, the assessment of the Bank's situation, the assessment of the internal audit as well as the system of managing the risk vital for the Bank.

The General Assembly was attended by the Supervisory Board and the Management Board members as well as the auditor.

On May 28, 2008, after the completion of the Ordinary General Assembly, the Bank published the resolutions passed in a form of a current report no. 16/2008 and inserted them on the intenet page along with the attachments.

2.3. Good practices applied by the supervisory boards members

As provided for in the principles, the Bank's Supervisory Board and the Management Board Regulations as well as the Regulations of the Bank's General Assembly are in force at the Bank. The Supervisory Board members are adequately educated – most of them are the graduates of the Law Faculty or Economics Faculty. Moreover, all the Supervisory Board members have a long-standing experience in the business management.

The Bank's Supervisory Board, in accordance with its competence, examines and gives its opinions on all the issues to be further dealt with by the General Assembly.

The Supervisory Board at its meeting held on April 4, 2008 examined the materials and documents to be submitted to the Ordinary General Assembly convened on May 28, 2008. The announcement, draft resolutions along with their justification and attachments were made available in a form of current reports as well as on the internet page:

› on April 22, 2008 a current report no. 13/2008 – announcement,

› on May 15, 2008 a current reort no. 14/2008 – draft resolutions,

› on May 28, 2008 a current report no. 16/2008 – resolutions passed.

The Supervisory Board of Kredyt Bank S.A. prepared 2007 report on its activity and for the first time the description of activity of the Audit Committee as well as the Remuneration Committee was included in the report. Other items were also included in the report and these were as follows:

› assessment of the Supervisory Board activity,

› brief assessment of the Bank's situation,

› assessment of the internal audit system,

› assessment of the system of managing the risk crucial for the Bank .

This document together with the materials for the General Assembly were approved by the Supervisory Board at its meeting on April 4, 2008 and were submitted to the Ordinary General Assembly on May 28, 2008.

The Supervisory Board members once every quarter submit to the Bank's Management Board their declarations on the links with the shareholders, each of them having a right to exercise no less than 5% of total number of votes at the General Assembly.

The Supervisory Board members participated in the General Assembly in the composition that allowed to give specific answers in case any questions were asked. The attendance of the Supervisory Board members at the General Assembly is determined by the General Assembly Regulations.

The by-laws of Kredyt Bank S.A. provides for the possibility of co-opting a new Supervisory Board member to replace the Supervisory Board member resigning from the membership of the Supervisory Board. The number of members co-opted during the term of office is determined by the by-laws.

There are two committees that function in the structure of the Supervisory Board: the Audit Committee and the Remuneration Committee. In the case of a need the Supervisory Board may also establish other committees, defining the scope and manner of their functioning. The Audit Committee supervises the activity of the Bank's organization units responsible for the internal audit, risk management and compliance function. The tasks of the Remuneration Committee include: the supervision of the employees' issues and the salaries, in particular those of the Management Board members.

The independent members also have seats on the Bank's Supervisory Board as well as the Audit Committee and Remuneration Committee.

The By-laws of Kredyt Bank S.A. and the Regulations of the Supervisory Board of Kredyt Bank S.A. determine the principles of activity of the Bank's Supervisory Board members.

2.4. Good practices applied by the shareholders

Pursuant to the Regulations of the Bank's General Assembly the mass media have a possibility to stay in the hall where the General Assembly meeting is held. The Regulations specify detailed principles of conducting an assembly and passing resolutions, principles of attendance of shareholders at the General Assemblies and detailed regulations regarding the election of the Supervisory Board by way of separate groups voting.

The alterations implemented to the principles of functioning of the Bank's General Assembly become applicable to the next General Assembly. The process of determining and paying out a dividend as well as determining the shareholders' rights stemming from the corporate events take place pursuant to the legal regulations in force, and the necessary time intervals are kept.

On March 26, 2008 the Bank's Management Board passed a resolution on 2007 profit distribution (current report no. 9/2008). The above draft Resolution on 2007 profit distribution assumed that the shareholders' dividend per 1 share will be equal to PLN 0.52 gross. In total, the dividend amounted to PLN 141,262,617.60 and 271,658,880 Bank's shares series from A to W inclusive were entitled to dividend. July 3, 2008 was the dividend declaration day and July 18, 2008 was the dividend pay day.

On April 4, 2008 the Supervisory Board approved the draft resolution on 2007 profit distribution with its wording as proposed by the Management Board. A current report no. 12/2008 was published on April 4, 2008 and inserted on the Bank's internet page.

The resolution on the profit distribution was passed by the Ordinary General Assembly on May 28, 2008.

The Bank complies with the principle of the shareholders' equal treatment regarding the transactions and agreements concluded by the Bank with the shareholders or the parties related to them.

An entity entitled to audit financial statements is changed once every 7 years, counting from the date the good practices become effective.

The Bank's Management Board proposal, concerning the selection of an entity entitled to audit financial statements is examined by the Supervisory Board after the presentation of the Audit Committee recommendations.

As applied for by the Bank's Management Board and after the Audit Committee recommendation, on April 4, 2008 the Supervisory Board selected the auditor (Ernst & Young Audit Sp. z o.o. with its seat in Warsaw, 1, Rondo ONZ, registration no. 130) to carry out an independent review and audit of the financial statements of Kredyt Bank S.A. and the consolidated financial statements of Kredyt Bank S.A. Capital Group prepared as of June 30, 2008 and December 31, 2008. Kredyt Bank S.A. made use of services provided by Ernst & Young Audit Sp. z o.o. related to auditing of the Bank's financial statements for the years 2002, 2003, 2004, 2005, 2006 and 2007. The information was published by a current report no. 11/2008 on April 4, 2008.

3. Activity of General Assembly

The General Assembly of Kredyt Banku S.A. acts pursuant to:

› The General Assembly Regulations – Resolution no. 3/2003 of the Extraordinary General Assembly of Kredyt Bank of April 25, 2003.

The Regulations of the Bank's General Assembly specify detailed principles of conducting the assembly and passing resolutions. Among other, the Regulations define the principles of shareholders' attendance at the General Assembly and the detailed regulations applicable to electing the Suupervisory Board by way of the separate groups voting.

The text of the Regulations is available on the internet page of Kredyt Bank S.A. in the bookmark „Corporate Governance".

The General Assembly of Kredyt Bank S.A. was convened on May 28, 2008. All the documents relating to the Assembly were made publicly known and were inserted on the internet page in the bookmark "Corporate Governance/General Assemblies".

On April 22, 2008 the current report no. 13/2008 was published, containing the announcement, the date, venue, hour and agenda of the Assembly as well as the other information needed to take part in the Assembly.

The Bank's financial statements examined by the Ordinary General Assembly, i.e. 2007 Unit Annual Report of Kredyt Bank S.A., 2007 Consolidated Annual Report of Kredyt Bank S.A. Capital Group were published in a form of periodical reports on February 29, 2008 and were made available on the Bank's internet page in the bookmark ""Investor's relations/periodical reports".

On May 14, 2008 the draft resolutions along with the justification of resolutions and the necessary attachments were published in a form of the current report no. 14/2008.

The Supervisory Board of Kredyt Bank S.A. prepared its 2007 activity report. For the first time the Supervisory Board included in it the activity of its committees, i.e. the Audit Committee and the Remuneration Committee. The said report included also the items concerning the assessment of activity of the Supervisory Board, assessment of the Bank's situation as well as the assessment of the internal audit system and the system of managing the risk crucial for the Bank.

On May 28, 2008 the Ordinary General Assembly was held and it was registered in the audio version along with its English interpretation as well as audio-video in the Polish version. The audio-video record was made available on the Bank's internet page in the bookmark "Corporate governance/General Assembly.

Before the General Assembly an Application Form had been made available that allowed to ask questions. No questions concerning the General Assembly were asked through that Form.

After the Ordinary General Assembly had been held, the resolutions passed at the General Assembly were disclosed along with the attachments in the current report 16/2008. These documents were also made available on the internet page.

Primarily, the Assembly accomplished the following:

› Appproved the 2007 Unit Annual Report of Kredyt Bank S.A. as well as the 2007 Consolidated Annual Report of Kredyt Bank S.A. Capital Group,

› Approved the 2007 profit distribution and dividend payout,

› Approved the 2007 reports of the Management Board and the Supervisory Board,

› Granted the approval of the performance of the duties by the Management Board and the Supervisory Board members,

› Approved the Supervisory Board Regulations,

› Adopted „Good practices of the companies listed at the Stock Exchange".

4. Composition of the Governing and Supervisory Bodies

4.1 Composition and principles of activity of Kredyt Bank S.A. Management Board in 2008

The Management Board of Kredyt Banku S.A. acts pursuant to:

› By-laws of Kredyt Bank S.A. – Uniform wording, Warszawa, November 2006 including the amendments passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 31, 2006, adopted by the Resolution of the Bank's Supervisory Board on July 19, 2006, registered by the Court on October 25, 2006 roku pursuant to the ruling of October 25, 2006;

› The Regulations of the Management Board of Kredyt Bank S.A. – the Resolution of the Supervisory Board of December 21, 2006 – it was in force untl April 3, 2008;

› The Regulations of the Management Board of Kredyt Bank S.A. – the Resolution of the Supervisory Board of April 4, 2008 – it became effective on April 4, 2008;

In the Management Board Regulations that became effective on April 4, 2008, the amendments were made that were connected with the introduction by the Banking Supervision Commission on March 13, 2007 of the package of resolutions (no. 1/2007 – 7/2007) the most of which constitute the executive acts to the amended Banking law and implement in the domestic regulations the Directives 2006/48/WE and 2006/49/WE introducing to the European Union legislation the provisions of a New Capital Agreement of the Basel Committee for the Banking Supervision.

As of January 1, 2008 the composition of the Management Board of Kredyt Bank S.A. was as follows::

Mr Ronald Richardson	- President of the Management Board, General Director of the Bank,
Mr Umberto Arts	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr Krzysztof Kokot	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr Michał Oziembło	- Deputy President of the Management Board, Deputy General Director of the Bank.

On December 18, 2007 Mr. Ronald Richardson, President of the Bank's Management Board submitted his resignation from the function of the President of the Bank's Management Board as of February 29, 2008.

On December 18, 2007 the Supervisory Board appointed Mr. Maciej Bardan as the President of the Management Board of Kredyt Bank S.A. as of March 1, 2008.

On April 4, 2008 the Supervisory Board appointed Ms Lidia Jabłonowska-Luba the member of the Management Board of Kredyt Bank S.A. to take up, as from April 15, 2008, the position of the Deputy President of the Bank's Management Board responsible for finance and risk.

On September 5, 2008 the Polish Financial Supervision Authority approved Mr. Maciej Bardan as the President of the Management Board of Kredyt Bank S.A.

As of December 31, 2008 the composition of the Management Board of Kredyt Bank S.A. was as follows:

Mr. Maciej Bardan	- President of the Management Board, General Director of the Bank,
Mr Umberto Arts	Deputy President of the Management Board, Deputy General Director of the Bank
Ms Lidia Jabłonowska-Luba	Deputy President of the Management Board, Deputy General Director of the Bank
Mr Krzysztof Kokot	Deputy President of the Management Board, Deputy General Director of the Bank
Mr Michał Oziembło	Deputy President of the Management Board, Deputy General Director of the Bank

4.2. Composition and principles of activity of Kredyt Bank S.A. Supervisory Board in 2008

The Supervisory Board of Kredyt Bank S.A. acts pursuant to:

- By-laws of Kredyt Bank S.A. – Uniform wording, Warszawa, November 2006 including the amendments passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 31, 2006, adopted by the Resolution of the Bank's Supervisory Board on July 19, 2006, registered by the Court on October 25, 2006 pursuant to the ruling of October 25, 2006;
- Regulations of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 24/2006 of the Ordinary General Assembly of Kredyt Bank S.A. of May 31, 2006 – Regulations were effective until May 27, 2008 ;
- Regulations of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. dated May 28, 2008 – Regulations are effective from May 28, 2008.

In the Supervisory Board Regulations that became effective on May 28, 2008, the amendments were made that were connected with the introduction by the Banking Supervision Commission on March 13, 2007 of the package of resolutions (no. 1/2007 – 7/2007), the most of which constitute the executive acts to the amended Banking law and implement in the domestic regulations the Directives 2006/48/WE and 2006/49/WE introducing to the European Union legislation the provisions of a New Capital Agreement of the Basel Committee for the Banking Supervision.

Pursuant to the Resolution no. 4/2004 of the Extraordinary General Assembly of Kredyt Bank S.A. of December 6, 2004 the Bank's Supervisory Board is composed of 9 persons.

As of January 1, 2008 the composition of the Supervisory Board of Kredyt Bank S.A. was as follows:

Mr. Andrzej Witkowski	- Chairman of the Supervisory Board,
Mr. Adam Noga	- Deputy Chairman of the Supervisory Board,
Mr Francois Gillet	- Member of the Supervisory Board,
Mr John Hollows	- Member of the Supervisory Board,
Mr. Feliks Kulikowski	- Member of the Supervisory Board,
Mr. Marek Michałowski	- Member of the Supervisory Board,
Mr. Luc Philips	- Member of the Supervisory Board ,
Mr. Jan Vanhevel	- Member of the Supervisory Board,
Mr Krzysztof Trębaczkiewicz	- Member of the Supervisory Board .

As of December 31, 2008 the composition of the Supervisory Board of Kredyt Bank S.A. has not changed in comparison with January 1, 2008.

4.2.1 Composition and principles of activity of the Audit Committee of Kredyt Bank S.A. in 2008

The Audit Committee of Kredyt Bank S.A. acts pursuant to:

- Regulations of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 24/2006 of the Ordinary General Assembly of Kredyt Bank S.A. of May 31, 2006 – Regulations were in force until May 27, 2008;
- Regulations of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. of May 28, 2008 – Regulations are in force from May 28, 2008;
- Regulations of the Audit Committee of Kredyt Bank S.A.;

As of January 1, 2008 the composition of the Audit Committee of Kredyt Bank S.A. was as follows:

Mr John Hollows	- Chairman of the Audit Committee
Mr Jan Vanhevel	- Member of the Audit Committee
Mr Adam Noga	- Member of the Audit Committee

As of December 31, 2008 the composition of the Audit Committee of Kredyt Bank S.A. has not changed in comparison with January 1, 2008.

The Audit Committee supports the activities of the Bank's Supervisory Board. In order to achieve that the Audit Committee, in the name of the Supervisory Board exercises a supervision of the consistency, effectiveness and efficiency of the internal audit system, compliance function and also the risk management connected with the Bank's activity, attaching a special importance to financial reporting. The Audit Committee supervises the processes executed at the Bank from a point of view of their conformity with the generally binding law as well as the Bank's internal regulations.

4.2.2 Composition and principles of activity of Remuneration Committee of Kredyt Bank S.A. in 2008

The Remuneration Committee of Kredyt Bank S.A. acts pursuant to:

- Regulations of Kredyt Bank S.A. Supervisory Board – Resolution no. 24/2006 of the Ordinary General Assembly of Kredyt Bank S.A. of May 31, 2006 – Regulations were in force until May 27, 2008;
- Regulations of Kredyt Bank S.A. Supervisory Board – Resolution no. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. of May 28, 2008 – Regulations are in force from May 28, 2008;
- Regulations of Remuneration Committee of Kredyt Bank S.A;

As of January 1, 2008 the composition of the Remuneration Committee of Kredyt Bank S.A. was as follows :

Mr. Jan Vanhevel	-Chairman of the Remuneration Committee,
Mr. Andrzej Witkowski	- Member of the Remuneration Committee,
Mr. John Hollows	- Member of the Remuneration Committee.

As of December 31, 2008 the composition of the Remuneration Committee of Kredyt Bank S.A. has not changed in comparison with January 1, 2008.

The Remuneration Committee supports the activity of the Supervisory Board of Kredyt Bank S.A. with respect to the remuneration principles of the Management Board members..

The By-laws, the Management Board Regulations and the Supervisory Board Regulations are available on the internet page of Kredyt Bank S.A. in the “Corporate Governance” bookmark.

5. Description of the basic features of the internal audit and risk management systems applied in the Bank

The internal audit system functioning at Kredyt Bank is of vital importance for the Bank’s safe activity and is a crucial element of the operating risk management. The Management Board and the managing staff supervise the individual areas of activity, processes or products, are responsible for the establishment, implementation, activity and monitoring of an effective and efficient internal audit system as well as the identification and adequate control of the risk incurred. The Audit and Inspection Department independently appraises the internal audit system and informs the Management Board and Audit Committee about its reliability, effectiveness and efficiency.

5.1 Appraisal of the internal audit system

The appraisal of the internal audit system functioning in Kredyt Bank S.A. as well as the entities of Kredyt Bank S.A. Group is performed on a regular basis by the Audit and Inspection Department. The appraisal of the internal audit system is presented to the members of the Audit Committee, while the Chairman of the Audit Committee informs other members of the Supervisory Board about the appraisal outcome.

The appraisal is performed on the basis of audits and inspections performed, including the monitoring of already issued recommendations of the Audit and Inspection Department, the recommendations of the external auditor and post-control recommendations of the regulatory bodies. In the appraisal process the standpoint of the processes’ owners is also taken into account in relation to the actions undertaken, aimed at the efficient functioning of the internal audit system.

In 2008 20 business processes at the Bank and 8 processes at the subsidiaries were appraised. The key processes that exert a significant impact on the functioning of the internal audit systems were as follows:

- Crediting
- Quality, risk and capital management
- Contingency management
- Human resources management
- Distribution channels and electronic banking management
- Payment cards
- Payments
- ICT issues

5.2. Appraisal of risk management system

There is a multistage risk management system at the Bank. The Bank's supreme bodies, i.e. the Management Board and the Supervisory Board, play the most important part in the system.

The Chairman of the Audit Committee presents to the Supervisory Board the appraisal of the risk management process as well as the opinion on the actions taken by the Bank's Management Board in this area.

The following, individual committees, headed by the Management Board members, directly manage the specific risks:

- Credit Risk Committees – supervise the process of credit risk management,
- Assets and Liabilities Management Committee – responsible for market risk management and the Bank's structural liquidity management,
- Operating Risk Committee along with sub-committees – supervises the process of operating risk management.

The measurement and monitoring of all types of risks at the Bank is the responsibility of the Risk Management Department and is entirely independent from the business units.

In the process of risk identification, measurement and management the Bank applies the techniques adequate for a given type of risk. The techniques and principles were elaborated in cooperation with the major shareholder and were subject to independent reviews carried out by the Audit and Inspection Department.

In 2008 the primary goals of the risk management policy have not changed. The Bank's Supervisory Board adopted a complex procedure concerning the Risk Management System in Kredyt Bank S.A. Capital Group and Capital Policy of Kredyt Bank S.A. Capital Group. The Risk Management Department has also elaborated The Policy of Credit Risk Management in Kredyt Bank S.A. Capital Group and updated The Policy of Market Risk Management, Liquidity Management and Assets and Liabilities Management as well as the Process of Concentration Risk Management in Kredyt Bank S.A. Capital Group. The process of continuous monitoring is applied in order to consequently achieve the superior goals of the risk management policy, primarily concerning the observance of the external and internal limits and also optimizing and mitigating the risk. The risk management process is closely related to the process of managing the capital. The most important goal to achieve in the process of managing the capital in the Bank is its optimizing with the simultaneous meeting of the external capital requirements. As from January 1, 2008 the Bank has been applying new capital adequacy regulations pursuant to the Resolutions 1-6 of March 13, 2007 passed by the Banking Supervision Commission.

The Management
Board of the Bank