Interim Consolidated Financial Statements
of Kredyt Bank S.A. Capital Group
for the Second Quarter of 2008
prepared in accordance with
International Financial Reporting Standards

Contents

1. Consolidated Income Statement

in PLN '000'	2nd quarter of 2008 01.04.2008 - 30.06.2008	Two quarters of 2008 01.01.2008 - 30.06.2008	2nd quarter of 2007 01.04.2007 - 30.06.2007	Two quarters of 2007 01.01.2007 - 30.06.2007
Interest income	543 352	1 041 717	371 673	719 616
Interest expense	-293 253	-548 409	-163 846	-313 069
Net interest income	250 099	493 308	207 827	406 547
Fee and commission income	94 712	184 280	99 920	175 741
Fee and commission expense	-21 940	-40 688	-14 031	-26 316
Net fee and commission income	72 772	143 592	85 889	149 425
Dividend income	648	648	1 328	1 328
Net trading income	55 773	101 767	38 031	75 338
Net result on derivatives used as hedging instruments and hedged items	-2 077	-2 874	-910	-1 505
Net gains from investment activities	226	234	346	3 189
Other operating income	17 563	40 809	15 455	35 329
Total operating income	**395 004**	**777 484**	**347 966**	**669 651**
General and administrative expenses	-287 685	-535 829	-238 071	-453 895
Net impairment losses on financial assets, other assets and provisions	-8 950	-33 050	26 292	33 873
Other operating expenses	-10 374	-20 120	-8 536	-19 898
Total operating expenses	**-307 009**	**-588 999**	**-220 315**	**-439 920**
Net operating income	**87 995**	**188 485**	**127 651**	**229 731**
Share in profit (loss) of associates	-30	-912	-30	1 141
Profit before tax	**87 965**	**187 573**	**127 621**	**230 872**
Income tax expense	-18 129	-42 765	-27 752	-49 251
Net profit from business activities	**69 836**	**144 808**	**99 869**	**181 621**
Net profit from discontinued operations	0	0	0	0
Net profit	**69 836**	**144 808**	**99 869**	**181 621**
Including:				
attributable to the Shareholders of the Bank	**69 836**	**144 808**	**99 869**	**181 621**
Weighted average number of ordinary shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)	0.26	0.53	0.37	0.67

2. Consolidated Balance Sheet

in PLN '000'	30.06.2008	31.03.2008	31.12.2007	30.06.2007
Assets				
Cash and balances with Central Bank	1 365 384	1 116 890	611 690	555 167
Gross loans and advances to banks	985 910	2 140 149	2 456 352	2 921 670
Impairment losses on loans and advances to banks	-2 260	-2 260	-2 260	-2 260
Receivables arising from repurchase transactions	12 523	0	0	0
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	982 493	644 741	465 027	355 333
Derivatives including:	838 843	608 443	495 095	336 449
- derivatives used as hedging instruments	5 658	17 145	34 025	13 739
Gross loans and advances to customers	20 123 292	19 029 696	17 456 184	14 509 497
Impairment losses on loans and advances to customers	-835 722	-855 775	-834 327	-992 564
Investment securities:	5 685 402	5 489 841	5 482 335	5 483 977
- available-for-sale	3 930 594	3 445 717	3 437 169	3 340 059
- held-to-maturity	1 754 808	2 044 124	2 045 166	2 143 918
Investments in associates valued using the equity method	11 262	11 292	12 174	11 802
Property, plant and equipment	404 218	401 206	396 446	385 944
Intangible assets	62 415	62 853	67 212	74 465
Goodwill on subordinated companies	36 052	36 052	36 052	36 052
Deferred tax asset	164 809	175 047	150 658	164 711
Current tax receivable	0	142	1 309	2 458
Non-current assets classified as held for sale	0	0	767	185 470
Investment properties	215 320	216 976	219 509	0
Other assets	139 029	132 368	113 957	137 385
Total assets	**30 188 970**	**29 207 661**	**27 128 180**	**24 165 556**

in PLN '000'	30.06.2008	31.03.2008	31.12.2007	30.06.2007
Liabilities				
Amounts due to Central Bank	1 590	1 591	1 101 661	2 061
Amounts due to banks	7 157 731	6 243 513	5 301 449	3 148 703
Derivatives including:	787 484	684 008	474 370	312 915
- derivatives used as hedging instruments	57 832	23 220	44 178	22 635
Amounts due to customers	19 338 765	18 586 188	17 088 638	17 147 910
Liabilities arising from repurchase transactions	0	502 009	50 126	543 135
Current tax liability	20 478	35 889	7 228	15 312
Provisions	122 672	157 828	161 034	165 586
Deferred tax liability	1 317	1 214	872	1 174
Other liabilities	364 417	251 603	272 263	298 417
Subordinated liabilities	208 800	387 853	394 235	414 349
Total liabilities	**28 003 254**	**26 851 696**	**24 851 876**	**22 049 562**

Equity	**30.06.2008**	**31.03.2008**	**31.12.2007**	**30.06.2007**
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	604 966	383 711	383 711	383 711
Revaluation reserve	-181 750	-82 908	-87 617	-39 074
Reserves	240 942	180 942	180 942	180 942
Currency translation differences from the translation of subordinated companies and foreign branches	-733	-753	-733	-668
Retained earnings/loss	19 189	441 707	51 168	51 168
Current net profit attributable to the Shareholders of the Bank	144 808	74 972	390 539	181 621
Total equity attributable to shareholders of the Bank	**2 185 716**	**2 355 965**	**2 276 304**	**2 115 994**
Minority interest	**0**	**0**	**0**	**0**
Total equity	**2 185 716**	**2 355 965**	**2 276 304**	**2 115 994**
Total equity and liabilities	**30 188 970**	**29 207 661**	**27 128 180**	**24 165 556**

Capital adequacy ratio (%)	9.77	9.53	9.71	11.29
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	8.05	8.67	8.38	7.79

3. Off-balance Sheet Items

in PLN '000'	30.06.2008	31.03.2008	31.12.2007	30.06.2007
Contingent liabilities, granted and received				
Liabilities granted, including:	6 577 740	6 718 276	6 002 445	4 640 289
- financial	5 248 116	5 133 001	4 374 464	3 223 444
- guarantees	1 329 624	1 585 275	1 627 981	1 416 845
Liabilities received, including:	1 589 571	1 947 861	2 224 054	332 822
- financial	479 175	907 931	902 441	50 642
- guarantees	1 110 396	1 039 930	1 321 613	282 180
Liabilities related to the sale/purchase transactions	**295 127 547**	**282 543 109**	**218 165 219**	**170 082 745**
Other	**4 361 792**	**4 121 354**	**3 211 824**	**2 970 785**
- collateral received	4 360 248	4 119 810	3 210 280	2 969 238
- other	1 544	1 544	1 544	1 547

4. Statement of Changes in Consolidated Equity

Changes in the period from 1 January to 30 June 2008

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies and foreign branches	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			-62 749					-62 749		-62 749
Effects of valuation of derivatives designated for cash flow hedge			-53 465					-53 465		-53 465
Deferred tax on items recognised in equity			22 081					22 081		22 081
Net profit/loss recognised directly in the equity			**-94 133**					**-94 133**		**-94 133**
Net profit/loss for the period							144 808	144 808		144 808
Total of recognised income and expenses			**-94 133**				**144 808**	**50 675**		**50 675**
Profit' distribution		221 255		60 000		-281 255				
Dividend to be paid						-141 263		-141 263		-141 263
Currency translation differences										
Equity at end of period – as of 30.06.2008	**1 358 294**	**604 966**	**-181 750**	**240 942**	**-733**	**19 189**	**144 808**	**2 185 716**	**0**	**2 185 716**

Changes in the period from 1 January to 31 December 2007

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies and foreign branches	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 recognised in equity			24 839					24 839		24 839
Net profit/loss recognised directly in the equity			**-105 892**					**-105 892**		**-105 892**
Net profit/loss for the period							390 539	390 539		390 539
Total of recognised income and expenses			**-105 892**				**390 539**	**284 647**		**284 647**
Profit' distribution		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**

Changes in the period from 1 January to 30 June 2007

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies and foreign branches	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			-49 219					-49 219		-49 219
Effects of valuation of derivatives designated for cash flow hedge			-21 582					-21 582		-21 582
Deferred tax on items recognised in equity			13 452					13 452		13 452
Net profit/loss recognised directly in the equity			**-57 349**					**-57 349**		**-57 349**
Net profit/loss for the period							**181 621**	**181 621**		**181 621**
Total of recognised income and expenses			**-57 349**				**181 621**	**124 272**		**124 272**
Profit's distribution		278 922		60 000		-338 922				
Dividend to be paid						-100 514		-100 514		-100 514
Currency translation differences					-22			-22		-22
Equity at end of period – as of 30.06.2007	**1 358 294**	**383 711**	**-39 074**	**180 942**	**-668**	**51 168**	**181 621**	**2 115 994**	**0**	**2 115 994**

5. Consolidated Cash Flow Statement

in PLN '000'	2nd quarter of 2008 01.04.2008 - 30.06.2008	Two quarters of 2008 01.01.2008 - 30.06.2008	2nd quarter of 2007 01.04.2007 - 30.06.2007	Two quarters of 2007 01.01.2007 - 30.06.2007
Net cash flow from operating activities				
Net profit	**69 836**	**144 808**	**99 869**	**181 621**
Adjustments to net profit and net cash from operating activities:	**-714 310**	**-1 301 877**	**1 001 450**	**112 356**
Current and deferred tax recognised in financial result	18 129	42 765	27 752	49 251
Non-realised profit (loss) from currency translation differences	-116 530	-81 672	-35 343	-28 101
Investing and financing activities	**-19 530**	**-2 633**	**-7 280**	**-89 011**
Depreciation	25 767	49 674	25 351	49 729
Share in profit (loss) of associates	30	912	30	-1 141
Net increase/decrease in impairment	-17 403	971	-39 328	-70 197
Dividends	-648	-648	-1 328	-1 328
Interest	8 786	-12 801	-1 183	-58 649
Net increase/decrease in provisions	-35 156	-38 362	10 368	-3 640
Profit (loss) on disposal of investments	-906	-2 379	-1 190	-3 785
Net increase/decrease in operating assets (excluding cash)	**-1 787 765**	**-3 649 393**	**-1 403 156**	**-1 639 488**
Net increase/decrease in gross loans and advances to banks	-57 185	-22 336	-14 437	48 246
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	-582 619	-878 046	-74 469	234 892
Net increase/decrease in gross loans and advances to customers	-1 093 596	-2 667 108	-1 250 689	-1 865 654
Paid income tax	-6 036	-21 194	-8 949	-17 803
Net increase/decrease in other assets	-48 329	-60 709	-54 612	-39 169
Net increase/decrease in operating liabilities	**1 191 386**	**2 389 056**	**2 419 477**	**1 819 705**
Net increase/decrease in amounts due to Central Bank	-1	-1 100 071	54	71
Net increase/decrease in amounts due to banks	858 014	1 022 369	1 144 619	1 009 949
Net increase/decrease in derivatives	103 476	313 114	3 937	16 441
Net increase/decrease in amounts due to customers	752 577	2 250 127	749 681	1 340 647
Net increase/decrease in liabilities arising from repurchase transactions	-502 009	-50 126	537 626	-490 790
Net increase/decrease in other liabilities	-20 671	-46 357	-16 440	-56 613
Net cash flow from operating activities	**-644 474**	**-1 157 069**	**1 101 319**	**293 977**

in PLN '000'	2nd quarter of 2008 01.04.2008 - 30.06.2008	Two quarters of 2008 01.01.2008 - 30.06.2008	2nd quarter of 2007 01.04.2007 - 30.06.2007	Two quarters of 2007 01.01.2007 - 30.06.2007
Net cash flow from investing activities				
Inflows	**418 658**	**532 342**	**449 349**	**1 748 807**
Disposal of property, plant and equipment and intangible assets	-6	1 282	630	1 309
Disposal of investment securities	364 841	416 771	363 612	1 603 534
Dividends	648	648	1 328	1 328
Interest received	53 175	113 641	83 779	142 636
Outflows	**-703 015**	**-783 531**	**-358 030**	**-1 336 287**
Acquisition of property, plant and equipment and intangible assets	-45 825	-64 126	-19 825	-42 900
Acquisition of investment securities	-657 190	-719 405	-338 205	-1 293 387
Net cash flows from investing activities	**-284 357**	**-251 189**	**91 319**	**412 520**
Cash flow from financing activities				
Inflows	**415 020**	**1 125 278**	**0**	**0**
Proceeds from subordinated liabilities	209 580	209 580	0	0
Proceeds from borrowings	205 440	915 698	0	0
Outflows	**-449 119**	**-456 104**	**-14 926**	**-28 560**
Repayment of subordinated liabilities	-375 045	-375 045	0	0
Other financial outflows	-74 074	-81 059	-14 926	-28 560
Net cash flow from financing activities	**-34 099**	**669 174**	**-14 926**	**-28 560**

Net increase/decrease in cash	**-962 930**	**-739 084**	**1 177 712**	**677 937**
Cash at the beginning of the period	**2 913 760**	**2 689 914**	**1 770 095**	**2 269 870**
Cash at the end of the period, including:	**1 950 830**	**1 950 830**	**2 947 807**	**2 947 807**
Restricted cash	688 368	688 368	570 207	570 207

6. Basis of preparation

Pursuant to Article 55 Clause 6a of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2002, No. 76, item 694) with further amendments ('the Act'), effectively from 01.01.2005 consolidated financial statements of Kredyt Bank S.A. Capital Group ('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 Commission.

Pursuant to Article 45 Clause 1c of the Act and according to the decision of the General Meeting of Shareholders of Kredyt Bank S.A. of 25.04.2005, effectively from 01.01.2005, also standalone financial statements of Kredyt Bank S.A. ('the Bank') have been prepared in accordance with the IAS/IFRS.

The interim consolidated financial report for the second quarter of 2008 has been prepared in line with the IAS/IFRS as in force at the date of this report. Specifically, this report has been prepared in accordance with IAS 34 *Interim Financial Reporting,* and matters not governed by the IFRS must comply with the Act and the provisions of the Ordinance by the Minister of Finance dated 19 October 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005, No. 209, item 1744).

7. The Group's financial standing at the end of the second quarter of 2008

7.1. Financial result

Group's net profit and profit before tax

The Group's net profit in the first half of 2008 amounted to PLN 144,808 thousand, while net profit generated in the first half of 2007 amounted to PLN 181,621 thousand. Profit before tax in the first half of 2008 amounted to PLN 187,573 thousand as compared to profit before tax of PLN 230,872 thousand in the first half of 2007.

With respect to all categories of operating income (excluding net fee and commission income), in the first half of 2008, as compared to the first half of 2007, an increase was observed which resulted from the increasing business activeness. The Group's net operating income in the first half of 2008, as compared to the first half of 2007, increased by 16.6%, while general and administrative expenses increased by 18.1%. The main reasons behind the increase in general and administrative expenses in the first half of 2008, as compared to the corresponding period in 2007, have been described further on.

Lower profit before tax and the resulting lower net profit for the first half of 2008, as compared to the first half of 2007, result chiefly from higher net impairment losses on financial assets and other assets.

The main elements of the consolidated income statement of the Group are presented in the table below.

in PLN '000'	2nd quarter of 2008	Two quarters of 2008	2nd quarter of 2007	Two quarters of 2007
Net interest income	250 099	493 308	207 827	406 547
Net fee and commission income	72 772	143 592	85 889	149 425
Net gains from trading and investment activities *	54 570	99 775	38 795	78 350
Net gains from other operating income/expenses	7 189	20 689	6 919	15 431
Total	**384 630**	**757 364**	**339 430**	**649 753**
General and administrative expenses	-287 685	-535 829	-238 071	-453 895
Net impairment losses on financial assets, other assets and provisions	-8 950	-33 050	26 292	33 873
Share in profit (loss) of associates	-30	-912	-30	1 141
Profit before tax	87 965	187 573	127 621	230 872
Income tax expense	-18 129	-42 765	-27 752	-49 251
Net profit	**69 836**	**144 808**	**99 869**	**181 621**

** Including net result on derivatives used as hedging instruments and hedged items.*

Net interest, fee and commission income

Net interest income generated by the Group in the first half of 2008 amounted to PLN 493,308 thousand, i.e. it was higher by 21.3% than the corresponding figure in the first half of 2007. Net fee and commission income in the first half of 2008 amounted to PLN 143,592 thousand, i.e. it was lower by 3.9% than the corresponding figure in the first half of 2007. The main reason for the lower net fee and commission income in the first half of 2008, as compared to the first half of 2007, was lower, by nearly PLN 13 million, commission income from the distribution of combined investment and Insurance products. The improvement of net interest income was possible mainly due to the increase in the value of the loans portfolio.

Net gains from trading and investment activities

In the first half of 2008, net gains from trading and investment activity, including net result on derivatives used as hedging instruments and hedged items amounted to PLN 99,775 thousand as compared to PLN 78,350 thousand recorded in the first half of 2007. The increase mainly affected derivative instruments transactions.

General and administrative expenses

The Group's general and administrative expenses in the first half of 2008 amounted to PLN 535,829 thousand and, as compared to the first half of 2007, they increased by 18.1%. The increase in general and administrative expenses in the first half of 2008 was related mainly to the increase in salaries and additional costs of the Group's increasing business activeness. Specifically in the first half of 2008, as compared to the first half of 2007, except for the costs of salaries (an increase by ca. PLN 34 million), a significant increase in the Group's expenses was recorded in the following categories: the costs of buildings maintenance and lease, promotional and advertising services, postal and telecommunications charges and of transport services.

Cost/income ratio (CIR)

The cost/income ratios presented in this section take into account a change in the presentation of net income from sale of receivables described in more detail in section 11 below.

Cost/income ratio in the first half of 2008 amounted to 70.7% and increased by 0.8 p.p. as compared to the corresponding period in 2007. A slight increase results from a faster increase in general and administrative expenses in the first half of the year, as compared to net operating income.

in %	**2nd quarter of 2008**	**Two quarters of 2008**	**2nd quarter of 2007**	**Two quarters of 2007**
Cost/income ratio (CIR)	74.8%	70.7%	70.1%	69.9%

Net impairment losses on financial assets, other assets and provisions

Since the second quarter of 2008, the Group has changed the presentation of net income from sale of receivables, including the figure in 'Net impairment losses on financial assets, other assets and provisions'. Figures disclosed in this report for previous reporting periods have been properly restated, as per the table presented in section 11 below.

At the end of the first half of 2008, the Group generated negative balance of net impairment losses on financial assets, other assets and provisions of PLN 33,050 thousand. The increase in impairment losses in the first half of 2008, as compared to the first half of 2007, was related both to receivables from natural persons and from corporate customers. The significant increase in charges on receivables in the second quarter of 2008 was partially compensated for by the reversal of the provision for litigation, following an advantageous court judgment for the Bank.

Corporate income tax

Total income tax expense in the Group after the first half of 2008 amounted to PLN 42,765 thousand as compared to PLN 49,251 thousand deducted from the Group's result after the first half of 2007.

7.2. Assets and liabilities

Gross loans and advances to customers

Over the last months, the Group recorded an increase in the portfolio of gross loans and advances to customers. The value of gross loans and advances to customers at the end of the second quarter of 2008 increased by 5.7% as compared to the end of the first quarter of 2008, and by 38.7% as compared to the corresponding period in the previous year. Details concerning the portfolio of loans and advances have been presented in sections 7.3, 7.6 and 7.7.

The portfolio of natural persons' loans grew fast. The high sale rate was especially observed in the sales of mortgages.

Investment securities portfolio

In the second quarter of 2008, the level of portfolios of investment securities remained high, making it possible to safely manage short-term liquidity.

Customers' deposits portfolio

Customers' deposits at the end of the second quarter of 2008 increased by 4.0% as compared to the end of the first quarter of 2008, and increased by 12.8% as compared to the end of the second quarter of 2007. Details concerning the deposits portfolio have been presented in sections 7.6 and 7.7 below.

7.3. Improvement in the quality of receivables portfolio

In the second quarter of 2008, as in the previous reporting periods, due to the increase in loans portfolio and following the restructuring and debt recovery activities, the share of doubtful loans and advances in total loans and advances was further reduced. As a result, in the second quarter of 2008, the quality ratio for the Group's gross receivables portfolio improved by 0.6 p.p. and by 5.1 p.p. over the last 12 months.

The decrease in loans and advances with evidence for impairment and the corresponding impairment losses also result from the sale, in the second quarter of 2008, of receivables arising due to the operations of Żagiel, acting as an intermediary in the sale of loan products. This transaction, however, have not affected the Group's profit before tax to a large extent.

The Group, when estimating credit risk for individual credit exposures and loan portfolios, follows the prudence concept. As at 30.06.2008, the ratio of covering loans and advances for which evidence for impairment was identified with impairment losses was 70.7%.

in PLN '000'	30.06.2008	31.03.2008	31.12.2007	30.06.2007
Loans and advances with no evidence of impairment	19 013 300	17 862 328	16 312 565	12 973 110
Loans and advances with evidence of impairment	1 109 992	1 167 368	1 143 619	1 536 387
Total gross loan and advances to customers	**20 123 292**	**19 029 696**	**17 456 184**	**14 509 497**
Impairment on loans and advances to customers	835 722	855 775	834 327	992 564
including: impairment on loans and advances with evidence of impairment	785 219	806 881	792 087	938 449
Total net loans and advances to customers	**19 287 570**	**18 173 922**	**16 621 857**	**13 516 933**
The share of loans and advances with evidence of impairment in total gross loans and advances	5.5%	6.1%	6.6%	10.6%
Coverage of loans and advances with evidence of impairment with impairment	70.7%	69.1%	69.3%	61.1%
Coverage of gross loans and advances to customers with corresponding impairment	4.2%	4.5%	4.8%	6.8%

7.4. Capital adequacy ratio

The Group's capital adequacy ratio was calculated in compliance with regulations of the National Bank of Poland in force and, as of 30.06.2008, amounted to 9.77% as compared to 11.29% recorded as of 30.06.2007 and 9.53% as of 31.03.2008. The decrease in the capital adequacy ratio, as compared to the figure at 30.06.2007, results mainly from the fast growth of the loan portfolio.

The first half of 2008 is a period when the new principles concerning the capital adequacy ratio (known as Basel II) were applied for the first time. At present, the Bank is expecting a decision of regulators concerning the application of the advanced approach to credit risk, thus the Group's capital adequacy ratio was calculated with the standardized approach. The application of the new regulations has not affected the capital adequacy ratio to a large extend.

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 (i.e. PLN 226,460,000.00 at the average exchange rate of the NBP of 19 March 2008). 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 June 2008, the Bank received the decision of the Polish Financial Supervision Authority (KNF) of 26 May 2008, concerning its consent to include an amount of CHF 100,000,000 (i.e. PLN 210,520,000 at the average exchange rate of the NBP of 26 May 2008) into the Bank's supplementary funds. Including this loan in equity was the main reason behind the increase in the capital adequacy ratio from 9.53% at the end of the first quarter of 2008 to 9.77% as at 30.06.2008.

7.5. Income and results by segments

The Group's operations, as in the previous reporting periods, were 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 Bank'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 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 S.A. as well as clearing services. This offer is addressed at 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 selected services that are found in the Bank's and WARTA'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, in management terms, 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: forward, FX swap, IRS, CIRS, FRA, interest rate and currency options.

Investment Segment

Investment Segment, in management terms, incorporates the result on custodian services, and also focuses on the Group's equity investments in shares of companies whose core business is focused on generating added value for the Group by specialising in non-banking areas of operation. However, these investments do not constitute a significant element of the Group's operations.

The segments' 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.

Group's net profit for two quarters of 2008 by business segments (breakdown according to management reporting) *in PLN '000'*

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	327 781	727 990	304 382	3 300	6 002	0	**1 369 455**
2. Segment income (internal)	138 100	335 564	479 604	0	6	-953 274	**0**
3. Total segment income	**465 881**	**1 063 554**	**783 986**	**3 300**	**6 008**	**-953 274**	**1 369 455**
4. Segment expenses (external)	-109 820	-338 066	-228 042	-11 607	-24 370	0	**-711 905**
4a. Allocated expenses	-50 928	-360 851	-5 072	-464	-18 700	0	**-436 015**
5. Segment expenses (internal)	-214 239	-254 196	-473 671	-1 871	-9 297	953 274	**0**
6. Total segment expenses	**-374 987**	**-953 113**	**-706 785**	**-13 942**	**-52 367**	**953 274**	**-1 147 920**
7. Net operating income for the segment	**90 894**	**110 441**	**77 201**	**-10 642**	**-46 359**	**0**	**221 535**
8. Net impairment losses on financial assets, other assets and provisions	**-17 497**	**-51 780**	**0**	**-1 347**	**37 574**	**0**	**-33 050**
9. Segment share in profit of associates	**0**	**0**	**0**	**-912**	**0**	**0**	**-912**
10. Profit before tax for the segment	**73 397**	**58 661**	**77 201**	**-12 901**	**-8 785**	**0**	**187 573**
11. Income tax expense							**-42 765**
12. Net profit/loss							**144 808**

Group's net profit for two quarters of 2007 by business segments (breakdown according to management reporting) *in PLN '000'*

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	243 211	479 962	261 832	37 452	19 248	-31 164	**1 010 541**
2. Segment income (internal)	97 919	259 053	259 341	0	7	-616 320	**0**
3. Total segment income	**341 130**	**739 015**	**521 173**	**37 452**	**19 255**	**-647 484**	**1 010 541**
4. Segment expenses (external)	-79 893	-223 041	-109 676	-23 420	-11 842	31 164	**-416 708**
4a. Allocated expenses	-55 269	-321 193	-5 026	-670	-15 817	0	**-397 975**
5. Segment expenses (internal)	-125 687	-126 954	-356 979	-2 356	-4 344	616 320	**0**
6. Total segment expenses	**-260 849**	**-671 188**	**-471 681**	**-26 446**	**-32 003**	**647 484**	**-814 683**
7. Net operating income for the segment	**80 281**	**67 827**	**49 492**	**11 006**	**-12 748**	**0**	**195 858**
8. Net impairment losses on financial assets, other assets and provisions	**60 880**	**-23 806**	**0**	**-3 201**	**0**	**0**	**33 873**
9. Segment share in profit of associates				**1 141**			**1 141**
10. Profit before tax for the segment	**141 161**	**44 021**	**49 492**	**8 946**	**-12 748**	**0**	**230 872**
11. Income tax expense							**-49 251**
12. Net profit/loss							**181 621**

7.6. Corporate and SME banking

This section presents aggregate figures for corporate customers and SMEs, excluding non-commercial institutions providing services to households (data for non-commercial institutions providing services to households have been presented in section 7.7 'Retail Banking').

The table below presents the structure of loans granted to corporate customers and SMEs at the ends of particular quarters.

in PLN '000'	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007	As at 30.06.2007
Corporate customers				
- overdraft facilities	1 843 602	1 910 338	1 602 633	1 316 648
- term loans*	5 441 908	5 599 713	5 433 141	4 883 930
- purchased debt	22 986	22 727	31 438	26 542
- realised guarantees	7 600	8 297	9 393	18 959
- other receivables, including leasing fees	421 126	377 803	345 330	287 932
Total**	**7 737 222**	**7 918 878**	**7 421 935**	**6 534 011**
Budget				
- overdraft facilities	623	2 760	932	11 602
- term loans*	335 679	361 615	405 971	448 910
- purchased debt	0	0	10	17
Total**	**336 302**	**364 375**	**406 913**	**460 529**

* mainly investment loans and working capital loans

** in gross terms

The table below presents the structure of deposits of corporate customers and SMEs at the ends of particular quarters.

in PLN '000'	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007	As at 30.06.2007
Corporate customers				
- current accounts	2 428 190	2 409 769	2 483 669	2 258 108
- term deposits	2 794 376	2 305 203	2 240 212	2 850 345
- other	6 961	7 460	8 672	95 939
Total	**5 229 527**	**4 722 432**	**4 732 553**	**5 204 392**
Budget				
- current accounts	2 027 463	2 068 362	1 337 776	1 146 931
- term deposits	720 735	701 997	719 413	915 307
- other	0	0	0	0
Total	**2 748 198**	**2 770 359**	**2 057 189**	**2 062 238**

7.7. Retail banking

This section contains aggregate figures for private persons, individual entrepreneurs, individual farmers and non-commercial institutions providing services to households.

The table below presents the structure of loans granted to retail customers at the ends of particular quarters.

in PLN '000'	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007	As at 30.06.2007
- overdraft facilities	651 684	637 743	594 784	569 433
- purchased debt	11 006	7 928	7 041	17 096
- term loans*	863 748	1 094 513	1 073 564	1 011 880
- instalment and cash loans	2 860 238	2 321 362	2 063 331	1 656 298
- mortgages	7 643 442	6 668 927	5 876 171	4 246 524
- realised guarantees	1 548	1 531	1 519	1 637
- other receivables	18 102	14 439	10 926	12 089
Total**	**12 049 768**	**10 746 443**	**9 627 336**	**7 514 957**

* mainly investment and working capital loans for individual entrepreneurs, and mortgage loans

** in gross terms

The table below presents the structure of deposits of retail customers at the ends of particular quarters.

in PLN '000'	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007	As at 30.06.2007
- current accounts	8 290 887	8 038 764	7 039 089	6 958 020
- term deposits	2 870 830	2 873 444	3 154 154	2 876 982
- other	199 323	181 189	105 653	46 278
Total	**11 361 040**	**11 093 397**	**10 298 896**	**9 881 280**

Instalment and cash loans

The sale of retail loans and advances through Żagiel's distribution network in the second quarter of 2008 amounted to PLN 813 million, i.e. increased by 25.2% as compared to the first quarter of 2008 and by 69.1% against the level in the second quarter of 2007. In comparison with the first quarter of 2008, in the second quarter of 2008, the number of loans granted increased from 251 thousand to 307 thousand, whereas it went up by 60 thousand loans against figures recorded for the second quarter of 2007. The gross value of the portfolio increased by 23.2% as compared to the first quarter of 2008, and by 72.7% against the figures recorded in the second quarter of 2007.

in PLN '000'	2nd quarter of 2008	1st quarter of 2008	4th quarter of 2007	2nd quarter of 2007
Instalment and cash loans				
The value of gross portfolio at quarter end, including:	2 860 238	2 321 362	2 063 331	1 656 298
Loans granted via Żagiel				
Gross value of the portfolio at the end of the quarter*	2 107 953	1 848 319	1 655 475	1 346 609
Number of loans granted in the quarter (in '000')	307	251	301	247
Value of loans granted in the quarter	812 695	649 283	737 748	480 733

* including the consolidation adjustment due to EIR

Mortgages

In the second quarter of 2008, the Bank granted 11.7 thousand mortgages for the total amount of PLN 1.691 million. Gross value of the portfolio of mortgages as compared to the first quarter of 2008 increased by 14.6% and, as compared to the corresponding period in the previous year, by 80.0%.

in PLN '000'	2nd quarter of 2008	1st quarter of 2008	4th quarter of 2007	2nd quarter of 2007
Mortgages				
Gross value of the portfolio at the end of the quarter	7 643 442	6 668 927	5 876 171	4 246 524
Number of loans granted in the quarter (in '000')	11.7	5.8	7.1	7.5
Value of loans granted in the quarter	1 691 247	924 019	1 017 598	1 247 959

Current accounts for individual clients

in PLN '000'	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007	As at 30.06.2007
Current accounts				
Carrying amount at quarter end	8 290 887	8 038 764	7 039 089	6 958 020
Including ROR accounts (*)				
Number (in '000')	578	569	561	558
Carrying amount	1 325 280	1 238 469	1 218 247	1 167 449
Including Savings Account (*)				
Number (in '000')	351	331	311	283
Carrying amount	5 671 738	5 511 562	4 385 666	4 482 363

(*) ROR and Savings Account – figures for private persons

As at 30.06.2008, the number of current-savings accounts (ROR) was higher by 1.6% as compared to figures at 31.03.2008 and higher by 3.6% as compared to figures at 30.06.2007. The carrying amount of cash on ROR accounts for individual customers at the end of the second quarter of 2008 increased as compared to the end of the first quarter of 2008 by 7% and by 13.5% as compared to the end of the second quarter of 2007.

At the end of the second quarter of 2008, the number of savings accounts increased by 6% as compared to the end of the first quarter of 2008, and by 24% as compared to the end of the second quarter of 2007. At the end of the second quarter of 2008, the value of deposited cash was PLN 5.7 billion, i.e. increased by 2.9% as compared to figures at the end of the first quarter of 2008, and by 26.5% as compared to the end of the second quarter of 2007.

Credit cards

At the end of the second quarter of 2008, as compared to the end of the first quarter of 2008, the number of credit cards increased by 22.7%, and by 105.1% as compared to the end of the second quarter of 2007.

in '000'	**As at 30.06.2008**	**As at 31.03.2008**	**As at 31.12.2007**	**As at 30.06.2007**
Credit cards (aggregate for KB and Żagiel S.A.)	324	264	213	158

Electronic distribution channels

The number of users of electronic distribution channels has been growing systematically. As of 30.06.2008, the number of KB24 users was equal to 306 thousand. As compared to figures at 31.03.2008, their number increased by 4.8%, and by 21.4% as compared to figures at 30.06.2007. As compared to the first quarter of 2008, the number of bank transfers made via KB24 in the second quarter of 2008 increased by 6.3% and by 27% as compared to the second quarter of 2007.

in '000'	**As at 30.06.2008**	**As at 31.03.2008**	**As at 31.12.2007**	**As at 30.06.2007**
Number of KB24 users	306	292	278	252
Number of transfers made via KB24 in the quarter	3 674	3 457	3 340	2 892

Number of Bank's outlets

in units	**As at 30.06.2008**	**As at 31.03.2008**	**As at 31.12.2007**	**As at 30.06.2007**
Outlets	392	389	380	363

7.8. Investment funds and unit funds in unit-linked insurance plans

Total net assets of the funds (including non-registered funds) sold as at 30.06.2008 via the Bank's distribution network amounted to PLN 3,154,075 thousand. As compared to figures at 31.12.2007, they decreased by 13.1%, and by 20.5% as compared to figures at 30.06.2007.

in PLN '000'	**As at 30.06.2008**	**As at 31.03.2008**	**As at 31.12.2007**	**As at 30.06.2007**
Net assets of funds (including non-registered funds) sold via the Bank's distribution network	3 154 075	3 335 595	3 629 450	3 965 332
Net assets of funds (excluding non-registered funds) sold via the Bank's distribution network	3 130 515	3 318 063	3 572 284	3 248 864

At the end of the second quarter of 2008, KBC TFI managed total assets amounting to PLN 7.3 billion.

The value of assets in investment funds managed by KBC TFI amounted to PLN 4.18 billion, which, as at the end of the second quarter of 2008, accounted for the Society's market share of 4.29%. The Society was ranked fifth among all investment funds societies in Poland.

The second quarter of 2008 was yet another period for KBC TFI of thorough works on the development of its product offer. At the end of the second quarter of 2008, KBC TFI S.A. managed the total of 32 investment funds.

7.9. Issue, redemption and repayment of debt and equity securities

In the second quarter of 2008, the Bank did not issue, redeem or repay any equity securities.

8. Information on dividend

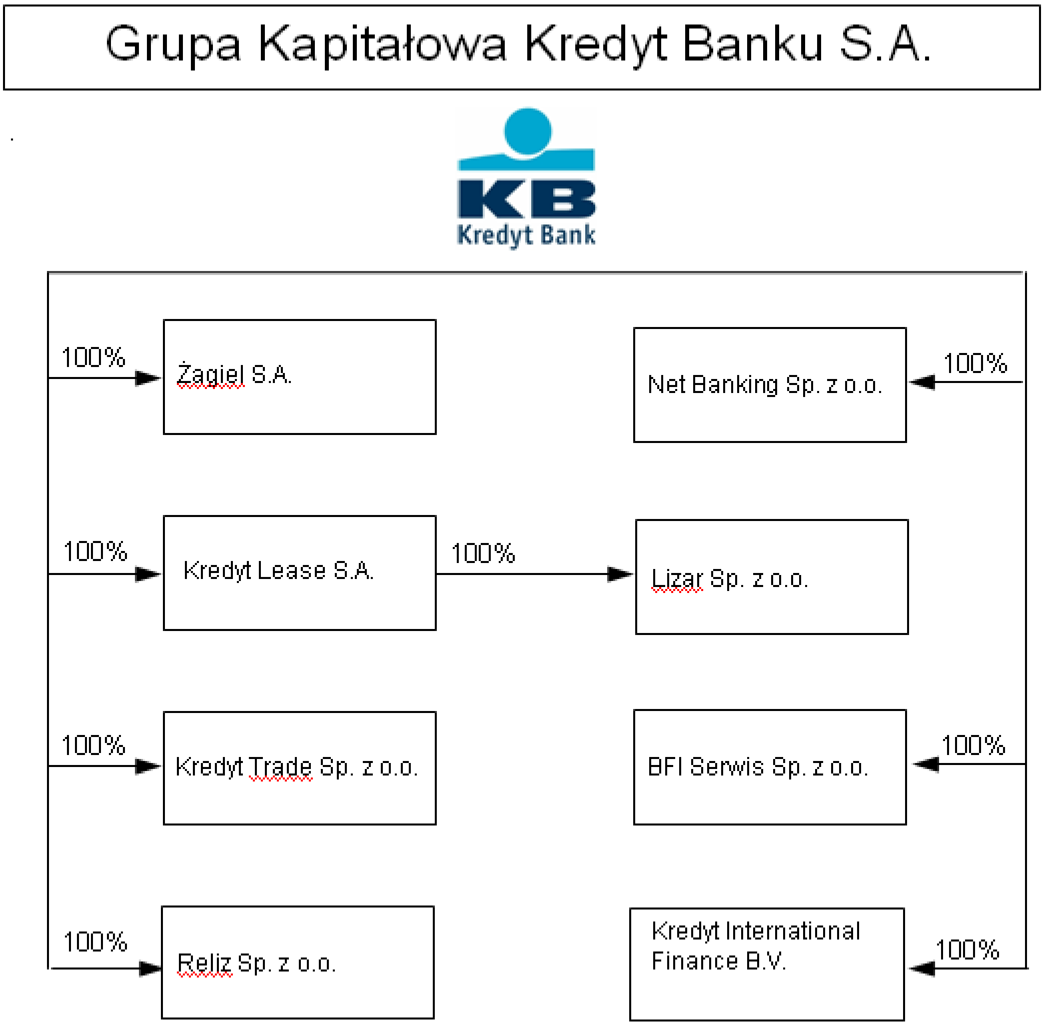
On 28 May 2008, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted a resolution on the allocation of PLN 141,262,617.60 from the distribution of profit for 2007 for the payment of dividend. Gross dividend per share amounted to PLN 0.52. The right to dividend was established on 3 July 2008. The payment of dividend was effected on 18 July 2008.

In 2007 (i.e. from net profit generated in 2006), the Bank paid gross dividend of PLN 0.37 per share. The total amount of dividend was PLN 100,513,785.60.

9. Group's structure

Kredyt Bank Capital Group encompasses legally separated business entities, whose activities are coordinated to a great extent. 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 companies' operating and financial policies as well as a transfer of management staff and know-how.

Below, we present the composition and ownership structure of the Group as of 30.06.2008.



As of 30.06.2008, 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. BFI Serwis Sp. z o.o. and Inwestia Sp. z o.o. were merged in the first half of 2008.

10. Description of applied accounting principles and material accounting estimates

In the second quarter of 2008, the Group did not introduce any material changes in the applied accounting principles and methods of performing accounting estimates as compared to the principles and methods described in the Group's published consolidated financial statements as of 31.03.2008.

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 recognised 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.

10.1. Classification and measurement of financial assets and liabilities

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 financial assets and liabilities portfolios managed jointly in order to generate profits in a short time horizon, and 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.

An interest and an 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 recognised in the profit/loss on financial operations.

Outflows from assets disposal are calculated with the FIFO method.

Financial derivatives are recognised 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.

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments or 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. An accrued interest and a settled discount or premium is recognised in net interest income.

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable cash flows that are not quoted on an active market. Loans and receivables arise when the Bank lends 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 recognised in interest income; the commission settled on a straight-line basis is recognised in fee and commission income. Impairment charges are recognised in the income statement in correspondence with accounts of provisions which adjust assets value.

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 in the balance sheet. Changes in fair value are recognised in revaluation reserve until the financial asset is derecognised or impairment is recognised; then accumulated gains/losses included in equity are recognised 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 recognised at cost less impairment charge. Impairment charges are recognised in the income statement in correspondence with accounts of provisions which adjust assets value.

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

Outflows from assets disposal are calculated with the FIFO method.

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 recognised in the balance sheet at amortised cost with the application of the effective interest rate method.

Hedge accounting

Hedge accounting recognises 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 recognised 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 recognised in the income statement.

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

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

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

Effective interest rate method

Since 01.01.2005, as a result of adopting the method of measuring financial assets and liabilities at amortised cost with the use of the effective interest rate, the Group has been amortising, into income statement, fee and commission income and expenses as well as certain external expenses connected with the measured financial assets and liabilities in accordance with the stipulations provided in IAS 39.

The following financial assets and liabilities are measured by the Group at amortised cost with the application of the effective interest rate:

- loans and advances granted as well as other own receivables not held for trading;
- held-to-maturity investments;
- non-derivative financial liabilities not held for trading;
- financial assets for which fair value cannot be determined reliably.

The effective interest rate is the rate that discounts the expected flow of future cash payments to present net carrying amount during the period until maturity or by the time of the next market valuation 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 Bank under the agreement on a given instrument, excluding future possible credit losses.

The method of settling interest coupons, commissions/fees and certain external costs connected with the financial instruments (with the effective interest rate method 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 recognising particular types of commissions/fees in the income statement depends on an 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 of contractual terms, what modifies the value of an 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 the creation of a new instrument with new 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.

10.2. 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 objective 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 the initial recognition of the asset and that loss event or events have an impact on the 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, an 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 recognised in the income statement in correspondence with the provision account which adjusts assets value.

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

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 other financial reorganisation.

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

Measurement of individual impairment

Individual impairment is measured for loan receivables over a specific exposure level, for which certain individual evidence indicating impairment was 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 a debt recovery value which is calculated with the application of periodically verified adjusting indicators determined for each a type of hedging on the basis of historical data collected by the Bank concerning the time of the 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 control process.

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 the total value of impairment losses which are evaluated collectively. The above change does not constitute a change of accounting principles, 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;
- Poland’s macroeconomic situation.

10.3. Deferred tax assets

The Group's companies recognise a deferred tax liability for all temporary differences whereas the deferred tax asset is determined on the basis of financial plans approved by the Management Boards of the companies.

In the Bank, 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.

10.4. 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.

10.5. Goodwill

As of 01.01.2004, the Group ceased to amortize goodwill. Once a year, the Group performs a net goodwill impairment test based on the models developed in co-operation with the Bank's major shareholder. The models comply with the IAS/IFRS requirements and are based on generally applied rules of equity investments measurement, among others, they take into consideration discounted future cash flows.

11. 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 30.06.2008.

Consolidated Income Statement

	Published data	Changes	Comparable data	Explanations
	Two quarters of 2007 01.01.2007 - 30.06.2007		Two quarters of 2007 01.01.2007 - 30.06.2007	
Net income from sale of receivables	11 313	-11 313	no such item	a)
Net impairment losses on financial assets, other assets and provisions	22 560	11 313	33 873	a)

	Published data	Changes	Comparable data	Explanations
	2nd quarter 01.04.2007 - 30.06.2007		2nd quarter 01.04.2007 - 30.06.2007	
Net income from sale of receivables	3 357	-3 357	no such item	a)
Net impairment losses on financial assets, other assets and provisions	22 935	3 357	26 292	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 Group’s opinion, 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.

12. Post-balance sheet events

In July 2008, one of the Bank’s customers, for whom the exposure as at the balance sheet date was significant, notified us of the commencement of a legal procedure, similar to the Polish rehabilitation proceedings, against its parent company abroad and its subsidiaries (including the Bank’s customer). According to the above-mentioned notification, the commencement of the said proceedings against the Bank’s customer is not associated with the customer’s present financial situation and with the parent company’s financial standing. According to the Bank’s Management Board, as at the date of this report, having regard for, among other things, the previous timely debt servicing, the risk of default for this customer is insignificant. The above issue, including further developments, is strictly monitored within the Bank's credit risk management process.

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

13. Information on shareholders holding over 5% stake in the share capital and votes at GMS

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 30.06.2008.

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 SA	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 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 SA and PPIM.

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

As of the publication date of this report, i.e. 07.08.2008, only Mr. Marek Michałowski, a Member of the Bank's Supervisory Board, held 1000 shares of Kredyt Bank S.A. with the nominal value of PLN 5 thousand, and other Members of the Bank's Management Board and Supervisory Board did not hold the Bank's shares or shares in subsidiaries and associates.

15. Information on proceedings before courts or public administration authority

In the second quarter of 2008, both the Bank and its subsidiaries were 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 amounts claimed are the highest.

15.1. The cases in which the Bank is the defendant

The highest claim cases are as follows:

- 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. At the last hearing, the parties exchanged pleadings.
  - 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. The proceedings are still suspended. 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. The appeal court overruled the judgment of the court of first instance and referred the case to be re-examined by the circuit court. The first hearing at which the positions of the parties were established was held on 25.07.2008. The next hearing is scheduled on 10.10.2008.

- 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 are 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.
- On 17.01.2001, the President of the Office for Competition and Customer Protection, upon the request of Polska Organizacja Handlu i Dystrybucji, 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. Multiple pleadings are being exchanged prior to the determination of the date of the first hearing. The circuit court forwarded the reply of the President of the Office for Competition and Customer Protection and POHID to the Bank, along with the request to the Bank to express their opinion on the positions described in the letters.
- In relation to a loan transaction to finance the construction of Altus building in Katowice, the Bank and Reliz Sp. z o.o. (the owner of the building) 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. In the second quarter of 2008, due to the advantageous court judgment for the Bank in one of litigations, the provision for any potential related liabilities was reversed.

- From May to August 2005, the Bank entered into nine framework agreements concerning the conclusion of term exchange transactions. The transaction result amounts to PLN 7,986.5 thousand. The transactions were negotiated by the Bank's employee with customers' consent. As a result of a change of trends on the market, the majority of forwards resulted in huge losses. Customers who were requested to additionally hedge the transaction challenge the concluded transactions.

  Eight proceedings are pending in these cases, including four proceedings which were combined and will be heard jointly: at the hearing on 21.12.2007, the court awarded the total amount (with interest) of PLN 5.7 million to four customers, to be paid by the Bank. An appeal against the whole judgment was lodged on 11.02.2008. Two further proceedings were combined to be examined jointly and the hearing will be held in September 2008. In the seventh case, the court announced its judgment on 29.07.2008, i.e. the court dismissed the lawsuit and awarded the proceedings costs to the Bank. In the eighth case, the lawsuit was lodged in January 2008, the hearing was held on 15.07.2008, however, the court adjourned it by 26.08.2008.

- The trustee in bankruptcy for a company from the media industry claims damages of PLN 4,350 thousand due to improper performance by Inwestycyjny Dom Maklerski Kredyt Banku S.A. of the firm commitment underwriting agreement for the shares of the said company by alleged improper settlement of proceeds from the issue of such shares. At the hearing on 24.09.2007, the court obliged the Bank and KBC Securities (the legal successor of Inwestycyjny Dom Maklerski since 01.04.2005) to present documents in the case. At the hearing on 11.01.2008, the court dismissed the lawsuit. On 14.03.2008, the Bank received the plaintiff's appeal. The plaintiff appeals against the whole judgment of the circuit court stating that the rules of procedure and the substantive law were violated. The Bank replied to the appeal. The sentence is not legally valid.

- 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. The first hearing was held on 8.06.2008: the court suspended the proceedings due to formal deficiencies in the company's power of attorney. Under its decision of 27.06.2008, the court re-opened the proceedings. 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.

- Kredyt Lease S.A., a company of KB Group, remains in dispute with tax authorities concerning the proper reinvoicing of insurance costs of a leased item to the lessee. The company burdens the lessee with the insurance costs under on the basis of an accounting note. Following the check by the tax office concerning the settlement of VAT for February 2006, the Company received a decision stating that insurance costs are elements of the leasing fee and should be taxed with VAT at 22%. The Company appealed against the tax office's decision to the appeal authority, i.e. the Treasury Office. By the publication date of this report, tax authorities have failed to issue the final decision in the pending tax proceedings.

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.

16. Related party transactions

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 (i.e. PLN 719,580,000 at the average exchange rate of the NBP of 7 February 2008). The agreement was concluded on market terms with the repayment period of two years and one day.

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 ten years from the release of the financial resources. On 3 June 2008, the Bank received the decision of the Polish Financial Supervision Authority (KNF) of 26 May 2008, regarding its consent to include the amount of CHF 100,000,000 (i.e. PLN 210,520,000 at the average exchange rate of the NBP of 26 May 2008) in the Bank's supplementary funds.

On 19 June 2008, Kredyt Bank S.A. executed, with KBL European Private Bankers S.A. (former 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 June 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 + 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 will be used to finance the Bank's current operations.

Apart from the above transactions, in the first half of 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.

17. Information on loan guarantees or sureties issued by the Issuer or its subsidiary

As at 30.06.2008, the Bank did not issue guarantees with the total value of at least 10% of the Bank's equity, to one company or companies of one capital group.

As at 30.06.2007, 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 226,983 thousand.

The above guarantees were granted on market terms. The Bank's fee for issuing the guarantees was also determined on market terms.

18. Seasonality or cyclical nature of operations

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

19. Non-typical factors and events

In the first half of 2008, as in the first half of 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.

20. Other information, which, in the Issuer's opinion, is material for the assessment of its staff, assets, financial situation, financial results and their changes and information material for the assessment of the potential satisfaction of the Issuer's commitments

On 18 December 2007, at the session of the Supervisory Board of Kredyt Bank S.A., Mr Maciej Bardan was appointed the President of the Management Board of Kredyt Bank S.A. as of 1 March 2008. At the same time, the Supervisory Board addressed the Commission for Banking Supervision ('KNB') to grant its consent to the appointment of Mr Maciej Bardan as the President of the Bank's Management Board. By the publication date of this report, the Polish Financial Supervision Authority ('KNF'), which, on 1 January 2008, took over the responsibilities of the Commission for Banking Supervision ('KNB'), has failed to express 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 April 2008, under § 25 item 2 of the Articles of Association 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 Management Board of Kredyt Bank S.A. responsible for finances and risk.

21. The Management Board's position on the possible realization of previously published forecasts of financial results.

The Bank's Management Board does not publish any financial forecasts.

22. Factors that may affect the Group's future financial results

The most significant factors that may affect the Group's future financial results:

- a slower, although still dynamic, increase in the income of households in real terms due to the growing inflation rate and the weakening of certain positive trends on the labour market (slower growth rate of employment and a decrease in unemployment);
- an increase in nominal and market interest rates due to the expected increase in the inflation rate and the decisions of the Monetary Policy Council in this respect;
- Polish zloty appreciation, which reduces the profitability of export, and further growth of employment costs restricting margins and/or the price competitiveness of Polish companies;
- persisting disturbances on the financial market, triggered by the mortgage crisis, which may lead to a further decrease in the demand for financial products offered by the Group due to the maintenance of the customers' high aversion to risk;
- temporary decrease in prices on the properties market.

23. Standalone condensed financial statements of Kredyt Bank S.A.

23.1. Income Statement

in PLN '000'	2nd quarter of 2008 01.04.2008 - 30.06.2008	Two quarters of 2008 01.01.2008 - 30.06.2008	2nd quarter of 2007 01.04.2007 - 30.06.2007	Two quarters of 2007 01.01.2007 - 30.06.2007
Interest income	498 789	959 220	348 161	672 170
Interest expense	-293 603	-549 881	-165 330	-316 245
Net interest income	**205 186**	**409 339**	**182 831**	**355 925**
Fee and commission income	92 257	180 078	100 035	175 965
Fee and commission expense	-21 941	-40 688	-14 031	-26 315
Net fee and commission income	**70 316**	**139 390**	**86 004**	**149 650**
Dividend income	9 666	9 666	7 977	7 977
Net trading income	55 484	101 524	37 851	75 328
Net result on derivatives used as hedging instruments and hedged items	-2 077	-2 874	-910	-1 505
Net gains from investment activities	226	230	346	3 189
Other operating income	10 360	22 039	8 579	18 671
Total operating income	**349 161**	**679 314**	**322 678**	**609 235**
General and administrative expenses	-230 522	-436 014	-207 464	-397 976
Net impairment losses on financial assets, other assets and provisions	-3 353	-33 427	28 322	36 380
Other operating expenses	-10 490	-18 228	-7 393	-14 749
Total operating expenses	**-244 365**	**-487 669**	**-186 535**	**-376 345**
Net operating income	**104 796**	**191 645**	**136 143**	**232 890**
Profit before tax	**104 796**	**191 645**	**136 143**	**232 890**
Income tax expense	-19 181	-38 535	-30 933	-52 986
Net profit	**85 615**	**153 110**	**105 210**	**179 904**
Weighted average number of ordinary shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)	0.32	0.56	0.39	0.66

23.2. Balance Sheet

in PLN '000'	30.06.2008	31.03.2008	31.12.2007	30.06.2007
Assets				
Cash and balances with Central Bank	1 365 371	1 116 875	611 672	555 154
Gross loans and advances to banks	985 910	2 140 138	2 456 349	2 921 634
Impairment losses on loans and advances to banks	-2 260	-2 260	-2 260	-2 260
Receivables arising from repurchase transactions	12 523	0	0	0
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	965 512	627 987	448 499	339 176
Derivatives including:	838 843	608 443	495 095	336 449
- derivatives used as hedging instruments	5 658	17 145	34 025	13 739
Gross loans and advances to customers	20 360 302	19 285 671	17 738 052	14 745 386
Impairment losses on loans and advances to customers	-837 417	-865 254	-839 724	-1 001 594
Investment securities:	5 680 030	5 485 775	5 478 269	5 479 960
- available-for-sale	3 925 222	3 441 651	3 433 103	3 336 042
- held-to-maturity	1 754 808	2 044 124	2 045 166	2 143 918
Investments in subsidiaries, associates and jointly controlled entities	66 060	66 063	73 876	73 830
Property, plant and equipment	383 805	380 829	343 438	320 495
Intangible assets	60 002	61 155	65 425	73 620
Deferred tax asset	122 445	141 804	124 062	141 494
Non-current assets classified as held for sale	0	0	767	1 270
Other assets	92 555	88 765	74 984	98 613
Total assets	**30 093 681**	**29 135 991**	**27 068 504**	**24 083 227**

in PLN '000'	30.06.2008	31.03.2008	31.12.2007	30.06.2007
Liabilities				
Amounts due to Central Bank	1 590	1 591	1 101 661	2 061
Amounts due to banks	7 057 731	6 193 513	5 271 449	3 148 703
Derivatives including:	787 484	684 008	474 370	312 915
- derivatives used as hedging instruments	57 832	23 220	44 178	22 635
Amounts due to customers	19 498 603	18 720 282	17 180 731	17 199 930
Liabilities arising from repurchase transactions	0	502 009	50 126	543 135
Current tax liability	6 540	35 818	7 136	15 236
Provisions	66 918	99 890	105 724	100 961
Other liabilities	314 445	204 967	249 216	284 153
Subordinated liabilities	208 800	387 853	394 235	414 349
Total liabilities	**27 942 111**	**26 829 931**	**24 834 648**	**22 021 443**
Equity				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	580 974	381 718	381 718	381 718
Revaluation reserve	-181 750	-82 908	-87 617	-39 074
Reserves	240 942	180 942	180 942	180 942
Retained earnings/loss	0	400 519	0	0
Current net profit attributable to the shareholders of the Bank	153 110	67 495	400 519	179 904
Total equity	**2 151 570**	**2 306 060**	**2 233 856**	**2 061 784**
Total equity and liabilities	**30 093 681**	**29 135 991**	**27 068 504**	**24 083 227**
Capital adequacy ratio (%)	9.92	9.66	9.63	11.18
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	7.92	8.49	8.22	7.59

23.3. Off-balance Sheet Items

in PLN '000'	30.06.2008	31.03.2008	31.12.2007	30.06.2007
Contingent liabilities, granted and received				
Liabilities granted, including:	**6 595 660**	**6 738 417**	**6 030 093**	**4 717 935**
- financial	5 272 770	5 160 578	4 410 804	3 309 814
- guarantees	1 322 890	1 577 839	1 619 289	1 408 121
Liabilities received, including:	**1 589 571**	**1 962 861**	**2 224 054**	**332 822**
- financial	479 175	922 931	902 441	50 642
- guarantees	1 110 396	1 039 930	1 321 613	282 180
Liabilities related to the sale/purchase transactions	**295 127 547**	**282 543 109**	**218 165 219**	**170 082 745**
Other	**3 945 378**	**3 765 567**	**3 300 837**	**3 027 733**
- collateral received	3 945 378	3 765 567	3 300 837	3 027 733
- other	0	0	0	0

23.4. Statement of Changes in Equity

Changes in the period from 1 January to 30 June 2008

in PLN '000'	Share capital	Supplemetary capital	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit/loss for the period	Total equity
Equity at opening balance – as of 01.01.2008	1 358 294	381 718	-87 617	180 942	400 519	0	2 233 856
Valuation of financial assets available-for-sale			-62 749				-62 749
Effects of valuation of derivatives designated for cash flow hedge			-53 465				-53 465
Deferred tax on items recognised in equity			22 081				22 081
Net profit recognised directly in the equity			**-94 133**				**-94 133**
Net profit/loss for the period						153 110	153 110
Total of recognised income and expenses			**-94 133**			**153 110**	**58 977**
Profit' distribution		199 256		60 000	-259 256		0
Dividend to be paid					-141 263		-141 263
Equity at end of period – as of 30.06.2008	**1 358 294**	**580 974**	**-181 750**	**240 942**	**0**	**153 110**	**2 151 570**

Changes in the period from 1 January to 31 December 2007

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit/loss for the period	Total equity
Equity at opening balance – as of 01.01.2007	**1 358 294**	**104 789**	**18 275**	**120 942**	**437 443**	**0**	**2 039 743**
Valuation of financial assets available-for-sale			-89 090				-89 090
Effects of valuation of derivatives designated for cash flow hedge			-41 641				-41 641
Deferred tax on items recognised in equity			24 839				24 839
Net profit recognised directly in the equity			**-105 892**				**-105 892**
Net profit/loss for the period						400 519	400 519
Total of recognised income and expenses			**-105 892**			**400 519**	**294 627**
Profit' distribution		276 929		60 000	-336 929		0
Dividend piad					-100 514		-100 514
Equity at end of period – as of 31.12.2007	**1 358 294**	**381 718**	**-87 617**	**180 942**	**0**	**400 519**	**2 233 856**

Changes in the period from 1 January to 30 June 2007

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit/loss for the period	Total equity
Equity at opening balance – as of 01.01.2007	**1 358 294**	**104 789**	**18 275**	**120 942**	**437 443**	**0**	**2 039 743**
Valuation of financial assets available-for-sale			-49 219				-49 219
Effects of valuation of derivatives designated for cash flow hedge			-21 582				-21 582
Deferred tax on items recognised in equity			13 452				13 452
Net profit recognised directly in the equity			**-57 349**				**-57 349**
Net profit/loss for the period						179 904	179 904
Total of recognised income and expenses			**-57 349**			**179 904**	**122 555**
Profit' distribution		276 929		60 000	-336 929		0
Dividend to be paid					-100 514		-100 514
Equity at end of period – as of 30.06.2007	**1 358 294**	**381 718**	**-39 074**	**180 942**	**0**	**179 904**	**2 061 784**

23.5. Cash Flow Statement

in PLN '000'	2nd quarter of 2008 01.04.2008 - 30.06.2008	Two quarters of 2008 01.01.2008 - 30.06.2008	2nd quarter of 2007 01.04.2007 - 30.06.2007	Two quarters of 2007 01.01.2007 - 30.06.2007
Net cash flow from operating activities				
Net profit	**85 615**	**153 110**	**105 210**	**179 904**
Adjustments to net profit and net cash from operating activities	**-773 837**	**-1 275 520**	**989 424**	**112 763**
Current and deferred tax recognised in financial result	19 181	38 535	30 933	52 986
Non-realised profit (loss) from currency translation differences	-116 551	-81 672	-35 303	-28 078
Investing and financing activities	**-40 716**	**-25 504**	**-37 702**	**-122 960**
Depreciation	21 026	40 444	22 880	45 033
Net increase/decrease in impairment	-27 465	-2 697	-60 857	-100 902
Dividends	-9 666	-9 666	-7 977	-7 977
Interest	8 786	-12 801	-1 183	-58 649
Net increase/decrease in provisions	-32 972	-38 806	10 457	2 186
Profit (loss) on disposal of investments	-425	-1 978	-1 022	-2 651
Net increase/decrease in operating assets (excluding cash)	**-1 762 780**	**-3 569 859**	**-1 360 577**	**-1 560 883**
Net increase/decrease in gross loans and advances to banks	-57 185	-22 336	-14 437	48 246
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	-582 392	-877 593	-74 308	235 213
Net increase/decrease in gross loans and advances to customers	-1 074 631	-2 622 250	-1 244 067	-1 831 214
Paid/received income tax	-4 108	-15 557	-5 994	-13 396
Net increase/decrease in other assets	-44 464	-32 123	-21 771	268
Net increase/decrease in operating liabilities	**1 127 029**	**2 362 980**	**2 392 073**	**1 771 698**
Net increase/decrease in amounts due to Central Bank	-1	-1 100 071	54	71
Net increase/decrease in amounts due to banks	777 252	952 369	1 144 619	1 009 949
Net increase/decrease in derivatives	103 476	313 114	3 937	16 441
Net increase/decrease in amounts due to customers	778 321	2 317 872	735 403	1 324 598
Net increase/decrease in liabilities arising from repurchase transactions	-502 009	-50 126	537 626	-510 793
Net increase/decrease in other liabilities	-30 010	-70 178	-29 566	-68 568
Net cash flow from operating activities	**-688 222**	**-1 122 410**	**1 094 634**	**292 667**

in PLN '000'	2nd quarter of 2008 01.04.2008 - 30.06.2008	Two quarters of 2008 01.01.2008 - 30.06.2008	2nd quarter of 2007 01.04.2007 - 30.06.2007	Two quarters of 2007 01.01.2007 - 30.06.2007
Net cash flow from investing activities				
Inflows	**427 682**	**540 098**	**455 670**	**1 754 449**
Disposal of property, plant and equipment and intangible assets	0	20	302	302
Disposal of investment securities	364 841	416 771	363 612	1 603 534
Dividends	9 666	9 666	7 977	7 977
Interest received	53 175	113 641	83 779	142 636
Outflows	**-696 328**	**-820 537**	**-352 363**	**-1 327 973**
Acquisition of property, plant and equipment and intangible assets	-39 138	-101 132	-14 158	-34 586
Acquisition of investment securities	-657 190	-719 405	-338 205	-1 293 387
Net cash flows from investing activities	**-268 646**	**-280 439**	**103 307**	**426 476**
Cash flow from financing activities				
Inflows	**415 020**	**1 125 278**	**0**	**0**
Proceeds from a subordinated liabilities	209 580	209 580	0	0
Proceeds from borrowings	205 440	915 698	0	0
Outflows	**-421 069**	**-461 505**	**-20 164**	**-40 122**
Repayment of subordinated liabilities	-375 045	-375 045	0	0
Other financial outflows	-46 024	-86 460	-20 164	-40 122
Net cash flow from financing activities	**-6 049**	**663 773**	**-20 164**	**-40 122**
Net increase/decrease in cash, including:	**-962 917**	**-739 076**	**1 177 777**	**679 021**
Cash at the beginning of the period	**2 913 734**	**2 689 893**	**1 769 981**	**2 268 737**
Cash at the end of the period, including:	**1 950 817**	**1 950 817**	**2 947 758**	**2 947 758**
Restricted cash	688 368	688 368	570 207	570 207

Signatures of all Management Board Members

date	07.08.2008	Maciej Bardan	President of the Management Board	....
date	07.08.2008	Umberto Arts	Vice President of the Management Board	....
date	07.08.2008	Lidia Jabłonowska - Luba	Vice President of the Management Board	....
date	07.08.2008	Krzysztof Kokot	Vice President of the Management Board	....
date	07.08.2008	Michał Oziembło	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	07.08.2008	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....