Kredyt Bank

Interim Consolidated Financial Statements of Kredyt Bank S.A. Capital Group prepared for the first half of 2012 ended on 30.06.2012 with Independent Auditor's Review Report

Independent Auditors' Review Report on the Interim Condensed Consolidated Financial Statements for the 6-month period ended 30 June 2012

To the Supervisory Board of Kredyt Bank S.A.

1. We have reviewed the interim condensed consolidated financial statements of Kredyt Bank S.A. Group ('the Group') where Kredyt Bank S.A. is the dominant entity ('the Bank'), and is located at Kasprzaka 2/8 St, Warsaw, including the consolidated income statement for the period from 1 January 2012 to 30 June 2012, the consolidated statement of comprehensive income for the period from 1 January 2012 to 30 June 2012, the consolidated balance sheet as at 30 June 2012, the statement of changes in consolidated equity for the period from 1 January 2012 to 30 June 2012, the consolidated cash flow statement for the period from 1 January 2012 to 30 June 2012 and other explanatory notes ('the accompanying interim condensed consolidated financial statements').

2. The Bank's Management Board is responsible for the compliance of the accompanying interim condensed consolidated financial statements with International Financial Reporting Standard IAS 34 "Interim financial reporting" as adopted by the European Union ('IAS 34'). Our responsibility was to issue a report on the accompanying interim condensed consolidated financial statements based, on our review.

3. We conducted our review in accordance with the provisions of the law binding in Poland and national auditing standards issued by the National Council of Statutory Auditors in Poland. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. The review was mainly based on applying analytical procedures to the financial data, inspection of documentation supporting the amounts and disclosures in the accompanying interim condensed consolidated financial statements and discussions with the management of the Bank as well as its employees. The scope[1] of a review differs significantly from an audit of financial statements, the objective of which is to express an opinion on whether financial statements comply with the required applicable accounting policies, and on the truth and fairness[2] of these financial statements. Consequently, the review does not enable us to obtain sufficient assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not in accordance, in all material respects, with IAS 34.

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

Key Certified Auditor

Jolanta Alvarado Rodriguez
certified auditor
No 11299

Warsaw, 7th of August 2012

[1] Translation of the following expression in Polish language: "*zakres i metoda*"
[2] Translation of the following expression in Polish language: "*rzetelności i jasności*"

Independent Auditors' Review Report on the Interim Condensed Standalone Financial Statements for the 6-month period ended 30 June 2012

To the Supervisory Board of Kredyt Bank S.A.

1. We have reviewed the interim condensed standalone financial statements of Kredyt Bank S.A. ('the Bank') located at Kasprzaka 2/8 St, Warsaw, including the income statement for the period from 1 January 2012 to 30 June 2012, the statement of comprehensive income for the period from 1 January 2012 to 30 June 2012, the balance sheet as at 30 June 2012, the statement of changes in equity for the period from 1 January 2012 to 30 June 2012, the cash flow statement for the period from 1 January 2012 to 30 June 2012 and other explanatory notes ('the accompanying interim condensed standalone financial statements').

2. The Bank's Management Board is responsible for the compliance of the accompanying interim condensed financial statements with International Financial Reporting Standard IAS 34 "Interim financial reporting" as adopted by the European Union ('IAS 34'). Our responsibility was to issue a report on the accompanying interim condensed standalone financial statements, based on our review.

3. We conducted our review in accordance with the provisions of the law binding in Poland and national auditing standards issued by the National Council of Statutory Auditors in Poland. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. The review was mainly based on applying analytical procedures to the financial data, inspection of accounting records and discussions with the management of the Bank as well as its employees. The scope[1] of a review differs significantly from an audit of financial statements, the objective of which is to express an opinion on whether financial statements comply with the required applicable accounting policies, and on the truth and fairness[2] of these financial statements. Consequently, the review does not enable us to obtain sufficient assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed standalone financial statements are not in accordance, in all material respects, with IAS 34.

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

Key Certified Auditor

Jolanta Alvarado Rodriguez
certified auditor
No 11299

Warsaw, 7th of August 2012

1 Translation of the following expression in Polish language: "*zakres i metoda*"
2 Translation of the following expression in Polish language: "*rzetelności i jasności*"

Interim Consolidated Financial Statements of Kredyt Bank S.A. Capital Group for the First Half of 2012 Ended on 30.06.2012

CONTENTS

I. I. Interim Condensed Consolidated Financial Statements of Kredyt Bank S.A. Capital Group

1. Consolidated Income Statement

in PLN '000'	Note	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 Comparable data non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 Comparable data non-audited
Interest income	12	591 331	1 170 703	612 487	1 171 340
Interest expense	13	-413 132	-774 761	-314 051	-587 538
Net interest income		**178 199**	**395 942**	**298 436**	**583 802**
Fee and commission income	14	108 631	209 571	105 663	206 973
Fee and commission expense	15	-20 068	-39 269	-24 432	-45 672
Net fee and commission income		**88 563**	**170 302**	**81 231**	**161 301**
Dividend income		1 593	1 602	1 571	1 576
Net trading income		61 588	120 204	11 390	31 790
Net result on derivatives used as hedging instruments and hedged items		1 846	767	-273	-431
Net gains from investment activities		17 046	17 046	295	405
Other operating income		30 708	54 995	41 003	67 626
Total operating income		**379 543**	**760 858**	**433 653**	**846 069**
General and administrative expenses	16	-259 378	-497 946	-253 444	-483 509
Other operating expenses		-8 425	-17 744	-15 851	-33 130
Total operating expenses		**-267 803**	**-515 690**	**-269 295**	**-516 639**
Net impairment losses on financial assets, other assets and provisions		-6 047	-63 989	-45 656	-34 185
Net operating income		**105 693**	**181 179**	**118 702**	**295 245**
Share in profit (loss) of associates		188	1 019	984	1 805
Profit before tax		**105 881**	**182 198**	**119 686**	**297 050**
Income tax expense	17	-43 368	-63 543	-31 793	-75 133
Net profit		**62 513**	**118 655**	**87 893**	**221 917**
including:					
Attributable to the Shareholders of the Bank		**62 513**	**118 655**	**87 893**	**221 917**
Attributable to non-controlling interests		0	0	0	0
Weighted average number of ordinary shares		271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)		**0.23**	**0.44**	**0.32**	**0.82**

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

2. Consolidated Statement of Comprehensive Income

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited
Net profit (loss) for the period	**62 513**	**118 655**	**87 893**	**221 917**
Other comprehensive income				
Valuation of financial assets available-for-sale	17 388	58 384	51 459	10 571
- including deferred tax	-4 079	-13 695	-12 071	-2 479
Effects of valuation of derivatives designated for cash flow hedge	9 334	2 187	5 796	-4 271
- including deferred tax	-2 189	-513	-1 359	1 001
Other comprehensive income (loss) recognized directly in equity	**26 722**	**60 571**	**57 255**	**6 300**
Total comprehensive income (loss)	**89 235**	**179 226**	**145 148**	**228 217**
including:				
Attributable to the Shareholders of the Bank	**89 235**	**179 226**	**145 148**	**228 217**
Attributable to non-controlling interests	0	0	0	0

3. Consolidated Balance Sheet

in PLN '000'	Note	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Assets				
Cash and balances with Central Bank		719 023	784 668	1 136 843
Gross loans and advances to banks	19	1 650 288	1 188 012	1 246 481
Impairment losses on loans and advances to banks	19	0	0	0
Receivables arising from repurchase transactions		1 211 557	0	0
Financial assets designated upon initial recognition as at fair value through profit or loss	20	63 283	100 684	113 696
Financial assets held for trading (excluding derivatives)	21	332 834	60 493	2 371 250
Derivatives, including:		694 412	1 071 089	382 244
- derivatives used as hedging instruments		105 362	95 592	69 144
Gross loans and advances to customers	22	30 676 784	30 493 915	28 651 797
Impairment losses on loans and advances to customers	22	-1 415 677	-1 408 161	-1 272 660
Investment securities:	23	8 707 049	8 678 712	10 695 830
- available-for-sale		5 410 148	5 262 038	7 341 730
- held-to-maturity		3 296 901	3 416 674	3 354 100
Investments in associates valued using the equity method		0	19 152	16 984
Property, plant and equipment	24	236 963	259 797	262 354
Intangible assets		75 384	59 711	54 822
Deferred tax asset	17	214 030	263 257	287 586
Current tax receivable		16 379	116 870	49 107
Investment properties		201 190	209 065	211 766
Non-current assets held for sale		5 709	12 128	11 714
Other assets		105 943	93 692	120 401
Total assets		**43 495 151**	**42 003 084**	**44 340 215**

Consolidated Balance Sheet (cont.)

in PLN '000'	Note	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Liabilities				
Amounts due to Central Bank	25	15	32	2
Amounts due to banks	26	6 043 971	8 486 491	11 867 510
Liabilities arising from repurchase transactions		2 302 676	0	1 406 593
Financial liabilities held for trading (excluding derivatives)		93 658	0	0
Derivatives, including:		758 081	982 916	652 612
- derivatives used as hedging instruments		124	1 669	204
Amounts due to customers	27	29 626 447	28 043 157	26 154 246
Current tax liability		6 308	182	112
Provisions	28	131 729	116 402	76 285
Deferred tax liability	17	629	725	762
Other liabilities		272 904	271 044	278 868
Subordinated liabilities		1 013 882	1 036 510	947 298
Total liabilities		**40 250 300**	**38 937 459**	**41 384 288**

in PLN '000'	Note	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Equity				
Share capital	29	1 358 294	1 358 294	1 358 294
Supplementary capital		1 130 174	900 065	900 065
Revaluation reserve		130 663	70 092	65 721
Other reserves		481 151	400 942	400 942
Retained earnings (losses)		25 914	8 988	8 988
Current net profit (loss) attributable to the Shareholders of the Bank		118 655	327 244	221 917
Equity attributable to the Shareholders of the Bank		**3 244 851**	**3 065 625**	**2 955 927**
Attributable to non-controlling interests		0	0	0
Total equity		**3 244 851**	**3 065 625**	**2 955 927**
Total equity and liabilities		**43 495 151**	**42 003 084**	**44 340 215**
Capital adequacy ratio	**33**	**12.91**	**12.51**	**12.74**

4. Statement of Changes in Consolidated Equity

Changes in the period 01.01.2012-30.06.2012 ***non-audited***

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings (losses)	Net profit (loss) for the period	Equity attributable to the Shareholders of the Bank	Equity attributable to non-controlling interests	Total equity
Equity at the opening balance – as of 01.01.2012	**1 358 294**	**900 065**	**70 092**	**400 942**	**336 232**	**0**	**3 065 625**	**0**	**3 065 625**
Valuation of financial assets available-for-sale			72 079				72 079		72 079
Effects of valuation of derivatives designated for cash flow hedge			2 700				2 700		2 700
Deferred tax on items recognized in other comprehensive income			-14 208				-14 208		-14 208
Other comprehensive income (loss) recognized directly in equity			**60 571**				**60 571**		**60 571**
Net profit (loss) for the period						118 655	118 655		118 655
Total comprehensive income (loss)			**60 571**			**118 655**	**179 226**		**179 226**
Profit distribution		230 109		80 209	-310 318		0		0
Equity at the end of the period – as of 30.06.2012	**1 358 294**	**1 130 174**	**130 663**	**481 151**	**25 914**	**118 655**	**3 244 851**	**0**	**3 244 851**

Changes in the period 01.01.2011-31.12.2011

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings (losses)	Net profit (loss) for the period	Equity attributable to the Shareholders of the Bank	Equity attributable to non-controlling interests	Total equity
Equity at the opening balance – as of 01.01.2011	**1 358 294**	**889 340**	**59 421**	**400 942**	**120 227**	**0**	**2 828 224**	**0**	**2 828 224**
Valuation of financial assets available-for-sale			2 576				2 576		2 576
Effects of valuation of derivatives designated for cash flow hedge			10 598				10 598		10 598
Deferred tax on items recognized in other comprehensive income			-2 503				-2 503		-2 503
Other comprehensive income (loss) recognized directly in equity			**10 671**				**10 671**		**10 671**
Net profit (loss) for the period						327 244	327 244		327 244
Total comprehensive income (loss)			**10 671**			**327 244**	**337 915**		**337 915**
Profit distribution		10 725			-10 725		0		0
Dividend payment					-100 514		-100 514		-100 514
Equity at the end of the period – as of 31.12.2011	**1 358 294**	**900 065**	**70 092**	**400 942**	**8 988**	**327 244**	**3 065 625**	**0**	**3 065 625**

Changes in the period 01.01.2011-30.06.2011 ***non-audited***

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings (losses)	Net profit (loss) for the period	Equity attributable to the Shareholders of the Bank	Equity attributable to non-controlling interests	Total equity
Equity at the opening balance – as of 01.01.2011	**1 358 294**	**889 340**	**59 421**	**400 942**	**120 227**	**0**	**2 828 224**	**0**	**2 828 224**
Valuation of financial assets available-for-sale			13 050				13 050		13 050
Effects of valuation of derivatives designated for cash flow hedge			-5 272				-5 272		-5 272
Deferred tax on items recognized in other comprehensive income			-1 478				-1 478		-1 478
Other comprehensive income (loss) recognized directly in equity			**6 300**				**6 300**		**6 300**
Net profit (loss) for the period						221 917	221 917		221 917
Total comprehensive income (loss)			**6 300**			**221 917**	**228 217**		**228 217**
Profit distribution		10 725			-10 725		0		0
Dividend payment					-100 514		-100 514		-100 514
Equity at the end of the period – as of 30.06.2011	**1 358 294**	**900 065**	**65 721**	**400 942**	**8 988**	**221 917**	**2 955 927**	**0**	**2 955 927**

5. Consolidated Cash Flow Statement

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited
Cash flow from operating activities				
Net profit (loss)	**62 513**	**118 655**	**87 893**	**221 917**
Adjustments to net profit (loss) and net cash from operating activities, and net increase/decrease in assets and liabilities	**688 729**	**1 551 479**	**-2 075 870**	**-641 978**
Current and deferred tax recognized in financial result	43 368	63 543	31 793	75 133
Non-realized profit (loss) from currency translation differences	4 798	-103 166	79 524	60 379
Depreciation	18 941	37 386	23 923	47 910
Share in profit (loss) of associates	-188	-1 019	-984	-1 805
Net increase/decrease in impairment	-30 947	2 077	-630 291	-645 967
Dividends	-1 593	-1 602	-1 571	-1 576
Interest	18 526	-43 019	22 316	-65 741
Net increase/decrease in provisions	18 861	15 327	-13 586	-16 526
Profit (loss) on disposal of investments	-20 847	-24 145	780	409
Net increase/decrease in assets (excluding cash)	**-908 709**	**-1 013 586**	**1 185 937**	**-218 825**
Net increase/decrease in gross loans and advances to banks	-24 366	13 189	-19 079	-8 558
Net increase/decrease in receivables arising from repurchase transactions	-947 089	-1 211 557	815 350	87 218
Net increase/decrease in financial assets designated upon initial recognition as at fair value through profit or loss	38 504	37 401	5 020	4 866
Net increase/decrease in financial assets held for trading (excluding derivatives)	439 080	-180 534	42 807	-772 168
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)	-18 277	386 447	-8 836	75 719
Net increase/decrease in gross loans and advances to customers	-506 142	-182 869	387 120	456 723
Net increase/decrease in current tax receivable	108 778	100 491	-30 672	-49 107
Net increase/decrease in other assets	803	23 846	-5 773	-13 518
Net increase/decrease in liabilities	**1 546 519**	**2 619 683**	**-2 773 711**	**124 631**
Net increase/decrease in amounts due to Central Bank	-17	-17	0	-4
Net increase/decrease in amounts due to banks	-1 296 300	-1 151 869	-649 381	-333 199
Net increase/decrease in liabilities arising from repurchase transactions	1 681 892	2 302 676	-469 893	1 177 900
Net increase/decrease in financial liabilities held for trading (excluding derivatives)	6 956	93 658	-9 999	0
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)	69 852	-223 290	-457 737	-477 396
Net increase/decrease in amounts due to customers	1 139 359	1 622 549	-1 171 485	-136 555
Net increase/decrease in other liabilities	-145 337	-101 949	-17 956	63 009
Paid/received income tax	90 114	77 925	2 740	-169 124
Net cash flow from operating activities	**751 242**	**1 670 134**	**-1 987 977**	**-420 061**

in PLN '000'	**2nd quarter of 2012 01.04.2012 - 30.06.2012** non-audited	**Two quarters of 2012 01.01.2012 - 30.06.2012** non-audited	**2nd quarter of 2011 01.04.2011 - 30.06.2011** non-audited	**Two quarters of 2011 01.01.2011 - 30.06.2011** non-audited
Cash flow from investing activities				
Inflows	**19 314 486**	**36 115 422**	**36 978 298**	**51 503 258**
Disposal of property, plant and equipment, intangible assets and investment properties	1 679	1 685	1 065	2 264
Disposal of interests in equity investments	37 536	37 536	0	0
Disposal of investment securities	19 221 391	36 019 930	36 913 414	51 431 054
Dividends	1 593	1 602	1 571	1 576
Interest received	52 287	54 669	62 248	68 364
Outflows	**-18 537 308**	**-35 958 017**	**-35 744 502**	**-52 633 762**
Acquisition of property, plant and equipment, intangible assets and investment properties	-18 776	-48 754	-15 456	-26 748
Acquisition of investment securities	-18 518 532	-35 909 263	-35 729 046	-52 607 014
Net cash flow from investing activities	**777 178**	**157 405**	**1 233 796**	**-1 130 504**
Cash flow from financing activities				
Inflows	**38 883**	**61 596**	**650 544**	**661 912**
Proceeds from loans and advances	38 883	61 596	650 544	661 912
Outflows	**-1 432 873**	**-1 479 314**	**-123 952**	**-146 466**
Dividend payment	0	0	-100 514	-100 514
Repayment of loans and advances	-1 409 630	-1 431 798	-135	-135
Other financial outflows	-23 243	-47 516	-23 303	-45 817
Net cash flow from financing activities	**-1 393 990**	**-1 417 718**	**526 592**	**515 446**
Net increase/decrease in cash	**134 430**	**409 821**	**-227 589**	**-1 035 119**
Cash at the beginning of the period	**1 216 898**	**941 507**	**1 593 913**	**2 401 443**
Cash at the end of the period, including:**	**1 351 328**	**1 351 328**	**1 366 324**	**1 366 324**
Restricted cash*	1 130 169	1 130 169	1 142 118	1 142 118

** an amount from the declaration on the amount of the Bank's statutory provision, i.e. the minimum average balance of cash in the current account in the National Bank of Poland*
*** details presented in Note I.18*

6. General information on issuer

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

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

Interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group ('Capital Group' or 'Group') as at 30.06.2012 comprise the financial statements of the Bank and its subsidiaries.

Below, there are subsidiaries, which, as at 30.06.2012, were consolidated with the full method.

	Parent company	Seat		
	Kredyt Bank S.A.	Warsaw		
	Subsidiary	**Seat**	**Share (%) in votes at GMS as at 30.06.2012**	**Share (%) in votes at GMS as at 30.06.2011**
1.	Reliz Sp. z o.o.	Poznań	100.00	100.00
2.	Kredyt Lease S.A.	Warsaw	100.00	100.00
3.	Kredyt Trade Sp. z o.o. w likwidacji	Warsaw	100.00	100.00

As at 30.06.2012, as compared to figures as at 31.12.2011 and 30.06.2011, the list of the companies consolidated with the full method did not change.

On 21.06.2012, Kredyt Trade Sp. z o.o., the Bank's subsidiary, signed the final sale agreement of its 30% stake in KBC TFI S.A. to KBC Asset Management NV and completed the transaction. The details of the transaction are presented in Note I.36.

The Group does not consolidate the financial statements of Lizar Sp. z o.o. and BFI Serwis Sp. z o.o. as the range of their operating activities as well as their financial figures are not material.

KBC Banking and Insurance Capital Group

Kredyt Bank S.A. is a subsidiary of KBC Banking and Insurance Capital Group ('KBC Group') established in 1998 as a result of a merger of ABB Insurance Group, Almanij-Kreditbank Group and CERA Bank Group. As at 30.06.2012, KBC Group held 80.0% of shares of Kredyt Bank S.A. KBC Group has been operating in the present structure since 2005, i.e. the merger of KBC Bank and Insurance Holding Company with Almanij. The shares of KBC Group NV are listed on the Euronext Stock Exchange in Brussels.

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

In Poland, KBC Group is also a sole shareholder of Żagiel S.A., KBC TFI S.A. and PTE Warta S.A. Until 01.07.2012, KBC Group had also been the sole shareholder of TuiR Warta S.A.

On 27.02.2012, KBC Bank NV and Banco Santander S.A. signed an investment agreement in which the parties expressed their intention to merge Kredyt Bank S.A. and Bank Zachodni WBK S.A. ('BZ

WBK S.A.’). On the same day, Kredyt Bank S.A., BZ WBK S.A., KBC Bank NV and Banco Santander S.A. signed an agreement on starting work to merge Kredyt Bank S.A. and BZ WBK S.A.

Further information about the above-mentioned issue is presented in Note I.47.

7. Basis of preparation of interim condensed consolidated financial statements

Pursuant to Article 55 clause 5 of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2009, No. 152, item 1223) as amended (‘the Act’), starting from 01.01.2005, the consolidated financial statements of the Group have been prepared in compliance with the International Accounting Standards (‘IAS’) and the International Financial Reporting Standards (‘IFRS’) that were approved by the European Union (‘EU’).

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

The interim condensed consolidated financial statements of the Group for the first half of 2012 ended on 30.06.2012 have been prepared pursuant to the IAS/IFRS in the versions effective as at the date of these financial statements, approved by the EU. Specifically, this report has been prepared in accordance with IAS 34 Interim Financial Reporting, and matters not governed by the IAS/IFRS must comply with the Act and executive regulations thereto, and with the Ordinance of the Minister of Finance of 19.02.2009 on current and interim information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2009, No. 33, item 259, as amended).

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

Interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group were approved for publication by the Management Board of Kredyt Bank S.A. on 07.08.2012.

Interim condensed consolidated financial statements for the first half of 2012 ended on 30.06.2012 were reviewed by Ernst & Young Audit Sp. z o.o., the key certified auditor acting on behalf of the authorized entity. The review was performed in accordance with the Polish law and the National Financial Review Standards issued by the National Board of Statutory Auditors. The quarterly figures for the second quarter of 2012 and the second quarter of 2011 were not reviewed or audited by the certified auditor.

Interim condensed consolidated financial statements have been presented in the Polish zloty (‘PLN’), and all values, if not stated otherwise, are presented in thousands.

Interim condensed consolidated financial statements were prepared based on the assumption that the Group would remain going concern in the foreseeable future of at least 12 months from the balance sheet date. As at the approval date of these financial statements, the existence of circumstances which could threaten the continuation of the business of the Group is not confirmed.

The liquidation procedure concerning a subsidiary Kredyt Trade Sp. z o.o. launched on 29.06.2012 will not have any significant impact upon the continuation of the Group’s business within the present scope. The details concerning the above-mentioned issue are described in Note I.47.

Also, the decision of the Management Board of Reliz Sp. z o.o. about the filing of the bankruptcy petition concerning the bankruptcy by liquidation of the company’s assets will not have any significant impact upon the continuation of the Group’s business within the present scope. The details concerning the above-mentioned issue are described in Note I.42.

Furthermore, the Bank is in the process of the merger with Bank Zachodni WBK S.A. Further information about the above-mentioned issue is presented in Note I.47.

These interim condensed consolidated financial statements do not cover all information and disclosures required in annual consolidated financial statements and should be read jointly with the consolidated financial statements of Kredyt Bank S.A. Capital Group for the year ended on 31.12.2011.

8. Description of major accounting policies and significant accounting estimates

The Group did not introduce any material changes in the applied accounting policies as compared to the principles and methods described in the Group's published consolidated financial statements as of 31.12.2011.

8.1. Significant accounting estimates

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

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

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

In the second quarter of 2012, the Bank implemented new models estimating the level of impairment losses for exposures assessed collectively. The changes aimed at the better reflection of the level and specific nature of the risk for particular customer segments.

- Corporate Segment and SME (maintaining comprehensive bookkeeping)

  The implemented models estimating the level of impairment losses, unlike the product-oriented approach applied so far, assume the customer-oriented approach. It results in the assignment of the most conservative risk parameters to a customer's total exposure: days of default and PD rating.

  PD model: The customers from the non-impaired portfolio are divided into baskets comprising both the information about their PD rating and days of default. Expected probabilities of the impairment in the Loss Identification Period (LIP) are determined on that basis. In the previous methodology, the baskets comprised only information about days of default. The PD model is implemented separately for the Corporate Segment and for SMEs (maintaining comprehensive bookkeeping).

  LGD model: The model allows for the calculation of expected future recoveries from the exposures in the impaired portfolio on the basis of historical cash flows. Accumulated recoveries in breakdown into months after the occurrence of impairment are determined. Unlike in the PD model, the recovery ratios are calculated collectively for the customers from the Corporate Segment and SMEs (maintaining comprehensive bookkeeping).

- Retail Segment (except for the exposures granted via the sale network of Żagiel).

  PD model: Implemented models are based on the architecture of the rating system, which is applied to assess the credit risk upon the extension of loans and to assess the parameters complying with the foundation internal-ratings based (FIRB) approach. The application of scoring models, which are the basis for the rating system, allows for a more precise quantification of the risk than in the segmentation based on past due days applied so far, and directly links the amount of the impairment loss to the most important criterion (rating) on the basis of which the Bank makes the decision concerning the extension of a loan.

  LGD model: The model allows for the calculation of expected future recoveries from the exposures in the impaired portfolio on the basis of historical cash flows. Accumulated recoveries in breakdown into months after the occurrence of impairment are determined.

- Retail Segment (exposures granted via Żagiel).

  PD/LGD model: The models assessing the impairment loss for customers assessed collectively are based on the properties of the so-called Markov chains. The portfolio is divided into three categories of homogenous states: accounts without default, accounts in default prior to the termination of the agreement and accounts terminated (the division based on the months after the termination of the agreement).

  The application of the segmentation described above allows for a more precise quantification of the risk than in the segmentation applied so far based only on past due days, and links the amount of the impairment loss with the life cycle of a loan product. In addition, due to the specific structure of the model, PD/LGD parameters can be determined simultaneously.

In order to verify the pertinence of obtained parameters, the said models are tested on a monthly or quarterly basis through related back-test procedures.

The estimated positive impact of the said change of the methodology upon the Bank's and the Group's profit before tax amounted to PLN 64,355 thousand and was presented in 'Net impairment losses on financial assets, other assets and provisions'.

The Group did not introduce any other material changes in the applied methods of performing accounting estimates as compared to the principles and methods described in the Group's published consolidated financial statements as of 31.12.2011.

8.2. New or amended IAS and IFRS and new IFRIC interpretations

Below, we present new and amended IAS/IFRS and new IFRIC interpretations that the Group applied in this period. Their application has not materially affected the interim condensed consolidated financial statements:

- Amendments to IFRS 7 *Financial Instruments: Disclosures: Transfer of Financial Assets* – applicable to annual periods beginning on 1 July 2011 or later;

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

- Phase 1 of IFRS 9 *Financial Instruments* – applicable to annual periods beginning on 1 January 2015 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- Amendments to IAS 19 *Employee Benefits* – applicable to annual periods beginning on 1 January 2013 or later;
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* – applicable to annual periods beginning on 1 July 2012 or later;

- Amendments to IAS 12 *Income Taxes: Deferred Tax: Recovery of Underlying Assets* – applicable to annual periods beginning on 1 January 2012 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- Amendments to IFRS 1 *First-time Adoption of the International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – applicable to annual periods beginning on 1 July 2011 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- IFRS 10 *Consolidated Financial Statements* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- IFRS 11 *Joint Arrangements* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- IFRS 12 *Disclosure of Interests in Other Entities* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- IFRS 13 *Fair Value Measurement* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- IAS 27 *Separate Financial Statements* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- IAS 28 *Investments in Associates and Joint Ventures* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- Amendments to IFRS 7 *Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- Amendments to IAS 32 *Financial Instruments: Presentation: Offsetting financial assets and Financial Liabilities* – applicable to annual periods beginning on 1 January 2014 or later; by the date of the approval of these consolidated financial statements, not approved by the EU;
- Amendments to IFRS 1 *First-time Adoption of the International Financial Reporting Standards: Government Loans* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these financial statements, not approved by the EU;
- Amendments resulting from the IFRS review (published in May 2012) – the amendments are applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these financial statements, not approved by the EU;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these consolidated financial statements, not approved by the EU.

Management Boards of the Group's companies do not predict that the introduction of the above standards and interpretations will materially affect the Group's accounting principles (policy), except for the amendments which will result from introducing IFRS 9. With reference to the planned amendments to the published part of IFRS 9 (related to the so-called Phase 1) and the drafts of IFRS 9 (concerning the so-called Phase 2 and Phase 3), the Bank withheld the works on the estimation of the impact of IFRS 9 upon the consolidated financial statements.

Furthermore, the Group has not finished the process of estimating the impact of IFRS 13 upon the consolidated financial statements for the period in which it will be applied for the first time.

8.3. Classification and measurement of financial assets and liabilities

The full description of accounting policies and accounting estimates applied in the Group is available in the consolidated financial statements of the Group as at 31.12.2011. Below, we only present the details concerning the most important items in the Group's financial statements.

Financial assets and liabilities at fair value through profit or loss

This category includes:

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

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

Net gains from assets disposal are calculated with the FIFO method.

Derivatives are recognized at fair value, without deductions of transaction expenses that can be incurred at the disposal. The valuation of derivatives also entails credit risk; the respective charges are recognized in the income statement.

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

Held-to-maturity investments

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

a) designated by an entity upon initial recognition as at fair value through profit or loss;
b) designated by an entity as available-for-sale; and
c) meeting the definition of loans and receivables.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

a) financial assets that the company intends to sell immediately or in the near term, which are classified as held for trading, and those that the company upon initial recognition designates as at fair value through profit or loss;
b) financial assets that the company upon initial recognition designates as available-for-sale, or
c) financial assets for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

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

Accrued interest with net commission (commissions received less commissions paid) are settled over time using the effective interest rate method and are recognized in interest income. Impairment losses are recognized in the income statement in correspondence with accounts of provisions which adjust assets value.

In the case of the customers for whom the possibilities of servicing loans within the time limits specified in agreements deteriorated, and whose conditions of the debt service are renegotiated, as a principle, the Bank, having regard for the new conditions, re-estimates the discounted cash flows. If the present value of estimated future cash flows discounted using the effective interest rate method is not significantly lower than before the renegotiation, a given loan will remain in the portfolio of exposures with no evidence for impairment. Otherwise, a loan is classified in the portfolio of loans with evidence for impairment.

Financial assets available for sale

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

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

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

Net gains from assets disposal are calculated with the FIFO method.

If fair value of equity instruments cannot be determined, then assets are recognized at cost less impairment loss.

A significant or prolonged decrease in the fair value of an investment in the equity instrument in the portfolio of available-for-sale financial assets below cost constitutes objective evidence for impairment. Impairment losses are recognized in the income statement in correspondence with accounts of provisions which adjust assets value.

Financial liabilities other than 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 other than held for trading are recognized in the balance sheet at amortized cost with the application of the effective interest rate method.

Hedge accounting

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

- upon the inception of hedge, the Group officially determines and documents hedging relations as well as the purpose of risk management and the strategy of hedge. The documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk and the method of the Group’s assessment of hedging instrument effectiveness in offsetting the risk of changes in fair value of the hedged item or cash flows related to the hedged risk;

- the hedging is expected to be highly effective in achieving offsetting changes in fair value (or cash flows) attributable to the hedged risk, according to the initially documented risk management strategy related to a specific hedging relationship;
- in the case of the cash flow hedge, the planned hedged transaction must be highly probable and must be subject to the threat of changes in the cash flow which, as a result, may affect the income statement;
- the hedge effectiveness may be assessed reliably, i.e. fair value or cash flows attributable to the hedged item resulting from the hedged risk and the fair value of the hedging instrument may be measured reliably;
- the hedge is assessed on an ongoing basis and is found highly effective in all reporting periods in which the hedge was established.

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

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

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

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

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

Valuation of financial assets and liabilities at fair value

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

The transaction price is the best indicator of fair value at the initial recognition of a financial instrument.

Fair value of financial assets and liabilities is determined on the basis of quotations on active markets, including prices of the latest transactions.

In the case of financial assets and liabilities recognized in the balance sheet at fair value (except for equity instruments from the portfolio of available-for-sale assets), for which no active market is identified and there is no possibility of determining the fair value using market prices, they are measured on the basis of generally adopted measurement models based on variables that can be observed in the market environment.

The fair value of such financial assets and liabilities is determined on the basis of the net present value, i.e. the sum of all cash flows discounted using the yield curve applicable to a given currency and adjusted with the issuer’s credit risk.

Certain variables, e.g. future interest rates, volatility parameters, correlations, must be assessed professionally. The models and variables are verified on a regular basis. The change in adopted models or variables in these models might affect accounting estimates related to measurement.

Financial instruments measured at fair value are classified according to a three-level hierarchy of fair value:

- Level 1 comprises financial instruments quoted in an active market, whose measurement at fair value is determined on the basis of present and readily available market prices,

- Financial instruments presented at Level 2 are not quoted in an active market, but the inputs used to measure the fair value are based on observable market inputs,
- Level 3 comprises financial instruments that are not quoted in an active market, and their measurement at fair value is not based on observable market inputs.

Effective interest rate method

The Group has been amortizing, into income statement, commission/fee income and expenses as well as certain other 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 amortized cost, by using the effective interest rate method:

- loans and receivables;
- held-to-maturity investments;
- non-derivative financial liabilities other than held for trading;
- repurchase transactions.

In addition, in the case of debt securities carried at fair value through profit or loss and available-for-sale assets, the coupon rates and acquired discounts or premiums are charged to the income statement also at amortized cost.

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

The method of settling coupon rates, commissions/fees and certain external costs connected with the financial instruments (with the effective interest 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.

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

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

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

8.4. The values of deferred tax asset

The companies of the Group recognize a deferred tax liability for all temporary differences whereas the deferred tax asset is recognized up to the amount justified by financial plans approved by the Management Boards of the Group's companies concerning the probable realization of the asset.

8.5. Investment properties

Under IAS 40, the Group recognizes investment properties at cost.

8.6. Non-current assets held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Pursuant to IFRS 5, assets held for sale are measured at the lower of: present carrying amount or fair value less costs to sell. Non-current assets, when they are classified as held for sale, are not depreciated.

9. Comparable data

The comparable data for previous periods included in these financial statements take account of the presentation changes introduced to the financial statements prepared as at 30.06.2012.

Due to the change in the presentation of expenses incurred by the Group within particular expense categories from net terms to gross terms (including VAT), the values in the items presented in the consolidated income statement for the first half of 2011 and for the second quarter of 2011 have changed.

	Published data non-audited	**Changes**	**Comparable data** non-audited
in PLN '000'	**First half of 2011**		**First half of 2011**
General and administrative expenses	-488 300	4 791	-483 509
Other operating expenses	-28 339	-4 791	-33 130
	2nd quarter of **2011**		2nd quarter of **2011**
General and administrative expenses	-255 977	2 533	-253 444
Other operating expenses	-13 318	-2 533	-15 851

Below, we present a Note showing the changes in the presentation of particular items of general and administrative expenses for the first half of 2011 and for the second quarter of 2011 (in additional notes, unlike in the income statement, the expenses are presented with '+').

	Published data non-audited	**Changes**	**Comparable data** non-audited
in PLN '000'	**First half of 2011**		**First half of 2011**
Staff costs	**212 590**	**582**	**213 172**
General expenses	**227 800**	**-5 373**	**222 427**
- costs of buildings lease	42 439	8 542	50 981
- IT and telecommunications fees	40 432	8 486	48 918
- costs of buildings maintenance and renovations	10 305	1 793	12 098

- energy costs	10 268	1 699	11 967
- advisory and specialist services costs	11 484	2 131	13 615
- postal fees	12 581	451	13 032
- transportation services	7 401	1 567	8 968
- property protection expenses	4 452	646	5 098
- taxes and fees	58 003	-36 140	21 863
- promotion and advertising services	17 411	3 673	21 084
- purchase of other materials	1 542	357	1 899
- training expenses	2 225	462	2 687
- business trips	1 172	230	1 402
- other	8 085	730	8 815
Depreciation	**47 910**	**0**	**47 910**
Total	**488 300**	**-4 791**	**483 509**

	Published data non-audited	**Changes**	**Comparable data** non-audited
in PLN '000'	**2nd quarter of 2011**		**2nd quarter of 2011**
Staff costs	**107 504**	**325**	**107 829**
General expenses	**124 550**	**-2 858**	**121 692**
- costs of buildings lease	21 419	4 316	25 735
- IT and telecommunications fees	21 217	4 893	26 110
- costs of buildings maintenance and renovations	5 438	1 031	6 469
- energy costs	4 818	884	5 702
- advisory and specialist services costs	4 437	1 156	5 593
- postal fees	6 205	229	6 434
- transportation services	3 925	917	4 842
- property protection expenses	2 600	356	2 956
- taxes and fees	32 308	-21 164	11 144
- promotion and advertising services	15 911	3 432	19 343
- purchase of other materials	971	238	1 209
- training expenses	1 522	337	1 859
- business trips	645	141	786
- other	3 134	376	3 510
Depreciation	**23 923**	**0**	**23 923**
Total	**255 977**	**-2 533**	**253 444**

10. Segment reporting

The criterion for separating a segment entails the method of carrying business and the type and scope of information used by the management in a given entity. An operating segment is a type of activities reviewed regularly by the authorities responsible for making operating decisions, including decisions concerning the method of allocating resources within the reviewed segment. The figures originate from internal reports used by the Bank's management to review the results of the activities of a given segment. The presentation of particular items follows the approach applied in management reporting. At the same time, one should notice that the management segmentation differs from the financial reporting segmentation applied in the remaining parts of the financial statements.

The Group's operating activities were divided into three basic categories: retail, corporate, treasury.

The Group's operations are not diversified in geographical terms. Operations are focused on the Polish market; the main customer base is composed of national natural and legal persons and foreign customers operating on the Polish market.

Retail Segment

Retail Segment, in management terms, incorporates products targeted at individual customers, private banking, as well as micro and small enterprises (SME), whose annual sales revenue does not exceed PLN 1 million.

The offer entails a wide choice of deposit, credit and insurance (bancassurance) products offered in cooperation with TUnŻ WARTA S.A. and TUiR WARTA S.A., and investment products offered by KBC TFI S.A. This offer is addressed to customers through traditional channels of distribution via the Bank's nationwide network of branches and affiliates, KB24 online service as well as creditonline service, and intermediaries operating in the market.

Corporate Segment

Corporate Segment, in management terms, entails transactions with medium-sized companies (SME with annual sales revenue exceeding PLN 1 million, but not exceeding PLN 25 million), large companies (with total sales revenue exceeding PLN 25 million) as well as state budgetary units at central and local levels.

Beside the traditional products, such as loans, deposits, settlement services, derivatives, the customers from this segment are offered specialist 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 S.A., which offers a complete range of services for companies in respect of leasing of property, plant and equipment.

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, as well as interest rate, currency, discounted and commodity options, except for write-downs for credit risk. Besides the trading activities carried by the Bank on its own account, the segment is responsible for the activities aiming to hedge the Banking Book position.

Other

Income and expenses not assigned to above segments have been presented as 'Other' segment. In addition, this category entails the results of the operations of Reliz Sp. z o.o. and Kredyt Trade Sp. z o.o. w likwidacji.

Respective consolidation eliminations were made for the presentation of the results of particular segments.

Additional clarifications

The results presented in all segments include the costs of the financing of lending activities and interest income on sales of deposit resources in internal transactions and they result from the application of an internal price (transfer rate) determined on the basis of reference rates (money market rates) for particular deposit and credit products.

The reconciliation of particular balance sheet items and income statement items for reporting segments with the items of the consolidated balance sheet and the items of the consolidated income statement must encompass the adjustments presented further in this Note.

Net interest income includes mainly net interest income from deposit and lending activities and the total net income from loan commissions treated, in management terms, as an element of interest margin. The Bank's Management Board, when making operating decisions, bases them mainly on the interest margin. In addition, particular segments entail the costs of financing the cash maintained in the Bank's branches.

Net commission income and other net income entails:

- commissions for keeping accounts and transactions;
- commissions related to credit, debit and other cards;
- commissions related to the distribution of the shares of the societies of investment funds and other services provided to societies of investment funds;
- commissions related to insurance products;
- commissions related to foreign transactions, i.e. export and import payment orders, transfers and guarantees, letters of credit, bill guarantees and cash collections;
- other net income entailing net income from other commissions and net income from other operating income and expenses.

Net income from treasury transactions in the Retail Segment and in the Corporate Segment is the net income from exchange operations and net income from financial transactions which are a margin on such products as repurchase transactions, bonds, IRS and FX options.

Net income from treasury transactions is composed of the following items of the interim consolidated financial statements:

- net trading income (except for, e.g. net increase/decrease in the provisions for potential losses related to open/active derivatives and the valuation of embedded instruments related to the enterprises function) and
- net result on derivatives used as hedging instruments and hedged items.

Net gains from investment activities – the presented item is the sum of the items from the financial statements: net gains from investment activities and dividend income.

In management reporting, the item *'Net impairment losses on financial assets, other assets and provisions'* includes an additional provision for potential losses related to open/active derivatives (presented in these interim consolidated financial statements in net trading income).

Group's general and administrative expenses – since the beginning of 2012, the Group has been allocating the general and administrative expenses in line with the Activity-based Costing (ABC) system; the comparable data have been restated according to it as well.

The assets of the segment were divided into four basic categories:

- *Loans and advances to banks* – include net loans and advances to banks, excluding interest receivables, as well as debt securities issued by other banks and classified as loans and receivables. The category is presented in the treasury segment.
- *Loans and advances to customers* – include net loans and advances to customers (including leasing fees), excluding interest receivables, as well as debt securities classified as loans and receivables.
- *Securities* – this category is presented in the treasury segment, entails debt securities, securities with the right to equity and shares in investment funds, excluding debt securities classified as loans and receivables.
- *Other* – this category entails all other assets not presented above.

Group's net result for the second quarter of 2012 by operating segments (breakdown according to management reporting) non-audited

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**141 743**	**67 772**	**-18 667**	**-3 052**	**187 796**
- lending activities	117 331	40 271	0	-3 182	154 420
- depositing activities	27 845	29 293	0	135	57 273
- the cost of financing cash kept in the Bank's branches	-3 433	-1 792	5 230	-5	0
Net commission income and other net income	**54 152**	**19 413**	**0**	**17 483**	**91 048**
- commissions related to the keeping of accounts and transactions	19 634	12 634	0	231	32 499
- commissions related to cards	17 175	1 375	0	1 308	19 858
- commissions related to shares in investment funds societies	15 974	764	0	45	16 783
- commissions related to insurance products	19	4	0	48	71
- commissions related to foreign transactions	15	5 674	0	95	5 784
- other	1 335	-1 038	0	15 756	16 053
Net income from treasury transactions	**12 001**	**14 665**	**44 477**	**-742**	**70 401**
- exchange transactions	11 958	13 933	43 731	-1 044	68 578
- derivatives and securities	43	732	746	302	1 823
Net gains from investment activities	**0**	**100**	**-27**	**18 566**	**18 639**
Gross operating income	**207 896**	**101 950**	**25 783**	**32 255**	**367 884**
Net impairment losses on financial assets, other assets and provisions	**27 086**	**-31 829**	**0**	**-1 244**	**-5 987**
Group's general and administrative expenses, including:	**-169 022**	**-77 464**	**-4 069**	**-5 649**	**-256 204**
- the costs of the operation of business functions (direct costs)	-91 619	-29 823	-3 416	-3 610	-128 468
- allocated expenses	-65 255	-43 141	-400	0	-108 796
- depreciation (direct costs)	-7 959	-896	-219	-2 039	-11 113
- depreciation (allocated costs)	-4 189	-3 604	-34	0	-7 827
Net operating income	**65 960**	**-7 343**	**21 714**	**25 362**	**105 693**
Share in profit (loss) of associates					188
Income tax expense					-43 368
Net profit (loss)					**62 513**

Group's net result for the first half of 2012 by operating segments (breakdown according to management reporting) non-audited

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**295 258**	**137 562**	**-11 049**	**-6 857**	**414 914**
- lending activities	233 879	83 902	0	-7 064	310 717
- depositing activities	67 411	57 545	0	218	125 174
- the cost of financing cash kept in the Bank's branches	-6 032	-3 885	9 928	-11	0
Net commission income and other net income	**101 619**	**49 656**	**0**	**29 470**	**180 745**
- commissions related to the keeping of accounts and transactions	40 320	25 553	0	366	66 239
- commissions related to cards	31 829	2 549	0	2 501	36 879
- commissions related to shares in investment funds societies	27 935	1 433	0	52	29 420
- commissions related to insurance products	-671	19	0	92	-560
- commissions related to foreign transactions	28	10 726	0	215	10 969
- other	2 178	9 376	0	26 244	37 798
Net income from treasury transactions	**33 179**	**27 975**	**64 138**	**-1 203**	**124 089**
- exchange transactions	33 113	25 662	65 215	-1 575	122 415
- derivatives and securities	66	2 313	-1 077	372	1 674
Net gains from investment activities	**0**	**100**	**-27**	**18 575**	**18 648**
Gross operating income	**430 056**	**215 293**	**53 062**	**39 985**	**738 396**
Net impairment losses on financial assets, other assets and provisions	**-26 198**	**-36 165**	**0**	**-871**	**-63 234**
Group's general and administrative expenses, including:	**-324 896**	**-150 204**	**-8 128**	**-10 755**	**-493 983**
- the costs of the operation of business functions (direct costs)	-179 442	-58 118	-6 823	-6 733	-251 116
- allocated expenses	-121 477	-83 192	-812	0	-205 481
- depreciation (direct costs)	-15 823	-1 879	-427	-4 022	-22 151
- depreciation (allocated costs)	-8 154	-7 015	-66	0	-15 235
Net operating income	**78 962**	**28 924**	**44 934**	**28 359**	**181 179**
Share in profit (loss) of associates					1 019
Income tax expense					-63 543
Net profit (loss)					**118 655**

Group's net result for the second quarter of 2011 by operating segments (breakdown according to management reporting) non-audited

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**168 304**	**76 644**	**72 146**	**-4 811**	**312 283**
- lending activities	130 323	49 195	0	-4 829	174 689
- depositing activities	40 997	29 729	0	18	70 744
- the cost of financing cash kept in the Bank's branches	-3 016	-2 280	5 296	0	0
Net commission income and other net income	**43 336**	**20 404**	**0**	**11 883**	**75 623**
- commissions related to the keeping of accounts and transactions	21 806	12 978	0	143	34 927
- commissions related to cards	17 862	1 624	0	-1 507	17 979
- commissions related to shares in investment funds societies	13 270	647	0	0	13 917
- commissions related to insurance products	-4 639	-9	0	-74	-4 722
- commissions related to foreign transactions	11	4 884	0	83	4 978
- other	-4 974	280	0	13 238	8 544
Net income from treasury transactions	**11 326**	**12 105**	**-12 339**	**-115**	**10 977**
- exchange transactions	11 320	11 553	-6 948	-285	15 640
- derivatives and securities	6	552	-5 391	170	-4 663
Net gains from investment activities	**0**	**50**	**295**	**1 521**	**1 866**
Gross operating income	**222 966**	**109 203**	**60 102**	**8 478**	**400 749**
Net impairment losses on financial assets, other assets and provisions	**-40 605**	**-11 640**	**0**	**7 868**	**-44 377**
Group's general and administrative expenses, including:	**-161 686**	**-66 483**	**-3 713**	**-5 788**	**-237 670**
- the costs of the operation of business functions (direct costs)	-74 119	-28 943	-3 333	-3 584	-109 979
- allocated expenses	-69 829	-33 645	-294	0	-103 768
- depreciation (direct costs)	-17 146	-978	-27	-2 204	-20 355
- depreciation (allocated costs)	-592	-2 917	-59	0	-3 568
Net operating income	**20 675**	**31 080**	**56 389**	**10 558**	**118 702**
Share in profit (loss) of associates					984
Income tax expense					-31 793
Net profit (loss)					**87 893**

Group's net result for the first half of 2011 by operating segments (breakdown according to management reporting) non-audited

in PLN '000'	**Retail Segment**	**Corporate Segment**	**Treasury Segment**	**Other**	**Total**
Net interest income, including:	**327 548**	**147 341**	**142 296**	**-9 284**	**607 901**
- lending activities	255 714	94 799	0	-9 318	341 195
- depositing activities	77 383	56 676	0	34	134 093
- the cost of financing cash kept in the Bank's branches	-5 549	-4 134	9 683	0	0
Net commission income and other net income	**83 551**	**47 768**	**0**	**28 989**	**160 308**
- commissions related to the keeping of accounts and transactions	43 428	25 612	0	282	69 322
- commissions related to cards	35 512	2 795	0	-583	37 724
- commissions related to shares in investment funds societies	25 930	1 378	0	0	27 308
- commissions related to insurance products	-9 865	-67	0	-34	-9 966
- commissions related to foreign transactions	20	9 916	0	173	10 109
- other	-11 474	8 134	0	29 151	25 811
Net income from treasury transactions	**20 353**	**22 998**	**-17 935**	**518**	**25 934**
- exchange transactions	20 340	21 835	-5 537	399	37 037
- derivatives and securities	13	1 163	-12 398	119	-11 103
Net gains from investment activities	**0**	**50**	**405**	**1 526**	**1 981**
Gross operating income	**431 452**	**218 157**	**124 766**	**21 749**	**796 124**
Net impairment losses on financial assets, other assets and provisions	**-31 929**	**-7 137**	**0**	**5 922**	**-33 144**
Group's general and administrative expenses, including:	**-319 738**	**-129 022**	**-7 771**	**-11 204**	**-467 735**
- the costs of the operation of business functions (direct costs)	-158 441	-53 974	-6 955	-6 654	-226 024
- allocated expenses	-124 950	-68 208	-643	0	-193 801
- depreciation (direct costs)	-35 243	-1 796	-51	-4 550	-41 640
- depreciation (allocated costs)	-1 104	-5 044	-122	0	-6 270
Net operating income	**79 785**	**81 998**	**116 995**	**16 467**	**295 245**
Share in profit (loss) of associates					1 805
Income tax expense					-75 133
Net profit (loss)					**221 917**

The allocation of assets by operating segments as at 30.06.2012 non-audited

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to banks	0	0	1 649 385	0	1 649 385
Loans and advances to customers	20 773 937	8 366 663	0	0	29 140 600
Securities	0	0	9 103 166	0	9 103 166
Other	0	0	694 412	2 907 588	3 602 000
Total	**20 773 937**	**8 366 663**	**11 446 963**	**2 907 588**	**43 495 151**

The allocation of assets by operating segments as at 31.12.2011

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to banks	0	0	1 187 219	0	1 187 219
Loans and advances to customers	20 934 417	8 032 717	0	0	28 967 134
Securities	0	0	8 839 889	0	8 839 889
Other	0	0	1 071 089	1 937 753	3 008 842
Total	**20 934 417**	**8 032 717**	**11 098 197**	**1 937 753**	**42 003 084**

The allocation of assets by operating segments as at 30.06.2011 non-audited

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to banks	0	0	1 245 779	0	1 245 779
Loans and advances to customers	19 535 636	7 741 797	0	0	27 277 433
Securities	0	0	13 180 776	0	13 180 776
Other	0	0	382 244	2 253 983	2 636 227
Total	**19 535 636**	**7 741 797**	**14 808 799**	**2 253 983**	**44 340 215**

Below, we present the reconciliation of particular items with the interim consolidated income statement and the interim consolidated assets published in this report.

in PLN '000'	**01.04.2012-30.06.2012** non-audited
Net interest income – management information	**187 796**
- commissions on loans	11 696
+ operating expenses (interest on finance lease)	-74
+ operating income (the collection of statutory interest)	2 076
+ commissions related to foreign transactions	203
- structured deposit – interest adjustment	188
+ other	82
Net interest income – financial statements	**178 199**
Net commission income and other net income – management information	**91 048**
+ commissions on loans	11 696
- operating expenses (interest on finance lease)	-74
- operating income (the collection of statutory interest)	2 076
- commissions related to foreign transactions	203
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-7 132
+ reversal of provisions related to incentive programmes	3 174
- other	-1
Net commission income and other net income – financial statements – presented as:	**110 846**
Net fee and commission income	88 563
Other operating income	30 708
Other operating expenses	-8 425
Net income from treasury transactions – management information	**70 401**
+ net increase/decrease in provisions for potential losses related to active derivatives	-23
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-7 132
+ structured deposit – interest adjustment	188
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**63 434**
Net trading income	61 588
Net result on derivatives used as hedging instruments and hedged items	1 846
Net gains from investment activities – management information	**18 639**
Net gains from investment activities and dividend income – financial statements – presented as:	**18 639**
Net gains from investment activities	17 046
Dividend income	1 593
Gross operating income – management information	**367 884**
+ net increase/decrease in provisions for potential losses related to active derivatives	-23
+ reversal of provisions related to incentive programmes	3 174
+ other	83
Gross operating income – financial statements – presented as:	**371 118**
Total operating income	379 543
Other operating expenses	-8 425

Net impairment losses on financial assets, other assets and provisions – management information	**-5 987**
- net increase/decrease in provisions for potential losses related to active derivatives	-23
- other	83
Net impairment losses on financial assets, other assets and provisions – financial statements	**-6 047**
Group's general and administrative expenses – management information	**-256 204**
- reversal of provisions related to incentive programmes	3 174
General and administrative expenses – financial statements	**-259 378**

in PLN '000'	**01.01.2012-30.06.2012** non-audited
Net interest income – management information	**414 914**
- commissions on loans	22 971
+ operating expenses (interest on finance lease)	-168
+ operating income (the collection of statutory interest)	4 021
+ commissions related to foreign transactions	269
- structured deposit – interest adjustment	188
+ other	65
Net interest income – financial statements	**395 942**
Net commission income and other net income – management information	**180 745**
+ commissions on loans	22 971
- operating expenses (interest on finance lease)	-168
- operating income (the collection of statutory interest)	4 021
- commissions related to foreign transactions	269
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 994
+ reversal of provisions related to incentive programmes	3 963
- other	-2
Net commission income and other net income – financial statements – presented as:	**207 553**
Net fee and commission income	170 302
Other operating income	54 995
Other operating expenses	-17 744
Net income from treasury transactions – management information	**124 089**
+ net increase/decrease in provisions for potential losses related to active derivatives	688
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 994
+ structured deposit – interest adjustment	188
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**120 971**
Net trading income	120 204
Net result on derivatives used as hedging instruments and hedged items	767
Net gains from investment activities – management information	**18 648**
Net gains from investment activities and dividend income – financial statements – presented as:	**18 648**
Net gains from investment activities	17 046
Dividend income	1 602
Gross operating income – management information	**738 396**

+ net increase/decrease in provisions for potential losses related to active derivatives	688
+ reversal of provisions related to incentive programmes	3 963
+ other	67
Gross operating income – financial statements – presented as:	**743 114**
Total operating income	760 858
Other operating expenses	-17 744

Net impairment losses on financial assets, other assets and provisions – management information	**-63 234**
- net increase/decrease in provisions for potential losses related to active derivatives	688
- other	67
Net impairment losses on financial assets, other assets and provisions – financial statements	**-63 989**
Group's general and administrative expenses – management information	**-493 983**
- reversal of provisions related to incentive programmes	3 963
General and administrative expenses – financial statements	**-497 946**

in PLN '000'	**01.04.2011-30.06.2011** non-audited
Net interest income – management information	**312 283**
- commissions on loans	12 418
+ operating expenses (interest on finance lease)	-190
+ operating income (the collection of statutory interest)	3 431
+ commissions related to foreign transactions	75
- structured deposit – interest adjustment	4 741
+ other	-4
Net interest income – financial statements	**298 436**
Net commission income and other net income – management information	**75 623**
+ commissions on loans	12 418
- operating expenses (interest on finance lease)	-190
- operating income (the collection of statutory interest)	3 431
- commissions related to foreign transactions	75
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-4 593
+ reversal of provisions related to incentive programmes	17 061
- other	-4
Net commission income and other net income – financial statements – presented as:	**106 383**
Net fee and commission income	81 231
Other operating income	41 003
Other operating expenses	-15 851
Net income from treasury transactions – management information	**10 977**
+ net increase/decrease in provisions for potential losses related to active derivatives	-8
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-4 593
+ structured deposit – interest adjustment	4 741
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**11 117**
Net trading income	11 390

Net result on derivatives used as hedging instruments and hedged items	-273
Net gains from investment activities – management information	**1 866**
Net gains from investment activities and dividend income – financial statements – presented as:	**1 866**
Net gains from investment activities	295
Dividend income	1 571
Gross operating income – management information	**400 749**
+ net increase/decrease in provisions for potential losses related to active derivatives	-8
+ reversal of provisions related to incentive programmes	17 061
Gross operating income – financial statements – presented as:	**417 802**
Total operating income	433 653
Other operating expenses	-15 851
Net impairment losses on financial assets, other assets and provisions – management information	**-44 377**
- net increase/decrease in provisions for potential losses related to active derivatives	-8
+ charges related to provisions for employee benefits	-1 287
Net impairment losses on financial assets, other assets and provisions – financial statements	**-45 656**
Group's general and administrative expenses – management information	**-237 670**
- charges related to provisions for employee benefits	-1 287
- reversal of provisions related to incentive programmes	17 061
General and administrative expenses – financial statements	**-253 444**

in PLN '000'	**01.01.2011-30.06.2011** non-audited
Net interest income – management information	**607 901**
- commissions on loans	23 457
+ operating expenses (interest on finance lease)	-416
+ operating income (the collection of statutory interest)	8 643
+ commissions related to foreign transactions	231
- structured deposit – interest adjustment	9 095
+ other	-5
Net interest income – financial statements	**583 802**
Net commission income and other net income – management information	**160 308**
+ commissions on loans	23 457
- operating expenses (interest on finance lease)	-416
- operating income (the collection of statutory interest)	8 643
- commissions related to foreign transactions	231
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 424
+ reversal of provisions related to incentive programmes	17 061
- other	-5
Net commission income and other net income – financial statements – presented as:	**195 797**
Net fee and commission income	161 301

Other operating income	67 626
Other operating expenses	-33 130
Net income from treasury transactions – management information	**25 934**
+ net increase/decrease in provisions for potential losses related to active derivatives	-246
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 424
+ structured deposit – interest adjustment	9 095
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**31 359**
Net trading income	31 790
Net result on derivatives used as hedging instruments and hedged items	-431
Net gains from investment activities – management information	**1 981**
Net gains from investment activities and dividend income – financial statements – presented as:	**1 981**
Net gains from investment activities	405
Dividend income	1 576
Gross operating income – management information	**796 124**
+ net increase/decrease in provisions for potential losses related to active derivatives	-246
+ reversal of provisions related to incentive programmes	17 061
Gross operating income – financial statements – presented as:	**812 939**
Total operating income	846 069
Other operating expenses	-33 130
Net impairment losses on financial assets, other assets and provisions – management information	**-33 144**
- net increase/decrease in provisions for potential losses related to active derivatives	-246
+ charges related to provisions for employee benefits	-1 287
Net impairment losses on financial assets, other assets and provisions – financial statements	**-34 185**
Group's general and administrative expenses – management information	**-467 735**
- charges related to provisions for employee benefits	-1 287
- reversal of provisions related to incentive programmes	17 061
General and administrative expenses – financial statements	**-483 509**

in PLN '000'	**Management information**	**Interest**	**Financial statements (net value)**
30.06.2012 non-audited			
Loans and advances to banks	1 649 385	903	1 650 288
Loans and advances to customers	29 140 600	120 507	29 261 107
31.12.2011			
Loans and advances to banks	1 187 219	793	1 188 012
Loans and advances to customers	28 967 134	118 620	29 085 754

30.06.2011 non-audited			
Loans and advances to banks	1 245 779	702	1 246 481
Loans and advances to customers	27 277 433	101 704	27 379 137

in PLN '000'	**30.06.2012** non-audited
Securities – management information	**9 103 166**
Securities – financial statements – presented as:	**9 103 166**
Financial assets designated upon initial recognition as at fair value through profit or loss	63 283
Financial assets held for trading (excluding derivatives)	332 834
Investment securities	8 707 049

	31.12.2011
Securities – management information	**8 839 889**
Securities – financial statements – presented as:	**8 839 889**
Financial assets designated upon initial recognition as at fair value through profit or loss	100 684
Financial assets held for trading (excluding derivatives)	60 493
Investment securities	8 678 712

	30.06.2011 non-audited
Securities – management information	**13 180 776**
Securities – financial statements – presented as:	**13 180 776**
Financial assets designated upon initial recognition as at fair value through profit or loss	113 696
Financial assets held for trading (excluding derivatives)	2 371 250
Investment securities	10 695 830

11. The Group's financial standing at the end of the first half of 2012

The Group's net and gross result

In the first half of 2012, the Group generated net profit amounting to PLN 118,655 thousand, as compared to net profit in the first half of 2011 amounting to PLN 221,917 thousand. The significant difference between the net profit generated in the first half of 2012 as compared to the first half of 2011 results mainly from:

- a decrease in net interest income by PLN 187,860 thousand;
- an increase in net impairment losses on financial assets, other assets and provisions by PLN 29,804 thousand;
- an increase in general and administrative expenses by PLN 14,437 thousand;

partially set off with:

- an increase in net gains from trading and investment activities, net result on derivatives used as hedging instruments and hedged items and dividend income by PLN 106,279 thousand;
- a decrease in income tax expense by PLN 11,590 thousand.

The following factors and events had significant impact upon the net profit in the first half of 2012:

- A change in the method of estimating the impairment of loans and advances described in Note I.8; its estimated positive net impact upon the result amounted to PLN 52,448 thousand (PLN 64,355 thousand in gross terms).
- The sale of the shares of KBC TFI S.A.; its net impact upon the result amounted to PLN 11,535 thousand (PLN 17,138 thousand in gross terms).
- Derecognition of the asset related to the tax loss amounting to PLN 15,609 thousand.

In the first half of 2011, the Group recognized the estimated result related to the sale of retail debts. The associated impact upon the net result amounted to PLN 63,483 thousand.

in PLN '000'	**2nd quarter of 2012** non-audited	**2nd quarter of 2011** non-audited	**Change (%)**	**Two quarters of 2012** non-audited	**Two quarters of 2011** non-audited	**Change (%)**
Net interest income	178 199	298 436	-40.3%	395 942	583 802	-32.2%
Net fee and commission income	88 563	81 231	9.0%	170 302	161 301	5.6%
Net gains from trading and investment activities*	82 073	12 983	532.2%	139 619	33 340	318.8%
Net gains from other operating income/expenses	22 283	25 152	-11.4%	37 251	34 496	8.0%
Total	**371 118**	**417 802**	**-11.2%**	**743 114**	**812 939**	**-8.6%**
General and administrative expenses	-259 378	-253 444	2.3%	-497 946	-483 509	3.0%
Net impairment losses on financial assets, other assets and provisions	-6 047	-45 656	-86.8%	-63 989	-34 185	87.2%
Total	**-265 425**	**-299 100**	**-11.3%**	**-561 935**	**-517 694**	**8.5%**
Share in profit (loss) of associates**	188	984	-80.9%	1 019	1 805	-43.5%
Gross profit (loss)	**105 881**	**119 686**	**-11.5%**	**182 198**	**297 050**	**-38.7%**
Income tax expense	-43 368	-31 793	36.4%	-63 543	-75 133	-15.4%
Net profit (loss)	**62 513**	**87 893**	**-28.9%**	**118 655**	**221 917**	**-46.5%**

** including net result on derivatives used as hedging instruments and hedged items and dividend income*
*** figures by the date of the sale of the shares of an associate KBC TFI S.A.; details in Note I.36*

In the second quarter of 2012, the Group generated net profit amounting to PLN 62,513 thousand, as compared to net profit in the second quarter of 2011 amounting to PLN 87,893 thousand. The significant difference between the net profit generated in the second quarter of 2012 as compared to the second quarter of 2011 results mainly from:

- a decrease in net interest income by PLN 120,237 thousand;
- an increase in income tax expense by PLN 11,575 thousand.

partially set off with:

- an increase in net gains from trading and investment activities, net result on derivatives used as hedging instruments and hedged items and dividend income by PLN 69,090 thousand;
- a decrease in net impairment losses on financial assets, other assets and provisions by PLN 39,609 thousand.

The following factors and events had significant impact upon the net profit in the second quarter of 2012:

- A change in the method of estimating the impairment of loans and advances described in Note I.8; its estimated positive net impact upon the result amounted to PLN 52,448 thousand (PLN 64,355 thousand in gross terms).
- The sale of the shares of KBC TFI S.A.; its net impact upon the result amounted to PLN 11,535 thousand (PLN 17,138 thousand in gross terms).
- Derecognition of the asset related to the tax loss amounting to PLN 15,609 thousand.

Net interest income and net fee and commission income

Details concerning net interest income and net fee and commission income are presented in Notes I.12 through I.15.

Net interest income generated by the Group in the first half of 2012 amounted to PLN 395,942 thousand and was lower by PLN 187,860 thousand (32.2%) than the net interest income generated in the first half of 2011 mainly due to the increase in interest expense on amounts due to customers and banks by PLN 150,207 thousand and the decrease in net interest income from securities by PLN 55,867 thousand, partially set off with the increase in interest income on loans and advances to customers and banks by PLN 29,974 thousand.

Net interest income generated by the Group in the second quarter of 2012 amounted to PLN 178,199 thousand and was lower by PLN 120,237 thousand (40.3%) than the net interest income generated in the second quarter of 2011 mainly due to the increase in interest expense on amounts due to customers by PLN 83,258 thousand and the decrease in net interest income from securities by PLN 39,228 thousand.

The said changes result primarily from the change in the Bank’s financing structure; greater competitiveness of the Bank's deposit offer in the first half of 2012 as compared to the first half of 2011; the lower average balance of securities; and also from the greater financing of currency assets through FX swaps — their valuation is presented in net trading income.

Net fee and commission income generated by the Group in the first half of 2012 amounted to PLN 170,302 thousand and was higher by PLN 9,001 thousand (5.6%) than in the first half of 2011, mainly due to the increase in income from the distribution and management of unit-linked products by PLN 5,887 thousand and the increase in income from guarantee commitments by PLN 1,409 thousand.

Net fee and commission income generated by the Group in the second quarter of 2012 amounted to PLN 88,563 thousand and was higher by PLN 7,332 thousand (9.0%) than the result generated in the second quarter of 2011, mainly due to the increase in the income from the distribution and management of unit-linked products by PLN 3,462 thousand, and the increase in the net income related to payment cards processing and ATMs maintenance by PLN 2,646 thousand.

Net gains from trading and investment activities

Net gains from trading and investment activities, including the net result on derivatives used as hedging instruments and hedged items and dividend income, in the first half of 2012 amounted to PLN 139,619 thousand and were higher by PLN 106,279 thousand (318.8%) than the result generated in the first half of 2011, which resulted mainly from the increase in the result on foreign exchange by PLN 85,276 thousand (including the result on the valuation of FX Swap), and the recognition of the result on the sale of the shares of KBC TFI S.A. amounting in gross terms to PLN 17,138 thousand.

Net gains from trading and investment activities, including the net result on derivatives used as hedging instruments and hedged items and dividend income, in the second quarter of 2012 amounted to PLN 82,073 thousand and were higher by PLN 69,090 thousand (532.2%) than the result generated in the second quarter of 2011, which resulted mainly from the increase in the result on foreign exchange by PLN 53,058 thousand (including the result on the valuation of FX Swap), and the recognition of the result on the sale of the shares of KBC TFI S.A. amounting in gross terms to PLN 17,138 thousand.

The details concerning the sale of the shares of KBC TFI S.A. are presented in Note I.36.

Net gains from other operating income/expenses

Net gains from other operating activities for the first half of 2012 amounted to PLN 37,251 thousand and were higher by PLN 2,755 thousand (8.0%) than the net gains in the first half of 2011, which was mainly an effect of lower costs of debt recovery by PLN 11,158 thousand and higher, by PLN 6,001 thousand, income from the sale or liquidation of property, plant and equipment, non-current assets held for sale and assets to be disposed, set off with the decrease in the income from the reversal of provisions related to incentive programmes by PLN 13,098 thousand.

Net gains from other operating activities for the second quarter of 2012 amounted to PLN 22,283 thousand and were lower by PLN 2,869 thousand (11.4%) than the net gains in the corresponding period in 2011, which was mainly an effect of the decrease in the income from the reversal of provisions related to incentive programmes by PLN 13,098 thousand, set off with lower costs of debt recovery by PLN 5,672 thousand and higher, by PLN 4,548 thousand, income from the sale or liquidation of property, plant and equipment, non-current assets held for sale and assets to be disposed.

General and administrative expenses

Due to the change in the presentation of expenses incurred by the Group within particular expense categories from net terms to gross terms (including VAT), the figures for the first half of 2011 and for the second quarter of 2011 have been restated for comparison purposes. The details are presented in Note I.9.

Details concerning general and administrative expenses are presented in Note I.16.

In the first half of 2012, staff costs amounted to PLN 234,864 thousand, which means an increase as compared to the first half of 2011 by PLN 21,692 thousand (10.2%). In the second quarter of 2012, staff costs amounted to PLN 122,186 thousand, which means an increase as compared to the second quarter of 2011 by PLN 14,357 thousand (13.3%). Higher costs of basic remunerations (including the costs resulting from the revaluation of the provision for unused annual leaves as at 30.06.2012) were the main reason for higher staff costs both in the first half of 2012 and in the second quarter of 2012 as compared to the corresponding periods in 2011.

Employment*	30.06.2012 non-audited	30.06.2011 non-audited	Change	Change (%)
KB	4 804	4 811	-7	0%
Other companies	88	86	2	2%
Total	**4 892**	**4 897**	**-5**	**0%**

** Figures in FTEs.*

The Group's general expenses, excluding staff costs, in the first half of 2012 amounted to PLN 225,696 thousand and, as compared to the first half of 2011, they were higher by PLN 3,269 thousand (1.5%).

It resulted mainly from the increase in:

- costs of buildings lease (by PLN 4,330 thousand), mainly due to the revision of rents having regard for the inflation rate and exchange rates;
- advisory and specialist services costs (by PLN 3,487 thousand);
- costs of the purchase of other materials and other general expenses (by PLN 3,880 thousand);

set off with the decrease in:

- IT and telecommunications fees (by PLN 5,968 thousand);
- costs of promotion and advertising services (by PLN 2,743 thousand).

The Group's general expenses, excluding staff costs, in the second quarter of 2012 amounted to PLN 118,251 thousand and, as compared to the second quarter of 2011, they were lower by PLN 3,441 thousand (2.8%).

It was related mainly to the decrease in:

- costs of promotion and advertising services (by PLN 7,651 thousand);
- IT and telecommunications fees (by PLN 5,675 thousand);

set off with an increase in:

- advisory and specialist services costs (by PLN 5,848 thousand);
- other general expenses (by PLN 2,653 thousand);
- costs of buildings lease (by PLN 2,158 thousand), mainly due to the revision of rents having regard for the inflation rate and exchange rates.

Number of outlets

The Bank is adapting the sale network to market conditions on an ongoing basis.

in units	**30.06.2012** non-audited	**31.12.2011** non-audited	**30.06.2011** non-audited
Bank's outlets	373	373	374

Cost/income ratio (CIR)

The cost/income ratio (CIR) in the first half of 2012 was equal to 67.0% and increased from 59.5% recorded in the corresponding period of the previous year. The cost/income ratio (CIR) in the second quarter of 2012 was equal to 69.9% and increased from 60.7% recorded in the corresponding period of the previous year. The increase in the ratios results mainly from the decrease in the income combined with the increase in general and administrative expenses.

Net impairment losses on financial assets, other assets and provisions

in PLN '000'	**2nd quarter of 2012** non-audited	**Two quarters of 2012** non-audited	**2nd quarter of 2011** non-audited	**Two quarters of 2011** non-audited
Retail Segment*	31 427	-21 596	-36 603	-29 126
Enterprises Segment*	-31 297	-36 470	-11 708	-6 906
Other provisions*	-6 177	-5 923	2 655	1 847
Result on provisions	**-6 047**	**-63 989**	**-45 656**	**-34 185**

** Due to the differences in the segmentation and the recognition of net impairment losses on financial assets, other assets and provisions between the financial reporting and the management information, the above note does not reconcile directly with the note concerning operating segments. The explanation concerning the differences has been presented in Note I.10 in this report.*

In the first half of 2012, the Group recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 63,989 thousand, as compared to the negative balance in the first half of 2011 amounting to PLN 34,185 thousand.

In the second quarter of 2012, the Group recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 6,047 thousand, as compared to the negative balance in the second quarter of 2011 amounting to PLN 45,656 thousand.

The amount of net impairment losses on financial assets, other assets and provisions in the Retail Segment and in the Enterprises Segment, both in the first half of 2012 and in the second quarter of

2012, was affected by the change in the methodology of estimating impairment losses for exposures assessed collectively. The change resulted in a significant decrease in impairment losses in the Retail Segment and a limited reversal of impairment losses in the Enterprises Segment.

Investment funds and unit funds in unit-linked insurance plans

Irrespective of the sale of the shares of KBC TFI S.A. by the Group to KBC Asset Management NV, the existing cooperation concerning the distribution and management of the products offered by this company has been continued.

Total net assets of KBC TFI funds (excluding non-registered funds) sold by 30.06.2012 via the Bank's distribution network amounted to PLN 4,520 million. As compared to the figures as at 31.12.2011, it denotes an increase by 2.8%, and, as compared to figures as at 30.06.2011, a decrease by 3.5%.

in PLN '000'	**30.06.2012** non-audited	**31.12.2011** non-audited	**30.06.2011** non-audited
Net assets of KBC TFI funds (excluding non-registered funds) sold via the Bank's distribution network	4 519 632	4 396 763	4 685 840

Corporate income tax

The deduction from the Group's net profit due to the income tax in the first half of 2012 amounted to PLN 63,543 thousand, as compared to the deduction from the Group's net profit in the first half of 2011 of PLN 75,133 thousand, and in the second quarter of 2012, it amounted to PLN 43,368 thousand as compared to the deduction in the second quarter of 2011 of PLN 31,793 thousand. The effective tax rate in the first half of 2012 was at the level of 34.9% and was distorted mainly due to the derecognition, in association with the plan of the merger with BZ WBK S.A., of an asset related to the tax loss recognized in previous years and the so-called 'thin capitalization'. The effective tax rate in the first half of 2011 was at the level of 25.3% and was distorted mainly due to the so-called 'thin capitalization'.

Details concerning the corporate income tax are presented in Note I.16.

12. Interest income

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited
On account of:				
Loans and advances to banks	28 765	56 074	27 175	51 575
Loans and advances to customers, including:	373 972	747 913	370 343	722 438
- financial sector	709	2 153	2 064	4 128
- non-financial sector	369 492	739 017	365 887	713 488
- budgetary sector	3 771	6 743	2 392	4 822
Leasing fees	10 419	21 143	8 869	16 948
Securities:	136 327	267 447	175 555	323 314
- at fair value through profit or loss	655	1 332	634	1 279
- held- for-trading	9 473	13 997	30 646	47 765
- available-for-sale	82 953	165 750	99 552	185 088
- held-to-maturity	43 246	86 368	44 723	89 182
Receivables arising from repurchase transactions	6 245	10 952	6 342	11 147
Interest on hedging instruments	35 603	67 174	24 203	45 918
Total	**591 331**	**1 170 703**	**612 487**	**1 171 340**

13. Interest expense

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited
On account of:				
Amounts due to banks	27 539	62 037	28 450	50 774
Amounts due to customers:	320 801	594 242	237 543	455 298
- financial sector	32 482	60 684	33 169	61 858
- non-financial sector	267 329	495 174	186 379	358 478
- budgetary sector	20 990	38 384	17 995	34 962
Liabilities arising from repurchase transactions	20 817	34 027	21 436	32 096
Subordinated liabilities	11 060	22 877	9 860	18 769
Interest on hedging instruments	32 915	61 578	16 762	30 601
Total	**413 132**	**774 761**	**314 051**	**587 538**

Net interest income	**178 199**	**395 942**	**298 436**	**583 802**

14. Fee and commission income

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited
Fees and commissions related to lending activities	**10 370**	**19 705**	**10 395**	**19 988**
Fees and commissions on deposit-related transactions with customers	**32 472**	**66 179**	**34 925**	**69 316**
Fees and commissions due for payment cards processing and ATMs maintenance	**32 281**	**59 524**	**32 183**	**63 188**
Commissions on foreign clearing operations	4 652	9 011	3 993	7 742
Commissions on guarantee commitments	6 211	12 504	5 479	11 095
Commissions on the distribution and management of combined investment and insurance products	19 616	36 057	16 154	30 170
Commissions on other custodian services	505	1 082	781	1 819
Other fees and commissions	2 524	5 509	1 753	3 655
Total	**108 631**	**209 571**	**105 663**	**206 973**

15. Fee and commission expense

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited
Fees related to insurance for granter loans	2 761	7 563	5 360	10 656
Fees of credit reference agency	1 786	3 602	1 555	3 112
Fees and commissions due for payment cards processing and ATMs maintenance	12 134	21 674	14 682	26 370
Brokerages	349	724	544	1 231
Other fees and commissions	3 038	5 706	2 291	4 303
Total	**20 068**	**39 269**	**24 432**	**45 672**
Net fee and commission income	**88 563**	**170 302**	**81 231**	**161 301**

16. General and administrative expenses

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 Comparable data non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 Comparable data non-audited
Staff costs	**122 186**	**234 864**	**107 829**	**213 172**
General expenses	**118 251**	**225 696**	**121 692**	**222 427**
- costs of buildings lease	27 893	55 311	25 735	50 981
- IT and telecommunications fees	20 435	42 950	26 110	48 918
- costs of buildings maintenance and renovations	6 028	11 557	6 469	12 098
- energy costs	5 307	12 368	5 702	11 967
- advisory and specialist services costs	11 441	17 102	5 593	13 615
- postal fees	6 274	11 741	6 434	13 032
- transportation services	5 660	10 267	4 842	8 968
- property protection expenses	2 654	4 795	2 956	5 098
- taxes and fees	10 997	22 178	11 144	21 863
- promotion and advertising services	11 692	18 341	19 343	21 084
- purchase of other materials	1 340	2 920	1 209	1 899
- training expenses	1 857	3 557	1 859	2 687
- business trips	510	935	786	1 402
- other	6 163	11 674	3 510	8 815
Depreciation	**18 941**	**37 386**	**23 923**	**47 910**
Total	**259 378**	**497 946**	**253 444**	**483 509**

17. Taxation

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited
Profit before tax	**105 881**	**182 198**	**119 686**	**297 050**
Share in profit (loss) of associates	**-188**	**-1 019**	**-984**	**-1 805**
Income tax expense at basic tax rate (19%)	**20 082**	**34 424**	**22 553**	**56 097**
Permanent differences:	**7 677**	**13 510**	**9 240**	**19 036**
- thin capitalization	4 353	8 748	2 614	4 273
- provisions and impairment losses	1 324	3 121	6 276	17 180
- dividends received	-299	-301	-296	-297
- other permanent differences	2 299	1 942	646	-2 120
Derecognition of the asset related to tax loss	15 609	15 609	0	0
Actual deductions from (crediting to) net profit	**43 368**	**63 543**	**31 793**	**75 133**
Effective tax rate	**41.0%**	**34.9%**	**26.6%**	**25.3%**

The comments regarding the effective tax rate are presented in Note I.11.

Income tax expense (credit) in the income statement *in PLN '000'*	**2nd quarter of 2012 01.04.2012 - 30.06.2012** non-audited	**Two quarters of 2012 01.01.2012 - 30.06.2012** non-audited	**2nd quarter of 2011 01.04.2011 - 30.06.2011** non-audited	**Two quarters of 2011 01.01.2011 - 30.06.2011** non-audited
Current income tax	23 068	28 620	-2 847	13 917
Net increase/decrease in deferred income tax	20 300	34 923	34 640	61 216
Deductions from net profit	**43 368**	**63 543**	**31 793**	**75 133**

Deferred tax on the valuation of available-for-sale securities, cash flow hedge instruments, charged to revaluation reserve

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Equity instruments	636	0	0
Debt instruments	22 665	9 606	11 596
Cash flow hedge instruments	7 348	6 835	3 820
Total	**30 649**	**16 441**	**15 416**

in PLN '000'	30.06.2012 non-audited		31.12.2011		30.06.2011 non-audited		Impact upon the result/equity for the first half of 2012
Deferred tax asset/liability	**Asset**	**Liability**	**Asset**	**Liability**	**Asset**	**Liability**	
Cash and balances with Central Bank	0	-848	0	-779	0	0	-69
Gross loans and advances to banks	0	-7 342	0	-2 703	0	-8 063	-4 639
Impairment losses on loans and advances to banks	0	0	0	0	0	0	0
Receivables arising from repurchase transactions	0	-247	0	0	0	0	-247
Financial assets designated upon initial recognition as at fair value through profit or loss	8 960	0	17 746	0	8 955	0	-8 786
Financial assets held for trading (excluding derivatives)	4 043	0	3 919	0	329	0	124
Derivatives	0	-137 707	0	-205 614	0	-72 399	67 907
Gross loans and advances to customers	0	-3 544	0	-8 038	0	-2 252	4 494
Impairment losses on loans and advances to customers	129 688	0	145 101	0	132 403	0	-15 413
Investment securities:	1 438	-31 510	3 137	-18 892	3 273	-17 907	-14 317
- available-for-sale	861	-31 510	2 451	-18 892	2 491	-17 907	-14 208
- held-to-maturity	577	0	686	0	782	0	-109
Property, plant and equipment	15 028	0	14 691	0	7 965	0	337
Intangible assets	0	-3 415	0	-4 106	0	-4 755	691
Non-current assets held for sale	0	0	0	-1 717	0	0	1 717
Other assets	6 456	0	6 011	0	6 097	0	445
Total assets	**165 613**	**-184 613**	**190 605**	**-241 849**	**159 022**	**-105 376**	**32 244**

in PLN '000'	30.06.2012 non-audited		31.12.2011		30.06.2011 non-audited		Impact upon the result/equity for the first half of 2012
Deferred tax asset/liability – cont.	**Asset**	**Liability**	**Asset**	**Liability**	**Asset**	**Liability**	
Amounts due to banks	4 138	0	6 004	0	2 828	0	-1 866
Liabilities arising from repurchase transactions	325	0	0	0	113	0	325
Financial liabilities held for trading (excluding derivatives)	0	0	0	-58	0	-1 021	58
Derivatives	156 637	0	195 610	0	128 576	0	-38 973
Amounts due to customers	21 429	0	10 256	0	13 760	0	11 173
Provisions	19 608	0	16 689	0	9 526	0	2 919
Other liabilities	14 576	0	23 328	0	20 012	0	-8 752
Subordinated liabilities	79	0	100	0	76	0	-21
Total liabilities	**216 792**	**0**	**251 987**	**-58**	**174 891**	**-1 021**	**-35 137**
Asset on retained tax loss*	**15 609**	**0**	**61 847**	**0**	**59 308**	**0**	**-46 238**
Total asset/liability	**398 014**	**-184 613**	**504 439**	**-241 907**	**393 221**	**-106 397**	**-49 131**
Asset/liability recognized with the income statement (in the period and in previous periods)	397 153	-153 103	501 988	-223 015	390 730	-88 490	-34 923
Asset/liability recognized in revaluation reserve (in the period and in previous periods)	861	-31 510	2 451	-18 892	2 491	-17 907	-14 208

Presented as	**30.06.2012**	**31.12.2011**	**30.06.2011**
Deferred tax asset	214 030	263 257	287 586
Deferred tax liability	629	725	762

** In relation to the measures taken by the Bank aiming at the utilization of the retained tax loss and due to the uncertainty concerning the date of the potential merger with BZ WBK, the Bank decided to write off 50% of the unsettled part of the deferred tax asset related to the retained tax loss.*

18. Cash and cash equivalents

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Cash and balances with Central Bank	719 023	784 668	1 136 843
Inter-bank term deposits (up to 3 months)*	632 305	156 839	229 481
Cash and cash equivalents	**1 351 328**	**941 507**	**1 366 324**

** presented in the consolidated balance sheet in 'loans and advances to banks'*

19. Loans and advances to banks

By types

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Current accounts	15 948	7 601	17 913
Deposits in other banks	616 431	149 251	211 602
Loans and advances to banks	48 285	61 054	63 788
Purchased debt	7 221	10 988	14 445
Other	37 529	60 300	14 077
Debt securities classified as loans and receivables	924 874	898 818	924 656
Total	**1 650 288**	**1 188 012**	**1 246 481**

By maturity dates (as at the balance sheet date)

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
- up to 1 month	677 304	221 502	246 315
- 1-3 months	2 331	3 710	1 515
- 3-6 months	6 096	10 623	9 760
- 6 months to 1 year	9 155	10 194	15 788
- 1-3 years	693 780	683 878	32 395
- 3-5 years	1 437	5 647	680 535
- 5-10 years	260 185	252 458	260 173
Total	**1 650 288**	**1 188 012**	**1 246 481**

Classification due to impairment

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Loans and advances with no evidence for impairment	1 650 288	1 188 012	1 246 481
Loans and advances with evidence for impairment	0	0	0
Total	**1 650 288**	**1 188 012**	**1 246 481**

Impairment losses on loans and advances to banks

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Impairment losses on loans and advances to banks at the period beginning	0	2 260	2 260
a) increase	0	176	0
b) decrease	0	176	0
- reversal of impairment	0	176	0
c) utilization	0	2 260	2 260
- written off in the period as bad debts	0	2 260	2 260
Period end	**0**	**0**	**0**

20. Financial assets designated upon initial recognition as at fair value through profit or loss

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Treasury securities	**27 626**	**26 944**	**27 570**
- bonds	27 626	26 944	27 570
Other securities	**0**	**34 741**	**28 491**
- bonds	0	34 741	28 491
Shares in investment funds	**21 392**	**20 740**	**20 261**
Equity securities	**14 265**	**18 259**	**37 374**
Total	**63 283**	**100 684**	**113 696**

All investment securities classified upon initial recognition to the portfolio of financial assets at fair value through profit or loss, are measured at fair value on the basis of market quotations, except for SINUSD commercial bonds and equity investments.

The fair value of SINUSD bonds is determined by discounting cash flows from the bonds with USD-BOND curve having regard for the credit spread, as there are no quotations for these bonds on an active market. The bonds are with fixed coupon. As at 30.06.2012, the Group did not have such bonds in its portfolio of financial assets.

For equity investments, the Group developed a valuation model based, inter alia, on the data originating from the active market.

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Listed	**41 891**	**45 203**	**64 944**
- shares	14 265	18 259	37 374
- bonds	27 626	26 944	27 570
Non-listed	**21 392**	**55 481**	**48 752**
- shares in investment funds	21 392	20 740	20 261
- bonds	0	34 741	28 491
Total	**63 283**	**100 684**	**113 696**

21. Financial assets held for trading (excluding derivatives)

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Treasury securities	**332 834**	**60 493**	**271 519**
- bonds	256 340	49 304	161 663
- bills	76 494	11 189	109 856
Central Bank securities	**0**	**0**	**2 099 731**
- bills	0	0	2 099 731
Total	**332 834**	**60 493**	**2 371 250**

All securities classified as financial assets held for trading are measured at fair value on the basis of market quotations, except for Treasury Eurobonds, and money bills of the National Bank of Poland.

The Treasury Eurobonds are valued by discounting cash flows from the bonds with EUR-BOND curve (for securities in EUR), having regard for the credit spread.

The money bills of the National Bank of Poland are valued with the application of PLN-SWAP curve, not having regard for the credit spread.

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Listed	**332 834**	**60 493**	**271 519**
- bonds	256 340	49 304	161 663
- bills	76 494	11 189	109 856
Non-listed	**0**	**0**	**2 099 731**
- bills	0	0	2 099 731
Total	**332 834**	**60 493**	**2 371 250**

22. Loans and advances to customers

By types

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Loans and advances	29 442 589	29 394 567	27 757 554
Purchased debt	257 390	252 086	211 867
Realized guarantees and sureties	88 044	37 592	2 692
Other receivables	760 762	689 105	612 817
- including leasing fees	684 414	632 267	554 414
Debt securities classified as loans and receivables	127 999	120 565	66 867
Total	**30 676 784**	**30 493 915**	**28 651 797**

By maturity dates (as at the balance sheet date)

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
- up to 1 month	920 413	730 255	825 322
- 1-3 months	974 735	1 018 882	819 457
- 3-6 months	1 552 388	1 149 013	1 392 717
- 6 months to 1 year	3 162 949	3 281 092	2 821 759
- 1-3 years	3 925 612	4 143 980	3 972 597
- 3-5 years	2 242 172	2 495 955	2 428 619
- 5-10 years	4 267 867	4 251 841	3 871 865
- 10-20 years	6 840 457	6 846 200	6 350 790
- over 20 years	3 879 723	3 940 668	3 671 666
- past due*	2 910 468	2 636 029	2 497 005
Total	**30 676 784**	**30 493 915**	**28 651 797**

** contains only the value of installments with delayed payment*

Receivables by classes

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Natural persons*	**23 001 913**	**23 108 088**	**21 663 833**
- overdraft facilities	1 053 206	1 004 576	1 024 534
- term loans**	739 893	810 165	837 631
- cash loans, installment loans and cards	2 704 981	2 833 496	2 779 576
- mortgage housing loans	17 999 483	17 984 863	16 524 872
- other mortgage loans***	412 068	421 838	436 165
- purchased debt	33 801	14 421	16 326
- realized guarantees	1 469	1 472	1 371
- other receivables	57 012	37 257	43 358
Corporate customers and SME	**7 474 644**	**7 185 668**	**6 828 421**
- overdraft facilities	2 336 441	2 019 966	2 044 128
- term loans**	4 075 107	4 207 920	3 971 351
- purchased debt	223 589	217 702	195 541
- realized guarantees	86 575	36 120	1 321
- other receivables, including leasing fees	703 750	651 848	569 459
- debt securities classified as loans and receivables	49 182	52 112	46 621
Budgetary sector	**200 227**	**200 159**	**159 543**
- overdraft facilities	7 745	4 787	3 999
- term loans**	113 665	106 956	135 298
- purchased debt	0	19 963	0
- debt securities classified as loans and receivables	78 817	68 453	20 246
Total	**30 676 784**	**30 493 915**	**28 651 797**

** contains amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households*
***contains mainly investment loans and working capital loans*
**** comprises mortgage loans other than for housing purposes and refinancing loans secured with mortgages*

Gross loans and advances to customers at the end of the first half of 2012 increased by PLN 183 million (0.6%) as compared to the end of 2011 and, as compared to the corresponding period in the previous year, increased by PLN 2,025 million (7.1%).

Installment and cash loans, and cards

Cash loans are offered in the network of the Bank's outlets as well as via Żagiel. Credit cards are offered only in the network of the Bank's outlets and installment loans for the purchase of goods and services only via Żagiel.

In the second quarter of 2012, the Bank's network generated the result on the sale of cash loans comparable to the volume from the first quarter of 2012 and an increase by 46% as compared to the corresponding period in the previous year. It is an effect of sale marketing campaigns carried out by the Bank in the first half of 2012.

From 12.03.2012 to 31.05.2012, the Bank carried out the Cash Loan Spring Advertising Campaign to promote two offers: 'Nowy Kredyt Gotówkowy' ('New Cash Loan') and 'Kredyt Celowy' ('Special-Purpose Loan'). The campaign was supported with wide-scale marketing activities in the Internet and on the radio. During the whole campaign, the Bank sold 13 thousand loans for the total amount of PLN 146 million.

The value of the sale of installment loans carried out via Żagiel in the second quarter of 2012 amounted to nearly PLN 288 million and was at the level close to the figure recorded in the previous quarter. As compared to the previous year's figures, the Bank recorded the negative growth rate for the sale of installment loans (a decrease by 15% in terms of the value of granted loans).

in PLN '000'	**2nd quarter of 2012** non-audited	**1st quarter of 2012** non-audited	**4th quarter of 2011** non-audited	**2nd quarter of 2011** non-audited
Installment and cash loans, and cards				
Gross value of the portfolio at the end of the quarter, including:	2 704 981	2 744 787	2 833 496	2 779 576
Cash loans granted via Kredyt Bank's network				
Gross value of the portfolio at the end of the quarter	943 920	953 188	980 435	1 018 213
Number of loans granted in the quarter (in '000')	13	13	16	9
Value of loans granted in the quarter	140 051	142 223	175 692	95 832
Loans granted via Żagiel				
Gross value of the portfolio at the end of the quarter*	1 535 318	1 567 646	1 625 642	1 533 875
Number of loans granted in the quarter (in '000'):**	135	135	180	164
- installment loans	127	129	173	158
- cash loans	8	6	7	6
Value of loans granted in the quarter:**	330 223	321 201	415 997	368 306
- installment loans	287 863	291 289	381 132	338 913
- cash loans	42 360	29 912	34 865	29 393

** includes the consolidation adjustment due to EIR*
*** related to installment and cash loans*

in '000'	**30.06.2012** non-audited	**31.03.2012** non-audited	**31.12.2011** non-audited	**30.06.2011** non-audited
Credit cards (aggregate for KB and Żagiel S.A.)	202	180	189	194

Mortgage housing loans

A noticeable decline in the production of mortgage housing loans in the second quarter as compared to the first quarter of 2012 results from the accumulation of a few factors.

The lower growth rate for new sale is observed in the whole segment of the mortgage market. Both in the case of the whole market and Kredyt Bank, it is an effect of, inter alia, more limited access to subsidies to mortgage housing loans under ‘Rodzina na swoim’ (‘Own house for a family’) programme; the withdrawal of foreign currency loans from the offer or the introduction of stricter criteria for granting such loans by banks; and a tighter policy of granting loans in PLN as a result of the amendments to ‘S Recommendation’. In addition, the scale of decline in the quarterly production in Kredyt Bank should be associated with an exceptionally high volume of the sale of mortgage housing loans in the first quarter of 2012. The substantial interest of customers in the Bank’s mortgage offer towards the end of 2011 related to the successful nationwide autumn advertising campaign and the expected limited access to mortgage housing loans from January 2012 was reflected in the volume of new agreements in the first quarter of 2012.

In further months, the Bank expects further decline in the sale of mortgage loans as a result of the domination of the factors which adversely affect the development of the lending activities in the housing market segment; the uncertainty related to the present and future economic situation and unemployment; and a more limited demand due to the postponement of the decision about the purchase of a new house/flat by potential buyers to a later date.

Despite the noticeable slowdown, the Bank has been implementing the plans concerning the sale of mortgage loans, focusing, to a large extent, on the profitability and not striving to accomplish production growth at the expense of low margins. The mortgage loan remains an important product in the retail offer, which serves the purpose of building a long-term relation with affluent and medium-affluent customers, facilitating the sale of additional products to this segment.

in PLN ‘000’	**2nd quarter of 2012** non-audited	**1st quarter of 2012** non-audited	**4th quarter of 2011** non-audited	**2nd quarter of 2011** non-audited
Mortgage housing loans**				
Gross value of the portfolio at the end of the quarter	17 999 483	17 684 895	17 984 863	16 524 872
Number of loans granted in the quarter (in ‘000’)	0.8	2.2	2.5	1.1
Value of loans granted in the quarter*	138 840	598 159	622 839	268 610

** the value of agreements signed in the period*
*** from the first quarter of 2012, the Bank presents mortgage housing loans together with ‘Rodzina na swoim’ loans and having regard for withdrawals from agreements (the figures for previous periods have been properly restated)*

Receivables in breakdown by classes and by impaired and non-impaired receivables as at 30.06.2012 *non-audited*

in PLN '000'	Gross receivables	Impaired gross receivables	Impairment losses for receivables with evidence for impairment	Non-impaired gross receivables by days of delay in payment						Impairment losses IBNR
				no delay	up to 30 days*	31 - 60 days*	61 - 90 days*	over 90 days*	Total non-impaired gross receivables	
Natural persons**	**23 001 913**	**1 470 737**	**838 221**	**20 335 084**	**916 133**	**203 626**	**76 333**	**0**	**21 531 176**	**124 082**
- overdraft facilities	1 053 206	175 298	126 649	729 750	135 170	9 363	3 625	0	877 908	10 427
- term loans***	739 893	109 521	75 028	579 345	47 045	2 914	1 068	0	630 372	2 477
- cash loans, installment loans and cards	2 704 981	364 211	283 189	2 193 946	107 730	25 777	13 317	0	2 340 770	21 505
- mortgage housing loans	17 999 483	750 775	308 941	16 427 584	604 652	159 868	56 604	0	17 248 708	86 178
- other mortgage loans****	412 068	54 616	33 900	328 707	21 433	5 678	1 634	0	357 452	3 374
- purchased debt	33 801	7 598	2 353	25 989	103	26	85	0	26 203	121
- realized guarantees	1 469	1 469	973	0	0	0	0	0	0	0
- other receivables	57 012	7 249	7 188	49 763	0	0	0	0	49 763	0
Corporate customers and SME	**7 474 644**	**1 099 276**	**428 122**	**6 050 672**	**308 758**	**13 795**	**2 140**	**3**	**6 375 368**	**25 074**
- overdraft facilities	2 336 441	171 845	94 950	2 037 622	121 176	4 569	1 229	0	2 164 596	10 247
- term loans***	4 075 107	747 403	259 384	3 191 378	129 789	6 533	4	0	3 327 704	12 667
- purchased debt	223 589	11 043	9 467	154 731	57 793	22	0	0	212 546	840
- realized guarantees	86 575	86 575	26 870	0	0	0	0	0	0	0
- other receivables, including leasing fees	703 750	82 410	37 451	617 759	0	2 671	907	3	621 340	1 320
- debt securities classified as loans and receivables	49 182	0	0	49 182	0	0	0	0	49 182	0
Budgetary sector	**200 227**	**0**	**0**	**194 154**	**6 073**	**0**	**0**	**0**	**200 227**	**178**
- overdraft facilities	7 745	0	0	7 745	0	0	0	0	7 745	29
- term loans***	113 665	0	0	107 592	6 073	0	0	0	113 665	149
- purchased debt	0	0	0	0	0	0	0	0	0	0
- debt securities classified as loans and receivables	78 817	0	0	78 817	0	0	0	0	78 817	0
Total	**30 676 784**	**2 570 013**	**1 266 343**	**26 579 910**	**1 230 964**	**217 421**	**78 473**	**3**	**28 106 771**	**149 334**

**in the case of a delay in payment of at least one installment, the total debt is presented as delayed*
*** contains amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households*
****contains mainly investment loans and working capital loans*
***** comprises mortgage loans other than for housing purposes and refinancing loans secured with mortgages*

Receivables in breakdown by classes and by impaired and non-impaired receivables as at 31.12.2011

in PLN '000'	Gross receivables	Impaired gross receivables	Impairment losses for receivables with evidence for impairment	Non-impaired gross receivables by days of delay in payment: no delay	up to 30 days*	31 - 60 days*	61 - 90 days*	over 90 days*	Total non-impaired gross receivables	Impairment losses IBNR
Natural persons**	**23 108 088**	**1 529 253**	**856 605**	**20 017 811**	**1 330 766**	**179 625**	**50 298**	**335**	**21 578 835**	**98 055**
- overdraft facilities	1 004 576	159 967	121 158	703 533	127 000	9 272	4 483	321	844 609	10 333
- term loans***	810 165	114 635	77 842	651 705	38 208	5 324	287	6	695 530	1 308
- cash loans, installment loans and cards	2 833 496	350 984	298 835	2 278 922	155 649	31 151	16 787	3	2 482 512	41 950
- mortgage housing loans	17 984 863	835 694	317 036	16 020 562	973 904	127 507	27 191	5	17 149 169	44 051
- other mortgage loans****	421 838	55 104	30 834	322 943	35 870	6 371	1 550	0	366 734	387
- purchased debt	14 421	2 242	2 242	12 044	135	0	0	0	12 179	26
- realized guarantees	1 472	1 472	918	0	0	0	0	0	0	0
- other receivables	37 257	9 155	7 740	28 102	0	0	0	0	28 102	0
Corporate customers and SME	**7 185 668**	**983 200**	**442 953**	**6 017 515**	**176 787**	**6 369**	**1 554**	**243**	**6 202 468**	**10 475**
- overdraft facilities	2 019 966	158 514	88 256	1 772 913	86 372	988	936	243	1 861 452	7 693
- term loans***	4 207 920	694 027	301 838	3 421 839	90 162	1 892	0	0	3 513 893	1 791
- purchased debt	217 702	9 507	6 298	207 942	253	0	0	0	208 195	77
- realized guarantees	36 120	36 120	1 119	0	0	0	0	0	0	0
- other receivables, including leasing fees	651 848	85 032	45 442	562 709	0	3 489	618	0	566 816	914
- debt securities classified as loans and receivables	52 112	0	0	52 112	0	0	0	0	52 112	0
Budgetary sector	**200 159**	**1**	**1**	**199 751**	**407**	**0**	**0**	**0**	**200 158**	**72**
- overdraft facilities	4 787	0	0	4 380	407	0	0	0	4 787	45
- term loans***	106 956	0	0	106 956	0	0	0	0	106 956	25
- purchased debt	19 963	1	1	19 962	0	0	0	0	19 962	2
- debt securities classified as loans and receivables	68 453	0	0	68 453	0	0	0	0	68 453	0
Total	**30 493 915**	**2 512 454**	**1 299 559**	**26 235 077**	**1 507 960**	**185 994**	**51 852**	**578**	**27 981 461**	**108 602**

**in the case of a delay in payment of at least one installment, the total debt is presented as delayed*
*** contains amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households*
****contains mainly investment loans and working capital loans*
***** comprises mortgage loans other than for housing purposes and refinancing loans secured with mortgages*

Receivables in breakdown by classes and by impaired and non-impaired receivables as at 30.06.2011 *non-audited*

in PLN '000'	Gross receivables	Impaired gross receivables	Impairment losses for receivables with evidence for impairment	Non-impaired gross receivables by days of delay in payment: no delay	up to 30 days*	31 - 60 days*	61 - 90 days*	over 90 days*	Total non-impaired gross receivables	Impairment losses IBNR
Natural persons**	**21 663 833**	**1 318 915**	**733 136**	**18 598 449**	**1 519 796**	**185 515**	**41 037**	**121**	**20 344 918**	**99 210**
- overdraft facilities	1 024 534	142 429	108 920	702 203	167 218	9 020	3 553	111	882 105	9 535
- term loans***	837 631	79 271	63 205	670 605	65 336	21 526	887	6	758 360	2 611
- cash loans, installment loans and cards	2 779 576	328 934	262 963	2 203 202	184 390	43 011	20 039	0	2 450 642	46 291
- mortgage housing loans	16 524 872	706 382	256 168	14 640 587	1 060 276	102 179	15 444	4	15 818 490	40 380
- other mortgage loans****	436 165	49 346	29 778	333 988	41 938	9 779	1 114	0	386 819	368
- purchased debt	16 326	2 257	2 257	13 431	638	0	0	0	14 069	25
- realized guarantees	1 371	1 371	935	0	0	0	0	0	0	0
- other receivables	43 358	8 925	8 910	34 433	0	0	0	0	34 433	0
Corporate customers and SME	**6 828 421**	**785 662**	**416 238**	**5 907 248**	**126 109**	**7 169**	**2 109**	**124**	**6 042 759**	**24 011**
- overdraft facilities	2 044 128	233 269	118 713	1 726 107	80 291	2 733	1 719	9	1 810 859	8 429
- term loans***	3 971 351	471 918	248 054	3 454 688	44 745	0	0	0	3 499 433	14 010
- purchased debt	195 541	7 528	6 641	187 329	684	0	0	0	188 013	94
- realized guarantees	1 321	1 321	1 120	0	0	0	0	0	0	1
- other receivables, including leasing fees	569 459	71 626	41 710	492 503	389	4 436	390	115	497 833	1 477
- debt securities classified as loans and receivables	46 621	0	0	46 621	0	0	0	0	46 621	0
Budgetary sector	**159 543**	**1**	**1**	**157 786**	**1 756**	**0**	**0**	**0**	**159 542**	**64**
- overdraft facilities	3 999	1	1	3 998	0	0	0	0	3 998	30
- term loans***	135 298	0	0	133 542	1 756	0	0	0	135 298	34
- purchased debt	0	0	0	0	0	0	0	0	0	0
- debt securities classified as loans and receivables	20 246	0	0	20 246	0	0	0	0	20 246	0
Total	**28 651 797**	**2 104 578**	**1 149 375**	**24 663 483**	**1 647 661**	**192 684**	**43 146**	**245**	**26 547 219**	**123 285**

**in the case of a delay in payment of at least one installment, the total debt is presented as delayed*
*** contains amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households*
****contains mainly investment loans and working capital loans*
***** comprises mortgage loans other than for housing purposes and refinancing loans secured with mortgages*

The amount of non-amortized loan commissions settled with the effective interest rate method, which, according to the concept of the measurement of financial assets at amortized cost, decreases the value of gross receivables, amounted to PLN 63,778 thousand as at 30.06.2012, PLN 80,502 thousand as at 31.12.2011, and PLN 97,700 thousand as at 30.06.2011. The amounts are recognized in total gross receivables.

Receivables quality ratio

The quality ratio for the portfolio of the Group's gross loans and advances understood as 'The share of loans and advances with evidence for impairment in total gross loans and advances' as at 30.06.2012 amounted to 8.4% and, as compared to the balance as at 31.12.2011, it increased by 0.2 p.p., and, as compared to the balance as at 30.06.2011, it increased by 1.1 p.p.

As at 30.06.2012, the coverage of loans and advances with evidence for impairment with impairment losses was at the level of 49.3% and deteriorated by 2.4 p.p. as compared to the balance as at 31.12.2011, and decreased by 5.3 p.p. as compared to the balance as at 30.06.2011.

In the first half of 2012, the Group changed the methodology of estimating the impairment for loans and advances assessed collectively, as described in detail in Note I.8.1; as a result, impairment losses with the total estimated value of PLN 64,355 thousand were reversed. In consequence, the Group recorded an increase in impairment losses in the non-impaired portfolio, with their simultaneous decrease in the impaired portfolio.

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Loans and advances with no evidence for impairment, including interest	28 106 771	27 981 461	26 547 219
Loans and advances with evidence for impairment, including interest	2 570 013	2 512 454	2 104 578
including: loans and advances with no impairment losses	4 327	37 103	6 274
Total gross loan and advances to customers	**30 676 784**	**30 493 915**	**28 651 797**
Impairment losses on loans and advances to customers	1 415 677	1 408 161	1 272 660
including: impairment losses on loans and advances with evidence for impairment	1 266 343	1 299 559	1 149 375
Total net loans and advances to customers	**29 261 107**	**29 085 754**	**27 379 137**
The share of loans and advances with evidence for impairment in total gross loans and advances*	8.4%	8.2%	7.3%
Coverage of loans and advances with evidence for impairment with impairment losses	49.3%	51.7%	54.6%
Coverage of gross loans and advances to customers with corresponding impairment losses	4.6%	4.6%	4.4%

** the level of the ratio as at 30.06.2012 was affected by the change in the methodology of estimating impairment for loans and advances described in Note I.8.1*

Impairment losses on loans and advances to customers

in PLN '000'	Impairment 31.12.2011	Recognized	Reversed	Written off	Other changes	Impairment 30.06.2012 non-audited
Natural persons*	**954 660**	**669 217**	**-645 742**	**-11 853**	**-3 979**	**962 303**
- overdraft facilities	131 491	90 144	-81 875	-1 621	-1 063	137 076
- term loans**	79 150	13 555	-13 898	-396	-906	77 505
- cash loans, installment loans and cards	340 785	229 449	-257 100	-8 351	-89	304 694
- mortgage housing loans	361 087	314 137	-277 653	-842	-1 610	395 119
- other mortgage loans***	31 221	20 447	-13 740	-643	-11	37 274
- purchased debt	2 268	488	-145	0	-137	2 474
- realized guarantees	918	211	-156	0	0	973
- other receivables	7 740	786	-1 175	0	-163	7 188
Corporate customers and SME	**453 428**	**488 222**	**-465 147**	**-14 657**	**-8 650**	**453 196**
- overdraft facilities	95 949	94 455	-85 015	-81	-111	105 197
- term loans**	303 629	263 691	-282 129	-4 563	-8 577	272 051
- purchased debt	6 375	5 406	-1 471	0	-3	10 307
- realized guarantees	1 119	112 575	-86 824	0	0	26 870
- other receivables, including leasing fees	46 356	12 095	-9 708	-10 013	41	38 771
Budgetary sector	**73**	**878**	**-800**	**0**	**27**	**178**
- overdraft facilities	45	734	-770	0	20	29
- term loans**	25	144	-27	0	7	149
- purchased debt	3	0	-3	0	0	0
Total	**1 408 161**	**1 158 317**	**-1 111 689**	**-26 510**	**-12 602**	**1 415 677**

** contains amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households*
***contains mainly investment loans and working capital loans*
**** comprises mortgage loans other than for housing purposes and refinancing loans secured with mortgages*

in PLN '000'	Impairment 31.12.2010	Recognized	Reversed	Written off	Other changes	Impairment 31.12.2011
Natural persons*	**1 458 966**	**1 594 980**	**-1 421 993**	**-25 334**	**-651 959**	**954 660**
- overdraft facilities	103 962	173 739	-142 674	-3 733	197	131 491
- term loans**	61 895	37 079	-20 609	-3 779	4 564	79 150
- cash loans, installment loans and cards	1 028 044	857 478	-867 804	-14 317	-662 616	340 785
- mortgage housing loans	224 512	500 688	-367 291	-2 158	5 336	361 087
- other mortgage loans***	28 686	24 468	-21 321	-678	66	31 221
- purchased debt	1 897	607	-236	0	0	2 268
- realized guarantees	917	116	-115	0	0	918
- other receivables	9 053	805	-1 943	-669	494	7 740
Corporate customers and SME	**454 990**	**468 297**	**-468 915**	**-27 909**	**26 965**	**453 428**
- overdraft facilities	133 756	129 606	-150 182	-16 753	-478	95 949
- term loans**	270 750	306 067	-266 620	-8 296	1 728	303 629
- purchased debt	6 093	5 764	-4 902	-980	400	6 375
- realized guarantees	1 122	201	-25 530	0	25 326	1 119
- other receivables, including leasing fees	43 269	26 659	-21 681	-1 880	-11	46 356
Budgetary sector	**44**	**287**	**-258**	**0**	**0**	**73**
- overdraft facilities	4	231	-190	0	0	45
- term loans**	40	48	-63	0	0	25
- purchased debt	0	8	-5	0	0	3
Total	**1 914 000**	**2 063 564**	**-1 891 166**	**-53 243**	**-624 994**	**1 408 161**

** contains amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households*
***contains mainly investment loans and working capital loans*
**** comprises mortgage loans other than for housing purposes and refinancing loans secured with mortgages*

The amount in 'Other changes' column for cash loans, installment loans and cards refers mainly to the sale of debts.

in PLN '000'	Impairment 31.12.2010	Recognized	Reversed	Written off	Other changes	Impairment 30.06.2011 non-audited
Natural persons*	**1 458 966**	**978 768**	**-938 803**	**-8 369**	**-658 216**	**832 346**
- overdraft facilities	103 962	85 001	-69 043	-1 889	424	118 455
- term loans**	61 895	8 425	-6 732	-211	2 439	65 816
- cash loans, installment loans and cards	1 028 044	643 835	-694 224	-6 182	-662 219	309 254
- mortgage housing loans	224 512	227 543	-156 522	-87	1 102	296 548
- other mortgage loans***	28 686	13 365	-11 914	0	9	30 146
- purchased debt	1 897	525	-140	0	0	2 282
- realized guarantees	917	45	-27	0	0	935
- other receivables	9 053	29	-201	0	29	8 910
Corporate customers and SME	**454 990**	**209 283**	**-200 155**	**-21 029**	**-2 840**	**440 249**
- overdraft facilities	133 756	54 995	-44 499	-16 362	-748	127 142
- term loans**	270 750	141 391	-143 288	-4 667	-2 122	262 064
- purchased debt	6 093	1 720	-1 101	0	23	6 735
- realized guarantees	1 122	201	-202	0	0	1 121
- other receivables, including leasing fees	43 269	10 976	-11 065	0	7	43 187
Budgetary sector	**44**	**79**	**-58**	**0**	**0**	**65**
- overdraft facilities	4	41	-14	0	0	31
- term loans**	40	38	-44	0	0	34
- purchased debt	0	0	0	0	0	0
Total	**1 914 000**	**1 188 130**	**-1 139 016**	**-29 398**	**-661 056**	**1 272 660**

** contains amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households*

***contains mainly investment loans and working capital loans*

**** comprises mortgage loans other than for housing purposes and refinancing loans secured with mortgages*

The amount in 'Other changes' column for cash loans, installment loans and cards refers mainly to the sale of debts.

IBNR

Impairment losses on incurred but not reported (IBNR) credit losses for homogenous balance sheet and off-balance sheet receivables portfolios as at 30.06.2012 amounted to PLN 165,342 thousand, including PLN 16,008 thousand related to off-balance sheet liabilities; as at 31.12.2011, amounted to PLN 111,609 thousand, including PLN 3,007 thousand related to off-balance sheet liabilities; and as at 30.06.2011, amounted to PLN 129,781 thousand, including PLN 6,496 thousand related to off-balance sheet liabilities.

A significant increase in impairment losses on incurred but not reported (IBNR) credit losses was an effect of the change in the methodology of establishing impairment losses for loans and advances described in Note I.8.1 and in the Note above.

23. Investment securities

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Available-for-sale securities	**5 410 148**	**5 262 038**	**7 341 730**
Treasury securities	5 091 632	4 849 562	5 038 002
- bonds	5 091 632	4 849 562	5 038 002
Central Bank securities	**309 875**	**99 953**	**1 999 494**
- bills	309 875	99 953	1 999 494
Other securities	0	307 126	300 311
- bonds	0	307 126	300 311
Equity securities	8 641	5 397	3 923
Held-to-maturity securities	**3 296 901**	**3 416 674**	**3 354 100**
Treasury securities	3 296 901	3 416 674	3 354 100
- bonds	3 296 901	3 416 674	3 354 100
Total	**8 707 049**	**8 678 712**	**10 695 830**

All investment securities classified as available-for-sale financial assets are measured at fair value on the basis of market quotations, except for SINPLN commercial bonds, Treasury Eurobonds, money bills of the National Bank of Poland and non-listed equity investments.

The fair value of SINPLN bonds is determined by discounting cash flows from the bonds with PLN-BOND curve having regard for the credit spread. The bonds are with fixed coupon. As at 30.06.2012, the Group did not have such bonds in its portfolio of financial assets.

The Treasury Eurobonds are valued by discounting cash flows from the bonds with EUR-BOND curve (for securities in EUR), having regard for the credit spread.

The money bills of the National Bank of Poland are valued with the application of PLN-SWAP curve, not having regard for the credit spread.

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Available-for-sale securities	**5 410 148**	**5 262 038**	**7 341 730**
Listed	**5 096 447**	**4 849 562**	**5 038 002**
- shares	4 815	0	0
- bonds	5 091 632	4 849 562	5 038 002
Non-listed	**313 701**	**412 476**	**2 303 728**
- shares	3 826	5 397	3 923
- bonds	0	307 126	300 311
- bills	309 875	99 953	1 999 494
Held-to-maturity securities	**3 296 901**	**3 416 674**	**3 354 100**
Listed	**3 296 901**	**3 416 674**	**3 354 100**
- bonds	3 296 901	3 416 674	3 354 100
Total	**8 707 049**	**8 678 712**	**10 695 830**

24. Property, plant and equipment

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Property, plant and equipment, including:	**216 542**	**229 690**	**246 799**
- land	10 819	10 958	11 008
- buildings and premises	125 558	130 605	128 747
- plant and machinery	47 208	50 855	65 506
- motor vehicles	1 199	1 415	878
- other property, plant and equipment	31 758	35 857	40 660
Construction in progress (expenditure)	20 421	30 107	15 555
Total	**236 963**	**259 797**	**262 354**

25. Amounts due to Central Bank

By types

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Open market transactions	0	0	0
Other liabilities	15	32	2
Total	**15**	**32**	**2**

By maturity dates

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
- up to 1 month	15	32	2
Total	**15**	**32**	**2**

26. Amounts due to banks

By types

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Current accounts	825 330	83 795	3 522 035
Term deposits	3 342 473	5 160 973	2 458 328
Borrowed loans and advances	1 871 721	3 234 826	5 882 394
Other liabilities	4 447	6 897	4 753
Total	**6 043 971**	**8 486 491**	**11 867 510**

By maturity dates (as at the balance sheet date)

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
- up to 1 month	1 798 894	2 905 234	4 159 277
- 1-3 months	1 411 737	2 214	2 896 602
- 3-6 months	1 189 263	330	1 849 666
- 6 months to 1 year	147 231	4 074 878	0
- 1-3 years	1 496 846	1 503 835	2 961 965
Total	**6 043 971**	**8 486 491**	**11 867 510**

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Loans and advances from KBC Group	1 871 721	3 234 826	5 882 394
Term deposits, including:	3 342 473	5 160 973	2 458 328
- from KBC Group	2 938 006	5 117 701	2 454 129
Current accounts, including:	825 330	83 795	3 522 035
- from KBC Group	469 486	69 746	3 231 534
Other liabilities	4 447	6 897	4 753
Total amounts due to banks	**6 043 971**	**8 486 491**	**11 867 510**
Subordinated liabilities (from KBC Group)	1 013 882	1 036 510	947 298
Total, including:	**7 057 853**	**9 523 001**	**12 814 808**
- from KBC Group, including:	6 293 095	9 458 783	12 515 355
- liabilities in the currency other than PLN	5 762 041	8 869 558	11 946 106

The Bank finances the lending activities not only with deposits, but also, to a large extent, with the financing made available by KBC Group, the Bank's major shareholder. The loans in foreign currencies granted by Kredyt Bank Capital Group are financed with loans in foreign currencies received from KBC Group, deposits in foreign currencies made by entities from KBC Group, customer deposits in foreign currencies and with structures using FX Swaps and CIRS.

27. Amounts due to customers

By types

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Current accounts, including:	15 668 434	16 685 427	17 181 064
- savings account	8 048 279	8 721 838	9 834 050
Term deposits	13 020 341	10 301 309	8 072 222
Borrowed loans and advances	851 930	879 406	828 941
Other liabilities	85 742	177 015	72 019
Total	**29 626 447**	**28 043 157**	**26 154 246**

By maturity dates (as at the balance sheet date)

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
- up to 1 month	19 702 301	20 211 224	19 918 417
- 1-3 months	3 082 993	2 371 344	2 063 961
- 3-6 months	4 849 328	3 301 389	2 123 720
- 6 months to 1 year	1 078 772	1 075 710	818 031
- 1-3 years	125 504	268 631	461 902
- 3-5 years	144 232	47 190	43 419
- 5-10 years	643 316	767 668	724 048
- 10-20 years	1	1	748
Total	**29 626 447**	**28 043 157**	**26 154 246**

Liabilities by classes

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Natural persons*	**20 271 980**	**17 876 440**	**16 205 288**
- current accounts (including savings account)	11 209 553	11 677 122	12 482 792
- term deposits	8 982 562	6 026 092	3 653 204
- other	79 865	173 226	69 292
Corporate customers and SME	**7 750 066**	**8 707 947**	**8 308 808**
- current accounts	3 462 027	3 952 357	3 537 286
- term deposits	3 430 234	3 874 166	3 939 858
- loans and advances**	851 930	879 406	828 941
- other	5 875	2 018	2 723
Budgetary sector	**1 604 401**	**1 458 770**	**1 640 150**
- current accounts	996 854	1 055 948	1 160 986
- term deposits	607 545	401 051	479 160
- other	2	1 771	4
Total	**29 626 447**	**28 043 157**	**26 154 246**

** contains amounts due to private persons, individual entrepreneurs, individual farmers, non-commercial institutions providing services to households*
*** comprises loans from the European Investment Bank, which, according to the segmentation of the National Bank of Poland, is presented in the corporate customers segment*

The value of amounts due to customers at the end of the first half of 2012 increased by PLN 1,583 million (5.6%) as compared to the end of 2011 and by PLN 3,472 million (13.3%) as compared to the corresponding period in the previous year, which was an effect of the Bank's offer of new products and competitive interest terms for term deposits for retail customers.

Current accounts for individual customers

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Current accounts			
Carrying amount at quarter end	11 209 553	11 677 122	12 482 792
Including ROR accounts *			
Number (in '000')	711	689	653
Carrying amount	1 798 282	1 403 577	1 203 594
Including the Savings Account *			
Number (in '000')	749	775	661
Carrying amount	8 048 279	8 721 838	9 834 050

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

As at 30.06.2012, the number of current-savings accounts (ROR) amounted to 711 thousand and increased, as compared to 31.12.2011, by 22 thousand (3.2%) and by 58 thousand (8.9%) as compared to 30.06.2011. Also, the carrying amount of the cash deposited in ROR accounts of individual customers at the end of the first half of 2012 increased as compared to the end of 2011 by PLN 394,705 thousand (28.1%) and by PLN 594,688 thousand (49.4%) as compared to the end of the first half of 2011.

At the end of the first half of 2012, the number of savings accounts amounted to 749 thousand and decreased by 26 thousand (3.4%) as compared to the end of 2011, and increased by 88 thousand (13.3%) as compared to the end of the first half of 2011. At the end of the first half of 2012, the value of deposited cash decreased by PLN 673,559 thousand (7.7%) as compared to the end of 2011 and by PLN 1,785,771 thousand (18.2%) as compared to the end of the first half of 2011. The lower balance of the funds deposited in savings accounts results from the migration of the funds to term deposits with attractive interest rates.

28. Provisions

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Employee benefits provision	1 651	1 737	1 544
Provision for off-balance sheet items	51 309	40 809	37 040
Provision for litigations	35 723	35 021	36 806
Other	43 046	38 835	895
Total	**131 729**	**116 402**	**76 285**

The 'Other' item contains a provision in the amount of PLN 35 million for the potential liability related to the resale of Żagiel S.A. by KBC Group for the price lower than the price obtained by Kredyt Bank S.A.

The litigations with the highest value claims are described in Note I.46.

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

29. Share capital

As at 30.06.2012, the parent company's share capital totaled PLN 1,358,294,400 and was divided into 271,658,880 shares of nominal value of PLN 5.00 each. The parent company's shares are registered shares and bearer shares, but not preference shares. Each share entitles its holder to one vote at the parent company's General Meeting of Shareholders. The parent company's shares are admitted to public trading on the main market of the Warsaw Stock Exchange. The share capital did not change in the first half of 2012 and in 2011.

The table below presents the list of major shareholders of Kredyt Bank S.A. as at 30.06.2012.

Shareholder	Line of business	Number of shares and votes at GMS	Share in votes and in share capital (in %)
KBC Bank NV – party of KBC Group	Banking	217 327 103	80.00

On 26.01.2012, the Bank received a notice from Pioneer Pekao Investment Management S.A. ('PPIM') about the decline in its total commitment to 4.29% of the total votes at the General Meeting of Shareholders concerning the financial instruments included in the portfolios managed by PPIM. Pursuant to the said notice, the commitment of Pioneer Fundusz Inwestycyjny Otwarty decreased to 4.16% of the total votes at the General Meeting of Shareholders.

Further information about the issue is available in the current report dated 26.01.2012.

30. Off-balance sheet items

The table below presents contingent liabilities.

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Liabilities granted and received			
Liabilities granted:	**6 168 375**	**6 548 048**	**5 549 951**
- financial	3 907 925	4 346 382	3 464 968
- guarantees	2 260 450	2 201 666	2 084 983
Liabilities received:	**828 849**	**882 927**	**1 696 199**
- financial	117 761	41 421	791 424
- guarantees	711 088	841 506	904 775
Liabilities related to the sale/purchase transactions	**176 829 469**	**199 278 505**	**179 305 684**
Collateral received	**9 656 481**	**9 119 201**	**8 743 692**

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

As at 30.06.2012, 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 399,277 thousand.

As at 31.12.2011, 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 418,597 thousand.

As at 30.06.2011, 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 451,598 thousand.

The above guarantees were granted on market terms. The Bank's remuneration for the issuance of the guarantees was also determined on market terms.

32. The Bank's shares and the shares in the Group's companies held by the Members of the Management Board and of the Supervisory Board

As at 30.06.2012, 31.12.2011 and 30.06.2011, Members of the Bank's Management Board and of the Bank's Supervisory Board did not hold any Bank's shares or shares in the Bank's subsidiaries and associates.

33. Capital adequacy ratio

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Capital requirement, including:	**2 534 709**	**2 402 104**	**2 287 434**
- credit risk	2 274 627	2 127 064	2 018 991
- market risk	27 859	31 068	24 471
- operational risk	232 223	243 972	243 972
Own funds and short-term capital	**4 089 851**	**3 755 107**	**3 641 393**
Basic capitals	**2 917 178**	**2 601 176**	**2 597 196**
- share capital	1 358 294	1 358 294	1 358 294
- supplementary capital	1 130 174	900 065	900 065
- revaluation reserve included in basic equity	-2 595	-7 683	-8 018
- other reserves	481 151	400 942	400 942
- retained earnings (losses)	25 914	8 988	8 988
- net profit included in the calculation of capital adequacy ratio	0	221 917	0
- dividends predicted	0	-212 167	0
- intangible assets	-75 384	-59 711	-54 822
- shares in financial entities (50%)	0	-9 300	-8 253
- other	-376	-169	0
Supplementary funds	**1 115 812**	**1 076 559**	**998 097**
- revaluation reserve included in supplementary equity	100 671	48 034	56 744
- subordinated liabilities included in equity	1 015 141	1 037 825	949 606
- shares in financial entities (50%)	0	-9 300	-8 253
Short-term capital	**56 861**	**77 373**	**46 100**
Capital adequacy ratio (%)	**12.91**	**12.51**	**12.74**
Ratio, including basic funds (%)	**9.21**	**8.66**	**9.08**

As at 30.06.2012, 31.12.2011 and 30.06.2011, the capital adequacy ratio was calculated as required by the regulations of the Polish Financial Supervision Authority.

Below, we present the information concerning the compliance with capital requirements:

1) Amounts accounting for 8% of risk weighted exposures separately for each class of exposure defined in § 20 clause 1 of Annex No. 4 to the Resolution of the Polish Financial Supervision Authority No. 76/2010 of 10 March 2010, as amended, concerning the scope and detailed rules of determining capital requirements for particular types of risks.

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
The amount of the capital requirement for credit risk*, including counterparty credit risk:	**2 274 627**	**2 127 064**	**2 018 991**
- central governments and central banks	0	0	0
- regional governments and local authorities	2 372	2 473	2 118
- administrative bodies and non-commercial undertakings	7 401	7 442	7 754
- multilateral development banks	0	0	0
- international organizations	0	0	0
- institutions – banks	66 688	83 304	65 979
- corporates	398 606	394 749	403 298
- retail	591 238	801 467	714 451
- collateral on real estate property	1 114 373	758 065	741 476
- past due	47 892	27 721	28 762
- exposures belonging to regulatory high-risk categories	726	2 623	6 670
- covered bonds	0	0	0
- securitization positions	0	0	0
- exposures to banks and corporates with a short-term credit rating	0	0	0
- in collective investment undertakings	0	0	0
- other exposures	45 332	49 220	48 483

** estimated on the basis of the Standardized Approach*

2) The amounts of minimum capital requirements referred to in § 6 clause 1 items 2-5 of the Resolution of the Polish Financial Supervision Authority No. 76/2010 of 10 March 2010, as amended, concerning the scope and detailed rules of determining capital requirements for particular types of risks.

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
The amount of the capital requirement for market risk, including:	**27 859**	**31 068**	**24 471**
- currency risk	0	0	0
- commodity price risk	0	0	0
- equity securities price risk	0	0	0
- price risk of debt instruments	56	11	9
- general interest rate risk	27 803	31 057	24 462

3) The amounts of minimum capital requirements referred to in § 6 clause 1 item 6 of the Resolution of the Polish Financial Supervision Authority No. 76/2010 of 10.03.2010, as amended, concerning the scope and detailed rules of determining capital requirements for particular types of risks.

	Year	**2012**
Result*	2009	1 647 225
Result*	2010	1 685 664
Result*	2011	1 682 934
Capital Charge	2009	224 377
Capital Charge	2010	236 425
Capital Charge	2011	235 868
Operational risk requirement**		**232 223**

** calculated according to Annex No. 14 to Resolution No. 76/2010 of the Polish Financial Supervision Authority, as amended*
*** estimated on the basis of the Standardized Approach*

	Year	2011
Result*	2008	1 685 448
Result*	2009	1 647 225
Result*	2010	1 685 664
Capital Charge	2008	242 268
Capital Charge	2009	238 672
Capital Charge	2010	250 977
Operational risk requirement**		**243 972**

** calculated according to Annex No. 14 to Resolution No. 76/2010 of the Polish Financial Supervision Authority, as amended*
*** estimated on the basis of the Standardized Approach*

As at 30.06.2012, 31.12.2011 and 30.06.2011, the exposure concentration limit and the capital concentration threshold were not exceeded in Kredyt Bank.

The risk management process is strictly related to the capital management process. According to the industry standards, the amount of the internal capital is defined from the economic point of view. In consequence, the internal capital of Kredyt Bank S.A. is estimated by applying the internal capital model of KBC Group, which encompasses all material types of risk.

34. Division of financial instruments measured at fair value depending on the method of fair value measurement

Below, we present the division of financial assets and liabilities measured at fair value depending on the method of fair value measurement according to IFRS 7.

Assets measured at fair value	Level 1	Level 2	Level 3	Total 30.06.2012 non-audited
Financial assets held for trading				
Debt securities	331 489	1 345	0	332 834
Derivatives, different from derivatives used as hedging instruments	0	589 050	0	589 050
Financial assets designated upon initial recognition as at fair value through profit or loss				
Debt securities	27 626	0	0	27 626
Equity securities	0	14 265	0	14 265
Shares in investment funds	0	21 392	0	21 392
Available-for-sale financial assets*				
Debt securities	4 866 525	534 982	0	5 401 507
Equity securities	4 815	0	0	4 815
Hedging instruments				
Derivatives	0	105 362	0	105 362
Total	**5 230 455**	**1 266 396**	**0**	**6 496 851**

** except for equity securities measured at cost*

Liabilities measured at fair value	Level 1	Level 2	Level 3	Total 30.06.2012 non-audited
Financial liabilities held for trading				
Debt securities (short selling)	93 658	0	0	93 658
Derivatives, different from derivatives used as hedging instruments	0	757 957	0	757 957
Hedging instruments				
Derivatives	0	124	0	124
Total	**93 658**	**758 081**	**0**	**851 739**

Assets measured at fair value	Level 1	Level 2	Level 3	Total 31.12.2011
Financial assets held for trading				
Debt securities	58 860	1 633	0	60 493
Derivatives, different from derivatives used as hedging instruments	0	975 497	0	975 497
Financial assets designated upon initial recognition as at fair value through profit or loss				
Debt securities	26 944	34 741	0	61 685
Equity securities	0	18 259	0	18 259
Shares in investment funds	0	20 740	0	20 740
Available-for-sale financial assets*				
Debt securities	4 551 660	704 981	0	5 256 641
Hedging instruments				
Derivatives	0	95 592	0	95 592
Total	**4 637 464**	**1 851 443**	**0**	**6 488 907**

** except for equity securities measured at cost*

Liabilities measured at fair value	Level 1	Level 2	Level 3	Total 31.12.2011
Financial liabilities held for trading				
Derivatives, different from derivatives used as hedging instruments	0	981 247	0	981 247
Hedging instruments				
Derivatives	0	1 669	0	1 669
Total	**0**	**982 916**	**0**	**982 916**

Assets measured at fair value	Level 1	Level 2	Level 3	Total 30.06.2011 non-audited
Financial assets held for trading				
Debt securities	271 286	2 099 964	0	2 371 250
Derivatives, different from derivatives used as hedging instruments	0	313 100	0	313 100
Financial assets designated upon initial recognition as at fair value through profit or loss				
Debt securities	27 570	28 491	0	56 061
Equity securities	0	37 374	0	37 374
Shares in investment funds	0	20 261	0	20 261
Available-for-sale financial assets*				
Debt securities	4 769 637	2 568 170	0	7 337 807
Hedging instruments				
Derivatives	0	69 144	0	69 144
Total	**5 068 493**	**5 136 504**	**0**	**10 204 997**

** except for equity securities measured at cost*

Liabilities measured at fair value	Level 1	Level 2	Level 3	Total 30.06.2011 non-audited
Financial liabilities held for trading				
Derivatives, different from derivatives used as hedging instruments	0	641 023	11 385	652 408
Hedging instruments				
Derivatives	0	204	0	204
Total	**0**	**641 227**	**11 385**	**652 612**

35. Related party transactions

In the first half of 2012 and in 2011, no significant non-standard transactions had place with related parties whose nature and terms were not related to current operations. All transactions were executed on market terms, without any exceptional or non-standard terms or conditions.

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

***As at 30.06.2012** non-audited*

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2012
Loans and advances to banks	0	9 845	482 234	492 079
Derivatives	0	230 498	3 287	233 785
Loans and advances to customers	0	0	154	154
Other assets	0	32	12 040	12 072
Total assets	**0**	**240 375**	**497 715**	**738 090**

** including Warta Group*

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2012
Amounts due to banks	0	5 148 290	130 923	5 279 213
Derivatives	0	147 532	18 881	166 413
Amounts due to customers	0	2 481	1 070 786	1 073 267
Other liabilities	0	798	6 931	7 729
Subordinated liabilities	0	1 013 882	0	1 013 882
Total liabilities	**0**	**6 312 983**	**1 227 521**	**7 540 504**

** including Warta Group*

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2012
Granted financing liabilities	0	251	255 059	255 310
Guarantees granted	0	53 499	30 594	84 093
Received financing liabilities	0	11 330	0	11 330
Guarantees received	0	131 482	500 581	632 063
Derivatives	0	35 377 365	2 948 038	38 325 403
Collateral received	0	0	11 400	11 400
Total off-balance sheet items	**0**	**35 573 927**	**3 745 672**	**39 319 599**

** including Warta Group*

Income	Associates**	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	01.01.2012 -30.06.2012
Interest income	0	26 240	583	26 823
Fee and commission income	8 811	115	40 818	49 744
Net trading income	19	135 910	-33 012	102 917
Other operating income	11	0	2 074	2 085
Total income	**8 841**	**162 265**	**10 463**	**181 569**

** including Warta Group*
*** figures by the date of the sale of the shares of an associate KBC TFI S.A.; details in Note I.36*

Expenses	Associates***	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	01.01.2012 -30.06.2012
Interest expense	1 024	101 306	13 573	115 903
Commission expense**	0	287	11 981	12 268
General and administrative expenses, as well as other operating expenses	2	890	15 406	16 298
Total expenses	**1 026**	**102 483**	**40 960**	**144 469**

** including Warta Group*
*** from the third quarter of 2011, this item has been presented on a contractual basis, and in previous periods, it was presented according to the policy of the major shareholder*
**** figures by the date of the sale of the shares of an associate KBC TFI S.A.; details in Note I.36*

As at 31.12.2011

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2011
Loans and advances to banks	0	75 221	2 462	77 683
Derivatives	0	201 285	10 671	211 956
Loans and advances to customers	0	0	0	0
Other assets	1 716	58	13 798	15 572
Total assets	**1 716**	**276 564**	**26 931**	**305 211**

** including Warta Group*

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2011
Amounts due to banks	0	8 211 846	210 427	8 422 273
Derivatives	0	133 392	8 697	142 089
Amounts due to customers	40 385	2 385	839 267	882 037
Other liabilities	0	3 338	12 503	15 841
Subordinated liabilities	0	1 036 510	0	1 036 510
Total liabilities	**40 385**	**9 387 471**	**1 070 894**	**10 498 750**

** including Warta Group*

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2011
Granted financing liabilities	90	0	241 827	241 917
Guarantees granted	0	51 491	40 717	92 208
Received financing liabilities	0	0	0	0
Guarantees received	0	133 676	33 005	166 681
Derivatives	0	36 921 954	1 292 845	38 214 799
Collateral received	0	0	1 400	1 400
Total off-balance sheet items	**90**	**37 107 121**	**1 609 794**	**38 717 005**

** including Warta Group*

As at 30.06.2011 ***non-audited***

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2011
Loans and advances to banks	0	25 713	52	25 765
Derivatives	0	66 878	3 970	70 848
Loans and advances to customers	206	0	0	206
Other assets	2 966	11	11 824	14 801
Total assets	**3 172**	**92 602**	**15 846**	**111 620**

** including Warta Group*

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2011
Amounts due to banks	0	8 485 636	3 082 421	11 568 057
Derivatives	0	126 560	8 437	134 997
Amounts due to customers	29 481	2 224	1 375 462	1 407 167
Other liabilities	0	1 586	7 325	8 911
Subordinated liabilities	0	947 298	0	947 298
Total liabilities	**29 481**	**9 563 304**	**4 473 645**	**14 066 430**

** including Warta Group*

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2011
Granted financing liabilities	0	0	240 150	240 150
Guarantees granted	0	51 151	24 063	75 214
Received financing liabilities	0	738 324	0	738 324
Guarantees received	0	778 269	49 371	827 640
Derivatives	0	21 147 427	2 044 829	23 192 256
Collateral received	0	0	1 400	1 400
Total off-balance sheet items	**0**	**22 715 171**	**2 359 813**	**25 074 984**

** including Warta Group*

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	01.01.2011 -30.06.2011
Interest income	0	6 334	883	7 217
Fee and commission income	8 642	123	25 979	34 744
Other operating income	16	8	5 643	5 667
Total income	**8 658**	**6 465**	**32 505**	**47 628**

** including Warta Group*

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	01.01.2011 -30.06.2011
Interest expense	545	47 166	33 293	81 004
Commission expense**	0	207	14 720	14 927
Net trading income	-34	124 288	-904	123 350
General and administrative expenses, as well as other operating expenses	0	1 525	21 204	22 729
Total expenses	**511**	**173 186**	**68 313**	**242 010**

** including Warta Group*
*** from the third quarter of 2011, this item has been presented on a contractual basis, and in previous periods, it was presented according to the policy of the major shareholder*

36. Disposal of subordinated companies

On 21.06.2012, Kredyt Trade Sp. z o.o., the Bank's subsidiary, signed the final agreement on the sale of its 30% stake in KBC TFI S.A. to KBC Asset Management NV and completed the transaction. The selling price for the 30% stake in KBC TFI S.A. was PLN 37.5 million. The net impact of the transaction upon the Group's result for the first half of 2012 amounted to PLN 11,535 thousand.

Further information about the said transaction is available in the current report dated 21.06.2012.

No subordinated companies were sold in 2011.

37. Remuneration of the Members of the Management Board and of the Supervisory Board of Kredyt Bank S.A. as well as of the Group's companies

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

Bank's Management Board *in PLN '000'*	**01.01.2012-30.06.2012** non-audited	**01.01.2011-31.12.2011**	**01.01.2011-30.06.2011** non-audited
Basic remunerations	3 453	6 797	3 501
Bonuses*	4 807	869	869
Other benefits	418	794	374
Severance pays	0	1 546	1 546
Total	**8 678**	**10 006**	**6 290**

** contains the payment of the bonus for 2011, a partial payment of the bonus for 2010 and the transactional bonus*

Bank's Supervisory Board *in PLN '000'*	**01.01.2012-30.06.2012** non-audited	**01.01.2011-31.12.2011**	**01.01.2011-30.06.2011** non-audited
Basic remunerations and other benefits	532	1 006	501
Total	**532**	**1 006**	**501**

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

Management Boards of Group's companies *in PLN '000'*	**01.01.2012-30.06.2012** non-audited	**01.01.2011-31.12.2011**	**01.01.2011-30.06.2011** non-audited
Reliz Sp. z o.o.	237	376	248
Kredyt Lease S.A.	892	1 385	837
Kredyt Trade Sp. z o.o.	625	569	341
BFI Sp. z o.o.	7	20	13
Lizar Sp. z o.o.	0	0	0
Total	**1 761**	**2 350**	**1 439**

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

Benefit *in PLN '000'*	**01.01.2012-30.06.2012** non-audited	**01.01.2011-31.12.2011**	**01.01.2011-30.06.2011** non-audited
Short-term employee benefits	9 210	9 466	5 245
Benefits paid after employment termination	0	0	0
Severance pays	0	1 546	1 546
Total	**9 210**	**11 012**	**6 791**

In the first half of 2012 and in 2011, the Members of the Bank's Management Board and the Members of the Bank's Supervisory Board did not receive remuneration for performing their functions in subsidiaries.

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

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

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

As at 30.06.2012, the value of loans and cash loans extended by the Bank amounted to PLN 243,564 thousand for the Bank's employees, and PLN 951 thousand for the Members of the Bank's Management Board and the Members of the Bank's Supervisory Board.

As at 31.12.2011, the value of loans and cash loans extended by the Bank amounted to PLN 269,995 thousand for the Bank's employees. As at 31.12.2011, there were no receivables from the Members of the Bank's Management Board and of the Bank's Supervisory Board.

As at 30.06.2011, the value of loans and cash loans extended by the Bank amounted to PLN 239,054 thousand for the Bank's employees. As at 30.06.2011, there were no receivables from the Members of the Bank's Management Board and of the Bank's Supervisory Board.

The employees' debt also comprised past due debts, which, as at 30.06.2012, amounted to PLN 564 thousand; PLN 625 thousand as at 31.12.2011 and PLN 444 thousand as at 30.06.2011.

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

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

39. Dividends paid and declared

Pursuant to the Resolution of the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. concerning the distribution of profit for 2011 adopted on 25.05.2012, the dividend for 2011 was not paid.

Pursuant to the Resolution of the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. concerning the distribution of profit for 2010 adopted on 25.05.2011, the dividend for the financial year 2010 was paid in the gross amount of PLN 0.37 per share. The total amount of the dividend was PLN 100,513,785.60, and the entitlement to the dividend was vested in 271,658,880 shares of the Bank of A to W series inclusive. The right to dividend was established on 14.06.2011. The dividend was paid on 30.06.2011.

40. The issue, redemption, repayment of debt and equity securities

In the first half of 2012 and in 2011, the Group's companies did not issue, redeem or repay any issued equity securities.

41. 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.

42. Events after the reporting period

- On 31.07.2012, the Management Board of Kredyt Bank S.A. received the information that KBC Bank NV finalized the sale of 100% of the shares of Żagiel S.A. to Santander Consumer Finanse S.A. for the price of PLN 10 million. The agreement concluded on 16.12.2009 between Kredyt Bank S.A. and KBC Bank N.V. provided that the risk of Kredyt Bank would be limited to 10% of the sale price, i.e. PLN 35 million, if KBC sold the shares of Żagiel to an outside entity for the price lower than PLN 350 million.

  On 31.07.2012, Kredyt Bank S.A. received a call for the payment of PLN 35 million to KBC Bank NV resulting from the agreement concluded on 16.12.2009. Due to the establishment in December 2011 of a provision for the said obligation, its satisfaction will not affect the income statement of Kredyt Bank S.A. Capital Group in 2012.

  Further information about the issue is available in the current report dated 31.07.2012.

- On 30.07.2012, the Extraordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted a resolution concerning the merger with BZ WBK S.A.

  Further information about the issue is available in the current report dated 30.07.2012.

- On 23.07.2012, the Management Board of Reliz Sp. z o.o. (a wholly-owned subsidiary of Kredyt Bank S.A.) submitted to the XI Commercial Insolvency and Arrangement Division of the District Court for Poznań - Old Town, a bankruptcy petition concerning the bankruptcy of Reliz Sp. z o.o. by liquidation of its assets. According to the Bank's present opinion, the filing of the bankruptcy petition by Reliz Sp. z o.o. is not affecting now the interim consolidated financial statements.

- On 18.07.2012, the European Commission decided not to object to the acquisition of the control over Kredyt Bank S.A. by Banco Santander S.A., and accordingly also by Bank Zachodni WBK S.A., and declared that the planned acquisition of the control was compatible with the common market and with the Agreement on the European Economic Area.

No other significant events which should be disclosed in the financial statements had place from the balance sheet date to the publication date of these financial statements.

43. Seasonality and cyclical nature of operations

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

44. Non-typical factors and events

In the first half of 2012 and in 2011, no untypical events occurred (not related to operating activities) that would affect the structure of balance sheet items and the Group's financial result to a large extent, and which were not presented in these financial statements.

45. Discontinued operations

The Group did not carry out operations which were discontinued in the first half of 2012 or in 2011.

46. Information on proceedings before a court, an authority competent for arbitration proceedings or a public administration authority

In the first half of 2012, the companies of the Group were not a party to any proceedings before a court, an authority competent for arbitration proceedings or a 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 and in which a company of the Group is the defendant.

- 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. Pleadings were exchanged. In the fourth quarter of 2008, the court requested the Bank to submit documents concerning the debt collection process carried out against the State Treasury on the basis of a banking executory title with the enforceability clause. The Bank delivered the required documents to the court. In September 2010, the court ordered the Bank to hand over the documents confirming the launch of the loan (the launches dates and amounts) to an accounting expert. In June 2011, the court obliged the parties to submit pleadings containing all the statements and evidence material for the proceedings. In the second quarter of 2012, the parties submitted comments to the expert's auxiliary opinion. The date of the hearing was not set.
- Claims of LFO for damages due to the termination of the loan agreement amounting to PLN 119,477 thousand. In the third quarter of 2011, the trustee in bankruptcy of LFO submitted to the

court carrying out the bankruptcy proceedings the motion to terminate the bankruptcy (liquidation) proceedings. On 27.10.2011, the court decided to terminate the bankruptcy proceedings. On 12.01.2012, the plaintiff was deleted from the register of entrepreneurs of the National Court Register. On 27.03.2012, the Bank's attorney filed a motion to discontinue the proceedings. On 10.04.2012, the circuit court in Warsaw issued the decision concerning the discontinuance of the proceedings due to the loss of the plaintiff's legal existence.

- On 17.01.2001, the President of the Office for Competition and Customer Protection, upon the request of the Polish Organization of Commerce and Distribution (POHiD), initiated proceedings concerning competition-restricting practices on the payment cards market by VISA and MasterCard as well as 20 banks, including Kredyt Bank S.A.

  On 29.12.2006, the President of the Office for Competition and Customer Protection issued the decision in which:

- they imposed a fine on Kredyt Bank of PLN 12,158.4 thousand;
- HSBC Bank Polska S.A. ('HSBC') was fined with PLN 193.0 thousand and the proceedings against this company were discontinued (under a binding agreement between HSBC and Kredyt Bank S.A., the fine for HSBC should be paid by Kredyt Bank S.A. as well).

  The decision was to be enforced immediately as regards the order to discontinue the practice of joint determination of the intercharge fee rate. On 17.01.2006 and 19.01.2007, appeals against Decision No. DAR 15/2006 of the President of the Office for Competition and Customer Protection were made on behalf of HSBC Bank Polska and Kredyt Bank. In this decision, the President of the Office for Competition and Customer Protection resolved that joint determination by the Banks, Visa and MasterCard of the interchange fee restricted competition. On 18.01.2007, the President of the Office for Competition and Customer Protection issued a decision in which they obliged the banks to jointly and severally pay PLN 157.6 thousand to the Polish Organization of Commerce and Distribution (POHiD) as reimbursement of the proceedings costs. Kredyt Bank S.A. complained against this decision on 31.01.2007 and deemed it unjustified. The case was referred to the Economic Court in Warsaw which split the case into separate proceedings against each of the banks involved in the case. On 25.08.2008, the court decided to withhold the execution of the decision issued in the case of interchange fees. On 12.11.2008, the circuit court in Warsaw, the Competition and Customer Protection Court, issued a judgment amending the contested decision, in which the court stated that the Banks had not applied monopolistic practices in this respect. On 03.02.2009, the Bank received the appeal against the judgment made by the President of the Office for Competition and Customer Protection. At the hearing held on 22.04.2010, the court issued a judgment by which it overruled the judgment of the circuit court advantageous for the Bank and referred the case to the circuit court to be re-examined. In the first half of 2012, two hearings took place at which no judgment was issued. On 08.05.2012, the court decided to suspend the proceedings upon the request of one of the participants in legal proceedings. By the date of the publication of these financial statements, the proceedings have been still suspended.

- In relation to a loan transaction to finance the construction of 'Altus' building in Katowice, the Bank and Reliz Sp. z o.o. (the building owner) are involved in certain disputes of legal nature. The Bank owns 100% shares of Reliz. The said disputes are related to claims of Mostostal Zabrze Holding S.A., the guarantor of the loan to finance the building, against the Bank and the building owner. The present dispute concerns fraudulent conveyance charge by Mostostal Zabrze Holding S.A. against Reliz Sp. z o.o. regarding the failure to recognize the agreement on the transfer of ownership title to 'Altus' building by Business Center 2000 Sp. z o.o. ('BC 2000') to Reliz Sp. z o.o. as effective.

  On 31.07.2009, the circuit court announced the judgment in the fraudulent conveyance proceedings, which ascertained the ineffectiveness, towards MZH, of the sale agreement concerning 'Altus' building concluded between the building owner and Reliz Sp. z o.o. Reliz Sp. z o.o. filed the request to prepare and deliver the judgment with the justification, submitting means of appeal. On 12.03.2010, the court of appeal overruled the judgment of the circuit court of 31.07.2009 and referred the case to the circuit court to be re-examined. On 16.06.2010, as a result of the re-examination of the case, the circuit court in Katowice issued a judgment which ascertained the ineffectiveness, towards MZH, of the sale agreement concerning the real estate with 'Altus' building in relation to MZH's claims up to the amount of PLN 45,980,560. Following the delivery of the judgment with the justification, an appeal to the judgment was made on 16.06.2010. The appeal hearing took place on 13.04.2011, during which the court closed the hearing and announced its judgment dismissing the full appeal of Reliz Sp. z o.o. The judgment of 13.04.2011 means upholding the judgment of the circuit court in Katowice of 16.06.2010, which recognized the agreement concerning the sale of 'Altus' building concluded between Business Center 2000 Sp. z o.o. and Reliz Sp. z o.o. as ineffective. On 01.07.2011, the agent for litigation from Reliz Sp. z o.o. filed the last resort appeal against the said decision. In the second quarter of 2012, the Bank received a letter informing that the Supreme Court did not accept the last resort appeal for examination. The proceedings were validly and legally terminated.

According to the Bank's knowledge as of the date of this information, MZH holds valid judgments against BC 2000 for the total amount, including interest, of PLN 37,337,728. On 05.05.2011, the court enforcement officer at the district court for Katowice-Wschód in Katowice initiated, upon the request of MZH, the enforcement process against BC 2000 based on the judgments in the case under the fraudulent conveyance charge. The enforcement process refers to the right of perpetual usufruct of a real estate, and 'Altus' building. Both the Bank and Reliz Sp. z o.o. took respective adverse claim measures, which resulted in the legal discontinuation of the enforcement proceedings regarding a part of the real estate. As regards further charges, the initiated adverse claim proceedings have not been validly terminated. On 18.07.2011, the circuit court in Katowice issued a decision to suspend the enforcement proceedings. Pursuant to the decision of the appeal court in Katowice of 25.01.2012, the decision concerning the suspension of the enforcement proceedings was overruled.

- The plaintiff claims damages from Kredyt Bank S.A. and HSBC Bank Polska S.A. of PLN 20 million and PLN 10 million as the satisfaction of the claim. In the justification of the lawsuit, the plaintiff claims that Prosper Bank S.A. (now HSBC Bank Polska S.A.), acting under the cooperation agreement concluded with a leasing company, wrote a bill of exchange which secured the agreement, and further lodged a lawsuit against this company and the plaintiff in the proceedings by writ of payment for this bill of exchange and obtained the order for payment. In the plaintiff's opinion, Prosper Bank violated the agreement, wrote the bill of exchange incorrectly and lodged a completely unjustified lawsuit. The plaintiff claims that the order for payment issued by the district court on 11.01.1999 resulted in the loss of his property and his detriment amounting to PLN 30 million. Kredyt Bank S.A. submitted a reply to the lawsuit on its own and HSBC's behalf. On 28.09.2010, the circuit court in Warsaw issued a judgment on the dismissal of the plaintiff's lawsuit against Kredyt Bank S.A. and HSBC Bank Polska S.A. The plaintiff made an appeal to this decision. On 06.07.2011, the court dismissed the plaintiff's appeal, issuing the decision upholding the judgment of the court of first instance. On 21.02.2012, the Bank received the plaintiff's last resort appeal. The Bank's attorneys replied to the last resort appeal by the statutory date. The date of the hearing was not determined. There were no changes in the status of these proceedings in the second quarter of 2012.
- The plaintiff (a company engaged in leasing activities) claims damages from Kredyt Bank S.A. and HSBC Bank Polska S.A. of PLN 89 million. In the justification of the lawsuit, the plaintiff claims that Prosper Bank S.A. (now HSBC Bank Polska S.A.), acting under the cooperation agreement concluded with a leasing company, wrote a bill of exchange which secured the agreement, and further lodged a lawsuit against this company in the proceedings by writ of payment for this bill of exchange and obtained the order for payment. In the plaintiff's opinion, Prosper Bank violated the bill agreement, wrote the bill of exchange incorrectly and lodged a completely unjustified lawsuit. The plaintiff claims that the order for payment of 11.01.1999 issued by the District Court resulted in the collapse of the company's financial situation; as a result, the plaintiff recorded damage to his assets of PLN 73.7 million increased with interest. On 09.04.2010, the court dismissed the plaintiff's lawsuit. On 15.07.2010, the Bank received the plaintiff's appeal to which the Bank replied. Having examined the appeal, the court issued the judgment dismissing the plaintiff's claim, hence upholding the decision of the court of first instance. On 28.07.2011, the Bank

received the plaintiff's last resort appeal to which the Bank's attorneys responded on 10.08.2011. On 27.03.2012, the Bank received a letter from the court informing that the last resort appeal had not been accepted for examination. The case was validly terminated.

- On 23.12.2010, a plaintiff filed a lawsuit against Kredyt Bank S.A. questioning the validity of the settlements of option transactions made between July 2008 and August 2009. The plaintiff claims and accuses the Bank of, inter alia, unauthorized financial advisory and persuading him to make the transactions, the failure to exercise due diligence, the contradiction between the option transaction structure and the hedging function of such transactions. On 30.12.2010, the circuit court in Gliwice issued an order for the Bank, delivered to the Bank on 13.01.2011, to pay the claimed amount to the plaintiff. The Bank's attorneys prepared and filed an objection to the payment order. The filing of the objection will result in the re-examination of the case, within the normal procedure of fact-finding proceedings. On 22.09.2011, the court announced its decision in favor of the Bank and dismissed the entire lawsuit. On 08.11.2011, the Bank received the plaintiff's appeal. On 22.11.2011, the Bank's attorneys responded to the appeal. The appeal hearing was held on 29.12.2011. The appeal court dismissed the plaintiff's appeal and, as a result, upheld the judgment of the court of first instance. The plaintiff is entitled to make the last resort appeal. In the second quarter of 2012, the Bank's attorney confirmed with the court that the plaintiff had failed to make the last resort appeal when due; as a result, the proceedings had been validly and legally terminated.
- The plaintiff – a meat processing company – filed a lawsuit against Kredyt Bank S.A. questioning the validity of concluded option transactions amounting to PLN 9,468,362, particularly the put options concluded by the Bank. The plaintiff claims and accuses the Bank of, inter alia, misleading the customer, abusing its stronger contractual position, and violating the norms of social coexistence. The Bank's attorneys responded to the lawsuit. One hearing was held in the second quarter of 2012, but no solution was reached. The next hearing is scheduled for November 2012.

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.

47. 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 29.06.2012, Kredyt Bank S.A. and European Investment Bank based in Luxembourg signed the agreement under which the Bank obtained a credit line in the amount representing the equivalent of EUR 100 million in CHF. As part of this credit line, the Bank can acquire funds in tranches with maturities of four years (the equivalent of EUR 25 million in CHF) and seven years (the equivalent of EUR 50 million in CHF) in the case of the single repayment and up to 10 years (the equivalent of EUR 25 million in CHF) in the case of the repayment in installments.

  Further information about the issue is available in the current report dated 02.07.2012.
- On 29.06.2012, the Extraordinary General Meeting of Shareholders of Kredyt Trade Sp. z o.o., a wholly-owned (directly and indirectly) subsidiary of Kredyt Bank S.A., adopted the resolution concerning the dissolution and liquidation of Kredyt Trade Sp. z o.o.

  Further information about the issue is available in the current report dated 29.06.2012.
- The Ordinary General Meeting of Shareholders of Kredyt Bank S.A. appointed, as of 25.05.2012, Mrs. Lidia Jabłonowska-Luba as a Member of the Bank's Supervisory Board. In addition, the Chairman of the Supervisory Board of Kredyt Bank S.A. received Mr. Jarosław Parkot's resignation from his membership in the Supervisory Board as from 25.05.2012.

Further information about the issue is available in the current report dated 25.05.2012.

- On 03.02.2012, Fitch Ratings downgraded the Bank's Long-term Issuer Default rating (IDR) to 'BBB' from 'A-'. Fitch also maintained the said rating on Rating Watch Evolving (RWE). On 01.03.2012, the agency revised the Rating Watch on the Long-term Issuer Default Rating (IDR) of Kredyt Bank S.A. to Positive (RWP) from Evolving (RWE). In addition, on 14.06.2012, Fitch Ratings affirmed the Long-term Issuer Default Rating (IDR) of Kredyt Bank S.A. at 'BBB' and removed it from Rating Watch Positive (RWP).

  Further information about the assigned ratings is available in current reports dated 03.02.2012, 02.03.2012 and 14.06.2012.

- On 27.02.2012, KBC Bank NV and Banco Santander S.A. signed an investment agreement in which the parties expressed their intention to merge Kredyt Bank S.A. and Bank Zachodni WBK S.A. ('BZ WBK S.A.'). On the same day, Kredyt Bank S.A., BZ WBK S.A., KBC Bank NV and Banco Santander S.A. signed an agreement on starting work to merge Kredyt Bank S.A. and BZ WBK S.A.

  The Merger Plan agreed on and signed by Kredyt Bank S.A. and BZ WBK S.A. on 11.05.2012 provides that the merger will be carried out pursuant to Article 492 § 1 item 1 of the Code of Commercial Companies through the transfer of all the assets and liabilities of Kredyt Bank, being the target entity, to BZ WBK S.A., being the surviving entity, with the simultaneous increase in the share capital of BZ WBK S.A. through the issue of up to 18,907,458 series J ordinary bearer shares in Bank Zachodni WBK S.A. with the nominal value of PLN 10.00 each, which will be allocated by BZ WBK S.A. to all existing shareholders of Kredyt Bank. As a result of the merger, these shareholders will become the shareholders of BZ WBK S.A. on the date of the merger, i.e. on the date of the registration of the merger in the register relevant to the registered seat of Bank Zachodni WBK S.A.

  The parties agreed that the exchange ratio of the shares of Kredyt Bank S.A. into the shares of Bank Zachodni WBK S.A. will be as follows: for 100 shares of Kredyt Bank, the shareholders of Kredyt Bank will be granted 6.96 Merger Issue Shares, i.e. for one share of Kredyt Bank S.A., 0.0696 shares of Bank Zachodni WBK S.A. will be allocated.

  The merger may be completed only when the following conditions are met (some of them have been already satisfied):

  - obtaining the permit of the Polish Financial Supervision Authority to the merger;
  - obtaining the permit of the Polish Financial Supervision Authority to the amendments to the statutes of BZ WBK S.A.;
  - issuing by the European Commission of a decision declaring that the concentration of Kredyt Bank S.A. and Bank Zachodni WBK S.A. is in line with the common market;
  - confirming by the Polish Financial Supervision Authority that both the form and content of BZ WBK S.A.'s information memorandum are equivalent to the information required to be included in a prospectus;
  - the failure to object by the Polish Financial Supervision Authority to the acquisition by KBC Asset Management NV of the shares of KBC TFI S.A.;
  - adopting by the Bank's General Meeting of Shareholders a resolution concerning the merger with BZ WBK S.A.;
  - adopting by the General Meeting of Shareholders of BZ WBK S.A. a resolution concerning the merger with Kredyt Bank S.A.

  In addition, if Article 25 clause 1 of the Banking Law applies, the exceeding by KBC Bank of the 10% limit of the votes at the General Meeting of Shareholders of BZ WBK will depend on the issue by the Polish Financial Supervision Authority of a decision confirming the absence of grounds for an objection to the exceeding by KBC Bank of the 10% limit of the votes at the General Meeting of

Shareholders of BZ WBK or the lapse of the statutory deadline for the delivery of the decision containing such an objection.

The Opinion of a certified auditor (KPMG Audyt Sp. z o.o.) issued on 20.06.2012 from the audit of the Merger Plan for BZ WBK S.A. and Kredyt Bank S.A. claims, among other things, that:

- the Merger Plan of BZ WBK S.A. with Kredyt Bank S.A. was prepared, in all material aspects, in an accurate and proper manner;
- the share exchange ratio was properly determined in all material aspects;
- the methods applied to determine the ratio of the exchange of the shares of Kredyt Bank S.A. for the shares of Bank Zachodni WBK S.A., as proposed in the Merger Plan, are justified;
- no special difficulties were identified as regards the valuation of the shares in the merging Banks.

The Polish Financial Supervision Authority, at the meeting held on 19.06.2012, found no reason to object to the planned, direct acquisition of the shares of KBC Towarzystwo Funduszy Inwestycyjnych S.A. by KBC Asset Management NV in the number resulting in exceeding the 50% limit of votes at the General Meeting of Shareholders.

On 28.06.2012, the Management Board of Kredyt Bank S.A., acting pursuant to Article 504 § 1 and 2 of the Code of Commercial Companies, in relation to Article 402[1] of the Code of Commercial Companies, issued the first notice concerning the merger of Bank Zachodni WBK S.A. with Kredyt Bank S.A. At the same time, the Management Board of Kredyt Bank S.A. convened the Extraordinary General Meeting of Shareholders to adopt the resolution on the merger of Kredyt Bank S.A. with Bank Zachodni WBK S.A.

The second notice about the planned merger was issued on 16.07.2012.

On 18.07.2012, the European Commission decided not to object to the acquisition of the control over Kredyt Bank S.A. by Banco Santander S.A., and accordingly also by Bank Zachodni WBK S.A., and declared that the planned acquisition of the control was compatible with the common market and with the Agreement on the European Economic Area.

The justification, the description of strategic reasons and economic benefits related to the merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A. are available in the Management Board's Report published along with the Merger Plan in the current report dated 11.05.2012.

There is no other information related to the first half of 2012 which would be material for the assessment of the Issuer's staff, assets, financial situation, financial results and their changes and information material for the assessment of the potential satisfaction of the Issuer's commitments.

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

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

- The potential deterioration in the business conditions in the world and the resulting lower growth rate for the Polish economy, which will be reflected in the condition of Polish enterprises and, as a result, may lead to the lower quality of the loans portfolio.
- Significant volatility of the prices of natural raw materials which may have negative impact upon the economic and financial situation of a part of entrepreneurs.
- Decreasing expenditure of the public sector resulting in the reduced portfolio of orders of a part of entrepreneurs.
- Worsening prospects for the building industry which have adverse impact upon the economic and financial situation of a part of entrepreneurs who are contractors and subcontractors as regards construction works, which may result in the lower quality of the loans portfolio.

- A decrease in the prices of real estates resulting in a reduced coverage of the loans portfolio with collateral and which may have negative impact upon the process of putting to business use the financed real estates intended for rental and sale.
- The impact of the implementation of new recommendations/regulations of the Polish Financial Supervision Authority upon the growth rate of the portfolio of mortgage loans and its profitability.The implementation, by virtue of the draft amendment to the Bank Guarantee Fund Act, of the obligatory ‘prudential fee’ and the elimination of the possibility of charging the annual fee paid to the Bank Guarantee Fund to deductible expenses.
- Currency risk — substantial depreciation of PLN due to the greater risk aversion on financial markets, which may result in the deterioration in the quality of mortgage loans.
- Changes of market interest rates and margins related to banking products.
- Persisting high cost of long-term liquidity, both in PLN and in foreign currencies.
- Greater risk aversion caused by the concerns about the insolvency of certain European countries, resulting in increased borrowing costs and lower prices of Polish government bonds.

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

Below, we present the significant changes in the approach to the management of credit risk, market risk and operational risk introduced in the first half of 2012.

49.1. Credit risk

In the first half of 2012, the Group introduced, for credit exposures, modifications in response to the overall macroeconomic situation of Poland and the regulatory environment aiming at the maintenance of the Bank's credit risk at an acceptable level.

As regards retail exposures, the main amendments to the lending policy were as follows:

- Adapting the lending policy to the requirements of the new ‘S Recommendation’.
- The change in the offer of mortgage loans which involves the exclusion of loans denominated in foreign currencies from the offer.

At the same time, as regards credit risk, its measurement and monitoring, the quality of the reporting process was improved due to the expansion of the stress-testing methodology for the portfolio of retail loans.

As regards non-retail exposures, the main changes were as follows:

- Adapting the lending policy for the customers operating in specific industries to the changing market situation, including measures aiming at the mitigation of the risk related to the financing of the building industry (contractors and subcontractors for construction works).
- Introducing minimum criteria for the financing of higher-risk corporate and SME customers, including the determination of minimum requirements concerning transactions hedging.
- Further improvement of the centralized lending process for the customers maintaining comprehensive bookkeeping as regards after-sales activities. The changes aimed at the improvement of the quality of the process and the mitigation of credit risk.

Simultaneously, the Group continued to apply a stricter policy of financing hotels and commercial real estate.

As regards credit risk, its measurement and monitoring, the main activities comprised further improvement of the quality of the reporting process, also through the creation of credit risk reports for the portfolios of particular business units.

In the second quarter of 2012, the Bank also implemented new models estimating the impairment losses for exposures assessed collectively. The said changes aimed at the better reflection of the level and specific nature of the risk for particular customer segments.

The details concerning the above-mentioned issue are described in Note I.8.1.

49.2. Market risk and liquidity risk

As regards the market risk and the liquidity risk in the first half of 2012:

- the Bank successfully acquired deposits from retail customers, which allowed for a significant reduction of the scale of the financing obtained from KBC in foreign currencies using swaps, according to the strategy adopted in the Financial Plan for 2012;
- the increase in the deposits base combined with a lower demand for loans resulted in improved long-term liquidity profile of the Bank.

49.3. Operational risk

In the first half of 2012, the Group expanded and improved the operational risk management system due to:

- the introduction of a new operational risk self-assessment method, i.e. Controlled Risk Self Assessment;
- the development of a new list of critical processes having regard for the end-to-end approach to critical processes;
- the implementation of the end-to-end approach to critical processes in Business Continuity Plans (particularly: the aggregation of critical processes; the launch of the works related to the detailed description of critical processes, having regard for the procedures applied in the case of the unavailability of critical systems; the development of a new concept of disaster recovery and “going back to normal” procedures);
- the termination of the works on the preparation of a new back-up location for Crisis Teams responsible for performing critical business processes;
- conducting BCP/DRP tests with a view to assess the possibility of implementing all critical processes on the basis of the back-up infrastructure.

These interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group were approved for publication by the Management Board of Kredyt Bank S.A. on 07.08.2012.

Signatures of all Management Board Members

date	07.08.2012	Maciej Bardan	President of the Management Board	....
date	07.08.2012	Piotr Sztrauch	Vice President of the Management Board	....
date	07.08.2012	Umberto Arts	Vice President of the Management Board	....
date	07.08.2012	Mariusz Kaczmarek	Vice President of the Management Board	....
date	07.08.2012	Zbigniew Kudaś	Vice President of the Management Board	....
date	07.08.2012	Jerzy Śledziewski	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	07.08.2012	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....

II. II. Interim Condensed Standalone Financial Statements

1. Income Statement

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 Comparable data non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 Comparable data non-audited
Interest income	583 597	1 155 009	602 076	1 149 277
Interest expense	-409 518	-767 588	-310 987	-581 607
Net interest income	**174 079**	**387 421**	**291 089**	**567 670**
Fee and commission income	107 883	207 695	105 547	206 763
Fee and commission expense	-19 981	-39 182	-24 432	-45 670
Net fee and commission income	**87 902**	**168 513**	**81 115**	**161 093**
Dividend income	3 678	3 687	3 948	3 953
Net trading income	61 264	119 343	11 059	31 081
Net result on derivatives used as hedging instruments and hedged items	1 846	767	-273	-431
Net gains from investment activities	-92	-92	295	405
Other operating income	16 111	29 802	29 725	44 432
Total operating income	**344 788**	**709 441**	**416 958**	**808 203**
General and administrative expenses	-249 251	-477 902	-243 498	-464 805
Other operating expenses	-6 858	-15 117	-13 670	-28 298
Total operating expenses	**-256 109**	**-493 019**	**-257 168**	**-493 103**
Net impairment losses on financial assets, other assets and provisions	-3 151	-59 531	-44 593	-31 576
Net operating income	**85 528**	**156 891**	**115 197**	**283 524**
Profit before tax	**85 528**	**156 891**	**115 197**	**283 524**
Income tax expense	-36 812	-56 125	-29 804	-71 357
Net profit from continued operations	**48 716**	**100 766**	**85 393**	**212 167**
Net profit from discontinued operations	0	0	0	0
Net profit	**48 716**	**100 766**	**85 393**	**212 167**

Income Statement should be analyzed jointly with Notes, which form an integral part of these interim condensed financial statements

2. Statement of Comprehensive Income

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited
Net profit (loss) for the period	**48 716**	**100 766**	**85 393**	**212 167**
Other comprehensive income				
Valuation of financial assets available-for-sale	17 388	58 384	51 459	10 571
- including deferred tax	-4 079	-13 695	-12 071	-2 479
Effects of valuation of derivatives designated for cash flow hedge	9 334	2 187	5 796	-4 271
- including deferred tax	-2 189	-513	-1 359	1 001
Other comprehensive income (loss) recognized directly in equity	**26 722**	**60 571**	**57 255**	**6 300**
Total comprehensive income (loss)	**75 438**	**161 337**	**142 648**	**218 467**

3. Balance Sheet

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Assets			
Cash and balances with Central Bank	718 974	784 626	1 136 785
Gross loans and advances to banks	1 650 287	1 188 012	1 246 481
Impairment losses on loans and advances to banks	0	0	0
Receivables arising from repurchase transactions	1 211 557	0	0
Financial assets designated upon initial recognition as at fair value through profit or loss	41 891	79 944	93 434
Financial assets held for trading (excluding derivatives)	332 834	60 493	2 371 250
Derivatives, including:	694 412	1 071 089	382 244
- derivatives used as hedging instruments	105 362	95 592	69 144
Gross loans and advances to customers	30 340 913	30 209 994	28 390 111
Impairment losses on loans and advances to customers	-1 384 687	-1 369 625	-1 233 802
Investment securities:	8 704 457	8 676 019	10 693 138
- available-for-sale	5 407 556	5 259 345	7 339 038
- held-to-maturity	3 296 901	3 416 674	3 354 100
Investments in subsidiaries and jointly controlled entities	64 526	64 626	64 626
Property, plant and equipment	238 997	261 609	264 119
Intangible assets	75 915	60 472	56 470
Deferred tax asset	190 405	242 881	267 267
Current tax receivable	16 379	116 870	48 753
Investment properties	16 642	17 536	17 732
Non-current assets held for sale	2 819	2 047	2 080
Other assets	94 471	84 787	118 548
Total assets	**43 010 792**	**41 551 380**	**43 919 236**

Balance Sheet (cont.)

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Liabilities			
Amounts due to Central Bank	15	32	2
Amounts due to banks	5 556 014	8 060 178	11 456 556
Liabilities arising from repurchase transactions	2 302 676	0	1 406 593
Financial liabilities held for trading (excluding derivatives)	93 658	0	0
Derivatives, including:	758 081	982 916	652 612
- derivatives used as hedging instruments	124	1 669	204
Amounts due to customers	29 725 648	28 094 775	26 203 964
Current tax liability	0	0	0
Provisions	104 543	91 126	52 347
Other liabilities	257 220	248 125	264 668
Subordinated liabilities	1 013 882	1 036 510	947 298
Total liabilities	**39 811 737**	**38 513 662**	**40 984 040**

in PLN '000'	**30.06.2012** non-audited	**31.12.2011**	**30.06.2011** non-audited
Equity			
Share capital	1 358 294	1 358 294	1 358 294
Supplementary capital	1 128 181	898 072	898 072
Revaluation reserve	130 663	70 092	65 721
Other reserves	481 151	400 942	400 942
Current net profit (loss) attributable to the Shareholders of the Bank	100 766	310 318	212 167
Total equity	**3 199 055**	**3 037 718**	**2 935 196**
Total equity and liabilities	**43 010 792**	**41 551 380**	**43 919 236**
Capital adequacy ratio	**13.04**	**12.72**	**12.98**

Balance Sheet should be analyzed jointly with Notes, which form an integral part of these interim condensed financial statements

4. Statement of Changes in Equity

Changes in the period 01.01.2012-30.06.2012 *non-audited*

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings (losses)	Net profit (loss) for the period	Total equity
Equity at the opening balance – as at 01.01.2012	**1 358 294**	**898 072**	**70 092**	**400 942**	**310 318**	**0**	**3 037 718**
Valuation of financial assets available-for-sale			72 079				72 079
Effects of valuation of derivatives designated for cash flow hedge			2 700				2 700
Deferred tax on items recognized in other comprehensive income			-14 208				-14 208
Other comprehensive income (loss) recognized directly in equity			**60 571**				**60 571**
Net profit (loss) for the period						100 766	100 766
Total comprehensive income (loss)			**60 571**			**100 766**	**161 337**
Profit distribution		230 109		80 209	-310 318		0
Equity at the end of the period – as at 30.06.2012	**1 358 294**	**1 128 181**	**130 663**	**481 151**	**0**	**100 766**	**3 199 055**

Changes in the period 01.01.2011-31.12.2011

in PLN '000'	**Share capital**	**Supplementary capital**	**Revaluation reserve**	**Other reserves**	**Retained earnings (losses)**	**Net profit (loss) for the period**	**Total equity**
Equity at the opening balance – as at 01.01.2011	**1 358 294**	**887 347**	**59 421**	**400 942**	**111 239**	**0**	**2 817 243**
Valuation of financial assets available-for-sale			2 576				2 576
Effects of valuation of derivatives designated for cash flow hedge			10 598				10 598
Deferred tax on items recognized in other comprehensive income			-2 503				-2 503
Other comprehensive income (loss) recognized directly in equity			**10 671**				**10 671**
Net profit (loss) for the period						310 318	310 318
Total comprehensive income (loss)			**10 671**			**310 318**	**320 989**
Profit distribution		10 725			-10 725		0
Dividend payment					-100 514		-100 514
Equity at the end of the period – as at 31.12.2011	**1 358 294**	**898 072**	**70 092**	**400 942**	**0**	**310 318**	**3 037 718**

Changes in the period 01.01.2011-30.06.2011 ***non-audited***

in PLN '000'	**Share capital**	**Supplementary capital**	**Revaluation reserve**	**Other reserves**	**Retained earnings (losses)**	**Net profit (loss) for the period**	**Total equity**
Equity at the opening balance – as at 01.01.2011	**1 358 294**	**887 347**	**59 421**	**400 942**	**111 239**	**0**	**2 817 243**
Valuation of financial assets available-for-sale			13 050				13 050
Effects of valuation of derivatives designated for cash flow hedge			-5 272				-5 272
Deferred tax on items recognized in other comprehensive income			-1 478				-1 478
Other comprehensive income (loss) recognized directly in equity			**6 300**				**6 300**
Net profit (loss) for the period						212 167	212 167
Total comprehensive income (loss)			**6 300**			**212 167**	**218 467**
Profit distribution		10 725			-10 725		0
Dividend payment					-100 514		-100 514
Equity at the end of the period – as at 30.06.2011	**1 358 294**	**898 072**	**65 721**	**400 942**	**0**	**212 167**	**2 935 196**

5. Cash Flow Statement

in PLN '000'	2nd quarter of 2012 01.04.2012 - 30.06.2012 non-audited	Two quarters of 2012 01.01.2012 - 30.06.2012 non-audited	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited
Cash flow from operating activities				
Net profit (loss)	**48 716**	**100 766**	**85 393**	**212 167**
Adjustments to net profit (loss) and net cash from operating activities, and net increase/decrease in assets and liabilities	**775 131**	**1 662 480**	**-2 053 924**	**-599 192**
Current and deferred tax recognized in financial result	36 812	56 125	29 804	71 357
Non-realized profit (loss) from currency translation differences	4 798	-103 166	79 524	60 379
Depreciation	17 183	33 444	21 546	43 002
Net increase/decrease in impairment	-30 711	11 323	-628 989	-644 688
Dividends	-3 678	-3 687	-3 948	-3 953
Interest	14 810	-50 393	22 809	-64 690
Net increase/decrease in provisions	17 469	13 417	-14 322	-18 531
Profit (loss) on disposal of investments	-1 474	-5 308	-232	-2 625
Net increase/decrease in assets (excluding cash)	**-876 773**	**-971 960**	**1 227 873**	**-164 320**
Net increase/decrease in gross loans and advances to banks	-24 366	13 189	-19 080	-8 559
Net increase/decrease in receivables arising from repurchase transactions	-947 089	-1 211 557	815 350	87 218
Net increase/decrease in financial assets designated upon initial recognition as at fair value through profit or loss	38 731	38 053	5 367	5 415
Net increase/decrease in financial assets held for trading (excluding derivatives)	439 080	-180 534	42 807	-772 168
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)	-18 277	386 447	-8 836	75 719
Net increase/decrease in gross loans and advances to customers	-476 120	-130 919	429 881	511 425
Net increase/decrease in current tax receivable	108 778	100 491	-30 318	-48 753
Net increase/decrease in other assets	2 490	12 870	-7 298	-14 617
Net increase/decrease in liabilities	**1 596 695**	**2 682 685**	**-2 787 989**	**124 877**
Net increase/decrease in amounts due to Central Bank	-17	-17	0	-4
Net increase/decrease in amounts due to banks	-1 296 317	-1 151 918	-649 186	-333 240
Net increase/decrease in liabilities arising from repurchase transactions	1 681 892	2 302 676	-469 893	1 177 900
Net increase/decrease in financial liabilities held for trading (excluding derivatives)	6 956	93 658	-9 999	0
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)	69 852	-223 290	-457 737	-477 396
Net increase/decrease in amounts due to customers	1 184 750	1 670 132	-1 181 132	-136 083
Net increase/decrease in other liabilities	-144 350	-91 068	-23 420	59 105
Paid/received income tax	93 929	82 512	3 378	-165 405
Net cash flow from operating activities	**823 847**	**1 763 246**	**-1 968 531**	**-387 025**

in PLN '000'	**2nd quarter of 2012 01.04.2012 - 30.06.2012** non-audited	**Two quarters of 2012 01.01.2012 - 30.06.2012** non-audited	**2nd quarter of 2011 01.04.2011 - 30.06.2011** non-audited	**Two quarters of 2011 01.01.2011 - 30.06.2011** non-audited
Cash flow from investing activities				
Inflows	**19 279 025**	**36 079 953**	**36 980 129**	**51 504 362**
Disposal of property, plant and equipment, intangible assets and investment properties	1 633	1 631	519	991
Disposal of interests in equity investments	36	36	0	0
Disposal of investment securities	19 221 391	36 019 930	36 913 414	51 431 054
Dividends	3 678	3 687	3 948	3 953
Interest received	52 287	54 669	62 248	68 364
Outflows	**-18 537 239**	**-35 957 948**	**-35 743 809**	**-52 632 957**
Acquisition of property, plant and equipment, intangible assets and investment properties	-18 707	-48 685	-14 763	-25 943
Acquisition of investment securities	-18 518 532	-35 909 263	-35 729 046	-52 607 014
Net cash flow from investing activities	**741 786**	**122 005**	**1 236 320**	**-1 128 595**
Cash flow from financing activities				
Inflows	**0**	**0**	**630 164**	**630 164**
Proceeds from loans and advances	0	0	630 164	630 164
Outflows	**-1 431 206**	**-1 475 438**	**-125 536**	**-149 657**
Repayment of loans and advances	-1 409 630	-1 431 798	-135	-135
Dividend payment	0	0	-100 514	-100 514
Other financial outflows	-21 576	-43 640	-24 887	-49 008
Net cash flow from financing activities	**-1 431 206**	**-1 475 438**	**504 628**	**480 507**

Net increase/decrease in cash	**134 427**	**409 813**	**-227 583**	**-1 035 113**
Cash at the beginning of the period	**1 216 851**	**941 465**	**1 593 848**	**2 401 378**
Cash at the end of the period, including:	**1 351 278**	**1 351 278**	**1 366 265**	**1 366 265**
Restricted cash*	1 130 169	1 130 169	1 142 118	1 142 118

** an amount from the declaration on the amount of the Bank's statutory provision, i.e. the minimum average balance of cash in the current account in the National Bank of Poland*

6. Basis of preparation of interim condensed standalone financial statements

Pursuant to Article 45 clause 1c of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2009, No. 152, item 1223) as amended ('the Act') and under the decision of the General Meeting of Shareholders of Kredyt Bank S.A. of 25.04.2005, from 01.01.2005, the standalone financial statements of Kredyt Bank S.A. have been prepared in accordance with the International Accounting Standards ('IAS') and the International Financial Reporting Standards ('IFRS') that were approved by the European Union.

Condensed financial statements of Kredyt Bank S.A. for the first half of 2012 ended on 30.06.2012 have been prepared in accordance with par. 83 clauses 3 and 4 of the Ordinance of the Minister of Finance of 19.02.2009 on current and interim information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2009, No. 33, item 259, as amended) and IAS 34 *Interim Financial Reporting*.

These interim condensed financial statements of the Bank were approved for publication by the Management Board of Kredyt Bank S.A. on 07.08.2012.

These financial statements for the first half of 2012 ended on 30.06.2012 were reviewed by Ernst & Young Audit sp. z o.o., the key certified auditor acting on behalf of the authorized entity. The review was performed in accordance with the Polish law and the National Financial Review Standards issued by the National Chamber of Statutory Auditors. The figures for the second quarter of 2012 and the second quarter of 2011 were not reviewed or audited by the certified auditor.

These interim condensed financial statements have been presented in the Polish zloty ('PLN'), and all values, if not stated otherwise, are presented in thousands.

These interim condensed financial statements were prepared based on the assumption that the Bank would remain going concern in the foreseeable future. As at the approval date of these financial statements, the existence of any circumstances which could threaten the continuation of the Bank's business has not been confirmed.

The Bank is in the process of the merger with Bank Zachodni WBK S.A. Further information concerning this issue is presented in Note I.47.

These interim condensed financial statements of the Bank do not cover all information and disclosures required in annual financial statements and should be read jointly with the financial statements of the Bank for the year ended on 31 December 2011.

7. Description of major accounting policies and significant accounting estimates

The description of major accounting policies and the most significant accounting estimates applied in the Bank is identical to the one presented in Note I.8, except for the valuation of associates, which in the interim condensed consolidated financial statements of the Group are measured with the equity method.

8. Comparable data

The comparable data for previous periods included in these financial statements take account of the presentation changes introduced to the financial statements prepared as at 30.06.2012.Due to the change in the presentation of expenses incurred by the Bank within particular expense categories from net terms to gross terms (including VAT), the values in the items presented in the income statement for the first half of 2011 and the second quarter of 2011 have changed.

in PLN '000'	**Published data** non-audited	**Changes**	**Comparable data** non-audited
	First half of 2011		**First half of 2011**
General and administrative expenses	-469 596	4 791	-464 805
Other operating expenses	-23 507	-4 791	-28 298
	2nd quarter of **2011**		2nd quarter of **2011**
General and administrative expenses	-246 031	2 533	-243 498
Other operating expenses	-11 137	-2 533	-13 670

9. Segment reporting

The description of segments, of the rules for their separation and of the items presented in the segmentation note is presented in Note I.10.

Bank's net result for the second quarter of 2012 by operating segments (breakdown according to management reporting) non-audited

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**139 797**	**63 660**	**-18 667**	**-1 114**	**183 676**
- lending activities	115 385	36 159	0	-1 244	150 300
- depositing activities	27 845	29 293	0	135	57 273
- the cost of financing cash kept in the Bank's branches	-3 433	-1 792	5 230	-5	0
Net commission income and other net income	**54 152**	**17 417**	**0**	**6 162**	**77 731**
- commissions for keeping accounts and transactions	19 634	12 634	0	232	32 500
- commissions related to cards	17 175	1 376	0	1 307	19 858
- commissions related to shares in investment funds societies	15 974	764	0	45	16 783
- commissions related to insurance products	19	4	0	48	71
- commissions related to foreign transactions	15	5 673	0	96	5 784
- other	1 335	-3 034	0	4 434	2 735
Net income from treasury transactions	**12 001**	**14 568**	**44 477**	**-969**	**70 077**
- exchange transactions	11 958	13 836	43 731	-1 271	68 254
- derivatives and securities	43	732	746	302	1 823
Net gains from investment activities	**0**	**0**	**-27**	**3 613**	**3 586**
Gross operating income	**205 950**	**95 645**	**25 783**	**7 692**	**335 070**
Net impairment losses on financial assets, other assets and provisions	**27 086**	**-29 603**	**0**	**-574**	**-3 091**
Bank's general and administrative expenses, including:	**-169 372**	**-73 010**	**-4 069**	**0**	**-246 451**
- the costs of the operation of business functions (direct costs)	-91 619	-25 437	-3 416	0	-120 472
- allocated expenses	-65 255	-43 142	-400	0	-108 797
- depreciation (direct costs)	-8 309	-827	-219	0	-9 355
- depreciation (allocated costs)	-4 189	-3 604	-34	0	-7 827
Net operating income	**63 664**	**-6 968**	**21 714**	**7 118**	**85 528**
Income tax expense					-36 812
Net profit (loss)					**48 716**

Bank's net result for the first half of 2012 by operating segments (breakdown according to management reporting) non-audited

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**290 655**	**128 981**	**-11 049**	**-2 194**	**406 393**
- lending activities	229 276	75 321	0	-2 401	302 196
- depositing activities	67 411	57 545	0	218	125 174
- the cost of financing cash kept in the Bank's branches	-6 032	-3 885	9 928	-11	0
Net commission income and other net income	**101 619**	**44 289**	**0**	**11 645**	**157 553**
- commissions for keeping accounts and transactions	40 320	25 553	0	367	66 240
- commissions related to cards	31 829	2 550	0	2 500	36 879
- commissions related to shares in investment funds societies	27 935	1 433	0	52	29 420
- commissions related to insurance products	-671	19	0	92	-560
- commissions related to foreign transactions	28	10 725	0	216	10 969
- other	2 178	4 009	0	8 418	14 605
Net income from treasury transactions	**33 179**	**27 765**	**64 138**	**-1 854**	**123 228**
- exchange transactions	33 113	25 452	65 215	-2 226	121 554
- derivatives and securities	66	2 313	-1 077	372	1 674
Net gains from investment activities	**0**	**0**	**-27**	**3 622**	**3 595**
Gross operating income	**425 453**	**201 035**	**53 062**	**11 219**	**690 769**
Net impairment losses on financial assets, other assets and provisions	**-26 198**	**-32 972**	**0**	**394**	**-58 776**
Bank's general and administrative expenses, including:	**-325 246**	**-141 728**	**-8 128**	**0**	**-475 102**
- the costs of the operation of business functions (direct costs)	-179 442	-49 911	-6 823	0	-236 176
- allocated expenses	-121 477	-83 193	-812	0	-205 482
- depreciation (direct costs)	-16 173	-1 609	-427	0	-18 209
- depreciation (allocated costs)	-8 154	-7 015	-66	0	-15 235
Net operating income	**74 009**	**26 335**	**44 934**	**11 613**	**156 891**
Income tax expense					-56 125
Net profit (loss)					**100 766**

Bank's net result for the second quarter of 2011 by operating segments (breakdown according to management reporting) non-audited

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**161 862**	**72 412**	**72 146**	**-1 484**	**304 936**
- lending activities	123 881	44 963	0	-1 502	167 342
- depositing activities	40 997	29 729	0	18	70 744
- the cost of financing cash kept in the Bank's branches	-3 016	-2 280	5 296	0	0
Net commission income and other net income	**43 336**	**19 155**	**0**	**4 377**	**66 868**
- commissions for keeping accounts and transactions	21 806	12 978	0	143	34 927
- commissions related to cards	17 862	1 624	0	-1 507	17 979
- commissions related to shares in investment funds societies	13 270	647	0	0	13 917
- commissions related to insurance products	-4 639	-9	0	-74	-4 722
- commissions related to foreign transactions	11	4 884	0	83	4 978
- other	-4 974	-969	0	5 732	-211
Net income from treasury transactions	**11 326**	**12 120**	**-12 339**	**-461**	**10 646**
- exchange transactions	11 320	11 568	-6 948	-631	15 309
- derivatives and securities	6	552	-5 391	170	-4 663
Net gains from investment activities	**0**	**0**	**295**	**3 948**	**4 243**
Gross operating income	**216 524**	**103 687**	**60 102**	**6 380**	**386 693**
Net impairment losses on financial assets, other assets and provisions	**-40 605**	**-11 291**	**0**	**8 582**	**-43 314**
Bank's general and administrative expenses, including:	**-161 686**	**-62 783**	**-3 713**	**0**	**-228 182**
- the costs of the operation of business functions (direct costs)	-74 119	-25 416	-3 333	0	-102 868
- allocated expenses	-69 829	-33 645	-294	0	-103 768
- depreciation (direct costs)	-17 146	-805	-27	0	-17 978
- depreciation (allocated costs)	-592	-2 917	-59	0	-3 568
Net operating income	**14 233**	**29 613**	**56 389**	**14 962**	**115 197**
Income tax expense					-29 804
Net profit (loss)					**85 393**

Bank's net result for the first half of 2011 by operating segments (breakdown according to management reporting) non-audited

in PLN '000'	**Retail Segment**	**Corporate Segment**	**Treasury Segment**	**Other**	**Total**
Net interest income, including:	**312 522**	**139 124**	**142 296**	**-2 173**	**591 769**
- lending activities	240 688	86 582	0	-2 207	325 063
- depositing activities	77 383	56 676	0	34	134 093
- the cost of financing cash kept in the Bank's branches	-5 549	-4 134	9 683	0	0
Net commission income and other net income	**83 551**	**45 298**	**0**	**13 347**	**142 196**
- commissions for keeping accounts and transactions	43 428	25 612	0	282	69 322
- commissions related to cards	35 512	2 795	0	-583	37 724
- commissions related to shares in investment funds societies	25 930	1 378	0	0	27 308
- commissions related to insurance products	-9 865	-67	0	-34	-9 966
- commissions related to foreign transactions	20	9 916	0	173	10 109
- other	-11 474	5 664	0	13 509	7 699
Net income from treasury transactions	**20 353**	**22 953**	**-17 935**	**-146**	**25 225**
- exchange transactions	20 340	21 790	-5 537	-265	36 328
- derivatives and securities	13	1 163	-12 398	119	-11 103
Net gains from investment activities	**0**	**0**	**405**	**3 953**	**4 358**
Gross operating income	**416 426**	**207 375**	**124 766**	**14 981**	**763 548**
Net impairment losses on financial assets, other assets and provisions	**-31 929**	**-5 850**	**0**	**7 244**	**-30 535**
Bank's general and administrative expenses, including:	**-319 738**	**-121 980**	**-7 771**	**0**	**-449 489**
- the costs of the operation of business functions (direct costs)	-158 441	-47 290	-6 955	0	-212 686
- allocated expenses	-124 950	-68 208	-643	0	-193 801
- depreciation (direct costs)	-35 243	-1 438	-51	0	-36 732
- depreciation (allocated costs)	-1 104	-5 044	-122	0	-6 270
Net operating income	**64 759**	**79 545**	**116 995**	**22 225**	**283 524**
Income tax expense					-71 357
Net profit (loss)					**212 167**

The allocation of assets by operating segments as at 30.06.2012 non-audited

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to banks	0	0	1 649 384	0	1 649 384
Loans and advances to customers	20 779 103	8 056 616	0	0	28 835 719
Securities	0	0	9 079 182	0	9 079 182
Other	0	0	694 412	2 752 095	3 446 507
Total	**20 779 103**	**8 056 616**	**11 422 978**	**2 752 095**	**43 010 792**

The allocation of assets by operating segments as at 31.12.2011

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to banks	0	0	1 187 219	0	1 187 219
Loans and advances to customers	20 944 185	7 777 564	0	0	28 721 749
Securities	0	0	8 816 456	0	8 816 456
Other	0	0	1 071 089	1 754 867	2 825 956
Total	**20 944 185**	**7 777 564**	**11 074 764**	**1 754 867**	**41 551 380**

The allocation of assets by operating segments as at 30.06.2011 non-audited

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to banks	0	0	1 245 779	0	1 245 779
Loans and advances to customers	19 553 474	7 501 131	0	0	27 054 605
Securities	0	0	13 157 822	0	13 157 822
Other	0	0	382 244	2 078 786	2 461 030
Total	**19 553 474**	**7 501 131**	**14 785 845**	**2 078 786**	**43 919 236**

Below, we present the reconciliation of particular items with the income statement and assets published in this report.

in PLN '000'	01.04.2012-30.06.2012 non-audited
Net interest income – management information	**183 676**
- commissions on loans	11 696
+ operating expenses (interest on finance lease)	-74
+ operating income (the collection of statutory interest)	2 076
+ commissions related to foreign transactions	203
- structured deposit – interest adjustment	188
+ other	82
Net interest income – financial statements	**174 079**
Net commission income and other net income – management information	**77 731**
+ commissions on loans	11 696
- operating expenses (interest on finance lease)	-74
- operating income (the collection of statutory interest)	2 076
- commissions related to foreign transactions	203
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-7 132
+ reversal of provisions related to incentive programmes	2 800
- other	-1
Net commission income and other net income – financial statements – presented as:	**97 155**
Net fee and commission income	87 902
Other operating income	16 111
Other operating expenses	-6 858
Net income from treasury transactions – management information	**70 077**
+ net increase/decrease in provisions for potential losses related to active derivatives	-23
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-7 132
+ structured deposit – interest adjustment	188
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**63 110**
Net trading income	61 264
Net result on derivatives used as hedging instruments and hedged items	1 846
Net gains from investment activities – management information	**3 586**
Net gains from investment activities and dividend income – financial statements – presented as:	**3 586**
Net gains from investment activities	-92
Dividend income	3 678
Gross operating income – management information	**335 070**
+ net increase/decrease in provisions for potential losses related to active derivatives	-23
+ reversal of provisions related to incentive programmes	2 800
+ other	83
Gross operating income – financial statements – presented as:	**337 930**
Total operating income	344 788
Other operating expenses	-6 858

Net impairment losses on financial assets, other assets and provisions – management information	**-3 091**
- net increase/decrease in provisions for potential losses related to active derivatives	-23
- other	83
Net impairment losses on financial assets, other assets and provisions – financial statements	**-3 151**
Bank's general and administrative expenses – management information	**-246 451**
- reversal of provisions related to incentive programmes	2 800
General and administrative expenses – financial statements	**-249 251**

in PLN '000'	**01.01.2012-30.06.2012** non-audited
Net interest income – management information	**406 393**
- commissions on loans	22 971
+ operating expenses (interest on finance lease)	-168
+ operating income (the collection of statutory interest)	4 021
+ commissions related to foreign transactions	269
- structured deposit – interest adjustment	188
+ other	65
Net interest income – financial statements	**387 421**
Net commission income and other net income – management information	**157 553**
+ commissions on loans	22 971
- operating expenses (interest on finance lease)	-168
- operating income (the collection of statutory interest)	4 021
- commissions related to foreign transactions	269
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 994
+ reversal of provisions related to incentive programmes	2 800
- other	-2
Net commission income and other net income – financial statements – presented as:	**183 198**
Net fee and commission income	168 513
Other operating income	29 802
Other operating expenses	-15 117
Net income from treasury transactions – management information	**123 228**
+ net increase/decrease in provisions for potential losses related to active derivatives	688
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 994
+ structured deposit – interest adjustment	188
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**120 110**
Net trading income	119 343
Net result on derivatives used as hedging instruments and hedged items	767
Net gains from investment activities – management information	**3 595**
Net gains from investment activities and dividend income – financial statements – presented as:	**3 595**
Net gains from investment activities	-92
Dividend income	3 687

Gross operating income – management information	**690 769**
+ net increase/decrease in provisions for potential losses related to active derivatives	688
+ reversal of provisions related to incentive programmes	2 800
+ other	67
Gross operating income – financial statements – presented as:	**694 324**
Total operating income	709 441
Other operating expenses	-15 117

Net impairment losses on financial assets, other assets and provisions – management information	**-58 776**
- net increase/decrease in provisions for potential losses related to active derivatives	688
- other	67
Net impairment losses on financial assets, other assets and provisions – financial statements	**-59 531**

Bank's general and administrative expenses – management information	**-475 102**
- reversal of provisions related to incentive programmes	2 800
General and administrative expenses – financial statements	**-477 902**

in PLN '000'	**01.04.2011-30.06.2011** non-audited
Net interest income – management information	**304 936**
- commissions on loans	12 418
+ operating expenses (interest on finance lease)	-190
+ operating income (the collection of statutory interest)	3 431
+ commissions related to foreign transactions	75
- structured deposit – interest adjustment	4 741
+ other	-4
Net interest income – financial statements	**291 089**
Net commission income and other net income – management information	**66 868**
+ commissions on loans	12 418
- operating expenses (interest on finance lease)	-190
- operating income (the collection of statutory interest)	3 431
- commissions related to foreign transactions	75
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-4 593
+ reversal of provisions related to incentive programmes	16 603
- other	-4
Net commission income and other net income – financial statements – presented as:	**97 170**
Net fee and commission income	81 115
Other operating income	29 725
Other operating expenses	-13 670

Net income from treasury transactions – management information	**10 646**
+ net increase/decrease in provisions for potential losses related to active derivatives	-8
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-4 593
+ structured deposit – interest adjustment	4 741
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**10 786**
Net trading income	11 059
Net result on derivatives used as hedging instruments and hedged items	-273

Net gains from investment activities – management information	**4 243**
Net gains from investment activities and dividend income – financial statements – presented as:	**4 243**
Net gains from investment activities	295
Dividend income	3 948

Gross operating income – management information	**386 693**
+ net increase/decrease in provisions for potential losses related to active derivatives	-8
+ reversal of provisions related to incentive programmes	16 603
Gross operating income – financial statements – presented as:	**403 288**
Total operating income	416 958
Other operating expenses	-13 670

Net impairment losses on financial assets, other assets and provisions – management information	**-43 314**
- net increase/decrease in provisions for potential losses related to active derivatives	-8
+ charges related to provisions for employee benefits	-1 287
Net impairment losses on financial assets, other assets and provisions – financial statements	**-44 593**

Bank's general and administrative expenses – management information	**-228 182**
- charges related to provisions for employee benefits	-1 287
- reversal of provisions related to incentive programmes	16 603
General and administrative expenses – financial statements	**-243 498**

in PLN '000'	**01.01.2011-30.06.2011** non-audited
Net interest income – management information	**591 769**
- commissions on loans	23 457
+ operating expenses (interest on finance lease)	-416
+ operating income (the collection of statutory interest)	8 643
+ commissions related to foreign transactions	231
- structured deposit – interest adjustment	9 095
+ other	-5
Net interest income – financial statements	**567 670**

Net commission income and other net income – management information	**142 196**
+ commissions on loans	23 457
- operating expenses (interest on finance lease)	-416
- operating income (the collection of statutory interest)	8 643
- commissions related to foreign transactions	231
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 424
+ reversal of provisions related to incentive programmes	16 603
- other	-5
Net commission income and other net income – financial statements – presented as:	**177 227**
Net fee and commission income	161 093
Other operating income	44 432
Other operating expenses	-28 298
Net income from treasury transactions – management information	**25 225**
+ net increase/decrease in provisions for potential losses related to active derivatives	-246
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 424
+ structured deposit – interest adjustment	9 095
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**30 650**
Net trading income	31 081
Net result on derivatives used as hedging instruments and hedged items	-431
Net gains from investment activities – management information	**4 358**
Net gains from investment activities and dividend income – financial statements – presented as:	**4 358**
Net gains from investment activities	405
Dividend income	3 953
Gross operating income – management information	**763 548**
+ net increase/decrease in provisions for potential losses related to active derivatives	-246
+ reversal of provisions related to incentive programmes	16 603
Gross operating income – financial statements – presented as:	**779 905**
Total operating income	808 203
Other operating expenses	-28 298
Net impairment losses on financial assets, other assets and provisions – management information	**-30 535**
- net increase/decrease in provisions for potential losses related to active derivatives	-246
+ charges related to provisions for employee benefits	-1 287
Net impairment losses on financial assets, other assets and provisions – financial statements	**-31 576**
Bank's general and administrative expenses – management information	**-449 489**
- charges related to provisions for employee benefits	-1 287
- reversal of provisions related to incentive programmes	16 603
General and administrative expenses – financial statements	**-464 805**

in PLN '000'	**Management information**	**Interest**	**Financial statements (net value)**
30.06.2012 non-audited			
Loans and advances to banks	1 649 384	903	1 650 287
Loans and advances to customers	28 835 719	120 507	28 956 226
31.12.2011			
Loans and advances to banks	1 187 219	793	1 188 012
Loans and advances to customers	28 721 749	118 620	28 840 369
30.06.2011 non-audited			
Loans and advances to banks	1 245 779	702	1 246 481
Loans and advances to customers	27 054 605	101 704	27 156 309

in PLN '000'	**30.06.2012** non-audited
Securities – management information	**9 079 182**
Securities – financial statements – presented as:	**9 079 182**
Financial assets designated upon initial recognition as at fair value through profit or loss	41 891
Financial assets held for trading (excluding derivatives)	332 834
Investment securities	8 704 457

	31.12.2011
Securities – management information	**8 816 456**
Securities – financial statements – presented as:	**8 816 456**
Financial assets designated upon initial recognition as at fair value through profit or loss	79 944
Financial assets held for trading (excluding derivatives)	60 493
Investment securities	8 676 019

	30.06.2011 non-audited
Securities – management information	**13 157 822**
Securities – financial statements – presented as:	**13 157 822**
Financial assets designated upon initial recognition as at fair value through profit or loss	93 434
Financial assets held for trading (excluding derivatives)	2 371 250
Investment securities	10 693 138

10. Capital adequacy ratio

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
Capital requirement, including:	**2 491 136**	**2 356 196**	**2 242 836**
- credit risk	2 246 476	2 102 918	1 996 154
- market risk	27 859	31 068	24 471
- operational risk	216 801	222 210	222 211
Own funds and short-term capital	**4 061 409**	**3 745 195**	**3 637 614**
Basic capitals	**2 888 738**	**2 585 156**	**2 588 992**
- share capital	1 358 294	1 358 294	1 358 294
- supplementary capital	1 128 181	898 072	898 072
- revaluation reserve included in basic equity	-2 595	-7 683	-8 018
- other reserves	481 151	400 942	400 942
- retained earnings (losses)	0	0	0
- net profit included in the calculation of capital adequacy ratio	0	212 167	0
- dividends predicted	0	-212 167	0
- intangible assets	-75 915	-60 472	-56 470
- shares in financial entities (50%)	-2	-3 828	-3 828
- other	-376	-169	0
Supplementary funds	**1 115 810**	**1 082 031**	**1 002 522**
- revaluation reserve included in supplementary equity	100 671	48 034	56 744
- subordinated liabilities included in equity	1 015 141	1 037 825	949 606
- shares in financial entities (50%)	-2	-3 828	-3 828
Short-term capital	**56 861**	**78 008**	**46 100**
Capital adequacy ratio (%)	**13.04**	**12.72**	**12.98**
Ratio, including basic funds (%)	**9.28**	**8.78**	**9.23**

As at 30.06.2012, 31.12.2011 and 30.06.2011, the capital adequacy ratio was calculated as required by the regulations of the Polish Financial Supervision Authority.

Below, we present the information concerning the compliance with capital requirements:

1) Amounts accounting for 8% of risk weighted exposures separately for each class of exposure defined in § 20 clause 1 of Annex No. 4 to the Resolution of the Polish Financial Supervision Authority No. 76/2010 of 10 March 2010, as amended, concerning the scope and detailed rules of determining capital requirements for particular types of risks.

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
The amount of the capital requirement for credit risk*, including counterparty credit risk:	**2 246 476**	**2 102 918**	**1 996 154**
- central governments and central banks	0	0	0
- regional governments and local authorities	2 372	2 473	2 118
- administrative bodies and non-commercial undertakings	7 401	7 442	7 754
- multilateral development banks	0	0	0
- international organizations	0	0	0
- institutions – banks	66 688	83 304	65 979
- corporates	389 714	389 326	386 714
- retail	572 234	784 613	709 637
- collateral on real estate property	1 128 153	771 928	755 255
- past due	45 349	26 717	27 592
- exposures belonging to regulatory high-risk categories	726	324	4 632
- covered bonds	0	0	0
- securitization positions	0	0	0
- exposures to banks and corporates with a short-term credit rating	0	0	0
- in collective investment undertakings	0	0	0
- other exposures	33 839	36 791	36 473

** estimated on the basis of the Standardized Approach*

2) The amounts of minimum capital requirements referred to in § 6 clause 1 items 2-5 of the Resolution of the Polish Financial Supervision Authority No. 76/2010 of 10 March 2010, as amended, concerning the scope and detailed rules of determining capital requirements for particular types of risks.

in PLN '000'	30.06.2012 non-audited	31.12.2011	30.06.2011 non-audited
The amount of the capital requirement for market risk, including:	**27 859**	**31 068**	**24 471**
- currency risk	0	0	0
- commodity price risk	0	0	0
- equity securities price risk	0	0	0
- price risk of debt instruments	56	11	9
- general interest rate risk	27 803	31 057	24 462

3) The amounts of minimum capital requirements referred to in § 6 clause 1 item 6 of the Resolution of the Polish Financial Supervision Authority No. 76/2010 of 10 March 2010, as amended, concerning the scope and detailed rules of determining capital requirements for particular types of risks.

	Year	2012
Result*	2009	1 488 182
Result*	2010	1 543 923
Result*	2011	1 614 003
Capital Charge	2009	206 391
Capital Charge	2010	217 821
Capital Charge	2011	226 192
Operational risk requirement**		**216 801**

** calculated according to Annex No. 14 to Resolution No. 76/2010 of the Polish Financial Supervision Authority, as amended*
*** estimated on the basis of the Standardized Approach*

	Year	2011
Result*	2008	1 453 068
Result*	2009	1 488 182
Result*	2010	1 543 923
Capital Charge	2008	213 555
Capital Charge	2009	220 704
Capital Charge	2010	232 373
Operational risk requirement**		**222 210**

** calculated according to Annex No. 14 to Resolution No. 76/2010 of the Polish Financial Supervision Authority, as amended*
*** estimated on the basis of the Standardized Approach*

As at 30.06.2012, 31.12.2011 and 30.06.2011, the exposure concentration limit and the capital concentration threshold were not exceeded in the Bank.

The risk management process is strictly related to the capital management process. According to the industry standards, the amount of the internal capital is defined from the economic point of view. In consequence, the internal capital of Kredyt Bank S.A. is estimated by applying the internal capital model of KBC Group, which encompasses all material types of risk.

11. Related party transactions

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

In the first half of 2012 and in 2011, no significant non-standard transactions had place with related parties whose nature and terms were not related to current operations. All transactions were executed on market terms, without any exceptional or non-standard terms or conditions.

As at 30.06.2012 ***non-audited***

Assets	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2012
Loans and advances to banks	0	9 845	482 234	492 079
Derivatives	0	230 498	3 287	233 785
Loans and advances to customers	344 125	0	154	344 279
Other assets	2 018	32	12 040	14 090
Total assets	**346 143**	**240 375**	**497 715**	**1 084 233**

** including Warta Group*

Liabilities	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2012
Amounts due to banks	0	4 660 333	130 923	4 791 256
Derivatives	0	147 532	18 881	166 413
Amounts due to customers	99 201	2 481	1 070 786	1 172 468
Other liabilities	1 801	798	6 804	9 403
Subordinated liabilities	0	1 013 882	0	1 013 882
Total liabilities	**101 002**	**5 825 026**	**1 227 394**	**7 153 422**

** including Warta Group*

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2012
Granted financing liabilities	141 576	251	255 059	396 886
Guarantees granted	5 222	53 499	30 594	89 315
Received financing liabilities	0	11 330	0	11 330
Guarantees received	0	131 482	500 581	632 063
Derivatives	0	35 377 365	2 948 038	38 325 403
Collateral received	82 880	0	11 400	94 280
Total off-balance sheet items	**229 678**	**35 573 927**	**3 745 672**	**39 549 277**

** including Warta Group*

Income	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	01.01.2012 -30.06.2012
Interest income	11 054	26 240	583	37 877
Fee and commission income	49	115	49 628	49 792
Dividend income	2 185	0	0	2 185
Net trading income	0	135 910	-32 993	102 917
Other operating income	384	0	1 322	1 706
Total income	**13 672**	**162 265**	**18 540**	**194 477**

** including Warta Group*

Expenses	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	01.01.2012 -30.06.2012
Interest expense	1 426	93 005	14 597	109 028
Commission expense**	0	200	11 981	12 181
General and administrative expenses, as well as other operating expenses	3 197	826	15 051	19 074
Total expenses	**4 623**	**94 031**	**41 629**	**140 283**

** including Warta Group*
*** from the third quarter of 2011, this item has been presented on a contractual basis, and in previous periods, it was presented according to the policy of the major shareholder*

As at 31.12.2011

Assets	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2011
Loans and advances to banks	0	75 221	2 462	77 683
Derivatives	0	201 285	10 671	211 956
Loans and advances to customers	339 585	0	0	339 585
Other assets	2 301	58	15 465	17 824
Total assets	**341 886**	**276 564**	**28 598**	**647 048**

** including Warta Group*

Liabilities	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2011
Amounts due to banks	0	7 785 533	210 427	7 995 960
Derivatives	0	133 392	8 697	142 089
Amounts due to customers	51 618	2 385	879 652	933 655
Other liabilities	3 606	3 338	12 378	19 322
Subordinated liabilities	0	1 036 510	0	1 036 510
Total liabilities	**55 224**	**8 961 158**	**1 111 154**	**10 127 536**

** including Warta Group*

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2011
Granted financing liabilities	148 321	0	241 917	390 238
Guarantees granted	5 222	51 491	40 717	97 430
Guarantees received	0	133 676	33 005	166 681
Derivatives	0	36 921 954	1 292 845	38 214 799
Collateral received	82 880	0	1 400	84 280
Total off-balance sheet items	**236 423**	**37 107 121**	**1 609 884**	**38 953 428**

** including Warta Group*

As at 30.06.2011 ***non-audited***

Assets	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2011
Loans and advances to banks	0	25 713	52	25 765
Derivatives	0	66 878	3 970	70 848
Loans and advances to customers	276 295	0	0	276 295
Other assets	2 391	11	14 827	17 229
Total assets	**278 686**	**92 602**	**18 849**	**390 137**

** including Warta Group*

Liabilities	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2011
Amounts due to banks	0	8 074 682	3 082 421	11 157 103
Derivatives	0	126 560	8 437	134 997
Amounts due to customers	49 718	2 224	1 404 940	1 456 882
Other liabilities	5 875	1 586	7 202	14 663
Subordinated liabilities	0	947 298	0	947 298
Total liabilities	**55 593**	**9 152 350**	**4 503 000**	**13 710 943**

** including Warta Group*

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2011
Granted financing liabilities	211 077	0	240 150	451 227
Guarantees granted	5 262	51 151	24 063	80 476
Received financing liabilities	45 000	738 324	0	783 324
Guarantees received	0	778 269	49 371	827 640
Derivatives	0	21 147 427	2 044 829	23 192 256
Collateral received	82 920	0	1 400	84 320
Total off-balance sheet items	**344 259**	**22 715 171**	**2 359 813**	**25 419 243**

** including Warta Group*

Income	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	01.01.2011 -30.06.2011
Interest income	7 525	6 334	883	14 742
Fee and commission income	0	123	34 481	34 604
Dividend income	2 426	0	0	2 426
Other operating income	433	7	3 955	4 395
Total income	**10 384**	**6 464**	**39 319**	**56 167**

** including Warta Group*

Expenses	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	01.01.2011 -30.06.2011
Interest expense	1 338	40 094	33 838	75 270
Commission expense**	0	207	14 720	14 927
Net trading income	0	124 288	-938	123 350
General and administrative expenses, as well as other operating expenses	4 233	1 525	21 084	26 842
Total expenses	**5 571**	**166 114**	**68 704**	**240 389**

** including Warta Group*
*** from the third quarter of 2011, this item has been presented on a contractual basis, and in previous periods, it was presented according to the policy of the major shareholder*

12. Dividends paid and declared

Pursuant to the Resolution of the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. concerning the distribution of profit for 2011 adopted on 25.05.2012, the dividend for 2011 was not paid.

Pursuant to the Resolution of the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. concerning the distribution of profit for 2010 adopted on 25.05.2011, the dividend for the financial year 2010 was paid in the gross amount of PLN 0.37 per share. The total amount of the dividend was PLN 100,513,785.60, and the entitlement to the dividend was vested in 271,658,880 shares of the Bank of A to W series inclusive. The right to dividend was established on 14.06.2011. The dividend was paid on 30.06.2011.

13. Events after the reporting period

The events after the reporting period are presented in Note I.42.

14. Seasonality and cyclical nature of operations

The Bank's operations are not of seasonal nature.

15. Other additional information

Other additional information material for the proper assessment of the assets, financial situation and the financial result of the Bank is published in the first part of this report.

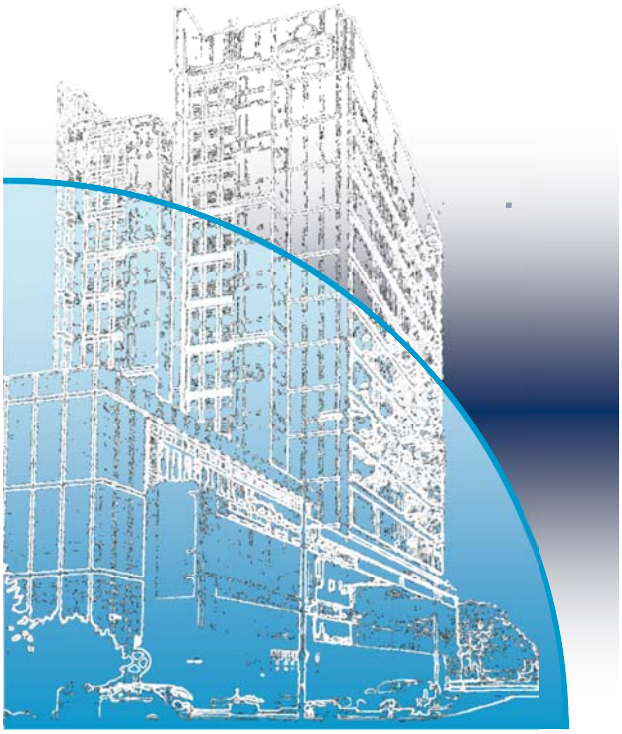
These interim condensed financial statements of Kredyt Bank S.A. were approved for publication by the Management Board of Kredyt Bank S.A. on 07.08.2012.

Signatures of all Management Board Members

date	07.08.2012	Maciej Bardan	President of the Management Board	....
date	07.08.2012	Piotr Sztrauch	Vice President of the Management Board	....
date	07.08.2012	Umberto Arts	Vice President of the Management Board	....
date	07.08.2012	Mariusz Kaczmarek	Vice President of the Management Board	....
date	07.08.2012	Zbigniew Kudaś	Vice President of the Management Board	....
date	07.08.2012	Jerzy Śledziewski	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	07.08.2012	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....



THE MANAGEMENT BOARD'S REPORT ON THE OPERATIONS OF KREDYT BANK S.A. CAPITAL GROUP

for the First Half of 2012

Ended on 30.06.2012

2012

CONTENTS

1. Factors affecting the results of Kredyt Bank S.A. Capital Group in first half of 2012

In the first half of 2012, Kredyt Bank S.A. Group generated PLN 118,655 thousand of net profit. It was lower by 46.5% than net profit generated in the first half of the previous year. The result allowed for the generation of the return on equity (ROE) at the level of 7.2%.

Selected financial ratios and figures	30.06.2012	30.06.2011
Net loans and advances to customers	29 261 107	27 379 294
Amounts due to customers	29 626 447	26 154 246
Net operating income	743 114	812 939
Operating profit	245 168	329 430
Profit before tax	182 198	297 050
Net profit	118 655	221 917
ROE*	7.2%	11.8%
ROA*	0.5%	0.8%
CIR	67.0%	59.5%
Capital adequacy ratio	12.9%	12.7%
Loans and advances with evidence for impairment/total gross loans and advances	8.4%	7.3%

*ROE and ROA were calculated having regard for net profit actually generated in the period of the last 12 months

Three most important elements that affected the financial result of Kredyt Bank S.A. Group in the first half of 2012 and the comparability to the results accomplished in the first half of 2011:

- Changing the approach to the financing of the lending activities by increasing the share of amounts due to customers in total liabilities and equity; The change aims at becoming independent of the direct financing in foreign currencies obtained on the inter-bank market by focusing on the acquisition of customers' deposits and their use in SWAP transactions. The approach was associated with the necessity of adopting a more competitive pricing policy for deposit products. As a result, net interest income in the first half of 2012 amounted to PLN 395,942 thousand and was lower by 32.2% than net interest income in the first half of 2011. A part of this difference was neutralized due to a significant increase in net trading income (by 278.1%); a part of the net income from SWAP transactions is presented in this item.
- The sale of the portfolio of retail debts with the total nominal value of PLN 1,169.7 million (as at 31.03.2011) in the first half of 2011. The net book value of the Portfolio in the books of Kredyt Bank S.A. as of 31.03.2011 amounted to PLN 137.2 million. The positive impact of the transaction upon the net result of Kredyt Bank S.A. Capital Group, on the basis of the data as at 30.06.2011, having regard for the expected future repayments, amounted in the first half of 2011 to PLN 63,483 thousand. Disregarding the transaction, net financial result in the first half of 2011 would amount to PLN 158,434 thousand.
- A change of the method of estimating the impairment for loans and advances implemented in the second quarter of 2012. The associated impact upon the net result amounted to ca. PLN 52,448 thousand. Disregarding the positive impact of the change of the methodology upon net impairment losses on assets (+PLN 64,355 thousand) and the positive impact of the sale of debts in the previous year (+PLN 84,964 thousand), the deduction of net impairment losses on assets and provisions from profit before tax in the first half of 2012 as compared to the first half of 2011 would be higher by 7.7%.

Other factors that affected the level and structure of results in the first half of 2012 to a large extent were as follows:

- An increase in the value of the Group's loans and deposits portfolio. At the end of the first half of 2012, net loans and advances to customers amounted to PLN 29,261,107 thousand, i.e. 6.9% more than at the end of the first half of 2011, and amounts due to customers amounted to PLN 29,626,447 thousand, i.e. 13.3% more than at the end of the first half of the previous year. The net loans/deposits ratio improved by 5.9 p.p. to 98.8% at the end of the first half of 2012.Higher (by 5.6%) net fee and commission income, due to, among other things, the improvement in the income from the distribution of combined savings and investment products and insurance mediation. Also, the income from commissions on guarantees, foreign clearing operations and related to payment cards processing and ATMs maintenance was higher.
- An increase in the Group's general and administrative expenses in the first half of 2012 by 3.0% as compared to the first half of the previous year. The increase was related mainly to higher staff costs and, to a smaller extent, to the increase in the costs of buildings lease and the costs of advisory and specialist services.

The most important events for the Group's operations in the first half of 2012 are as follows:

- A gradual deterioration in the business conditions in Poland reflected in the slower GDP growth combined with the stabilization of the inflation rate at the level exceeding the inflation target of the Monetary Policy Council, adversely affecting the inclinations of customers to consume and invest, hence limiting the demand for loan products. The deterioration of the business conditions in the euro area adversely affecting the financial markets and, as a result, the sales of investment products.
- Increased price competition on the deposits market associated with the amendments to the law concerning the taxation of income from bank term deposits and the concerns about the sources of financing banking activities in 2012.
- Legal changes resulting in the withdrawal of mortgage housing loans in foreign currencies from the offer.
- Signing, on 27 February 2012, by KBC Bank NV and Banco Santander S.A. of an investment agreement in which the parties expressed their intent to merge Kredyt Bank S.A. and BZ WBK S.A. and of an agreement of the four above-mentioned entities concerning the launch of works to merge Kredyt Bank S.A. and BZ WBK S.A.

2. Business conditions in Poland and the banking sector in the first half of 2012

Overall situation in the first half of 2012

In the first quarter of 2012, Poland's GDP growth rate declined to 3.5% y/y as compared to 4.3% in the fourth quarter of 2011. Despite the lower GDP growth rate, it was still one of the highest rates in the countries of the European Union, alongside the growth rates of Slovakia and the Baltic states. The slowdown in the GDP growth resulted primarily from the decline in total investments growth rate from 9.7% y/y to 6.7%. Despite the lower growth rate for investments, it remained at a fairly high level, which resulted from the substantial increase in gross expenditure on property, plant and equipment in enterprises employing at least 50 employees and the fast-growing public investments, including particularly the expenditure on transport infrastructure associated with EURO 2012. The decline in the lending activities in the segment of mortgage housing loans, related to a more limited access to such loans, contributed to the slowdown in housing investments. The constantly deteriorating situation on the labor market indicating the worsening of income prospects was also a factor discouraging households to make new housing investments.

Private consumption, the annual growth rate of which did not change as compared to the fourth quarter of 2011 and amounted to 2.1% y/y, was a stabilizing factor for the economic growth in the first quarter of 2012. As in previous quarters, the growth rate of the private consumption was limited due to the persisting difficult situation on the labor market, reflected in the persistently high unemployment rate and related low growth rate for real salaries and wages, limited additionally due to the increase in February in the state disability insurance contribution to be paid by employers by 2 p.p. The decline in the lending activities in the segment of consumer loans also contributed to the slower growth of the private consumption.

The first quarter of 2012 was marked by a clearly slower growth of Polish export from 7.9% y/y in the fourth quarter of 2011 to 4.8%, which resulted mainly from the deterioration in the business conditions in the euro area, including in Germany. Furthermore, a noticeable appreciation of the Polish zloty recorded in this period associated with two long-term refinancing operations carried out by the European Central Bank and the accompanying improvement of global sentiments was a factor limiting the demand for Polish export. The deteriorating internal demand, particularly the investment demand, resulted in a lower import growth rate; however, due to the low import-intensity of public investments, the slowdown in the growth of import was smaller than the reduction of the export growth rate. As a result, in the first quarter of 2012, the contribution of net export to the GDP growth decreased to 0.7 p.p. against 1.0 p.p. in the fourth quarter of 2011.

In the second quarter of 2012, the business conditions of major business partners of Poland deteriorated, which was a factor resulting in further slowdown in Poland's economic growth. A conspicuous decline in the annual growth rate of Polish export denominated in the euro was recorded; in May, for the first time since October 2009, it was negative. As a result, despite the positive impact of 'the acceleration effect' associated with EURO 2012, contributing to the increase in the demand for building materials manufactured by Polish industry, also the industrial production growth rate decreased. In turn, the apparently lower growth rate of the retail sale in constant prices, which resulted, among other things, from the significant increase in the unemployment rate as compared to the second quarter of 2011, was a sign of the decrease in the consumer demand.

Throughout the first half of 2012, the CPI inflation remained above the upper limit of deviations from the inflation target of the National Bank of Poland (3.5%), and, in February and June, it reached the highest level (4.3%). The high inflation rate in this period resulted from the high growth rate of the prices of food and non-alcoholic beverages and of the prices of energy carriers, particularly of the prices of fuels, which was an effect of the increase in the prices of raw materials on global markets. In the period, the core inflation, excluding the prices of food and energy carriers, remained at the level evidently below CPI (2.3% - 2.7%), which, along with the low growth rate of salaries and wages, was a sign of the lack of a strong demand pressure in the economy. Despite the fact, in May, the Monetary Policy Council increased the interest rates by 25 bp, determining the reference rate of the National Bank of Poland (NBP) at 4.75% and maintaining the restrictive attitude in the monetary policy. The decision was dictated by the concern that the scale of the slowdown in the economic growth in Poland expected by the Council may prove to be insufficient to bring the inflation rate to the inflation target in the medium term.

In January and February 2012, the Polish zloty got appreciated substantially against the main currencies, which was accompanied by a greater inflow of the capital to the market of Polish Treasury securities. The changes resulted from the substantial decline in the global risk aversion due to the completion of two long-term refinancing operations by the European Central Bank (in December 2011 and in February 2012), perceived by investors as the indication of improved prospects for the economic growth and public finances in the euro area. The refinancing operations contributed to the increased liquidity of the banking system in the euro area and to the decrease in the yield on bonds in the countries with adverse fiscal prospects (Spain and Italy). The outcomes of the election in Greece held in May, which meant the prolongation of the political stalemate in this country and the growing risk of leaving the euro area by Greece, contributed to the depreciation of the Polish zloty and to the increase in the yield on Polish bonds. The Polish zloty began to get appreciated once more against the main currencies at the beginning of June, which resulted from the growing demand for the bonds of the so-called 'emerging market countries', which was reflected in increased purchases of Polish Treasury bonds by foreign investors. The overliquidity in the global financial system and a relatively high (at the background of the developed countries with the status of the so-called 'safe harbor') yield on Treasury bonds in Poland, supported the inflow of portfolio investments to Poland. Furthermore, the outcome of the re-run elections in Greece in June, won by the coalition of the parties intending to implement the program of reforms stabilizing public finances, supported the exchange rate of the Polish zloty. As a result, at the end of June 2012, the exchange rate of the euro against the Polish zloty was at the level of 4.26 as compared to 4.41 at the end of December 2011.

Banking sector in the first half of 2012

Between January and May 2012, the net profit of the banking sector amounted to PLN 6.6 billion PLN and, hence, was higher by 5.7% than in the corresponding period in the previous year. An increase in interest income, including the interest on granted loans and other receivables, was the main contributing factor for the improvement of the financial result. The increase in the income in this segment of banks' operations resulted primarily from the rise in WIBOR rates associated with the tightening of the monetary policy by the Monetary Policy Council in 2011 by the total of 100 bp. However, the amount of the impairment losses on financial assets of the banking sector was higher than the year before, which resulted from a slight growth of the percentage of impaired loans and advances to the non-financial sector in the sector's portfolio. The deterioration in the quality of the portfolio of the banking sector's receivables resulted mainly from further growth of the share of defaulted mortgage housing loans and a higher percentage of defaulted investment loans for enterprises. Despite the deterioration in the quality of the loans portfolio from the beginning of 2012, the capital adequacy ratios of the Polish banking sector have improved; the capital adequacy ratio increased from 13.1% at the end of 2011 to 14.0% at the end of May 2012, which was accompanied by the growth of banks' basic own funds.

In the first half of 2012, WIBOR rates did not fluctuate to a great extent. In the period from January to mid-March, the interest rate on the inter-bank market decreased due to the improvement of global sentiments on financial markets and the decline in the risk premium taken into account in inter-bank transactions. Then, following a two-months' period of stabilization, WIBOR rates soared in response to the increase in the interest rates of the National Bank of Poland by 25 bp at the meeting of the Monetary Policy Council held in May, which was unexpected by market investors. In addition, as in previous years, also at the beginning of 2012, relatively low turnovers on the inter-bank market maintained, combined with the limited supply of securities with long maturities.

In the first half of 2012, the banking sector's loans/deposits relation was fluctuating considerably; however, such fluctuations resulted almost entirely from significant fluctuations of the exchange rate of the Polish zloty against the euro and the Swiss franc, affecting the present value of foreign currency loans. The downward trend for the annual growth rate of the loans granted by the banking sector to households has persisted since the beginning of 2012. It resulted primarily from a more limited access to mortgage loans for natural persons due to the necessity of implementing by banks the recommendations of the Polish Financial Supervision Authority resulting in the reduction of the creditworthiness of households ('T Recommendation' and 'S Recommendation'). 'S Recommendation', which imposed more restrictive conditions of granting loans in foreign currencies, contributed to the increase in the share of loans in PLN in the structure of new mortgage loans. In addition, the decline in the growth rate of granted mortgage housing loans was also an effect of a more limited access to the financing of the purchase of real properties from the subsidies awarded under 'Rodzina na swoim' ('Own house for a family') programme, which, in the previous years, contributed to the increase in the creditworthiness of young peoples' households. In the period between January and June 2012, the growth rate of loans for the enterprises sector was also in the downward trend, which resulted from the simultaneous tightening of lending conditions in the segment of corporate cash loans by the banking sector and the decline in the demand for such a type of borrowings on the part of enterprises. The reduced demand for loans resulted mostly from the slower economic growth and the resulting limited investing activity of companies.

In the first two quarters of 2012, the growth rate of the deposits of the banking sector from households remained comparatively high, which, first of all, was an effect of the reconstruction of natural persons' savings following a period of their substantial decrease in the first half of 2011. In addition, the maintenance of the growth rate for deposits in this market segment was affected by the increase in the interest rates on them at the turn of 2012. In the first half of 2012, a decline in the growth rate of deposits from enterprises was recorded, which partially was an effect of the deterioration in financial results of companies resulting from the economic downturn in Poland and in its most important business partners.

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

In autumn 2010, KB S.A. Group adopted the strategy for 2010–2012. Its main objective is to ensure the accomplishment of satisfactory financial results, assuming the reduction of the risk of the operations, and it prefers the business model based on organic growth. The strategy was implemented in 2011 and remains valid.

Overall strategic objectives for 2010 – 2012

- A fundamental increase in the quality of customer service.
- The promotion of a new and widely-recognizable image of the Bank.
- Stable and profitable growth in selected segments and products that will ensure the preservation of the goodwill.
- The accomplishment and maintenance of significant market shares in selected areas.
- The return for shareholders expressed with ROE at a double-digit level in 2012.
- The C/I ratio at ca. 55% in 2012.
- The maintenance of the capital adequacy ratio above 10%.

KB S.A. Group intends to accomplish the strategic objectives through, for example, the development of three strategic business lines:

- Retail Banking
- Mortgage Loans Factory
- Enterprises Banking

and an independent and integrated risk and capital management function.

The target customer segments in the area of retail banking:

- mass customers;
- medium-affluent and affluent customers;
- private banking (PB) customers;
- micro-enterprises (SOHO).

The target customer segments in the area of enterprises banking:

- small and medium-sized enterprises (SME);
- medium-sized companies (MidCap).

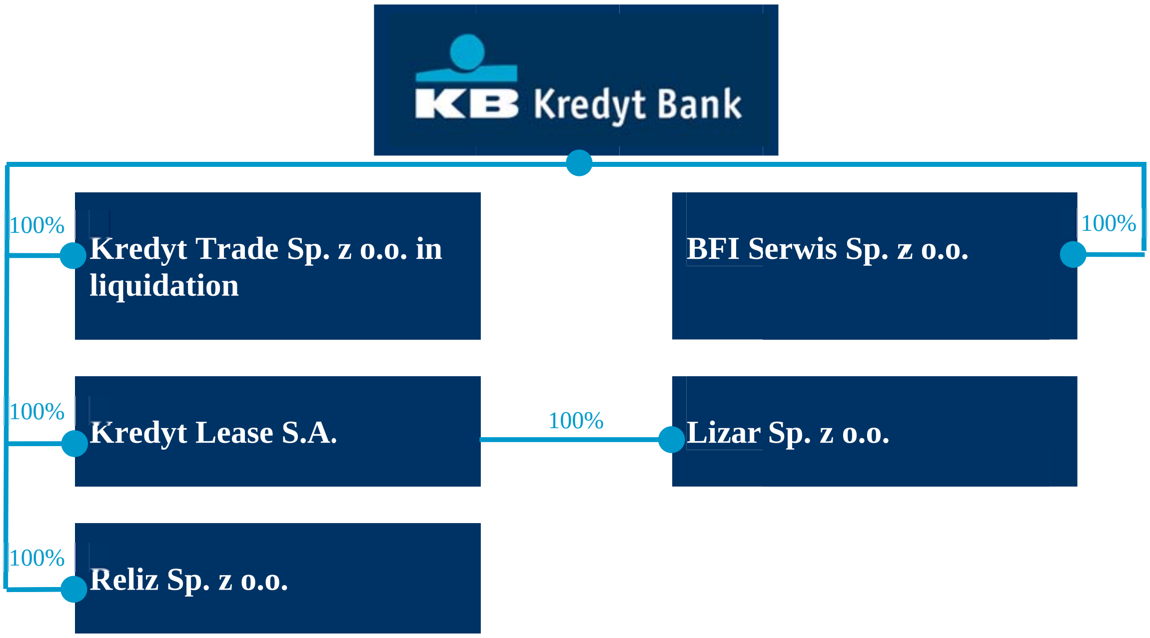
The methods of accomplishing the goals:

- A banking model based on the development and expansion of customer relations on the basis of selected products and services. Focusing on the accomplishment of the leading position in the case of selected banking products and services.
- An independent and integrated risk management function, while preserving the full liability of business lines for the financial result, including the costs of risk. The mitigation of credit risk through a prudent credit policy, focus on the cooperation with reliable, tested customers and close monitoring of the customers' standing.
- Changes in the area of infrastructure: optimization of IT systems aiming at the increase in the integrity and coherence of applied IT solutions; a new electronic banking platform;
- Organizational changes aiming at the centralization and improvement of the processes of product development and management, distribution and customer service.
- Taking advantage of the implemented cost management model to optimally align the level of incurred costs to the existing potential of income generation. A decrease in the level of fixed costs, an increase in the share of variable costs.
- Parallel to the use of revolving long-term borrowings made available by the main shareholder of the Bank, i.e. KBC Group, an increase in the share of amounts due to customers in total liabilities and equity. The change aims at becoming independent of the direct financing in foreign currencies by focusing on the acquisition of customers' deposits and their use in SWAP transactions.
- In the Retail Segment, focusing on the growth of the share in the individual customer deposits market and in the market of the sales of investment funds. The continuation of the growth of the base of deposits, the acquisition of new customers, conversion of sourced deposits to the investment offer.
- The maintenance of the position on the market of mortgage housing loans. An increase in the share of the products sold together with the mortgage housing loan. In the case of cash loans — focusing on customers with lower credit risk, i.e. the Bank's present customers.
- In the corporate segment, focusing on the diversification of the loans portfolio — an increase in the number of customers faster than the growth in the value of the portfolio. The reduction of the financing of large transactions related to the financing of real estate and syndicated loans; expansion of the cooperation with the present customers.
- An increase in the share of commission income in total income of the corporate segment (including income from foreign exchange, trade finance and from transactional banking). The acquisition of new customers and an increase in income from the SME segment (including the growth in commission income from transactional banking and foreign exchange).
- The implementation and improvement of a comprehensive staff management system: from recruitment, through development and appraisal, to the aspects of the incentive system and payroll structure.
- The cooperation with entities of KBC Group in Poland to provide the customers with a complete, professional and up to date offer of financial services with limited costs of its development.

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

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

Kredyt Bank S.A. Capital Group is composed of legally separated business entities, whose operations are closely coordinated. The capital relations linking the Group, defining the nature of the relationship, are strengthened by business relations, contracts, a joint product offer, controlling functions performed by the Bank over the operating and financial policies as well as a transfer of management staff and also know-how.
The Group's companies and ownership structure as at 30.06.2012 was as follows:



As at 30.06.2012, the following companies were consolidated with the full method: Kredyt Lease S.A., Kredyt Trade Sp. z o.o. w likwidacji and Reliz Sp. z o.o. The Group does not consolidate the financial statements of Lizar Sp. z o.o. and BFI Serwis Sp. z o.o. as the range of their operating activities as well as their financial figures are not material.
On 29 June 2012, the Extraordinary General Meeting of Shareholders of Kredyt Trade Sp. z o.o. adopted the resolution concerning the dissolution and liquidation of Kredyt Trade Sp. z o.o.
On 23 July 2012, the Management Board of Reliz Sp. z o.o. submitted to the XI Commercial Insolvency and Arrangement Division of the District Court for Poznań - Old Town, an application concerning the bankruptcy of Reliz Sp. z o.o. by liquidation of its assets.

Investment plans, including equity investments

According to the Group's development strategy which provides for the incorporation of a universal banking model, the Bank will focus on operations other than investment banking.
As at 30.06.2012, equity investments made outside the Group were mainly investments in the shares of such companies as KIR S.A., BIK S.A., GPW w Warszawie S.A., SWIFT and of the companies acquired as a result of debt recovery and restructuring processes. As at 30.06.2012, their share in the Group's balance sheet was immaterial.

Related party transactions

In the first half of 2012 and in 2011, no significant non-standard transactions had place with related parties whose nature and terms were not related to current operations. All transactions were executed on market terms, without any exceptional or non-standard terms or conditions. Transactions volumes and related income and expenses are presented in Note 35 to the interim consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2012 ended on 30.06.2012.

4.2. Shareholding structure of the Group's parent company

As at 30.06.2012, the Bank's share capital totaled PLN 1,358,294,400 and was divided into 271,658,880 shares with the nominal value of PLN 5.00 each. The Bank's shares are registered shares and bearer shares; they are not preference shares and each share entitles its holder to one vote at the Bank's General Meeting of Shareholders. All the Bank's shares are admitted to public trading on the regulated market. In comparison to the share capital as at 31.12.2011, the Bank's share capital did not change.
The table below presents the Shareholders of Kredyt Bank S.A. (including associates) holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 30.06.2012.

Shareholder	Line of business	Number of shares and votes at the Bank's GMS	Share in votes and in share capital (in %)
KBC Bank NV – a subsidiary of KBC Group	Banking	217 327 103	80.00

On 26.01.2012, the Bank received a notice from Pioneer Pekao Investment Management S.A. ('PPIM') about the decline in its total commitment to 4.29% of the total votes at the General Meeting of Shareholders concerning the financial instruments included in the portfolios managed by PPIM. Pursuant to the said notice, the commitment of Pioneer Fundusz Inwestycyjny Otwarty decreased to 4.16% of the total votes at the General Meeting of Shareholders. Further information about the issue is available in the current report dated 26.01.2012.

The quotations of shares of Kredyt Bank S.A. at the Warsaw Stock Exchange in the first half of 2012

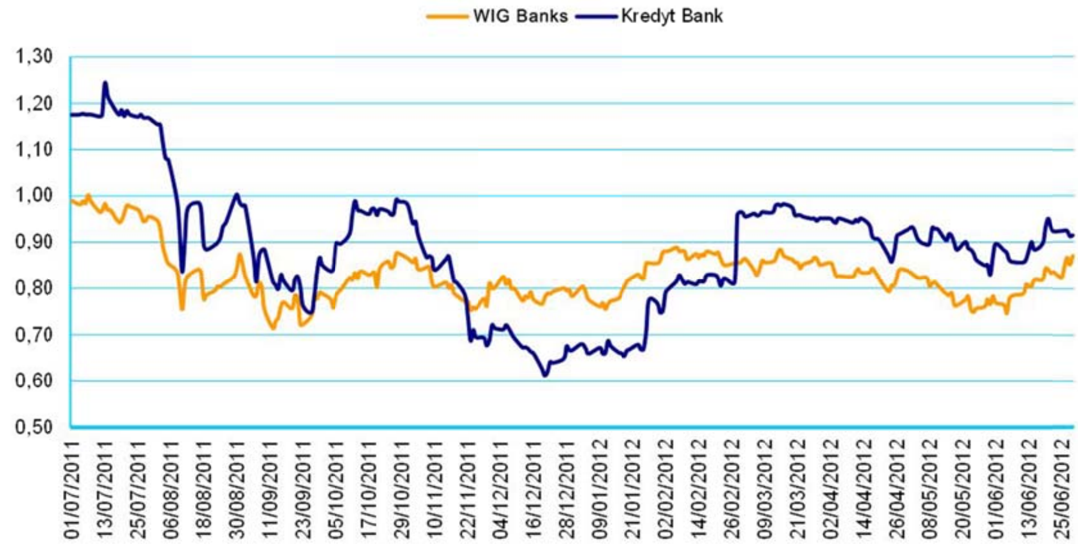
From mid-January 2012 until mid-March 2012, the price of the Bank's share was rising fast, reaching, on 16 March, its maximum of PLN 14.45 per share (an increase by 47.4% as compared to 30 December 2011). From mid-March until the end of June 2012, the Bank's share price remained in the sideways trend with the local minimum at the end of May of PLN 12.20 and the local maximum recorded on 20 June 2012 of PLN 13.99.

The market value of the Bank at the closing price at the stock exchange session on 29 June 2012 amounted to PLN 3,653.8 million, and the P/BV was at the level of 1.16. For comparison purposes, at the last session in June 2011, the Bank's shares were valued at the total of PLN 4,699.7 million with P/BV of 1.61. Thus, the market value of KB S.A. decreased on a year-to-year basis by ca. 22.3%. For comparison purposes, WIG index was 15.7% below the quotations from the end of June 2011, and WIG Banks index lost 11.5% in this period.

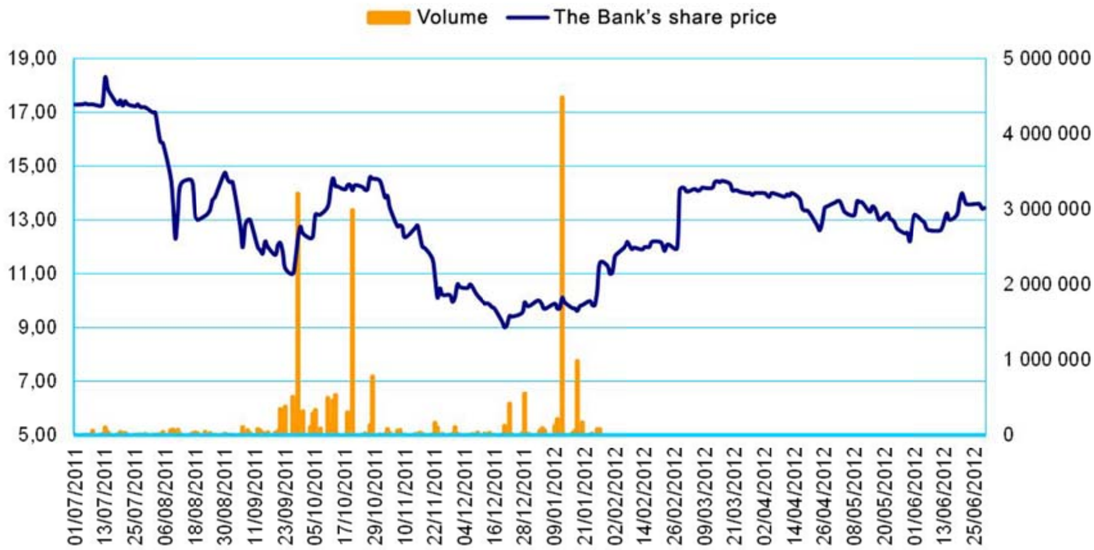
	29.06.2012	30.06.2011	Change (%)
KB S.A. share price (PLN)	13.45	17.30	-22.3%
WIG	40 811	48 414	-15.7%
WIG Banks	6 021	6 801	-11.5%
Earnings per share* in PLN	0.44	0.82	-46.3%
Book value per share* in PLN	11.94	10.88	9.7%

* computed on the basis of consolidated figures

The volatility of the share price of Kredyt Bank against WIG Banks index in the second half of 2011 and in the first half of 2012



The Bank's share price (in PLN) and the trading volume (in pcs) in the second half of 2011 and in the first half of 2012



4.3. The authorities of the Group's parent company

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

As at 30.06.2012, the Management Board of Kredyt Bank S.A. was composed of:

Name	Position
Maciej Bardan	President of the Management Board
Umberto Arts	Vice President of the Management Board
Mariusz Kaczmarek	Vice President of the Management Board
Zbigniew Kudaś	Vice President of the Management Board
Piotr Sztrauch	Vice President of the Management Board
Jerzy Śledziewski	Vice President of the Management Board

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

On 25 May 2012, the Bank's Management Board was notified that the Chairman of the Supervisory Board of Kredyt Bank S.A. had received Mr. Jarosław Parkot's resignation from his membership in the Supervisory Board as from the date of the Ordinary General Meeting of Shareholders of Kredyt Bank S.A., i.e. 25 May 2012.

On 25 May 2012, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted Resolution No. 25/2012 concerning amendments in the composition of the Supervisory Board of Kredyt Bank S.A., appointing, as from 25 May 2012, Ms. Lidia Jabłonowska-Luba as a member of the Bank's Supervisory Board.

As a result, as at 30.06.2012, the Supervisory Board of Kredyt Bank S.A. was composed of:

Name	Position
Andrzej Witkowski	Chairman of the Supervisory Board
Adam Noga	Vice Chairman of the Supervisory Board
Guy Libot	Member of the Supervisory Board
Ronny Delchambre	Member of the Supervisory Board
Lidia Jabłonowska-Luba	Member of the Supervisory Board
Marko Voljč	Member of the Supervisory Board
Stefan Kawalec	Member of the Supervisory Board

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

As at the publication date of this report, i.e. 7.08.2012, the Members of the Bank's Management Board and of the Bank's Supervisory Board did not hold any Bank's shares, or shares or interests in the Bank's subsidiaries and associates.
As compared to the situation as at the publication date of the annual consolidated financial statements for the first half of 2011, the number of the Bank's shares held by Members of the Bank's Management Board and of the Bank's Supervisory Board did not change.

4.4. Events and contracts material for the Group's activity in the first half of 2012

Significant events related to the planned merger of Kredyt Bank S.A. with Bank Zachodni WBK S.A. that had place in the first half of 2012:

- On 27 February 2012, KBC Bank NV and Banco Santander S.A. signed an investment agreement in which the parties expressed their intention to merge Kredyt Bank S.A. and BZ WBK S.A. On the same day, Kredyt Bank S.A., BZ WBK S.A., KBC Bank NV and Banco Santander S.A. signed an agreement on starting work to merge Kredyt Bank S.A. and BZ WBK S.A.
  For KBC, it is the next stage of the further implementation of the strategic plan agreed with the European Commission which assumes the reimbursement of the public aid obtained by the Group.
  Santander wishes to strengthen its presence in Poland, which is one of its ten major markets.
- The Merger Plan agreed on and signed by Kredyt Bank S.A. and BZ WBK S.A. on 11 May 2012 provides that the merger will be carried out pursuant to Article 492 § 1 item 1 of the Code of Commercial Companies through the transfer of all the assets and liabilities of Kredyt Bank, being the target entity, to BZ WBK S.A., being the surviving entity, with the simultaneous increase in the share capital of BZ WBK S.A. through the issue of up to 18,907,458 series J ordinary bearer shares in BZ WBK S.A. with the nominal value of PLN 10.00 each, which will be allocated by BZ WBK S.A. to all existing shareholders of Kredyt Bank. As a result of the merger, these shareholders will become the shareholders of BZ WBK S.A. on the date of the merger, i.e. on the date of the registration of the merger in the register relevant to the registered seat of BZ WBK S.A.

  The parties agreed that the exchange ratio of the shares of Kredyt Bank S.A. into the shares of BZ WBK S.A. will be as follows: for 100 shares of Kredyt Bank, the shareholders of Kredyt Bank will be granted 6.96 Merger Issue Shares, i.e. for one share of Kredyt Bank S.A., 0.0696 shares of BZ WBK S.A. will be allocated.

  As a result of the Merger, BZ WBK will acquire all the rights and obligations of Kredyt Bank, whereas Kredyt Bank will be dissolved, without conducting any liquidation proceedings, on the date of the registration of the Merger in the register relevant for the registered seat of BZ WBK S.A. and the registration of the increase in the share capital of BZ WBK S.A.

  In addition, BZ WBK S.A. will take action to procure the admission and introduction of the Merger Issue Shares to trading on the regulated market operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) (the 'WSE').

  The Merger will result in the establishment of the third biggest bank in Poland in terms of business volumes (having regard for gross loans, deposits and investment funds) with the share in the market close to 10% (an estimate based on the data from the Polish Financial Supervision Authority), and solid results as well as stable financing sources and proper capitalization.

  The Management Board's report published along with the Merger Plan on 11 May 2012, justifying the merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A., contains, among other things, the description of strategic reasons and economic advantages of the merger.

  It is expected that the merger will result in defined synergies. Both banks are carrying out in-depth studies of their business profiles to define, applying the best practices, the optimum operating model which will ensure a smooth and safe integration process and substantial advantages to customers, employees and shareholders. As the Merger will be the integration of complementary types of business activities, in their analyses and studies, the banks focused on the possibility of increasing the profitability and business effectiveness owing to the use of the economies of scale, a better risk management process as well as the expansion of the range of banking services and the offer of greater numbers of such services to customers.

The banks are of the opinion that cost synergies will be achieved mainly due to the streamlining of processes and the application of the most effective operating solutions, the optimizing of the joint head office and the network of combined branches as well as the integration of IT systems (a single IT platform), whereas the income synergy will be accomplished owing to the increase in the productivity (the pricing policy and the range of products) through the fusion of complementary networks and the cross-selling of products offered by both banks to their customers.

It is anticipated that the combination of customer bases and distribution networks of both banks will ensure for the merged bank the effective coverage of the whole territory of Poland and the position of one of three biggest universal banks in Poland. BZ WBK S.A. will continue to be the leading supplier of high quality solutions for all segments of customers.

The scale of the operations of the merged Bank will be sufficient to allow it to effectively compete with two largest banks operating on the Polish market, i.e. PKO BP S.A. and Bank Pekao S.A. Certainly, it will result in increased competition on the Polish market of banking services, which should have a positive influence upon the attractiveness of the offer of banking products and services provided to Polish customers.

In addition, an increase in the number of free-float shares of the merged bank at WSE and, what follows, increased liquidity of the trade in the shares of the Merged Bank at WSE, will be one of the most crucial effects of the Merger.

Banco Santander S.A., the strategic investor of BZ WBK S.A., and KBC Bank NV, the strategic investor of Kredyt Bank S.A., definitely support the merger.

The merger may be completed only when the following conditions are met:
1) Obtaining the permit of the Polish Financial Supervision Authority to the merger.
2) Obtaining the permit of the Polish Financial Supervision Authority to the amendments to the statutes of BZ WBK S.A.
3) Issuing by the European Commission of a decision declaring that the concentration of the Issuer and BZ WBK S.A. is in line with the common market.
4) Confirming by the Polish Financial Supervision Authority that both the form and content of BZ WBK's information memorandum are equivalent to the information required to be included in a prospectus.
5) The failure to object by the Polish Financial Supervision Authority to the acquisition by KBC Asset Management NV of the shares of KBC TFI S.A..
6) Adopting by the Issuer's General Meeting of Shareholders a resolution concerning the merger with BZ WBK S.A.
7) Adopting by the General Meeting of Shareholders of BZ WBK S.A. a resolution concerning the merger with the Issuer.

- The Opinion of a certified auditor (KPMG Audyt Sp. z o.o.) issued on 20 June 2012 from the audit of the Merger Plan for BZ WBK S.A. and Kredyt Bank S.A. claims, among other things, that:
  1) the Merger Plan of BZ WBK S.A. with Kredyt Bank S.A. was prepared, in all material aspects, in an accurate and proper manner;
  2) the share exchange ratio was properly determined in all material aspects;
  3) the methods applied to determine the ratio of the exchange of the shares of Kredyt Bank S.A. for the shares of BZ WBK S.A., as proposed in the Merger Plan, are justified;
  4) no special difficulties were identified as regards the valuation of the shares in the merging Banks.
- The Polish Financial Supervision Authority, at the meeting held on 19 June 2012, found no reason to object to the planned, direct acquisition of the shares of KBC Towarzystwo Funduszy Inwestycyjnych S.A. by KBC Asset Management NV in the number resulting in exceeding the 50% limit of votes at the General Meeting of Shareholders.
- On 28.06.2012, the Management Board of Kredyt Bank S.A., acting pursuant to Article 504 § 1 and 2 of the Code of Commercial Companies, in relation to Article 402[1] of the Code of Commercial Companies, issued the first notice concerning the merger of Bank Zachodni WBK S.A. with Kredyt Bank S.A. At the same time, the Management Board of Kredyt Bank S.A. convened the Extraordinary General Meeting of Shareholders to adopt the resolution on the merger of Kredyt Bank S.A. with Bank Zachodni WBK S.A.

Significant events related to the merger of Kredyt Bank S.A. with Bank Zachodni WBK S.A. that had place after the reporting period:

- The second notice about the planned merger of Kredyt Bank S.A. with Bank Zachodni WBK S.A. was issued on 16 July 2012.
- On 18 July 2012, the European Commission decided not to object to the acquisition of the control over the Issuer by Banco Santander S.A., and accordingly also by Bank Zachodni WBK S.A., and declared that the planned acquisition of the control was compatible with the common market and with the Agreement on the European Economic Area.
- On 25 July 2012, Kredyt Bank S.A. presented the written stance of the Bank's Management Board concerning the merger of Kredyt Bank Spółka Akcyjna with Bank Zachodni WBK Spółka Akcyjna.
  In the said stance, the Bank has notified that all economic and legal premises underlying the decision to merge Kredyt Bank S.A. with Bank Zachodni WBK S.A. described in the Merger Plan, are fully effective. In the opinion of the Bank's Management Board, also the arguments supporting the merger are fully effective.
  For the above reasons, the Bank's Management Board positively evaluates the impact of the planned merger upon the Bank's business and upholds its stance that the merger on the terms and conditions set out in the Merger Plan is in the interest of Kredyt Bank and its shareholders.
- On 30 July 2012, the Extraordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted a resolution concerning the merger of Kredyt Bank S.A. with Bank Zachodni WBK S.A.

Other events significant for the operations of Kredyt Bank S.A. Capital Group that had place in the first half of 2012:

- On 17 January 2012, Kredyt-Trade Sp. z o.o., a wholly-owned (indirectly and directly) subsidiary of Kredyt Bank S.A., signed an agreement on the sale of its 30% stake in KBC TFI

S.A. to KBC Asset Management NV. The completion of the said transaction was subject to no objection from the Polish Financial Supervision Authority.
As the Polish Financial Supervision Authority, at the meeting held on 19 June 2012, found no reason to object to the planned, direct acquisition of the shares of KBC Towarzystwo Funduszy Inwestycyjnych S.A. by KBC Asset Management NV in the number resulting in exceeding the 50% limit of votes at the General Meeting of Shareholders, on 21 June 2012, Kredyt-Trade Sp. z o.o. a wholly-owned (indirectly and directly) subsidiary of Kredyt Bank S.A., signed the final agreement on the sale of its 30% stake in KBC TFI S.A. to KBC Asset Management NV and completed the said transaction. The price obtained by Kredyt Trade Sp. z o.o. for the said stake in KBC TFI S.A. was PLN 37.5 million.
The impact of the said sale of the 30% stake in KBC TFI S.A. upon the net financial result of Kredyt Bank S.A. Capital Group amounted to PLN 11.7 million and was recognized in the results for the second quarter of 2012.

- On 26.01.2012, the Bank received a notice from Pioneer Pekao Investment Management S.A. ('PPIM') about the decline in its total commitment to 4.29% of the total votes at the General Meeting of Shareholders concerning the financial instruments included in the portfolios managed by PPIM. Pursuant to the said notice, the commitment of Pioneer Fundusz Inwestycyjny Otwarty decreased to 4.16% of the total votes at the General Meeting of Shareholders.

- On 3 February 2012, Fitch Ratings downgraded the Bank's Long-term Issuer Default Rating (IDR) to 'BBB' from 'A-'. Fitch also maintained the said rating on Rating Watch Evolving (RWE). The list of changes introduced by Fitch Ratings:
  - Long-term Issuer Default Rating (IDR): downgraded to 'BBB' from 'A-' with Rating Watch Evolving (RWE) maintained;
  - Short-term Issuer Default Rating (IDR): downgraded to 'F3' from 'F2' with Rating Watch Evolving (RWE) maintained;
  - Viability Rating: 'bb+', no change;
  - Support Rating: downgraded to '2' from '1', Rating Watch revised to Evolving from Negative.

  This rating decision was the consequence of downgrading the rating of KBC Bank to 'A-' from 'A' on 31 January 2012. The downgrading of the Long-term Issuer Default Rating (IDR) reflects the reduced probability of KBC being able to support Kredyt Bank. Fitch has reassessed the difference between the ratings of KBC and of Kredyt Bank, and, in the light of KBC's intention to sell its stake in KB and the fact that the investment in Kredyt Bank is not now of strategic nature, it widened this difference between the ratings of KBC Bank and of Kredyt Bank S.A. to two notches.
  At the same time, in the opinion of Fitch, KB's rating reflects a strong commitment on the part of KBC to support Kredyt Bank as long as it remains its majority shareholder.

- On 25 May 2012, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted, among other things, the resolution concerning the distribution of profit for 2011, which provides for its allocation to the charge for the general risk fund (PLN 80,209,000) and to the Bank's supplementary capital (PLN 230,109,322.72).

- On 14 June 2012, Fitch Ratings affirmed the Long-term Issuer Default Rating (IDR) of Kredyt Bank S.A. at 'BBB' and removed it from Rating Watch Positive (RWP). The list of changes introduced by Fitch Ratings:
  - Long-term Issuer Default Rating (IDR): affirmed at 'BBB', removed from RWP; assigned Stable Outlook;
  - Short-term Issuer Default Rating (IDR): affirmed at 'F3', removed from RWP;
  - Viability Rating: 'bb+' (no change), remains on RWP;
  - Support Rating: affirmed at '2', removed from RWP.

  The affirmation of the Long-term Issuer Default Rating (IDR) at the existing level and its removal from RWP reflects Fitch's view that the rating (IDR) of the bank established as a

result of the merger of Kredyt Bank S.A. and BZ WKB S.A. will most probably be at the same level as the present rating (IDR) of Kredyt Bank S.A., which is an effect of the support from the parent company, i.e. KBC ('A-'/Stable).
The Rating Watch Positive (RWP) on the Viability Rating reflects Fitch's view that the VR may be upgraded as a result of the merger.

- On 29 June 2012, the Extraordinary General Meeting of Shareholders of Kredyt Trade Sp. z o.o. based in Warsaw, a wholly-owned (directly and indirectly) subsidiary of Kredyt Bank S.A., adopted the resolution concerning the dissolution and liquidation of Kredyt Trade Sp. z o.o.
The activities of Kredyt Trade Sp. z o.o. focus on complementing administrative services for the Bank mainly in the area of the lease of real properties and equipment.

- The Management Board of Kredyt Bank S.A. ('the Bank') has notified that the European Investment Bank based in Luxembourg confirmed the signing, on 29.06.2012, of the agreement under which Kredyt Bank S.A. obtained a credit line in the amount representing the equivalent of EUR 100 million in CHF.
As part of this credit line, the Bank can acquire funds in tranches with maturities of four years (the equivalent of EUR 25 million in CHF) and seven years (the equivalent of EUR 50 million in CHF) in the case of the single repayment and up to ten years (the equivalent of EUR 25 million in CHF) in the case of the repayment in installments.
The interest rate on the obtained funds will be based on 3-month LIBOR rates for CHF.
The funds acquired by the Bank will be secured with a financial pledge on the Treasury bonds held by the Bank.
The funds acquired under the agreement will be allocated for the financing of lending and leasing transactions concluded with small and medium-sized enterprises and with entities employing less than 3,000 employees.

In the first half of 2012, the Bank did not enter into any material agreements with the central bank or the regulatory authorities.

Other material events after the reporting period

- On 23 July 2012, the Management Board of Reliz Sp. z o.o. (a wholly-owned subsidiary of Kredyt Bank S.A.) submitted to the XI Commercial Insolvency and Arrangement Division of the District Court for Poznań-Old Town, an application concerning the bankruptcy of Reliz Sp. z o.o. by liquidation of its assets. According to the Bank's present opinion, the filing of the application by Reliz Sp. z o.o. is not affecting now the interim consolidated financial statements.

- On 31 July 2012, Kredyt Bank S.A. received the information that KBC Bank NV finalized the sale of 100% of the shares of Żagiel S.A. to Santander Consumer Finanse S.A. for the price of PLN 10 million. The agreement concluded on 16.12.2009 between Kredyt Bank S.A. and KBC Bank N.V. provided that the risk of Kredyt Bank would be limited to 10% of the sale price, i.e. PLN 35 million, if KBC sold the shares of Żagiel to an outside entity for the price lower than PLN 350,000 thousand.

  On 31 July 2012, Kredyt Bank S.A. received a call for the payment of PLN 35 million to KBC Bank NV resulting from the agreement concluded on 16.12.2009. Due to the establishment in December 2011 of a provision for the said obligation, its satisfaction will not affect the income statement of Kredyt Bank S.A. Capital Group in 2012.

Contracts entered into by the Issuer with an entity authorized to audit financial statements
On 11 June 2012, the Bank entered into an agreement with Ernst&Young Audit Sp. z o.o. in Warsaw, an entity authorized to audit financial statements. The agreement concerned a review of the semi-annual standalone and consolidated financial statements of the Bank and of the Group along with the semi-annual reporting package for the first half of 2012, and the audit of the standalone and consolidated financial statements of the Bank and of the Group along with the annual reporting package for 2012, as well as the procedures regarding the correct calculations of

capital requirements related to credit and operational risks as well as to the interest rate risk as at 30 June 2012 and 31 December 2012. The net remuneration under this agreement amounted to PLN 797 thousand, PLN 990 thousand and PLN 45 thousand respectively (for 2011: PLN 772 thousand, PLN 990 thousand and PLN 45 thousand respectively; the contract as of 6 June 2011).
In addition, on 24 February 2012, the Bank entered into an agreement with Ernst&Young Audit Sp. z o.o. in Warsaw, an entity authorized to audit financial statements, concerning the assessment of the Bank's control system and, on 15 March 2012, concluded an annex to the audit agreement of 6 June 2011 concerning the security audit in KB (business continuity plans, IT and data security). The net value of the said agreements amounted to PLN 40 thousand and PLN 170 thousand respectively.

5. Kredyt Bank S.A. Group's products, services and areas of operation

5.1. Retail Banking

The Retail Segment in Kredyt Bank S.A. Group is defined as a group of individual customers as well as micro- and small companies whose annual sales revenue does not exceed PLN 1 million.
The network of own outlets is the core distribution channel through which Kredyt Bank reaches retail customers with its offer. As at 30.06.2012, the network of retail outlets comprised 373 branches and 1 agency.
Financial brokers were the distribution channel supporting the sales of mortgages. At the end of the first half of 2012, the Bank cooperated with 20 major Polish financial intermediaries, who offer their services throughout Poland, and 1,090 local intermediaries.
KB24, an electronic banking system, and Call Center supplement the traditional distribution channel. Owing to them, our customers have access to products and services 24 hours a day, seven days a week.

As at the end of the first half of 2012, Kredyt Bank S.A. provided services (except for the customers sourced via Żagiel S.A.) to 1,184 thousand individual customers and micro- and small enterprises, which means an increase by 43 thousand as compared to the end of 2011.

in '000'	30.06.2012	31.12.2011	30.06.2011
Individual customers	1 118	1 077	1 047
Micro- and small enterprises	66	64	64
Total customers	**1 184**	**1 141**	**1 111**

At the end of the first half of 2012, the number of KB24 users amounted to 517 thousand as compared to 490 thousand at the end of 2011 (an increase by 27 thousand). The number of bank transfers amounted to 8,025 thousand.

in '000'	30.06.2012	31.12.2011	30.06.2011
Number of KB24 users	517	490	435
Number of transfers via KB24 in the period of 6 months	8 025	10 221	9 480

In the first half of 2012, the Bank continued the strategy of the growth in the Affluent Customers segment. In January and February, the Bank substantially expanded its presence on the market, launching the advertising campaign for 'Program Concerto – Nowa Bankowość Osobista' ('Concerto Programme – New Personal Banking'). The campaign was carried out in the press, on the Internet and in the Bank's outlets throughout Poland. The campaign promoted 'Concerto Duo'

term deposit with 10% interest rate and 'Ekstrakonto Concerto' personal account with 7% interest rate. In addition, the customers who purchased selected products could obtain tickets for a chosen concert recommended by Wojciech Mann. In the first half of 2012, we invited over 1,600 new and existing customers to more than 80 concerts of such stars as Sting, Chris Botti, Jose Carreras, Andrea Bocelli, Metallica, Elton John, or Madonna.
In addition, along with our business partners, we organized a series of meetings with the present and potential Concerto Customers, at which we had an opportunity to present our new Concerto Programme and the customers were able to discuss their finances with our consultants in a friendly and welcoming atmosphere.

Owing to the promotional campaigns and the attractive product offer under the Concerto Programme, in the first half of the year, the number of Affluent Customers increased by over 7 thousand and, at the same time, the Bank opened over 8.5 thousand new 'Ekstrakonto Concerto' accounts.

Within the Retail Segment, the Bank also provides services to micro- and small companies, which are a crucial element of the strategy of Kredyt Bank. In 2012, the Bank was selling 'Ekstrabiznes Direct' package which comprised the majority of the products used by micro-enterprises (including the basic account, the auxiliary account, payments, the debit card). Selected groups of customers, i.e. professionals and housing cooperatives, are critical subsegments of micro- and small enterprises. The offer for micro-enterprises was made more attractive due to the preparation of special promotional products, i.e. the savings account with the interest rate up to 4.5% with the monthly cash inflows to the account of minimum PLN 2,500, and the promotion in the form of a bonus (higher interest rate) for deposited new funds. In the area of the loans offer, the Bank carried out the promotion of overdraft facilities granted in a simplified procedure (the interest rate decreased by 1 p.p. for the period of 12 months; the facility granted without any front-end fee).

In the first half of 2012, the sales of products and the basic customer service for this group were carried out in the outlets of Kredyt Bank. The distribution model also comprised the customer service via Call Centers, which carry out the majority of cross-sell and up-sell campaigns, and via the Internet banking.

In June, the Bank also introduced the so-called 'pre-approved offer' for selected small companies which are very likely to be granted an overdraft facility in a pre-determined amount and on simplified terms. This offer is supported by the already-mentioned promotion of the overdraft facility: the margin lower by 1 p.p. if the monthly cash inflows to the account are at least PLN 10,000, and 0% fee for the loan extension.

In the first half of 2012, the results of the operation of the Retail Segment were very similar to the results generated in the first half of the previous year. Gross operating income (including micro- and small companies) amounted to PLN 430,056 thousand and was lower than the gross operating income generated in the first half of 2011 by PLN 1,396 thousand, i.e. 0.3%. The decline in net interest income both from lending activities and depositing activities, related to e.g. the decrease in margins on loan products observed in the first half of 2012 and the competitive pricing policy aiming at the greater acquisition of individual customers' deposits in the first half of 2012, were the main reasons behind the decrease in the said gross operating income. The above-mentioned decreases were almost entirely set off with higher net commission income and other net income related, among other things, to a higher net commission income from insurance products. Net impairment losses on financial assets and other assets (in management terms) in the first half of 2012 amounted to -PLN 26,198 thousand as compared to -PLN 31,929 thousand in the first half of 2011. Finally, the segment's net operating income in the first half of 2012 amounted to PLN 78,962 thousand and was higher than the figure in the corresponding period of the previous year by PLN 631 thousand, i.e. by 0.8%.

Payments and Cards

In the Payments and Cards area, the key products include savings and settlement accounts, credit cards and credit limits. In the first half of 2012, 66,343 new savings and settlement accounts (ROR) were opened.

As compared to the first half of 2011, the Bank recorded an increase in the sale by 45% (20,682 accounts more) and the Bank increased the monthly average sale of savings and settlement accounts by 45% from 7.6 thousand accounts a month in 2011 to 11 thousand in 2012.

This high growth rate is based primarily on 'Ekstrakonto Plus' account introduced in May 2011 (85% of the sale). The sale of savings and settlement accounts was supported by the advertising campaign for a term deposit in April, when the Bank offered the term deposit with a bonus for cash inflows to the savings and settlement account on account of remuneration.

ROR current accounts	30.06.2012	31.12.2011	30.06.2011
No. of ROR accounts (in '000')	711	689	653
Carrying amount (in PLN '000')	1 798 282	1 403 577	1 203 594

Debit cards and credit cards are the chief products in the area of Payment Cards. In the first half of 2012, the Bank sold 28,861 debit cards and 21,913 credit cards.

In January 2012, the offer of debit cards was modified; an embossed 'Visa Concerto' debit card for accounts of Affluent Customers was introduced. The card allows for, among other things, free of charge cash withdrawals from ATMs in Poland and abroad, and discounts at additional prestigious partners in the discount programme. The holders of KB's payment cards could participate in a few promotions:

- The contest held by Kredyt Bank in which once a week the holders of Visa cards were awarded 'Olympic Packages' (a two-day' stay in London for two people during the Olympic Games) for making the highest value transactions.
- In MasterCard lottery, in which the participants could win, as the main prize, a two-week' stay in Barcelona combined with e.g. a training session with the legendary football player, Leo Messi.
- In Visa lottery, in which the card holders registering transactions could win e.g. trips to the Olympic Games in London, phones or pre-paid cards.

In the first half of 2012, to implement the strategy of focusing the Bank's activities on the key segments of customers in the area of credit cards, the following measures were taken:

- In January, KB's payment cards were included in Visa and MasterCard discount programmes in which the card holders can obtain attractive discounts in hundreds of partner points.
- Owing to the central credit card activation process implemented in February, the customers are able to activate their cards in a much faster and simpler way.
- In March, the offer of credit cards for medium-affluent and affluent customers was made more attractive due to the implementation of the 'secured credit card', i.e. a term deposit and/or funds deposited in a savings account. The process was implemented in response to the expectations of customers who had available funds invested in the Bank's deposit products. The possibility of obtaining a credit limit up to as much as PLN 100 thousand is one of the most important advantages of the offer.
- In March and April, World MasterCard card was presented the media campaign on TV and in the press as part of the National Glamour Day.

Credit cards (in '000')	30.06.2012	31.12.2011	30.06.2011
Credit cards (KB jointly with cards sold by Żagiel)	202	189	194

Savings and Investments

At the beginning of 2012, the Bank withdrew from its offer all deposit products with interest accrued on a daily basis.
In January 2012, the Bank introduced promotional 'Concerto Duo' term deposit which offers a higher interest rate to affluent customers (as part of 'Program Concerto – Nowa Bankowość Osobista' programme) who, at the same time, purchase closed-end investment products. In March, the Bank introduced long-term investment deposits ('lokata rentierska') with a monthly payment of interest and terms of up to 36 months; the offer aims at the extension of the saving period in the case of deposit customers and the greater stability of the deposits base.

Since April, the Bank has awarded active customers who transferred their remunerations to savings and settlement accounts in Kredyt Bank with higher interest rates. For this purpose, in March, the Bank introduced 'Lokata z premią' and, in May, 'Lokata z bonusem' term deposits.

Acquisition activities were supported by the marketing campaign in the mass media promoting the term deposit with a bonus, i.e. the interest rate on new funds up to 6.5% and a new Internet-based distribution channel: www.kb-direct.pl, which allows for the opening of term deposits on the Internet without the need to visit any outlet of Kredyt Bank.
The fast growth of the term deposits resulted also in the decrease in the portfolio of savings accounts, which, however, still remain one of the most important deposit products in Kredyt Bank:

Savings accounts	30.06.2012	31.12.2011	30.06.2011
No. of savings accounts (in '000')	749	775	661
Carrying amount (in PLN '000')	8 048 279	8 721 838	9 834 050

As a result of the acquisition activities, the balance of retail customers' deposits grew by over PLN 2.5 billion. As a result of the deposits advertising campaign in April 2012, the Bank acquired over 20,000 new deposit customers, who are subject to wide-scale cross-selling and retention activities.

In the first half of 2012, the following investment products were offered in subscription periods:

- KBC TFI Closed-end Investment Funds (three subscriptions), in which, by the end of June 2012, the customers invested over PLN 70 million. The biggest sale was generated by a dynamic German Jumper FIZ auto-call jumper fund, in which the customers invested over PLN 31.7 million. Other subscriptions: KBC Kapitalny Start FIZ and KBC Ameryka FIZ.
- Global Partners 100% capital guaranteed foreign funds. The offer covered two products, in which the customers, in the first half of the year, invested PLN 85.7 million.
- Bank structured deposits in PLN based on exchange rates (13 editions had place). Kredyt Bank S.A., as the only bank on the Polish market, offered customers structured deposits with a three-month' maturity (4 editions). The total volume collected in the subscriptions amounted to PLN 72.2 million.
- Insurance structured products with the possibility of generating superior returns, and with full capital guarantee and insurance cover. There were five subscriptions in the first half of 2012, for which the total collected volume amounted to PLN 240 million. These were 'Gold Profit', 'Dolar Klik', 'TOP 10', 'Surowce na Plus' and 'Polska Elita', which was the first insurance product introduced especially for Concerto Customers. The products were linked to various financial markets (e.g. commodities, currencies, stocks), ensuring very good portfolio diversification for customers.

The total sales of investment products amounted to PLN 1.26 billion, i.e. was higher by 12% than in the second half of 2011.
The Open-end Investment Funds ('OIF') offered on a continuous basis were still dominated by the sales of money market funds. The total sales amounted to PLN 534 million, i.e. was higher by 15% than in the second quarter of 2011. The OIF offer was expanded in March with a new subfund, i.e. 'KBC Zmiennej Alokacji', in which, in the first month of its operation, customers invested over PLN 11.7 million. In 'Profit Plan' (a unit-linked insurance plan), the collected volume amounted to PLN 256 million.

Investment funds	30.06.2012	31.12.2011	30.06.2011
Net assets of funds (excluding non-registered funds) sold via the Bank's distribution network (in PLN '000')	4 519 632	4 396 763	4 685 840

In the second half of 2012, the Bank plans to increase the sale further and develop the investment and savings offer through:

- subscriptions of further investment products of KBC TFI and TUnŻ Warta in subscriptions with complete and partial capital guarantee;
- the development of structured deposits, particularly those based on an underlying instrument other than a currency pair;
- the propagation of the possibility of taking advantage by consultants and customers of the collective approach to the assessment of the risk of the assets portfolio with a view to further diversify customers' assets and increase the share of investment products in portfolios.

Mortgage housing loans

In the first half of 2012, the value of mortgage loan agreements concluded by the customers of Kredyt Bank amounted to PLN 737 million.
The value of the Bank's portfolio of mortgage loans at the end of May 2012 amounted to PLN 18.7 billion, and, as at the end of April 2012, the Bank's share in the market was at the level of 5.8%.

The results generated in the first half of the year denote an increase by 87% both in the category of signed agreement and in the category of disbursed mortgage loans as compared to the first half of the previous year. The high growth rate of the new sale is an effect of an attractive product offer, high standards in the loans granting process, the close cooperation with Polish brokers and local financial intermediaries, and a wide-scale marketing support. The substantial interest of customers in the mortgage offer of Kredyt Bank towards the end of 2011 related to the successful nationwide autumn advertising campaign and the expected limited access to mortgage housing loans from January 2012 was reflected in the high amount of new agreements in the first quarter of 2012, which, in turn, resulted in a good result of the mortgage banking of Kredyt Bank in the whole first half of the year.

As compared to the second half of 2011, the Bank recorded a decrease in the value of granted mortgage loans by 24% in the case of signed agreements, and the amount of disbursed loans was lower by 6% as compared to the second half of 2011. The lower growth rate of the new sale is noticeable in the whole segment of the mortgage market (the estimated decrease by over 15% in terms of the number and by even 20% in terms of the value of mortgage housing loans granted by banks between January and June 2012 as compared to the first half of 2011) and results from the accumulation of a few factors, including, but not limited to, a more limited access to subsidies to mortgage housing loans under 'Rodzina na swoim' ('Own house for a family') programme; the withdrawal of foreign currency loans from the offer or the introduction of stricter criteria for granting such loans by banks; and a tighter policy of granting loans in PLN as a result of the amendments to 'S Recommendation'.

Despite the noticeable slowdown, Kredyt Bank has been implementing the plans concerning the sale of mortgage loans, and now focuses, to a large extent, on the profitability, not striving to accomplish production growth at the expense of low margins. The Bank's measures aiming at further improvement of the bancassurance offer support the increase in profitability. In April 2012, the Bank signed a new framework agreement with TUiR Warta S.A. concerning the insurance of borrowers' real properties. To increase the group life insurance penetration ratio, since March 2012, the Bank has been offering the possibility of becoming exempt from the fee for the loan granting to those customers who, upon taking the loan, purchase an insurance policy offered by the Bank in the cooperation with TUnŻ Warta S.A. As a result of these measures, the Bank recorded an increase in the life insurance penetration ratio from 20% in January 2012 to as many as 83% in June 2012.

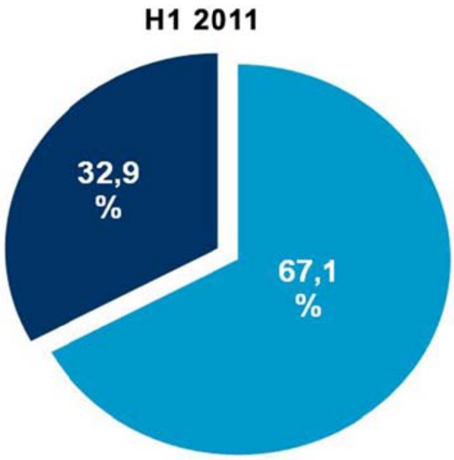
The mortgage loan still remains an important product in the retail offer, which serves the purpose of building a long-term relation with affluent and medium-affluent customers, facilitating the sale of additional products to this segment. However, due to the reduction of the sales volume in the first half of the year, Kredyt Bank limited marketing activities to a low-budget advertising campaign on the Internet (permanent presence in search engines and on Internet portals).

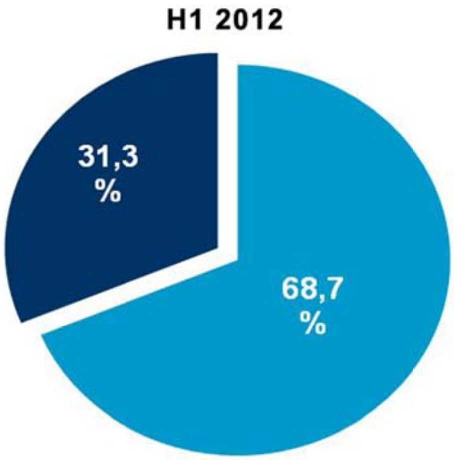
In further months, the Bank expects further decline in the sale of mortgage loans as a result of the domination of the factors which adversely affect the development of the lending activities in the housing market segment; the uncertainty related to the present and future economic situation and unemployment; and a more limited demand due to the postponement of the decision about the purchase of a new house/flat by potential buyers to a later date.

Mortgage housing loans (in PLN '000')	30.06.2012	31.12.2011	30.06.2011
Gross value of the portfolio at the end of the period	17 999 483	17 984 863	16 524 872
No. of loans extended in the period of 6 months (in '000')	3.0	1.6	1.8
Value of loans extended in the period of 6 months*	736 999	989 822	397 758

* from the first quarter of 2012, the Bank presents mortgage housing loans together with 'Rodzina na swoim' loans and having regard for withdrawals from agreements (the figures for previous periods have been properly restated)

The chart below presents the portfolio of mortgage housing loans by currencies at the end of the first half of 2001 and of 2012 (loans in PLN are marked dark blue).





Consumer loans

Consumer loans are an important element of the Bank's offer addressed to individual customers. They are sold mainly through two distribution channels, i.e. the network of own outlets and via Żagiel S.A.

Installment loans, cash loans and cards (in PLN '000')	30.06.2012	31.12.2011	30.06.2011
Gross value of the portfolio at the end of the period, including:	2 704 981	2 833 496	2 779 576
Loans granted via Żagiel*:			
Gross value of the portfolio at the end of the period	1 535 318	1 625 642	1 533 875
No. of loans extended in the period of 6 months (in '000')	270	364	289
Value of loans extended in the period of 6 months**	651 424	831 389	648 338

* includes the consolidation adjustment due to EIR
** related to installment and cash loans

Towards the end of January, the Bank implemented a new offer of the refinancing loan for the existing customers of the Bank whose net income is minimum PLN 1,500. With this loan, the customer may pay its obligations in banks and obtain additional funds for any purpose.

From 12 March to 31 May 2012, the Bank carried out the Spring Cash Loan Advertising Campaign to promote two offers: 'Nowy Kredyt Gotówkowy' ('New Cash Loan') and 'Kredyt Celowy' ('Special-Purpose Loan'). The spring campaign was supported by wide-scale marketing activities addressed mainly to new customers of the Bank. The campaign was carried out on the Internet (search engines, banners, e-mailing, websites related in professional terms to the purposes of the Special-Purpose Loan) and on the radio (nationwide and local radio stations).

On 18 June 2012, the Bank launched the Summer Cash Loan Advertising Campaign combined with the contest for customers, in which the participants can win the main prize — 20 trips to Sicily, each for two people, in the form of a voucher worth PLN 7,000 to be realized in the travel agency selected by the Bank.

In order to increase the profitability of the product, since 1 June 2012, the Bank has expanded its offer with a new price list for the cash loan in which the loan margin was increased, the commission level was altered, and the offer of the insurance linked to the loan was simplified.

The Bank was involved in active direct marketing campaigns addressed to its customers aiming at encouraging the customers to take advantage of the cash loan. From January to May 2012, nearly 4,000 loan agreements (18% of all sold loans) were signed as a result of the direct marketing campaign targeted at the centrally compiled base of the highest-potential customers. Such a type of sale accounted for 19% of the total value of the cash loan sale.

Żagiel S.A. has been selling installment loans via the network of over 30 thousand shops operated by collaborating Agents and the Regional Sale Network (FTEs). Żagiel S.A. maintains its market share in the sale of the installment loan through the network of conventional shops, and also remains the leader of the hire purchase in online stores.

Over 67% of loans are secured with life insurance or with the insurance of the purchased item. The year-to-year growth rate of the sale of the installment loan is at the level of 95% mainly due to worse retail sale, the application of a more conservative approach to risk and the focus on the increase in the product profitability.

The extension of the offer of the maximum available lending period to 60 months was the chief change in the lending policy for installment loans in the first half of 2012; and, in the third quarter of 2012, the Bank intends to implement changes involving the increase in the maximum available loan amount and the implementation of new rules and strategies for the assessment of frauds in preventative measures.

Overdraft facility

Overdraft facility is a crucial element of the Bank's offer for individual customers. Overdraft facilities are distributed through the own network of the Bank's branches. At the end of June 2012, the carrying amount of the portfolio amounted to PLN 710 million. At the beginning of April, the Bank's offer was expanded with a new solution for deposit customers of Kredyt Bank who have revolving term deposits and savings accounts, i.e. the so-called 'secured overdraft facility' ('limit kredytowy pod zastaw'), which simplifies the application process and makes the overdraft more accessible to a bigger group of customers.

In May and June, the Bank also carried out additional selling campaigns for the standard offer targeted at, inter alia, the holders of overdraft facilities in other banks, offering their transfer upon preferential terms (without any commission and with the interest rate of 11.88%). Selected groups of customers was sent customized mailing with the presentation of the Bank's offer, encouraging them to acquire the overdraft facility as an additional source of financing their current needs. During the campaigns carried out in May, the customers were given gifts in the form of the book titled *Podróże małe i duże, czyli jak zostaliśmy światowcami* by Wojciech Mann and Krzysztof Materna. In June, the Bank carried out an activation mailing campaign addressed to the holders of overdraft facilities.

5.2. Enterprises Banking

The criteria for the division of customers, pursuant to the approach to the SME segment adopted since 2010, are as follows:

- SOHO Segment – customers with annual revenue of up to PLN 1 million; this business line is managed by the Retail Banking Department.
- SME Segment – customers with annual revenue from PLN 1 million to PLN 25 million; a separate business line managed by the Enterprises Banking function.
- Corporate Segment – customers with annual revenue of over PLN 25 million; a business line managed by the Enterprises Banking function.

The Enterprises Banking Function comprises the Departments of the SME Macroregions Network and of the Corporate Banking Centers Network. They manage the sale of the business lines of

SME and Corporate customers. The product support for both business lines is provided centrally by transactional and loan products managers, by Treasury Dealers and by the marketing team, located in Warsaw. The operational support and after-sales service are provided by the Business Service Center located in Lublin. In addition, there is the sales management information team that provides required MIS data and manages the extensive CRM system.

Gross operating income of the segment in the first half of 2012 was close to the one recorded in the corresponding period of the previous year and amounted to PLN 215,293 thousand as compared to PLN 218,157 thousand. The slight decline was an effect of the decrease in net interest income as a result of the decrease in income from lending activities. It was partially set off with higher net income from commissions on foreign transactions and an increase in net income from foreign exchange transactions. As compared to the first half of 2011, the cost of the credit risk grew, which resulted in the decrease in the final net operating income. Net impairment losses on financial assets, other assets and provisions (in management terms) in the first half of 2012 amounted to -PLN 36,165 thousand as compared to -PLN 7,137 thousand in the first half of 2011.

SME Segment

The services to the SME customers are provided by ten Macroregions of Small and Medium-Sized Enterprises (SME). The sales model in the SME segment is based on mobile SME Consultants, who acquire new customers and manage the portfolio of their existing customers. New customers are acquired mainly by SME Sale Development Teams operating in Macroregions. The SME Consultants, located in nearly 50 towns and cities throughout Poland, have a direct contact with their customers in a given region and ensure the provision of further products and services. Cash services are provided in branches and retail affiliates of KB S.A. throughout Poland. Day-to-day transactional services and after-sales services are rendered by professional Business Service Center located in Lublin. In the case of specialist services, SME Consultants are supported by mobile product specialists (located in Warsaw in the Enterprises Banking Function). In addition, a crucial part of the product offer is provided by the companies of Kredyt Bank Group and KBC Group in Poland, including: in the case of leasing services — Kredyt Lease S.A. which offers complete services to companies regarding the lease of fixed assets and real properties as well as the long-term lease of and fleet services for vehicles; and KBC TFI S.A. — an offer of investment funds for SMEs.

The key areas of activities and accomplishments of the SME Segment in the first half of 2012:

- Focusing the activities in the area of the acquisition and activation of new customers: 1,160 new customers were acquired in the first half of 2012.
- The implementation of the process of the immediate reservation of a bank account number to allow Consultants to sell the highest possible number of products during one visit at a new customer's.
- Making the product offer more attractive due to the implementation of 'Szybka Ścieżka' ('Fast Lane') package, which covers such products as an overdraft facility in a current/credit account; a limit for professional transactions (FX); a limit for recourse factoring; bank guarantees; a line for letters of credit with or without financing; a limit for credit and charge cards.
- Increasing the available loan amount to be utilized within the limit in relation to the previous 'Szybki Kredyt' ('Fast Loan') loan to maximum PLN 60 thousand (a fast process, the decision made in 24 hours, the limit amount depends on e.g. the customer's rating).
- Expanding the credit products management application (Credit Management Tool) with a module to register and automatically monitor additional clauses and terms and conditions included in loan agreements, which will allow for significant automation of the process of the cyclical monitoring of customers.
- Expanding the cooperation with the National Debt Register ('NDR'), including the introduction of the obligation to verify potential and existing customers in the NDR; 'sealing' the lending process.

- Obtaining, on attractive terms, a new credit line from the European Investment Bank for the total amount of EUR 100 million. The funds from the EIB are allocated for the financing of loan and leasing transactions for entrepreneurs employing less than 3,000 employees. The customers of Kredyt Bank benefit from the EIB's financing due to a lower cost of transactions. In total, since 2010, the Bank has obtained, from the EIB, lines with the value of EUR 300 million.
- Signing the cooperation agreement with Pomorski Fundusz Poręczeń Kredytowych ('Pomorski Loan Sureties Fund') under which the Bank will approve loan sureties issued by this Fund as collateral for granted loan transactions.
- In the area of Trade Finance: the activation of the sale of documentary credits and bank guarantees; the introduction of clearings in the Chinese yuan, the Russian rouble and the Romanian leu; the introduction of a new product, i.e. the payment in advance (discounting) of the import letter of credit; the introduction of invoices discounting services in foreign currencies on KB-eNvoice platform.
- In the area of Treasury: active promotion of KB-Autodealing platform and further activation of the customers who already use the platform. The income generated by SME customers via the platform in the first half of 2012 amounted to PLN 3.3 million, and the number of users was 1,664.
- In the area of Transactional Products: preparing a special offer for exporters and importers promoting the services in foreign/FX trade; introducing the pricing promotion of Packages (50% of the price per package) for the companies with specific average monthly cash inflows to their accounts; adapting KBnet application to the proper operation in Android 3.0 and higher environment.
- In the area of Customer Service processes: the participation of the Business Service Center in the customer activation process (welcome phone calls after one month of the cooperation and training courses for customers regarding e-banking and Autodealing platform); expanding customers' e-files with credit documents; centralizing the process of making payments of inherited funds and the funds resulting from testamentary legacy after the death of an account holder; introducing the rule of informing the customer about, and explaining issues related to, seizures by bailiffs; streamlining the process of terminating and closing bank accounts by the bank or the customer through the change of the workflow; implementing (from January) the monitoring of the individual effectiveness of the employees releasing loans; cyclical surveys of customers' satisfaction / loyalty (surveys carried out by the Business Service Centre).
- Continuing the integrated acquisition campaign for basic deposit and loan products launched in the first half of 2011. Due to the high interest of customers and good financial results, the decision was made to prolong the campaign until the end of September 2012.
- The participation of Kredyt Bank, as a strategic partner, in the 12th edition of 'Gazele Biznesu' contest. It is a long-term project for 2010-2013 supporting the acquisition of the most dynamic small and medium-sized companies in particular provinces.
- Continuing the project called 'An Entrepreneur's Academy' with the aim to build up the local position of Kredyt Bank through the provision of knowledge as an added value to company owners and managers. The 3rd edition launched in autumn 2011 was terminated in February. As part of this edition, seminars were held in 50 towns and cities. Between April and June, the 4th edition was organized. It covered seminars in 36 towns and cities and a conference in Warsaw titled 'The Change Strategy in the Times of Challenges' with the participation of Brian Tracy; 1,500 entrepreneurs from the whole Poland took part in the conference. The project called 'An Entrepreneur's Academy' has been carried out since 2010 and assumes a cyclical (minimum once in six months) presence on local markets. The project is organized in the cooperation with third party partners under the auspices of such organizations as e.g. the Polish Agency for Enterprise Development (PARP), the Polish Chamber of Commerce, the National Entrepreneurship Forum ('Krajowe Forum Przedsiębiorczości'), Business Centre Club as well as local authorities

and business associations. At present, the meetings are focused on four core topics: 'Receivables Management in a Company' (in the cooperation with the National Debt Register); 'Market Risk Management in a Company' (in the cooperation with KUKE S.A.); 'Strategic Management vs. HR Management in a Company' (in the cooperation with Brian Tracy International training company); 'Innovation and Modern Technologies in Business' (first in the cooperation with T-Mobile and later with Microsoft);and the competences of a manager, savings in a company and the analysis of the impact of economic factors upon business.

The most important areas in which the measures in the SME Segment will be focused in the second half of 2012 are as follows:

- Continuing the intensified acquisition and activation of customers, with particular attention paid to medium-sized and large customers from the SME Segment in the turnover ranges of PLN 3-10 million and PLN 10-25 million.
- Implementing new products packages indicated after the transactionability analysis as key for customers.
- Further development of IT applications supporting the lending process, focused on further automation of the process of the customers monitoring and the registration of lending decisions, and transferring a part of the documents used now in the process in a paper form to IT applications (Excel, Word).
- In the credit area: the implementation of the limit-based approach with the use of a prepared tool; it will definitely improve the process of making lending decisions and will make it possible to instantly make the funds available to a customer within the limit determined for a given year.
- Simplifying the terms and conditions of the framework agreement concerning bank accounts and selected banking products, allowing for the sale of further banking products without the need to enter into annexes and/or new agreements.
- The development of the products which will make it possible to reinforce relations with customers due to their added value (e.g. 'Konto Mobilne' mobile account).
- Expanding the range of the products available on KB-Auto Dealing platform with futures/forwards.
- Modifying KB-envoice platform with a view to further adapt the system to customers' expectations and to ensure greater effectiveness in the transactional area.
- Continuing 'An Entrepreneur's Academy' project.

Corporate Segment

The services to Corporate customers are rendered by 13 Corporate Banking Centers located in: Białystok, Bydgoszcz, Gdańsk, Katowice, Kraków, Lublin, Łódź, Poznań, Rzeszów, Szczecin, Warsaw (two Centers) and in Wrocław. The Centers covering the largest geographical areas have their additional representative outlets in smaller towns (Ciechanów, Jelenia Góra, Kielce, Koszalin, Legnica, Leszno, Łomża, Olsztyn, Piła, Radom, Siedlce, Zielona Góra).

Direct contact with customers is maintained, and the whole cooperation is managed, by Customer Assistants located throughout Poland. In the case of specialist services, they are supported by mobile product specialists from the Bank's head office in Warsaw; and in the case of Treasury products, they are also supported by Dealers located additionally in the so-called 'Tri-city agglomeration' (Gdańsk, Gdynia, Sopot), as well as in Poznań and Katowice.

In addition, a crucial part of the product offer is provided by the companies of Kredyt Bank Group and KBC Group in Poland, including: in the case of leasing services — Kredyt Lease S.A. which offers complete services to companies regarding the lease of fixed assets and real properties as well as the long-term lease of and fleet services for vehicles; and KBC TFI S.A. — an offer of investment funds.

The ongoing transactional services and after-sales service for all Corporate Customers are provided by the Business Service Center located in Lublin. Cash services are provided in branches and retail affiliates of KB S.A. throughout Poland.

The key areas of activities and accomplishments of the Corporate Segment in the first half of 2012:

- In the first half of 2012, the Bank acquired 197 new customers with annual revenue of over PLN 25 million. In the period, the main emphasis was put, first of all, on the activation of acquired customers.
- The implementation of the process of the immediate reservation of a bank account number to allow Consultants to sell the highest possible number of products during one visit at a new customer's.
- Ensuring greater possibilities of customizing fees and commissions for customers.
- Making the product offer more attractive due to the implementation of 'Szybka Ścieżka' ('Fast Lane') package, which covers such products as an overdraft facility in a current/credit account; a limit for professional transactions (FX); a limit for recourse factoring; bank guarantees; a line for letters of credit with or without financing; a limit for credit and charge cards.
- Increasing the available loan amount to be utilized within the limit in relation to the previous 'Szybki Kredyt' ('Fast Loan') loan to maximum PLN 60 thousand (a fast process, the decision made in 24 hours, the limit amount depends on e.g. the customer's rating).
- Expanding the credit products management application (Credit Management Tool) with a module to register and automatically monitor additional clauses and terms and conditions included in loan agreements, which will allow for significant automation of the process of the cyclical monitoring of customers.
- Expanding the cooperation with the National Debt Register ('NDR'), including the introduction of the obligation to verify potential and existing customers in the NDR; 'sealing' the lending process.
- Obtaining, on attractive terms, a new credit line from the European Investment Bank for the total amount of EUR 100 million. The funds from the EIB are allocated for the financing of loan and leasing transactions for entrepreneurs employing less than 3,000 employees. The customers of Kredyt Bank benefit from the EIB's financing due to a lower cost of transactions. In total, since 2010, the Bank has obtained, from the EIB, lines with the value of EUR 300 million.
- Signing the cooperation agreement with Pomorski Fundusz Poręczeń Kredytowych ('Pomorski Loan Sureties Fund') under which the Bank will approve loan sureties issued by this Fund as collateral for granted loan transactions.
- In the area of Trade Finance: the introduction of clearings in the Chinese yuan, the Russian rouble and the Romanian leu; the introduction of a new product, i.e. the payment in advance (discounting) of the import letter of credit; the introduction of invoices discounting services in foreign currencies on KB-eNvoice platform; the activation of the sale of documentary credits and bank guarantees.
- In the area of Treasury: expanding the range of offered products with instruments hedging the commodity price risk.
- In the area of Transactional Products: introducing a new Pricing Policy for Corporate Customers determining uniform rules concerning deviations from the standard Fees and Commissions Table for the customers from this segment with the maximum validity period for the terms and conditions of one year; preparing a special offer for exporters and importers promoting the services in foreign/FX trade; introducing the pricing promotion of Packages (50% of the price per package) for the companies with specific average monthly cash inflows to their accounts; adapting KBnet application to the proper operation in Android 3.0 and higher environment.
- In the area of Customer Service processes: implementing the electronic flow of pricing requests in the CRM system, streamlining the workflow and ensuring the centralization of

the retention of pricing decisions, which will greatly facilitate the management of fees and commissions in this customer segment; the participation of the Business Service Center in the customer activation process (welcome phone calls after one month of the cooperation and training courses for customers regarding e-banking and Autodealing platform); expanding customers' e-files with credit documents; centralizing the process of making payments of inherited funds and the funds resulting from testamentary legacy after the death of an account holder; introducing the rule of informing the customer about, and explaining issues related to, seizures by bailiffs; streamlining the process of terminating and closing bank accounts by the bank or the customer due to the change in the workflow; implementing (from January) the monitoring of the individual effectiveness of the employees releasing loans; cyclical surveys of customers' satisfaction / loyalty (surveys carried out by the Business Service Centre).

- Continuing the integrated acquisition campaign for basic deposit and loan products launched in the first half of 2011. Due to the high interest of customers and good financial results, the decision was made to prolong the campaign until the end of September 2012.
- The participation of Kredyt Bank, as a strategic partner, in the 12th edition of 'Gazele Biznesu' contest. It is a long-term project for 2010-2013 supporting the acquisition of the most dynamic small and medium-sized companies in particular provinces.
- Continuing the project called 'An Entrepreneur's Academy' with the aim to build up the local position of Kredyt Bank through the provision of knowledge as an added value to company owners and managers. The 3rd edition launched in autumn 2011 was terminated in February. As part of this edition, seminars were held in 50 towns and cities. Between April and June, the 4th edition was organized. It covered seminars in 36 towns and cities and a conference in Warsaw titled 'The Change Strategy in the Times of Challenges' with the participation of Brian Tracy; 1,500 entrepreneurs from the whole Poland took part in the conference.
- The project called 'An Entrepreneur's Academy' has been carried out since 2010 and assumes a cyclical (minimum once in six months) presence on local markets. The project is organized in the cooperation with third party partners under the auspices of such organizations as e.g. the Polish Agency for Enterprise Development (PARP), the Polish Chamber of Commerce, the National Entrepreneurship Forum ('Krajowe Forum Przedsiębiorczości'), Business Centre Club as well as local authorities and business associations. At present, the meetings are focused on four core topics: 'Receivables Management in a Company' (in the cooperation with the National Debt Register); 'Market Risk Management in a Company' (in the cooperation with KUKE S.A.); 'Strategic Management vs. HR Management in a Company' (in the cooperation with Brian Tracy International training company); 'Innovation and Modern Technologies in Business' (first in the cooperation with T-Mobile and later with Microsoft); and the competences of a manager, savings in a company and the analysis of the impact of economic factors upon business.

The most important areas in which the measures in the Corporate Segment will be focused in the second half of 2012 are as follows:

- Further strong emphasis on the activation of new customers.
- Account Planning – looking from the perspective of the business model of the customer and of his needs which follow from a given model, and providing solutions and products selected individually on the basis of the excellent knowledge of the customer's industry and company.
- Further expansion of the deposit balance owing to preferential rates for new funds.
- Initiatives aiming at the acquisition of new customers in the area of import letters of credit and FX; a rapid increase in the market share and in income from these lines.
- Implementing new products packages indicated after the transactionability analysis as key for customers.

- Further development of IT applications supporting the lending process, focused on further automation of the process of the customers monitoring and the registration of lending decisions, and transferring a part of the documents used now in the process in a paper form to IT applications (Excel, Word).
- Simplifying the terms and conditions of the framework agreement concerning bank accounts and selected banking products, allowing for the sale of further banking products without the need to enter into annexes and/or new agreements.
- The development of the products which will make it possible to reinforce relations with customers due to their added value (e.g. 'Konto Mobilne' mobile account).
- Modifying KB-envoice platform with a view to further adapt the system to customers' expectations and to ensure greater effectiveness in the transactional area.
- Continuing 'An Entrepreneur's Academy' project.

5.3. Treasury Segment and the cooperation with international financial institutions

The Bank performs transactions on the inter-bank market, both domestic and international, on own account and on behalf of customers. Active participation in the inter-bank market makes it possible to obtain competitive quotations, which is the basis of stabilization and development of existing corporate customers' base. The Bank is the Treasury Securities Dealer and Money Market Dealer. The treasury products offer is constantly expanded and ensures appropriate services both to Private Banking customers and medium-sized and large companies. It entails, among other things, the conclusion, for customers, of transactions hedging the market risk, the currency risk, the interest rate risk and the risk of raw materials prices.
Kredyt Bank S.A. established active relations with domestic and foreign banks providing FX/MM, Custody, Trade Finance and payment services. They are supplemented by cooperation agreements with global foreign institutions, e.g. the European Investment Bank, the European Reconstruction and Development Bank, Visa International. Owing to the base of 35,000 SWIFT keys exchanged with other institutions, the Bank is able to exchange correspondence with banks and service foreign trade in the majority of countries worldwide. As at 30.06.2012, Kredyt Bank maintained 9 LORO accounts in foreign currencies and 31 LORO accounts in PLN for 29 correspondent banks (24 foreign banks and 5 Polish banks). The network of NOSTRO accounts included 18 accounts in 18 banks and it fully satisfied the clearing needs of Kredyt Bank.

5.4. Custodian services and investment activities

An offer of the Bank's custodian services entails maintaining securities accounts for domestic and foreign, both institutional and individual, customers. For the special group of customers, i.e. investment funds, the Bank also plays a role of a custodian bank and issue sponsor. The Bank holds an authorization of the Polish Financial Supervision Authority to maintain securities accounts; it is also a direct participant of the National Depository for Securities as a Custodian Bank and a participant of the Securities Register managed by the National Bank of Poland (NBP). On this basis, the Bank maintains accounts for securities, deposited in the National Depository for Securities or the Securities Register. The Financial Transactions Clearing Office in the Bank's Head Office is the Bank's unit responsible for the above-mentioned tasks.

5.5. Operations of the Group companies

Kredyt Lease S.A.

As at 30 June 2012, the company's share capital amounted to PLN 27,501 thousand. Kredyt Lease is engaged in leasing services, rental and lease of rights and assets, trade in real estate and intermediation in the sale of goods and services. The company focuses mainly on services provided to the Bank's customers, but also offers its services on the market. The offer of Kredyt

Lease is supplementary to the Bank's offer and ensures the provision of a complete range of services to corporate customers and SMEs.

Kredyt Trade Sp. z o.o. w likwidacji
As at 30 June 2012, the company's share capital amounted to PLN 64,179 thousand. Kredyt Trade provides services complementary to the Bank's administrative services, mainly concerning the servicing and lease of properties and equipment.

Reliz Sp. z o.o.
As at 30 June 2012, the share capital of Reliz amounted to PLN 50 thousand. The company's main asset is ALTUS multi-purpose building in Katowice. The company is involved in the lease and administration of this property. On 23 July 2012, the Management Board of Reliz Sp. z o.o. submitted to the XI Commercial Insolvency and Arrangement Division of the District Court for Poznań-Old Town, an application concerning the bankruptcy of Reliz Sp. z o.o. by liquidation of its assets.

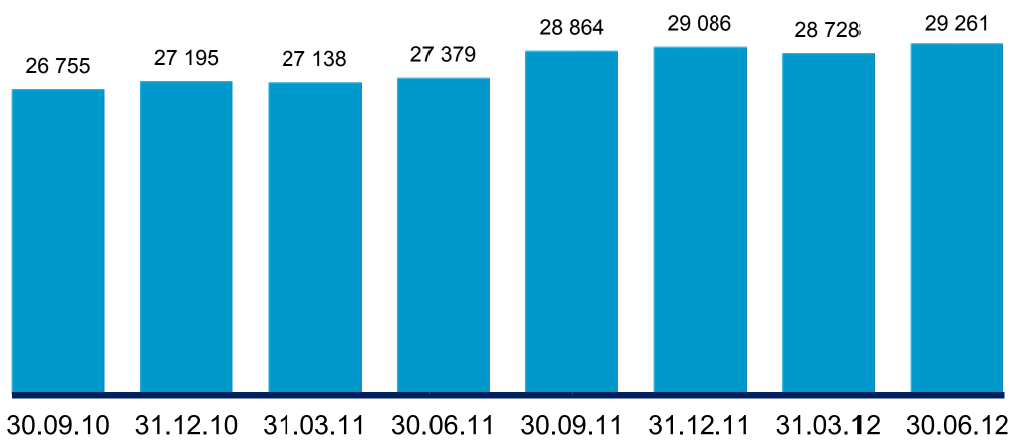
6. Financial results of Kredyt Bank S.A. Capital Group in the first half of 2012

6.1. Assets structure

The Group's total assets as at 30.06.2012 amounted to PLN 43,495,151 thousand against PLN 44,340,215 thousand as at 30.06.2011 and were lower by 1.9% (an increase by 3.6% as compared to the end of 2011).

Net loans and advances to customers and investment securities are the items with the greatest shares in the assets structure; as at the end of the first half of 2012, they jointly accounted for 87.3% of total assets. The major changes in the assets structure as compared to the end of the first half of 2011 were as follows:

- An increase in the share of net loans and advances to customers from 61.7% to 67.3% at the end of the first half of 2012. It was mainly a result of the depreciation of the Polish zloty and of the revaluation of the portfolio of mortgage housing loans in foreign currencies as well as of the lower growth rate for the whole balance sheet total.



- A decrease in the share of financial assets held for trading (excluding derivatives) in total assets from 5.3% to 0.8% at the end of the first half of 2012 and the decrease in the share of receivables related to investment securities from 24.1% to 20.0%. The changes resulted from the decline in the mass short-term financing invested in liquid assets related to the policy of increasing the share of customers' deposits in the structure of financing sources.

- An increase in the share of gross loans and advances to banks and receivables arising from repurchase transactions from 2.8% to 6.6% at the end of the first half of 2012.

The depreciation of the Polish zloty against CHF and EUR, due to the large share of mortgage housing loans in foreign currencies in the portfolio, was a factor which, to a certain extent, influenced the increase in the balance sheet total as compared to 30.06.2011. At the end of June 2012, the CHF exchange rate was PLN 3.55, and EUR exchange rate was PLN 4.26 (PLN 3.30 and PLN 3.99 at the end of June 2011).

The table below presents the value of particular assets (in PLN '000'):

PLN '000'	30.06.2012	31.12.2011	30.06.2011
Cash and balances with Central Bank	719 023	784 668	1 136 843
Gross loans and advances to banks	1 650 288	1 188 012	1 246 481
Impairment losses on loans and advances to banks	0	0	0
Receivables arising from repurchase transactions	1 211 557	0	0
Financial assets designated upon initial recognition as at fair value through profit or loss	63 283	100 684	113 696
Financial assets held for trading (excluding derivatives)	332 834	60 493	2 371 250
Derivatives, including:	694 412	1 071 089	382 244
- derivatives used as hedging instruments	105 362	95 592	69 144
Gross loans and advances to customers	30 676 784	30 493 915	28 651 797
Impairment losses on loans and advances to customers	-1 415 677	-1 408 161	-1 272 660
Investment securities	8 707 049	8 678 712	10 695 830
- available-for-sale	5 410 148	5 262 038	7 341 730
- held-to-maturity	3 296 901	3 416 674	3 354 100
Investments in associates valued using the equity method	0	19 152	16 984
Property, plant and equipment	236 963	259 797	262 354
intangible assets	75 384	59 711	54 822
Deferred tax assets	214 030	263 257	287 586
Current tax receivable	16 379	116 870	49 107
Non-current assets held for sale	5 709	12 128	11 714
Investment properties	201 190	209 065	211 766
Other assets	105 943	93 692	120 401
Total assets	**43 495 151**	**42 003 084**	**44 340 215**

Credit portfolio quality

At the end of the first half of 2012, in Kredyt Bank S.A. Group, the share of loans and advances with evidence for impairment in total gross loans and advances to customers amounted to 8.4%, i.e. more by 1.1 p.p. than at the end of the first half of 2011. In the analyzed period, the value of non-performing receivables, i.e. those for which evidence for impairment was identified, increased by 22.1%. The increase was related primarily to the receivables related to investment loans and working capital loans of corporate and SME customers.

The Group monitors established legal securities of loan transactions by evaluation of the value of approved collateral on the basis of documents lodged by the borrower and internal databases including historic data about the recoverability of collateral. As at 30.06.2012, the coverage of loans and advances with evidence for impairment with impairment losses was at the level of 49.3% and was lower by 5.3 p.p. as compared to 30.06.2011.

The table below presents the value of loans and advances with evidence for impairment and basic ratios characterizing the quality of the credit portfolio.

in PLN '000'	30.06.2012	31.12.2011	30.06.2011
Loans and advances with no evidence for impairment, including interest	28 106 771	27 981 461	26 547 219
Loans and advances with evidence for impairment, including interest	2 570 013	2 512 454	2 104 578
Total gross loan and advances to customers (including interest)	**30 676 784**	**30 493 915**	**28 651 797**
Impairment losses on loans and advances to customers	1 415 677	1 408 161	1 272 660
including: impairment losses on loans and advances with evidence for impairment	1 266 343	1 299 559	1 149 375
Total net loans and advances to customers	**29 261 107**	**29 085 754**	**27 379 137**
The share of loans and advances with evidence for impairment in total gross loans and advances	8.4%	8.2%	7.3%
Coverage of loans and advances with evidence for impairment with impairment losses	49.3%	51.7%	54.6%

Number and value of executory titles and the value of collateral established on customers' accounts and assets

In the first half of 2012, in the course of debt collection measures aimed at recovering debts from non-paying customers, the Bank issued 15,216 banking executory titles for the total amount of PLN 215.6 million. In the first half of 2011, the Bank issued 42,584 banking executory titles for the total amount of PLN 213.7 million.

In the case of receivables assessed individually, the total fair value of the collateral approved by the Group taken into consideration in estimated future cash flows, as at 30.06.2012, amounted to PLN 541,688 thousand. As at 30.06.2011, this value was equal to PLN 177,718 thousand.

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

Gross loans and advances to customers – item-by-item structure

In the period, there were no significant changes from the point of view of the shares of particular customer segments in the total loans portfolio.

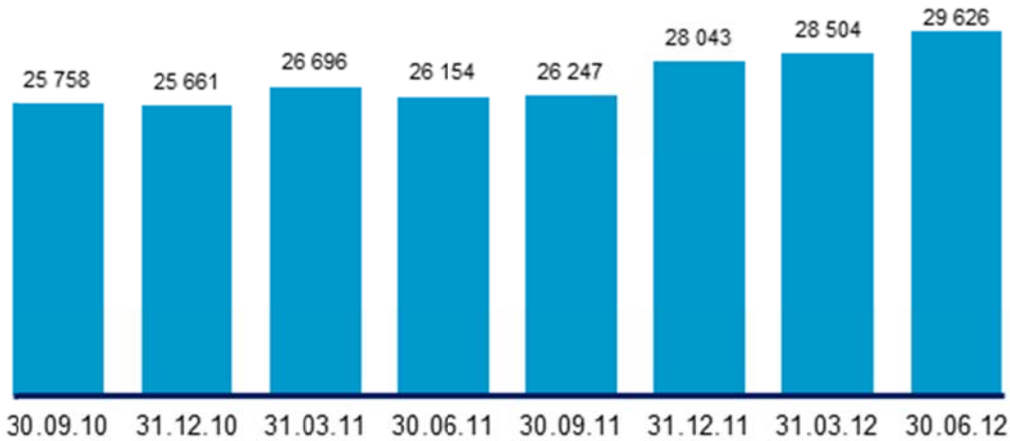
At the end of the first half of 2012, loans and advances to natural persons had the largest share in total gross loans and advances to customers, i.e. 75.0%. The following issues were noticeable: an increase in the share of mortgage housing loans combined with a decrease in the share of cash loans and installment loans in the structure of loans and advances to natural persons; bigger significance of overdraft facilities in the portfolio of loans for corporate and SME customers; and a greater share of debt securities in loans and advances to the budgetary sector.

	30.06.2012	31.12.2011	30.06.2011
Individuals*	**75.0%**	**75.8%**	**75.6%**
- overdraft facilities	4.6%	4.3%	4.7%
- purchased debt	0.1%	0.1%	0.1%
- term loans**	3.2%	3.5%	3.9%
- cash and installment loans	11.8%	12.3%	12.8%
- other mortgage loans***	1.8%	1.8%	2.0%
- mortgage housing loans	78.3%	77.8%	76.3%
- realized guarantees	0.0%	0.0%	0.0%
- other receivables	0.2%	0.2%	0.2%
Corporate customers	**24.4%**	**23.6%**	**23.8%**
- overdraft facilities	31.3%	28.1%	29.9%
- term loans**	54.5%	58.6%	58.2%
- purchased debt	3.0%	3.0%	2.9%
- realized guarantees	1.2%	0.5%	0.0%
- other receivables	9.4%	9.1%	8.3%
- debt securities classified as loan receivables	0.7%	0.7%	0.7%
Budget	**0.6%**	**0.6%**	**0.6%**
- overdraft facilities	3.9%	2.4%	2.5%
- term loans**	56.8%	53.4%	84.8%
- purchased debt	0.0%	10.0%	0.0%
- debt securities classified as loan receivables	39.4%	34.2%	12.7%
Total	**100.0%**	**100.0%**	**100.0%**

* contains amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households**contains mainly investment loans and working capital loans
*** comprises mortgage loans other than for housing purposes and refinancing loans secured with mortgages

6.2. The structure of liabilities and equity

At the end of the first half of 2012, as in the previous year, amounts due to customers were the main category of liabilities. Over the last 12 months, their value increased by 13.3%. The share of amounts due to customers in total liabilities and equity amounted at the end of the first half of 2012 to 68.1% (an increase by 9.1 p.p.).



As a consequence of good results of the acquisition of customers' funds and the lower current financing from KBC Group, the share of amounts due to banks (including the Central Bank) in total liabilities and equity declined. At the end of the first half of 2012, it was at the level of 13.9% against 26.8% at the end of the first half of 2011. The majority of them were funds sourced from KBC Group's entities.

At the end of the first half of 2012, the value of loans and advances, term deposits and funds in current accounts obtained from entities of KBC Group amounted (including subordinated liabilities) to PLN 6,293,095 thousand, which accounted for 14.5% of total liabilities and equity.

The table below presents the value of particular liabilities and equity items (in PLN '000'):

	30.06.2012	31.12.2011	30.06.2011
Amounts due to Central Bank	15	32	2
Amounts due to banks	6 043 971	8 486 491	11 867 510
Liabilities arising from repurchase transactions	2 302 676	0	1 406 593
Financial liabilities held for trading (excluding derivatives)	93 658	0	0
Derivatives, including:	758 081	982 916	652 612
- derivatives used as hedging instruments	124	1 669	204
Amounts due to customers	29 626 447	28 043 157	26 154 246
Current tax liability	6 308	182	112
Provisions	131 729	116 402	76 285
Deferred tax liability	629	725	762
Other liabilities	272 904	271 044	278 868
Subordinated liabilities	1 013 882	1 036 510	947 298
Total equity	3 244 851	3 065 625	2 955 927
Total liabilities and equity	**43 495 151**	**42 003 084**	**44 340 215**

Amounts due to customers – structure by items and types

As compared to the corresponding period in the previous year, in the first half of 2012, the share of amounts due to natural persons in total amounts due to customers increased (by 6.5 p.p.). The changes in the structure by types are related to the greater popularity of term deposits. Term deposits of corporate customers include the funds of TUnŻ WARTA sourced from the sale of 'WARTA GWARANCJA' insurance term deposit; as at 30.06.2012, they amounted to PLN 536,831 thousand (as compared to PLN 740,277 thousand at the end of the first half of 2011). Loans and advances of corporate customers comprise cash loans from the European Investment Bank (according to the segmentation of the National Bank of Poland, they are presented in the corporate segment).

Amounts due to the Group's customers	30.06.2012	31.12.2011	30.06.2011
Individuals*	**68.4%**	**63.7%**	**61.9%**
- current accounts	55.3%	65.3%	77.0%
- term deposits	44.3%	33.7%	22.5%
- other	0.4%	1.0%	0.4%
Corporate customers	**26.2%**	**31.1%**	**31.8%**
- current accounts	44.7%	45.4%	42.6%
- term deposits	44.3%	44.5%	47.4%
- loans and advances	11.0%	10.1%	10.0%
- other	0.1%	0.0%	0.0%
Budget	**5.4%**	**5.2%**	**6.3%**
- current accounts	62.1%	72.4%	70.8%
- term deposits	37.9%	27.5%	29.2%
- other	0.0%	0.1%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**

* amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households

6.3. Off-balance sheet items

The value of particular off-balance sheet items is presented in Note 30 to the interim consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2012 ended on 30.06.2012.

Guarantees and sureties issued, including those granted to the Issuer's related parties

As at 30.06.2012, 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 399,277 thousand.
As at 30.06.2011, 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 451,598 thousand.
The above guarantees were granted on market terms. The Bank's remuneration for the issuance of the guarantees was also determined on market terms.

6.4. Income statement structure

The Group's net profit in the first half of 2012 amounted to PLN 118,655 thousand and was lower by 46.5% in comparison to the first half of the previous year. The most important factors that affected the differences between the compared periods:

- The sale, in the first half of 2011, of the portfolio of retail debts; the total impact of the sale upon the net result in the whole first half of 2011 amounted to PLN 63,483 thousand.
- A change of the methodology of estimating the impairment for loans and advances implemented in the second quarter of 2012 (the associated positive impact upon the net result amounted to PLN 52,448 thousand).
- A change of the approach to the financing of the lending activities by increasing the share of amounts due to customers in total liabilities and equity, which adversely affects the net interest income.

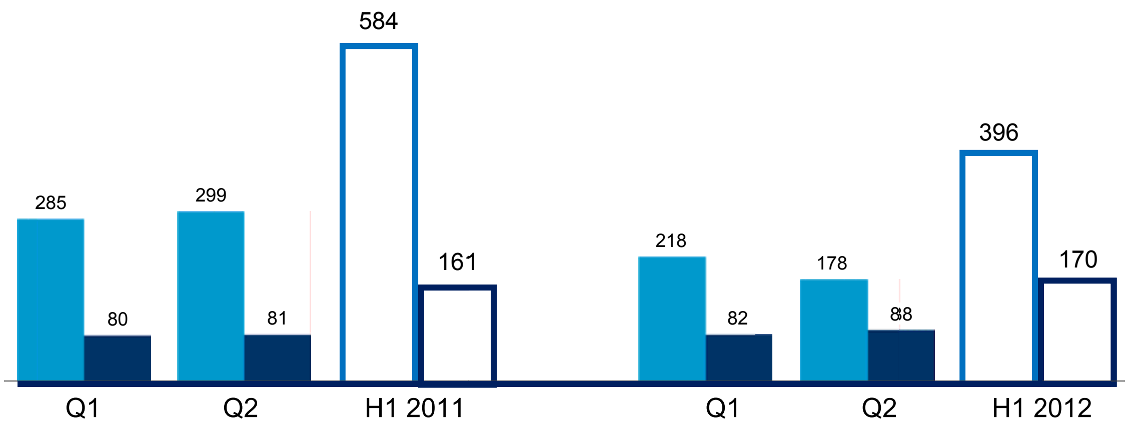
The main items of the Group's income statement are presented below.

in PLN '000'	01.01.2012 - 30.06.2012	01.01.2011 - 30.06.2011	Change (%)
Net interest income	395 942	583 802	-32.2%
Net fee and commission income	170 302	161 301	5.6%
Net gains from trading and investment activities (including dividend income and net result on derivatives used as hedging instruments and hedged items)	139 619	33 340	318.8%
Net gains from other operating income/expenses	37 251	34 496	8.0%
Net operating income	**743 114**	**812 939**	**-8.6%**
General and administrative expenses, and depreciation	-497 946	-483 509	3.0%
Net impairment losses on financial assets, other assets and provisions	-63 989	-34 185	87.2%
Share in profit (loss) of associates	1 019	1 805	-43.5%
Profit before tax	**182 198**	**297 050**	**-38.7%**
Income tax expense	-63 543	-75 133	-15.4%
Net profit (attributable to the shareholders of the Bank)	**118 655**	**221 917**	**-46.5%**

Net interest income and net fee and commission income generated by the Group in the first half of 2012 amounted to PLN 566,244 thousand and was lower by 24.0% (by PLN 178,859 thousand) than the figure recorded in the first half of 2011 (PLN 745,103 thousand).

Net interest income in the first half of 2012 amounted to PLN 395,942 thousand and was lower than the net interest income generated in the first half of 2011 by 32.2%. In the first half of 2012, the Group focused on the acquisition of retail customers' deposits. The approach is a result of the change of the policy concerning the financing of lending activities. The Group strives to become independent of the direct financing from the inter-bank market by increasing the share of customers' deposits in total liabilities and equity and by increasing the scale of SWAP transactions. Partially, it is also associated with the expiration of the long-term borrowings obtained in previous years. It meant the necessity of applying a competitive pricing policy for deposit products for individual customers and resulted in a greater pressure on margins.

Net fee and commission income in 2011 and 2012, in millions of PLN, is presented in the chart below (the net commission income is marked dark blue):



Net fee and commission income in the first half of 2012 amounted to PLN 170,302 thousand and, as compared to the first half of 2011, increased by 5.6% (PLN 9,001 thousand). The increase resulted mainly from the expansion of the cooperation with existing customers in the Enterprises Segment related to foreign transactions and guarantees, the increase in the income from the distribution of combined savings and investment products and insurance mediation, and also the increase in the income related to payment cards processing and ATMs maintenance.
The decrease in the income related to the distribution and management of investment funds associated with the negative market sentiment and the decrease in the sale of such a type of products was a negative factor.
The table below presents the structure of commission income in the first half of 2012 and of 2011:

	01.01.2012 - 30.06.2012	Structure %	01.01.2011 - 30.06.2011	Structure %
Fees and commissions on deposit-related transactions with customers	66 179	35.2%	69 316	38.4%
Fees and commissions due for payment cards processing and ATMs maintenance (net; income minus expenses)	37 850	20.1%	36 818	20.4%
Commissions on the distribution and management of combined investment and insurance products	36 057	19.2%	30 170	16.7%
Fees and commissions related to lending activities	19 705	10.5%	19 988	11.1%
Commissions on guarantee commitments	12 504	6.7%	11 095	6.1%
Commissions on foreign clearing operations	9 011	4.8%	7 742	4.3%
Other fees and commissions	5 509	2.9%	3 655	2.0%
Commissions on other custodian services	1 082	0.6%	1 819	1.0%
Total	**187 897**	**100.0%**	**180 603**	**100.0%**

Net gains from trading and investment activities (including dividend income and net result on derivatives used as hedging instruments and hedged items) in the first half of 2012 amounted to PLN 139,619 thousand and were higher by 318.8% (by PLN 106,279 thousand) than the result generated in the first half of 2011. It resulted mainly from the increase in the result on foreign exchange by PLN 85,276 thousand; the generation of the net income from the sale of the shares of KBC TFI S.A. in the gross amount of PLN 17,138 thousand; and the increase in the result on commercial debt securities and commercial equity instruments from the portfolio of financial assets measured upon initial recognition at fair value through profit or loss by PLN 5,082 thousand.
The said increase in the result on foreign exchange is partially related to the increase in the scale of SWAP transactions mentioned in the part concerning net interest income (this category comprises the result on the valuation of FX swaps).

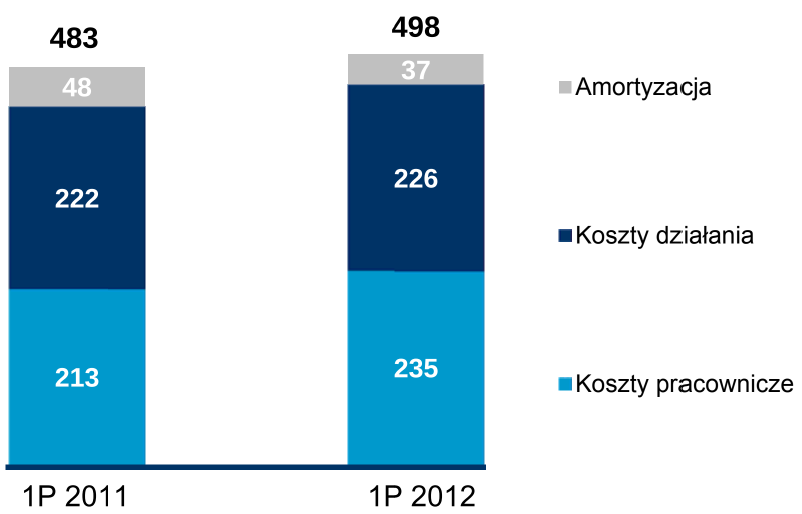
Net gains from other operating income/expenses in the first half of 2012 amounted to PLN 37,251 thousand and were higher by 8.0% (by PLN 2,755 thousand) than in the first half of 2011, mainly due to the higher, by PLN 6,001 thousand, income from the sale or liquidation of property, plant and equipment, non-current assets held for sale and assets to be disposed. The decrease by PLN 13.1 million, as compared to the first half of 2011, in the income from the reversal of provisions related to incentive programmes was partially set off with the decrease in the costs of debt recovery by PLN 11,158 thousand.

The Group's general and administrative expenses in the first half of 2012 amounted to PLN 497,946 thousand and, as compared to the general and administrative expenses in the corresponding period of the previous year (PLN 483,509 thousand), were higher by 3.0% (by PLN 14,437 thousand).The increase was related to both staff costs (+10.2%) and general expenses (+1.5%); however, the costs of depreciation were lower by 22.0% (PLN 37,386 thousand as compared to PLN 47,910 thousand).

In the first half of 2012, staff costs amounted to PLN 234,864 thousand, which means an increase as compared to the first half of 2011 by PLN 21,692 thousand (10.2%). The change was associated, among other things, with the increase in basic remunerations resulting from the payroll regulations carried out towards the end of the first half of 2011.

The Group's general expenses, excluding staff costs, in the first half of 2012 amounted to PLN 225,696 thousand and, as compared to the first half of 2011, they were higher by 1.5% (by PLN 3,269 thousand). The following costs were higher: costs of buildings lease (by PLN 4,330 thousand), mainly due to the revision of rents having regard for the inflation rate and exchange rates; the costs of advisory and specialist services (by PLN 3,487 thousand) due to the works related to the merger with BZ WBK; the costs of the purchase of other materials and other general expenses (by PLN 3,880 thousand); and the costs of transportation services (by PLN 1,299 thousand).
The following costs were lower: IT and telecommunications fees (by PLN 5,968 thousand); the costs of promotion and advertising services (by PLN 2,743 thousand); and the costs of postal fees (by PLN 1,291 thousand).

General and administrative expenses in the first half of 2011 and of 2012, in millions of PLN, are presented in the chart below:



The cost/income ratio (CIR) in the first half of 2012 amounted to 67.0% and was lower by 7.5 p.p. than in the first half of 2011.

Net impairment losses on financial assets, other assets and provisions in the first half of 2012 were negative and amounted to -PLN 63,989 thousand as compared to -PLN 34,185 thousand in the first half of 2011. Disregarding the impact of the above-mentioned sale of debts in the first half of 2011 (+PLN 84,964 thousand) and the impact of the change of the methodology of estimating the impairment for loans and advances implemented in the second quarter of 2012 (+PLN 64,355 thousand), the value of this category would be -PLN 128,344 thousand in the first half of 2012 and -PLN 119,149 thousand in the first half of 2011.

The structure of net impairment losses on financial assets, other assets and provisions in incremental terms has been presented in the table below:

in PLN '000'	01.01.2012 - 30.06.2012	01.01.2011 - 30.06.2011	Change in PLN '000'	Change %
Retail Segment	-21 596	-29 126	7 530	-25.9%
Enterprises Segment	-36 470	-6 906	-29 564	428.1%
Other provisions	-5 923	1 847	-7 770	-
Total	**-63 989**	**-34 185**	**-29 804**	**87.2%**
Disregarding the impact of the transaction from 2011				
Retail Segment	-21 596	-118 090	96 494	-81.7%
Enterprises Segment	-36 470	-6 906	-29 564	428.1%
Other provisions	-5 923	5 847	-11 770	-
Total	**-63 989**	**-119 149**	**55 160**	**-46.3%**

Income tax expense: the deduction of the income tax from the Group's result in the first half of 2012 amounted to PLN 63,543 thousand, as compared to the deduction from the Group's result in the first half of 2011 of PLN 75,133 thousand. The effective tax rate in the first half of 2012 was at the level of 34.9% and was distorted mainly due to the derecognition of an asset on taxable items recognized in previous years and the so-called 'thin capitalization'. The effective tax rate in the first half of 2011 was at the level of 25.3% and was distorted mainly due to the so-called 'thin capitalization'.

7. Risk management

Below, we present the changes in the approach to the management of credit risk, market risk and operational risk introduced in the first half of 2012. As regards other types of risks to which the Group is exposed, the approach did not change materially as compared to the end of 2011.

7.1. Credit risk

In the first half of 2012, the Group introduced, for credit exposures, modifications in response to the overall macroeconomic situation of Poland and the regulatory environment aiming at the maintenance of the Bank's credit risk at an acceptable level.

The main changes of the lending policy in the retail area:

- Adapting the lending policy to the requirements of the new 'S Recommendation'.
- The change in the offer of mortgage loans which involves the exclusion of loans denominated in foreign currencies from the offer.

At the same time, as regards credit risk, its measurement and monitoring, the quality of the reporting process was improved due to the expansion of the stress-testing methodology for the portfolio of retail loans.

The main changes of the lending policy in the area of enterprises:

- Adapting the lending policy for the customers operating in specific industries to the changing market situation, including measures aiming at the mitigation of the risk related to the financing of the building industry (contractors and subcontractors for construction works).

- Introducing minimum criteria for the financing of higher-risk corporate and SME customers, including the determination of minimum requirements concerning transactions hedging.
- Further improvement of the centralized lending process for the customers maintaining comprehensive bookkeeping as regards after-sales activities. The changes aimed at the improvement of the quality of the process and the mitigation of credit risk.

Simultaneously, the Group continued to apply a stricter policy of financing hotels and commercial real estate.
As regards credit risk, its measurement and monitoring, the quality of the reporting process was improved, e.g. through the creation of credit risk reports for the portfolios of particular business units.

7.2. Market risk and liquidity risk

As regards the market risk and the liquidity risk in the first half of 2012:

- Focusing on the acquisition of deposits from retail customers, which allows for a significant reduction of the scale of the financing obtained from KBC in foreign currencies using swaps.
- The improvement of the long-term liquidity profile of the Bank resulting from the increase in the deposits base combined with a lower demand for loans.

7.3. Operational risk

In the first half of 2012, the Group expanded and improved the operational risk management system due to:

- the introduction of a new operational risk self-assessment method, i.e. Controlled Risk Self Assessment;
- the implementation of the end-to-end approach to critical processes in Business Continuity Plans (particularly: the aggregation of critical processes; the launch of the works related to the detailed description of critical processes, having regard for the procedures applied in the case of the unavailability of critical systems; the development of a new concept of disaster recovery and “going back to normal” procedures);
- the development of a new list of critical processes having regard for the above-mentioned approach;
- the termination of the works on the preparation of a new back-up location for Crisis Teams responsible for performing critical business processes;
- conducting BCP/DRP tests with a view to assess the possibility of implementing all critical processes on the basis of the back-up infrastructure.

8. Financial ratings for the Group’s parent company

On 3 February 2012, Fitch Ratings downgraded the Bank’s Long-term Issuer Default Rating (IDR) to ‘BBB’ from ‘A-’. Fitch also maintained the said rating on Rating Watch Evolving (RWE). The list of changes introduced by Fitch Ratings:

- Long-term Issuer Default Rating (IDR): downgraded to ‘BBB’ from ‘A-’ with Rating Watch Evolving (RWE) maintained;
- Short-term Issuer Default Rating (IDR): downgraded to ‘F3’ from ‘F2’ with Rating Watch Evolving (RWE) maintained;

- Viability Rating: 'bb+', no change;
- Support Rating: downgraded to '2' from '1', Rating Watch revised to Evolving from Negative.

This rating decision was the consequence of downgrading the rating of KBC Bank to 'A-' from 'A' on 31 January 2012. The downgrading of the Long-term Issuer Default Rating (IDR) reflects the reduced probability of KBC being able to support Kredyt Bank. Fitch has reassessed the difference between the ratings of KBC and of Kredyt Bank, and, in the light of KBC's intention to sell its stake in KB and the fact that the investment in Kredyt Bank is not now of strategic nature, it widened this difference between the ratings of KBC Bank and of Kredyt Bank S.A. to two notches.
At the same time, in the opinion of Fitch, KB's rating reflects a strong commitment on the part of KBC to support Kredyt Bank as long as it remains its majority shareholder.

On 14 June 2012, Fitch Ratings affirmed the Long-term Issuer Default Rating (IDR) of Kredyt Bank S.A. at 'BBB' and removed it from Rating Watch Positive (RWP). The list of the changes introduced by Fitch Ratings and the ratings as at 30 June 2012 are as follows:

- Long-term Issuer Default Rating (IDR): affirmed at 'BBB', removed from RWP; assigned Stable Outlook;
- Short-term Issuer Default Rating (IDR): affirmed at 'F3', removed from RWP;
- Viability Rating: 'bb+' (no change), remains on RWP;
- Support Rating: affirmed at '2', removed from RWP.

The affirmation of the Long-term Issuer Default Rating (IDR) at the existing level and its removal from RWP reflects Fitch's view that the rating (IDR) of the bank established as a result of the merger of Kredyt Bank S.A. and BZ WKB S.A. will most probably be at the same level as the present rating (IDR) of Kredyt Bank S.A., which is an effect of the support from the parent company, i.e. KBC ('A-'/Stable).
The Rating Watch Positive (RWP) on the Viability Rating reflects Fitch's view that the VR may be upgraded as a result of the merger.

9. Corporate governance and social commitment

Corporate Governance rules

Since the implementation of Corporate Governance principles (for the first time, they were incorporated by the authorities of the Warsaw Stock Exchange in 2002), Kredyt Bank S.A. declared its adherence to them and made every effort to apply recommendations and corporate governance principles to the largest possible extent.

On 1 January 2008, Corporate Governance rules enlisted in the document entitled 'The Code of Best Practice for WSE Listed Companies' came into force (Resolution of the Stock Exchange Board No. 12/1170/2007 of 4 July 2007).
In further years, the Best Practice was revised by virtue of Resolution No. 17/1249/2010 of 19 May 2010, effective from 1 July 2010.

On the basis of above rules, reports on their applications in the years 2007 – 2011 were prepared; they constitute a part of annual financial statements.

In 2011, the Warsaw Stock Exchange made amendments by virtue of Resolution No. 15/1282/2011 of 31 August 2011 and Resolution No. 20/1287/2011 of 19 October 2011. The principles came into force on 1 January 2012.

The Bank approved of the corporate governance rules by virtue of the resolutions of the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. No. 25/2008 of 28 May 2008 and No. 26/2011 of 25 May 2011.

According to the rules of the corporate governance, the Bank applies the By-laws of the Supervisory Board and of the Management Board, as well as the By-laws of the General Meeting of the Bank's Shareholders. The Members of the Supervisory Board have proper education and many-years' experience in the area of business management.

The Audit, Risk and Compliance Committee and the Remunerations Committee operate in the Supervisory Board. If need be, the Supervisory Board may also appoint other Committees, defining their scope and operating mode. The Audit, Risk and Compliance Committee supervises the coherence, effectiveness and performance of the internal control system, compliance rules and the risk management systems functioning in the Bank. The Remunerations Committee supervises employee issues and salaries, especially the salaries of the Bank's Management Board Members. The By-laws of the General Meeting of Shareholders of the Bank define detailed rules of the meeting procedure and of adopting resolutions.

On 14 July 2011, Kredyt Bank S.A. was classified for the first time in RESPECT index of responsible companies, as a company meeting the highest responsible management standards among the companies listed on the Warsaw Stock Exchange. The assessment of company's corporate governance practices was one of the elements of a given company's classification in the index. On 31 January 2012, Kredyt Bank was classified again in this group. As a confirmation of its activities of a socially responsible company, the Bank drew up and published the CSR Report for 2009-2011. The Report is a summary and, at the same time, an in-depth diagnosis of the activities carried out by Kredyt Bank in the area of CSR. It presents a condensed picture of the organization management and the results in the area of corporate social responsibility. It takes into account social, ethical and ecological aspects of the Bank's operations as well as our approach to contacts with stakeholders, including employees, customers, shareholders, suppliers and local communities.

The Bank presents the information concerning the observance of Corporate Governance rules and the CSR information on its corporate website: www.kredytbank.pl in Polish and English language versions.

Business ethics

Kredyt Bank considers ethics and honesty as the fundamental values to its business activity. Our corporate values, which form the acronym PRO (Professional, Respectful and Open), form a guideline for us in our daily activities. Jointly, they form a consistent unit and involve: courtesy towards customers, efficiency, entrepreneurship and innovation.

The overriding rule of the credit policy involves the financing of transactions complying with ethical standards and the rules of law. Financing criminal activities within the meaning of the criminal code and of socially unacceptable activities is excluded. Kredyt Bank does not finance production and trade in weapons, gambling, erotic business, bio-engineering projects, avoids financing companies showing higher ecological risk.

The Bank introduced an anti-corruption and anti-bribery policy, which presents the official position of the Bank concerning the eradication and prevention of corruption in all forms and variants. The preventative measures in this area are supplemented by the Bank's policy of accepting gifts and presents by employees, including an absolute ban on corruption, bribery, accepting money and extorting gifts as a condition of the positive case solution. In addition, it stipulates that gifts in the form of bribes or hidden commissions are always prohibited.

The Bank's policy on whistleblowers reporting abuses, irregularities and negligence in the operations of Kredyt Bank S.A. gives the opportunity of reporting abuses or other negligence by employees at a very early stage, without the fear of repression. At the same time, whistleblowers can enjoy the guarantee of fair treatment and the cases reported by them are examined objectively and with confidence.

The Bank applies the policy concerning the prevention of money laundering and terrorism financing. On the Bank's website, there is a questionnaire confirming the implementation by the Bank of the said policy and the meeting of its requirements.

Corporate Social Responsibility (CSR)

The concept of the Corporate Social Responsibility is an inherent part of the motto of Kredyt Bank and, hence, a very essential approach for the company to its business activities. The Bank has already gained a lot of experience in this area in such domains as, e.g. responsible management, community involvement and employee volunteering, financial education of entrepreneurs, employee development or taking advantage of renewable energy in outlets. Last year, we also launched the implementation of the new philosophy of KB brand: 'Finances with Principles', which complies in many dimensions with the principles of the Corporate Social Responsibility.

Our activities as a responsible company were appreciated by the market. Since July 2011, Kredyt Bank has been verified positively twice (and now we are waiting for the outcomes of the third verification) by independent experts from the Warsaw Stock Exchange, the Polish Association of Listed Companies and Deloitte, and has been classified in the stock exchange index of the companies with the highest CSR standards - RESPECT Index.

Kredyt Bank published the Corporate Social Responsibility Report for the years 2009-2011.It is the first document in which the Bank gives a report on its CSR activities and policies. The Report was drawn up in line with GRI 3.0 standard at the application level: C.

It offers a summary and, at the same time, a diagnosis of the activities carried out by Kredyt Bank in the area of CSR. It presents a condensed picture of the organization management and the results in the area of corporate social responsibility. It takes into account social, ethical and ecological aspects of the Bank's operations as well as the company's approach to contacts with stakeholders, including employees, customers, suppliers and local communities.

<u>Community involvement</u>

Pursuant to the community involvement strategy titled 'Przyjazny rozwój dziecka' ('Child's Favorable Development'), Kredyt Bank, implementing a variety of social projects, participates in the establishment of the friendly environment for the development of local communities in which it operates, with a special support as regards the safe development of children.

At the beginning of 2012, the Foundation of Kredyt Bank, established in November 2011, started its operations. Its objective comprises the support for the Bank in the implementation of the strategy of the company's community involvement and the support for the Bank's employees in their voluntary activities for local communities.

In the 2011/2012 school year, the 2nd edition of 'Kabecjanie dają radę' ('The Kabecjans can make it') educational project was carried out. Over 20,000 pupils from 131 primary schools from three provinces: Małopolskie, Mazowieckie and Wielkopolskie, participated in it. The programme was addressed to pupils from grades 1-3, their parents and teachers, and was a response to high statistics of unintentional accident and injuries among children. It aimed at the shaping and consolidation of proper behavior, and, hence, the improvement of children's safety in the closest environment as well as a decrease in the number of accidents in which they participate.

The series of 13 lessons were carried out by teachers, policemen and firefighters as well as volunteers from the Polish Red Cross, who taught children about basic first aid rules. The children were also examined to check their sight, hearing and lateralization (handedness).

Owing to the lessons under this programme, the level of the knowledge of pupils from grade 1 about everyday safety rules increased by as many as 46%.

The Bank carried out the project in the cooperation with its corporate foundation, Stowarzyszenie Laboratorium Troski (The Care Laboratory Association) and the Polish Red Cross. The programme was implemented under the honorary auspices of the Minister of the Interior and Administration, the Chief Constable of the Polish Police and the Chief of the State Fire Service.

In 2012, as part of the development of the Employee Volunteering Programme called 'TAK od serca' ('YES from the heart'), the Bank's employees from various regions of Poland organized volunteering campaigns to support local institutions, hospitals, children's homes and educational establishments. The Foundation of Kredyt Bank supported financially 38 best volunteering initiatives in which the Bank's employees participated individually or in groups. In addition, during the 4th edition of 'An Entrepreneur's Academy' project, i.e. a series of conferences organized by Kredyt Bank, apart from professional presentations and debates concerning business issues, the volunteers inspired entrepreneurs to carry out joint volunteer campaigns in response to the needs of local communities.

The activities of the volunteers from the Bank were appreciated by Centrum Wolontariatu ('Volunteer Center' Association). Until June 2012, the Volunteer of the Month title was awarded to two employees: Ms. Dorota Konarska and Ms. Karolina Kozłowska. This title is awarded by the Center once a month to the volunteers whose campaigns are supported by their companies. Since 2009, this title has been granted to as many as ten employees.

The Foundation of Kredyt Bank implemented its own programmes and supported the NGOs fostering education, culture and health protection, and institutions acting for the people in need. In 2012, to accomplish the statutory goals, the Foundation spent over PLN 370 thousand.

'Czytelnia Uśmiechu' ('The Reading Room of Smile') is a nationwide programme of the Foundation addressed to the children and teenagers who undergo difficult medical treatments and long hospitalization. In June, the 2nd edition of 'Czytelnia Uśmiechu' ('The Reading Room of Smile') Programme, which is a nationwide programme addressed to the children and teenagers who undergo difficult medical treatments and long hospitalization, was completed. The 2nd edition aimed at providing young patients from selected specialist pediatric centers throughout Poland with quality entertainment in the form of specially selected sets of books (almost 170 books and audiobooks).

Owing to the efforts and involvement of almost 200 volunteers from Kredyt Bank in the establishment of such Reading Rooms, since September 2011, they have been operating in 45 cities and towns in Poland.

Sponsoring

By sponsoring various events, the Bank wishes to develop cultural and sport life of Poles and to foster the passion to spend time actively, as well as build and retain positive relations with customers.

Sport

In 2012, Kredyt Bank continued the cooperation with the Polish Yachting Association regarding the implementation of the strategic sports project launched in 2011, namely Kredyt Bank Polish Sailing Team. The Bank again awarded grants to the best sportsmen from the national team from the following classes: Laser Standard, Laser Radial, Finn, RS:X for women, RS:X for men. The Bank has been collaborating with the sportsmen and the Polish Yachting Association for as long as over 1.5 years. The professional preparations of the Polish team to the Olympic Games in London were the priority for both parties. As a result, three competitors supported by the Bank will represent Poland at the Olympic Games: Przemysław Miarczyński in RS:X class, Anna Weinzieher in Laser Radial class and Kacper Ziemiński in Laser Standard class. In May, the Bank participated as a sponsor in the Cup of the Polish Yachting Association organized in the Bay of Puck. At the end of the races, the sailors could participate in a special race for the Cup of the President of Kredyt Bank.

10. The outlook and growth drivers for Kredyt Bank S.A. Capital Group

External drivers

The economic growth slowdown observed since the end of 2011 in Poland will probably continue in the second half of 2012. A few factors will contribute to this situation. Firstly, the recession in the euro area heralded by the preceding business conditions ratios will be reflected in the decline in the foreign demand for the goods manufactured in Poland, particularly for intermediate goods processed in the countries of the monetary union and exported as final products to third countries. As a result, in further quarters, one should expect a lower growth rate for the Polish export, which will adversely affect the GDP growth rate. Secondly, the persisting high inflation rate combined with the relatively low growth rate of salaries and wages in the economy, which already in previous quarters translated into the decline in the real growth rate of households' income, also in the second half of 2012 will contribute to the lower consumption growth rate. It will be affected by the continued difficult conditions on the labor market, including the further increase in the unemployment rate, and more limited growth of salaries in the public sector. The decrease in the growth rate of capital expenditure is the final key factor that will affect the economic growth rate in Poland. It will result, on the one hand, from the lower growth rate of investments in the private sector due to greater uncertainty as regards the future demand, and, on the other hand, from the reduction of the capital expenditure financed from public funds due to lower deficits of local government units, the termination of the projects prepared for EURO 2012 and the termination of projects co-financed from the EU budget for 2007-2013.

The maintenance by the banking sector of the limited access to mortgage loans for households will also adversely affect the growth rate of the expenditure on fixed assets. Combined with the decline in the growth rate of the disposable income of natural persons, it will contribute to the reduction of housing investments. Having regard for the present excess supply of real properties on the secondary market and on the primary market, the decline in housing investments will contribute to further decrease in the prices of flats in the second half of 2012.

The fiscal condition of the euro area countries will remain the most crucial external risk driver for financial markets in the second half of the year. The probable escalation of the problems related to the financing of the borrowing needs of the peripheral countries of the monetary union and the absence of the political consensus as regards the assistance to these countries, may result in the increase in the risk premium required by investors and, in consequence, in the increased cost of financing the borrowing needs of the public and private sectors in these countries. Such a scenario would force the countries of the euro area to reduce their budgetary expenditure even more, which would contribute to the deepening of the recession in the area of the common currency and the slower economic growth in the case of its most important business partners, including Poland. The escalation of the European fiscal crisis and the related drop in the prices of government debt securities would adversely affect the capital adequacy ratios in the banks with a relatively high exposure to credit risk associated with the government bonds held by them. In the context of a low market valuation of the banking sector, discouraging the rise in the capital, limited availability of loans to the private sector would be a probable effect of the decrease in the prices of government bonds. The limitation of the lending activities in the euro area would be an additional negative factor for the business conditions in the EU states, including Poland.

In the second quarter of 2012, the increase in the prices of Polish bonds as a result of the investors' search for the forms of the capital allocation alternative to Spanish and Italian debt securities, was an indirect effect of the escalation of the fiscal crisis in the countries of the euro area. However, in the case of a rapid escalation of the fiscal crisis in the euro area, the relation observed in the previous few months would probably be reversed, and the greater risk of the disintegration of the euro area would be reflected in another decrease in the prices of Polish Treasury bonds, an increase in the cost of money on the Polish financial market and the depreciation of the Polish zloty.

Furthermore, the future path for the interest rates of the National Bank of Poland is an uncertainty factor for the forecasts of changes in the economic situation. At present, despite the slower growth of the economic activity in Poland noticeable in the data, including particularly the reduced investing activity in all sectors, the Monetary Policy Council will probably not decide to decrease interest rates by the end of 2012. It will be an effect of, first of all, the maintenance of the inflation rate above the upper limit of deviations from the inflation target of the National Bank of Poland (2.5% +/- 1 p.p.). The decline in the prices growth rate expected at the end of 2012 should contribute to the loosening of the monetary policy by the Monetary Policy Council, which, in consequence, might accelerate the process of leaving the downturn phase by the Polish economy already in the second half of 2012. However, possible higher prices of raw materials on global commodity markets, including crude oil and wheat, is a risk factor for this forecast. If the increases persist, they may contribute to the extension of the period of the return of the inflation rate to the target of the National Bank of Poland and delay decreases in interest rates.

Internal drivers

As compared to the end of December 2011, the internal drivers for the operations of Kredyt Bank S.A. Group did not change materially. The works aiming at the potential merger of Kredyt Bank S.A. with BZ WBK S.A. do not result in a change of the existing strategic business objectives. The accomplishment of the improved operating effectiveness combined with the simultaneous maintenance of a relatively low level of the costs of credit risk, remains the most crucial issue in 2012.

Due to the concentration in 2012 of the maturities of deposits and cash loans in foreign currencies obtained from KBC Group and the high cost of revolving long-term borrowings, Kredyt Bank S.A. Group changed the approach to the financing of the lending activities by focusing on increasing the share of amounts due to customers in total liabilities and equity.
Focusing on the acquisition of customers' deposits combined with the limited increase in the loans portfolio will allow for the improvement of the Bank's operating liquidity and the utilization of the excess liquidity in PLN to replace the maturing borrowings in foreign currencies obtained from KBC using FX swaps and CCIRS.

The ability to acquire new customers in the Retail Segment and the maintenance of the pace of the new customers acquisition process in the Enterprises Segment remains the paramount driver for the growth of income. To foster this process, in 2012, the Group launched the promotion of the new retail banking offer addressed to the more affluent segment of individual customers called 'Program Concerto – Nowa Bankowość Osobista' ('Concerto Programme – New Personal Banking'). The efforts aim at the increase in the Group's share in higher segments of the retail market, resulting from the present strategy.

An increase in and the maintenance of the share in the market of individual customers' deposits and an increase in the acquisition of customers through the sale of deposit products and mortgage housing loans will remain an objective for the Retail Segment in 2012. The Group will strive to preserve its position on the market of mortgage housing loans and, at the same time, improve the quality of the loans portfolio, and also to further boost the cross-selling of investment and insurance products.

In the Enterprises Segment, selling activities will be focused on the segment of smaller and medium-sized companies. Expanding the cooperation with existing customers, the development of the deposit base and greater diversification of the loans portfolio remain the core objectives. The process of reducing large, non-profitable exposures will continue. Acquiring new customers from the SME segment and an increase in income, including an increase in the commission income from transactional banking and foreign exchange, will remain the main objective for 2012. Ultimately, customers and income generated from the SME subsegment are to become the most vital part of the enterprises banking business line.

11. Statements of the Management Board of the Group's parent entity

Under § 90 clause 1 items 4 and 5 of the Ordinance by the Minister of Finance of 19 February 2009 on current and interim information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws No. 2009, No. 33 item 259), the Management Board of Kredyt Bank S.A. hereby makes the following statements:

11.1. True and fair view presented in the financial statements

According to the best knowledge of the Management Board of Kredyt Bank S.A., the interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2012 ended on 30.06.2012 along with the comparable data, were prepared according to the accounting principles effective in the Group and present a true and fair view of the financial standing and assets of Kredyt Bank S.A. Capital Group as well as of its financial result. In addition, the Management Board of Kredyt Bank S.A. hereby declares that the semi-annual Management Board's report presents a true picture of the development and accomplishments, as well as of the situation (including the description of basic risks and threats) of Kredyt Bank S.A. Capital Group in the first half of 2012.

11.2. The appointment of the certified auditor for financial statements

The Management Board of Kredyt Bank S.A. hereby declares that the certified auditor to review the interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2012 ended on 30.06.2012 was appointed as required by law. This entity and certified auditors performing the review complied with the conditions on the issue of impartial and independent review report, as required by the Polish law.

Signatures of all Management Board Members

Date 07.08.2012	Maciej Bardan	President of the Management Board	………………………………
Date 07.08.2012	Piotr Sztrauch	Vice President of the Management Board	………………………………
Date 07.08.2012	Umberto Arts	Vice President of the Management Board	………………………………
Date 07.08.2012	Mariusz Kaczmarek	Vice President of the Management Board	………………………………
Date 07.08.2012	Zbigniew Kudaś	Vice President of the Management Board	………………………………
Date 07.08.2012	Jerzy Śledziewski	Vice President of the Management Board	………………………………