Interim Consolidated Financial Report

of Kredyt Bank S.A. Capital Group

for the Third Quarter of 2011 Prepared in Accordance with

the International Financial Reporting Standard

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF KREDYT BANK S.A. CAPITAL GROUP

1. Consolidated Income Statement

in PLN '000	**3rd quarter of 2011 1.07.2011-30.09.2011**	**Three quarters of 2011 1.01.2011-30.09.2011**	**3rd quarter of 2010 01.07.2010-30.09.2010**	**Three quarters of 2010 1.01.2010-30.09.2010**
Interest income	613 657	1 784 997	557 584	1 644 229
Interest expense	-315 214	-902 752	-273 862	-813 428
Net interest income	**298 443**	**882 245**	**283 722**	**830 801**
Fee and commission income	98 811	305 784	111 523	312 671
Fee and commission expense	-19 912	-65 584	-27 509	-71 998
Net fee and commission income	**78 899**	**240 200**	**84 014**	**240 673**
Dividend income	67	1 643	49	1 841
Net trading income	-6 659	25 131	45 058	100 535
Net result on derivatives used as hedging instruments and hedged items	-739	-1 170	-131	465
Net gains from investment activities	-19	386	2 723	6 407
Other operating income	33 449	101 075	31 919	76 837
Total operating income	**403 441**	**1 249 510**	**447 354**	**1 257 559**
General and administrative expenses	-264 080	-752 380	-234 773	-686 688
Other operating expenses	-11 260	-39 599	-15 813	-37 795
Total operating expenses	**-275 340**	**-791 979**	**-250 586**	**-724 483**
Net impairment losses on financial assets, other assets and provisions	-50 108	-84 293	-121 575	-360 547
Net operating income	**77 993**	**373 238**	**75 193**	**172 529**
Share in profit (loss) of associates	1 081	2 886	928	2 143
Profit (loss) before tax	**79 074**	**376 124**	**76 121**	**174 672**
Income tax expense	-18 291	-93 424	-20 594	-45 833
Net profit (loss) from business activities	**60 783**	**282 700**	**55 527**	**128 839**
Net profit (loss) from discontinued operations	0	0	0	0
Net profit (loss)	**60 783**	**282 700**	**55 527**	**128 839**
including:				
Attributable to the Shareholders of the Bank	**60 783**	**282 700**	**55 527**	**128 839**
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)	**0.22**	**1.04**	**0.20**	**0.47**

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

2. Consolidated Statement of Comprehensive Income

in PLN '000	3rd quarter of 2011 1.07.2011-30.09.2011	Three quarters of 2011 1.01.2011-30.09.2011	3rd quarter of 2010 01.07.2010-30.09.2010	Three quarters of 2010 1.01.2010-30.09.2010
Net profit for the period	**60 783**	**282 700**	**55 527**	**128 839**
Other comprehensive income				
Valuation of financial assets available-for-sale	1 131	11 702	33 244	77 539
- including deferred tax	-266	-2 745	-7 799	-18 188
Effects of valuation of derivatives designated for cash flow hedge	14 982	10 711	93	21 321
- including deferred tax	-3 514	-2 513	-21	-5 001
Other comprehensive income recognized directly in equity	**16 113**	**22 413**	**33 337**	**98 860**
Total comprehensive income	**76 896**	**305 113**	**88 864**	**227 699**
including:				
Attributable to the Shareholders of the Bank	**76 896**	**305 113**	**88 864**	**227 699**
Attributable to non-controlling interests	0	0	0	0

3. Consolidated Balance Sheet

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Assets				
Cash and balances with Central Bank	2 386 028	1 136 843	1 943 636	1 114 487
Gross loans and advances to banks	1 191 099	1 246 481	1 466 249	1 328 016
Impairment losses on loans and advances to banks	0	0	-2 260	-2 260
Receivables arising from repurchase transactions	292 903	0	87 218	410 900
Financial assets designated upon initial recognition as at fair value through profit or loss	99 945	113 696	118 562	127 097
Financial assets held for trading (excluding derivatives)	769 474	2 371 250	1 601 283	1 986 818
Derivatives, including:	1 161 220	382 244	463 159	486 001
- derivatives used as hedging instruments	96 613	69 144	74 340	90 505
Gross loans and advances to customers	30 189 459	28 651 797	29 108 520	28 606 727
Impairment losses on loans and advances to customers	-1 325 461	-1 272 660	-1 914 000	-1 851 543
Investment securities:	9 327 967	10 695 830	9 467 240	9 954 132
- available-for-sale	5 904 528	7 341 730	6 219 461	6 665 451
- held-to-maturity	3 423 439	3 354 100	3 247 779	3 288 681
Investments in associates valued using the equity method	18 066	16 984	15 179	14 098
Property, plant and equipment	249 647	262 354	290 444	309 749
Intangible assets	55 649	54 822	50 201	44 581
Deferred tax asset	266 175	287 586	350 387	239 957
Current tax receivable	79 232	49 107	0	0
Non-current assets held for sale	12 160	11 714	7 070	0
Investment properties	210 126	211 766	225 668	230 134
Other assets	110 688	120 401	95 690	96 394
Total assets	**45 094 377**	**44 340 215**	**43 374 246**	**43 095 288**

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Liabilities				
Amounts due to Central Bank	2	2	6	6
Amounts due to banks	11 739 962	11 867 510	12 150 706	11 747 582
Liabilities arising from repurchase transactions	1 775 215	1 406 593	228 693	678 323
Financial liabilities held for trading (excluding derivatives)	0	0	0	34 982
Derivatives, including:	901 402	652 612	1 131 078	773 527
- derivatives used as hedging instruments	2 827	204	1 274	0
Amounts due to customers	26 247 446	26 154 246	25 660 758	25 758 006
Current tax liability	84	112	155 197	63 878
Provisions	78 095	76 285	92 811	71 308
Deferred tax liability	789	762	869	1 006
Other liabilities	286 594	278 868	214 804	283 912
Subordinated liabilities	1 031 965	947 298	911 100	866 476
Total liabilities	**42 061 554**	**41 384 288**	**40 546 022**	**40 279 006**

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Equity				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	900 065	900 065	889 340	889 340
Revaluation reserve	81 834	65 721	59 421	104 576
Other reserves	400 942	400 942	400 942	400 942
Retained earnings (loss)	8 988	8 988	-65 709	-65 709
Current net profit (loss) attributable to the Shareholders of the Bank	282 700	221 917	185 936	128 839
Total equity attributable to the Shareholders of the Bank	**3 032 823**	**2 955 927**	**2 828 224**	**2 816 282**
Attributable to non-controlling interests	0	0	0	0
Total equity	**3 032 823**	**2 955 927**	**2 828 224**	**2 816 282**
Total equity and liabilities	**45 094 377**	**44 340 215**	**43 374 246**	**43 095 288**

Capital adequacy ratio (%)	12.14	12.74	12.51	12.34
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	11.16	10.88	10.41	10.37

4. Consolidated Off-Balance Sheet Items

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Liabilities granted and received				
Liabilities granted:	**6 049 948**	**5 549 951**	**6 038 697**	**5 627 895**
- financial	3 814 712	3 464 968	3 958 357	4 026 659
- guarantees	2 235 236	2 084 983	2 080 340	1 601 236
Liabilities received:	**1 463 922**	**1 696 199**	**2 085 702**	**1 506 673**
- financial	628 633	791 424	1 007 341	407 483
- guarantees	835 289	904 775	1 078 361	1 099 190
Liabilities related to the sale/purchase transactions	**220 091 623**	**179 305 684**	**134 779 591**	**168 126 775**
Other	**8 948 517**	**8 743 692**	**7 950 015**	**7 918 315**
- collateral received	8 948 517	8 743 692	7 950 015	7 918 315

5. Statement of Changes in Consolidated Equity

Changes in the period from 1 January to 30 September 2011

in PLN '000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings (losses)	Net profit (loss) for the period	Total equity attributable to the Shareholders of the Bank	Total 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			14 447				14 447		14 447
Effects of valuation of derivatives designated for cash flow hedge			13 224				13 224		13 224
Deferred tax on items recognized in equity			-5 258				-5 258		-5 258
Net profit (loss) recognized directly in the equity			**22 413**				**22 413**		**22 413**
Net profit (loss) for the period						282 700	282 700		282 700
Total comprehensive income			**22 413**			**282 700**	**305 113**		**305 113**
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 30.09.2011	**1 358 294**	**900 065**	**81 834**	**400 942**	**8 988**	**282 700**	**3 032 823**	**0**	**3 032 823**

Changes in the period from 1 January to 31 December 2010

in PLN '000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings (losses)	Net profit (loss) for the period	Total equity attributable to the Shareholders of the Bank	Total equity attributable to non-controlling interests	Total equity
Equity at the opening balance – as of 01.01.2010	**1 358 294**	**784 039**	**5 716**	**340 942**	**99 592**	**0**	**2 588 583**	**0**	**2 588 583**
Valuation of financial assets available-for-sale			52 521				52 521		52 521
Effects of valuation of derivatives designated for cash flow hedge			13 781				13 781		13 781
Deferred tax on items recognized in equity			-12 597				-12 597		-12 597
Net profit (loss) recognized directly in the equity			**53 705**				**53 705**		**53 705**
Net profit (loss) for the period						185 936	185 936		185 936
Total comprehensive income			**53 705**			**185 936**	**239 641**		**239 641**
Profit distribution		105 301		60 000	-165 301		0		0
Equity at the end of the period - as of 31.12.2010	**1 358 294**	**889 340**	**59 421**	**400 942**	**-65 709**	**185 936**	**2 828 224**	**0**	**2 828 224**

Changes in the period from 1 January to 30 September 2010

in PLN '000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings (losses)	Net profit (loss) for the period	Total equity attributable to the Shareholders of the Bank	Total equity attributable to non-controlling interests	Total equity
Equity at the opening balance – as of 01.01.2010	**1 358 294**	**784 039**	**5 716**	**340 942**	**99 592**	**0**	**2 588 583**	**0**	**2 588 583**
Valuation of financial assets available-for-sale			95 727				95 727		95 727
Effects of valuation of derivatives designated for cash flow hedge			26 322				26 322		26 322
Deferred tax on items recognized in equity			-23 189				-23 189		-23 189
Net profit (loss) recognized directly in the equity			**98 860**				**98 860**		**98 860**
Net profit (loss) for the period						128 839	128 839		128 839
Total comprehensive income			**98 860**			**128 839**	**227 699**		**227 699**
Profit distribution		105 301		60 000	-165 301		0		0
Equity at the end of the period - as of 30.09.2010	**1 358 294**	**889 340**	**104 576**	**400 942**	**-65 709**	**128 839**	**2 816 282**	**0**	**2 816 282**

6. Consolidated Cash Flow Statement

in PLN '000	3rd quarter of 2011 1.07.2011-30.09.2011	Three quarters of 2011 1.01.2011-30.09.2011	3rd quarter of 2010 01.07.2010-30.09.2010	Three quarters of 2010 1.01.2010-30.09.2010
Cash flow from operating activities				
Net profit (loss)	**60 783**	**282 700**	**55 527**	**128 839**
Adjustments to net profit (loss) and net cash from operating activities:	**559 896**	**-82 082**	**1 139 924**	**3 559 438**
Current and deferred tax recognized in financial result	18 291	93 424	20 594	45 833
Non-realised profit (loss) from currency translation differences	19 772	80 151	-30 096	-45 545
Depreciation	22 904	70 814	24 699	76 456
Share in profit (loss) of associates	-1 081	-2 886	-928	-2 143
Net increase/decrease in impairment	51 500	-594 467	70 271	270 439
Dividends	-67	-1 643	-49	-1 841
Interest	-90 387	-156 128	-109 812	-137 015
Net increase/decrease in provisions	1 810	-14 716	1 810	17 391
Profit (loss) on disposal of investments	-3 119	-2 845	-2 647	-5 422
Net increase/decrease in assets (excluding cash)	**-1 012 029**	**-1 230 719**	**-494 121**	**-1 832 775**
Net increase/decrease in loans and advances to banks	-24 263	-32 821	50 351	-865 506
Net increase/decrease in financial assets designated upon initial recognition as at fair value through profit or loss	13 751	18 617	-3 619	28 303
Net increase/ decrease in financial assets held for trading	1 607 736	835 568	-402 140	-742 030
Valuation of derivatives (except for derivatives used as hedging instruments)	-751 507	-675 788	106 498	120 173
Net increase/decrease in receivables arising from repurchase transactions	-292 903	-205 685	-410 900	-79 025
Net increase/decrease in gross loans and advances to customers	-1 537 662	-1 080 939	141 988	-1 308 983
Net increase/decrease in current tax receivable	-30 125	-79 232	0	0
Net increase/decrease in other assets	2 944	-10 439	23 701	1 014 293
Net increase/decrease in liabilities	**1 552 302**	**1 676 933**	**1 660 203**	**5 174 060**
Net increase/decrease in amounts due to Central Bank	0	-4	0	-1 321 796
Net increase/decrease in amounts due to banks	889 378	556 179	1 036 964	2 415 849
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)	246 167	-231 229	29 600	235 625
Net increase/decrease in liabilities held for trading (excluding derivatives)	0	0	34 982	34 982
Net increase/decrease in amounts due to customers	38 420	-98 135	6 252	3 091 869
Net increase/decrease in liabilities arising from repurchase transactions	368 622	1 546 522	549 762	678 323
Net increase/decrease in other liabilities	10 430	73 439	12 315	99 736
Paid/received income tax	-715	-169 839	-9 672	-60 528
Net cash flow from operating activities	**620 679**	**200 618**	**1 195 451**	**3 688 277**

in PLN '000	3rd quarter of 2011 1.07.2011-30.09.2011	Three quarters of 2011 1.01.2011-30.09.2011	3rd quarter of 2010 01.07.2010-30.09.2010	Three quarters of 2010 1.01.2010-30.09.2010
Cash flow from investing activities				
Inflows	**18 793 985**	**70 297 243**	**14 467 770**	**42 896 270**
Disposal of property, plant and equipment, intangible assets and investment properties	1 381	3 645	318	169
Disposal of shares in subordinated companies	0	0	0	1 450
Disposal of investment securities	18 784 173	70 215 227	14 448 136	42 814 340
Dividends	67	1 643	49	1 841
Interest received	8 364	76 728	19 267	78 470
Outflows	**-17 241 135**	**-69 874 897**	**-14 895 647**	**-44 735 827**
Acquisition of property, plant and equipment, intangible assets and investment properties	-9 054	-35 802	-15 788	-36 794
Acquisition of investment securities	-17 232 081	-69 839 095	-14 879 859	-44 699 033
Net cash flows from investing activities	**1 552 850**	**422 346**	**-427 877**	**-1 839 557**
Cash flow from financing activities				
Inflows	**51 433**	**713 345**	**123 048**	**261 660**
Proceeds from loans and advances	51 433	713 345	123 048	261 660
Outflows	**-1 055 422**	**-1 201 888**	**-1 055 014**	**-1 898 849**
Dividend payment	0	-100 514	0	0
Repayment of loans and advances	-1 026 686	-1 026 821	-1 031 145	-1 825 104
Other financial outflows	-28 736	-74 553	-23 869	-73 745
Net cash flow from financing activities	**-1 003 989**	**-488 543**	**-931 966**	**-1 637 189**
Net increase/decrease in cash	**1 169 540**	**134 421**	**-164 392**	**211 531**
Cash at the beginning of the period	**1 366 324**	**2 401 443**	**1 567 064**	**1 191 141**
Cash at the end of the period, including:	**2 535 864**	**2 535 864**	**1 402 672**	**1 402 672**
Restricted cash	1 062 751	1 062 751	924 974	924 974
Interest paid*	252 567	683 442	244 844	652 926
Interest received*	434 086	1 222 797	334 538	1 092 481

** concerns items recognized within interest income and expense lines*

7. Basis of preparation

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 with further amendments) ('the Act'), effectively from 01.01.2005, consolidated financial statements of Kredyt Bank S.A. Capital Group ('the Group') have been prepared in compliance with the International Accounting Standards ('IAS') and the International Financial Reporting Standards ('IFRS') that were approved by the European Commission.

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

The interim consolidated financial report for the third quarter of 2011 has been prepared in line with the IAS/IFRS as in force at the date of this report. Specifically, this report has been prepared in accordance with IAS 34 Interim Financial Reporting, and matters not governed by the IAS/IFRS must comply with the Act and the provisions of the Ordinance by the Minister of Finance dated 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 of 2009, No. 33, item 259 with further amendments).

8. The Group's financial standing at the end of the third quarter of 2011

8.1. Income Statement

The Group's net profit/loss

In three quarters of 2011, the Group generated net profit amounting to PLN 282,700 thousand as compared to net profit generated in three quarters of 2010 amounted to PLN 128,839 thousand. The significant difference between the net profit generated in three quarters of 2011 as compared to three quarters of 2010 results mainly from:

- an increase in net interest income by PLN 51,444 thousand;
- an increase in net gains from other operating income and operating expenses by PLN 22,434 thousand;
- a decrease in net impairment losses on financial assets, other assets and provisions by PLN 276,254 thousand;

partially set off with:

- a decrease in net gains from trading and investment activities, net result on derivatives used as hedging instruments and hedged items and dividend income by PLN 83,258 thousand;
- an increase in general and administrative expenses by PLN 65,692 thousand;
- an increase in the income tax burden by PLN 47,591 thousand.

The Bank recognized in the consolidated income statement for three quarters of 2011 the estimated result of PLN 62,483 thousand related to the sale of retail loans. The transaction had a significant impact upon the Group's net result. Disregarding the estimates related to the said transaction, the Group's net result for three quarters of 2011 would amount to PLN 220,217 thousand, which means an increase as compared to the net result for three quarters of 2010 by 70.9%.

The main categories of the Group's income statement are presented in the table below.

in PLN '000	3rd quarter of 2011	3rd quarter of 2010	Change (%)	Three quarters of 2011	Three quarters of 2010	Change (%)
Net interest income	298 443	283 722	5.2%	882 245	830 801	6.2%
Net fee and commission income	78 899	84 014	-6.1%	240 200	240 673	-0.2%
Net gains from trading and investment activities*	-7 350	47 699	-	25 990	109 248	-76.2%
Net gains from other operating income/expenses	22 189	16 106	37.8%	61 476	39 042	57.5%
Total	**392 181**	**431 541**	**-9.1%**	**1 209 911**	**1 219 764**	**-0.8%**
General and administrative expenses	-264 080	-234 773	12.5%	-752 380	-686 688	9.6%
Net impairment losses on financial assets, other assets and provisions	-50 108	-121 575	-58.8%	-84 293	-360 547	-76.6%
Total	**-314 188**	**-356 348**	**-11.8%**	**-836 673**	**-1 047 235**	**-20.1%**
Share in profit (loss) of associates	1 081	928	16.5%	2 886	2 143	34.7%
Profit (loss) before tax	**79 074**	**76 121**	**3.9%**	**376 124**	**174 672**	**115.3%**
Income tax expense	-18 291	-20 594	-11.2%	-93 424	-45 833	103.8%
Net profit (loss)	**60 783**	**55 527**	**9.5%**	**282 700**	**128 839**	**119.4%**

** including net result on derivatives used as hedging instruments and hedged items as well as dividend income*

In the third quarter of 2011, the Group generated net profit amounting to PLN 60,783 thousand, as compared to net profit in the third quarter of 2010 amounting to PLN 55,527 thousand. The difference between the net profit generated in the third quarter of 2011 as compared to the third quarter of 2010 results mainly from:

- an increase in net interest income by PLN 14,721 thousand;
- an increase in net gains from other operating income and operating expenses by PLN 6,083 thousand;
- a decrease in net impairment losses on financial assets, other assets and provisions by PLN 71,467 thousand;

partially set off with:

- a decrease in net gains from trading and investment activities, net result on derivatives used as hedging instruments and hedged items and dividend income by PLN 55,049 thousand;
- an increase in general and administrative expenses by PLN 29,307 thousand.

Net interest, fee and commission income

Net interest income generated by the Group in three quarters of 2011 amounted to PLN 882,245 thousand and was higher by PLN 51,444 thousand (6.2%) than the result for three quarters of 2010, mainly due to the increase in net interest income on securities by PLN 90,090, set off by a decrease in the net income from repurchase transactions by PLN 32,572 thousand and an increase in costs of subordinated liabilities by PLN 4,076 thousand.

The difference in net interest income generated on the Group level, as compared to net income generated by the Bank results mainly from the depreciation, at the consolidated level, of commission income from the sales of loans by Żagiel S.A. generated by December 2009 (i.e. by the time of the sale of the company outside Kredyt Bank S.A. Group).

Net interest income generated by the Group in the third quarter of 2011 amounted to PLN 298,443 thousand and was higher by PLN 14,721 thousand (5.2%) than the result reached in the third quarter of 2010, mainly due to an increase in the net interest income on receivables and liabilities to customers and banks (disregarding leasing) by PLN 21,670 thousand and on securities by PLN 12,104 thousand, set off with a decrease in the net income from repurchase transactions by PLN 16,019 thousand.

Net fee and commission income generated by the Group in three quarters of 2011 amounted to PLN 240,200 thousand and stayed at a similar level as for three quarters of 2010 (a decrease by PLN 473 thousand, i.e. 0.2%).

Net fee and commission income generated by the Group in the third quarter of 2011 amounted to PLN 78,899 thousand and was lower by PLN 5,115 thousand (6.1%) than the result reached in the third quarter of 2010, mainly in connection with a decrease in the income from the distribution and management of combined investment and insurance products by PLN 4,529 thousand and a decrease in the net payment of cards and ATMs by PLN 3,969 thousand, set off with an increase in commission income from guarantee commitments by PLN 2,542 thousand.

Since 2011, the Group changed the method of settling certain income and expenses concerning the sales of loan products, including income from the sales of insurance related to cash loans and expenses resulting from the cooperation with local lending intermediaries. At present, the above income and expenses are settled using the effective interest rate method, while, in previous periods, they were recognized once. The above change did not have significant influence on the result for three quarters of 2011.

Net gains from trading and investment activities

Net gains from trading and investment activities, including net result on derivatives used as hedging instruments and hedged items as well as dividend income for three quarters of 2011 amounted to PLN 25,990 thousand and were lower by PLN 83,258 thousand (76.2%) as compared to the figures for three quarters of 2010, which was the effect of a decrease in the result on the transactions on securities recognized as at fair value through profit or loss by PLN 39,765 thousand and in the result on derivatives by PLN 15,069 thousand and in the result on currency translation differences by PLN 20,571 thousand as well as in the result on the transactions on investment activities by PLN 6,021 thousand.

In the third quarter of 2011, net gains from trading and investment activities, including net result on derivatives used as hedging instruments and hedged items and dividend income, amounted to PLN – 7,350 thousand and were lower by PLN 55,049 thousand than the result generated in the third quarter of 2010, which was mainly due to a decline of the result on the transactions on securities recognized as at fair value through profit or loss by PLN 29,560 thousand and of the result on derivatives by PLN 21,318 thousand as well as of the result on the transactions on investment activities by PLN 2,742 thousand.

Net gains from other operating income/expenses

Net gains from other operating activities for three quarters of 2011 amounted to PLN 61,476 thousand and were higher by PLN 22,434 thousand (57.5%) than the net gains for three quarters of 2010, which was mainly the effect of the reversal in the second quarter of 2011, through other operating income, of the provisions related to last year’s incentive programmes amounting to PLN 17,061 thousand.

Net gains from other operating activities in the third quarter of 2011 amounted to PLN 22,189 thousand and were higher by PLN 6,083 thousand (37.8%) than the figure in the corresponding period of 2010. It was mainly the effect of the lower debt recovery costs by PLN 5,337 thousand.

General and administrative expenses

in PLN '000	3rd quarter of 2011	3rd quarter of 2010	Change (%)	Three quarters of 2011	Three quarters of 2010	Change (%)
Staff costs	**123 154**	**105 232**	**17.0%**	**335 744**	**308 131**	**9.0%**
General expenses, including:	**118 022**	**104 842**	**12.6%**	**345 822**	**302 101**	**14.5%**
- costs of buildings lease	21 590	21 607	-0.1%	64 029	62 578	2.3%
- IT and telecommunications fees	20 032	20 513	-2.3%	60 464	54 722	10.5%
- costs of buildings maintenance and renovations	5 340	5 090	4.9%	15 645	14 742	6.1%
- energy costs	4 469	4 235	5.5%	14 737	14 274	3.2%
- advisory and specialist services costs	7 274	6 228	16.8%	18 758	16 036	17.0%
- postal fees	6 427	7 240	-11.2%	19 008	22 459	-15.4%
- transportation services	4 054	3 463	17.1%	11 455	10 434	9.8%
- property protection expenses	2 219	2 458	-9.7%	6 671	6 861	-2.8%
- taxes and fees	28 768	23 128	24.4%	86 771	67 510	28.5%
- promotion and advertising services	9 005	2 182	312.7%	26 416	11 258	134.6%
- purchase of other materials	696	1 048	-33.6%	2 238	2 579	-13.2%
- training expenses	818	499	63.9%	3 043	1 864	63.3%
- business trips	554	406	36.5%	1 726	1 234	39.9%
- other	6 776	6 745	0.5%	14 861	15 550	-4.4%
Depreciation	**22 904**	**24 699**	**-7.3%**	**70 814**	**76 456**	**-7.4%**
Total	**264 080**	**234 773**	**12.5%**	**752 380**	**686 688**	**9.6%**

Employment*	30.09.2011	30.09.2010	Change	Change (%)
KB	4 818	4 746	72	2%
Other companies	84	90	-6	-7%
Total	**4 902**	**4 836**	**66**	**1%**

** figures in FTEs*

Staff costs for three quarters of 2011 equal to PLN 335,774 thousand and increased as compared to three quarters of 2010 by PLN 27,613 thousand (9.0%). It was mainly an effect of higher costs of salaries. In the third quarter of 2011, staff costs amounted to PLN 123,154 thousand and were higher than in the third quarter of 2010 by PLN 17,922 thousand (17.0%), mainly due to higher costs of salaries and incentive programme costs.

The Group's general expenses, except for staff costs, for three quarters of 2011 amounted to PLN 345,822 thousand and, as compared to three quarters of 2010, were higher by PLN 43,721 thousand (14.5%).

It was mainly due to an increase in:

- taxes and fees (PLN 19,261 thousand), mainly because of the higher fee on Bank Guarantee Fund (by PLN 11,479 thousand) and an increase in VAT costs (by PLN 7,939 thousand);
- promotion and advertising services costs (by PLN 15,158 thousand), primarily in relation with the implementation of a wide-scale marketing campaign;
- IT and telecommunications fees (by PLN 5,742 thousand), due to, i.a., the projects being implemented in the Bank;

- advisory and specialist services costs (by PLN 2,722 thousand);
- costs of buildings lease (by PLN 1,451 thousand), principally due to the periodical indexation of lease agreements;

set off with a decrease in:

- postal fees (by PLN 3,451 thousand).

The Group's general expenses, except for staff costs, for three quarters of 2011 equalled to PLN 118,022 thousand and, as compared to three quarters of 2010, were higher by PLN 13,180 thousand (12.6%).

It results mostly from an increase in:

- promotion and advertising services costs (by PLN 6,823 thousand), mainly due to the implementation of a wide-scale marketing campaign;
- taxes and fees (PLN 5,640 thousand), most of all due to the higher fee on Bank Guarantee Fund (by PLN 3,826 thousand) and an increase in VAT costs (by PLN 3,077 thousand);
- advisory and specialist services costs (by PLN 1,046 thousand);

set off with a decrease in:

- postal fees (by PLN 813 thousand).

Cost/income ratio (CIR)

The cost/income ratio for three quarters of 2011 reached 62.2% and increased from 56.3% recorded in the corresponding period of the previous year. In the third quarter of 2011, the cost/income ratio amounted to 67.3% and increased from 54.4% recorded in the corresponding period of the previous year. The higher ratios result primarily from an increase in the general and administrative expenses, mentioned above, as well as from a decrease of income in the third quarter of 2011 as compared to the third quarter of 2010 (due to, i.a. the lower net trading income).

Net impairment losses on financial assets, other assets and provisions

in PLN '000	**3rd quarter of 2011**	**3rd quarter of 2010**	**Three quarters of 2011**	**Three quarters of 2010**
Retail Segment*	-67 766	-140 420	-96 892	-312 994
Corporate Segment*	16 502	19 372	9 596	-32 046
Other provisions*	1 156	-527	3 003	-15 507
Result on provisions	**-50 108**	**-121 575**	**-84 293**	**-360 547**

**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 for the differences has been presented in Note I.8.7 of this report.*

In the third quarter of 2011, the Group recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 50,108 thousand, as compared to a negative balance in the third quarter of 2010 amounting to PLN 121,575 thousand.

For three quarters of 2011, the Group recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 84,293 thousand, as compared to a negative balance for three quarters of 2010 amounting to PLN 360,547 thousand.

The result of the Retail Segment for three quarters of 2011 includes the reversal of impairment losses amounting to PLN 84,964 thousand related to the sale of retail loans.

The balance of impairment losses for the Retail Segment for three quarters of 2011 includes impairment losses on loans and advances to customers of the former Consumer Finance Segment amounting to PLN 127,156 thousand.

The lower level of impairment losses for assets in the Corporate Segment for three quarters of 2011 is primarily on the account of improved financial condition of corporate customers as well as of effective restructuring and recovery activities, conducted by the Bank.

The balance of other provisions in three quarters of 2010 comprises the amount of provisions for potential litigations in the Group's companies.

Corporate income tax

The income tax burden in three quarters of 2011 amounted to PLN 93,424 thousand, as compared to the income tax burden in three quarters of 2010 of PLN 45,833 thousand, and in the third quarter of 2011 it equalled to PLN 18,291 thousand as compared to the deduction in the third quarter of 2010 of PLN 20,594 thousand. The effective tax rate in three quarters of 2011 equals to 24.8% and was distorted in general due to the writing off of a deferred tax asset related to the impairment of receivables, which would not become deductible expenditure, and non-taxable financial expenses arising due to 'thin capitalisation'. The reasons that the effective tax rate is higher than the nominal tax rate (26.2%) for three quarters of 2010 corresponds to the reasons that occurred for three quarters of 2011.

8.2. Assets and liabilities

Gross loans and advances to customers

The value of gross loans and advances to customers as at 30.09.2011 increased by PLN 1,538 million (5.4%) as compared to the amount as at 30.06.2011, and as compared to amount as at 30.09.2010, it increased by 1,583 million (5.5%).

Details concerning the portfolio of loans and advances have been presented in sections I.8.2.1, I.8.2.2. and I.8.5 below.

Investment securities portfolio

A decrease in the carrying amount of investment debt securities at the end of the third quarter 2011, as compared to the end of the third quarter of 2010, resulted mainly from a decrease in Treasury Bond portfolio and money bills of the National Bank of Poland. A decrease in the carrying amount of investment debt securities at the end of the third quarter of 2011, as compared to the end of the second quarter of 2011, results principally from reduction in the portfolio of money bills of the National Bank of Poland.

Amounts due to banks and subordinated liabilities

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Loans and advances from KBC Group	5 238 618	5 882 394	5 650 993	5 352 999
- including loans and advances in foreign currencies	*4 933 618*	*5 557 394*	*5 340 993*	*5 037 818*
Term deposits	3 848 242	2 458 328	2 922 345	2 965 537
- including term deposits from KBC Group	*3 515 147*	*2 363 674*	*2 909 169*	*2 713 344*
Current accounts	2 646 726	3 522 035	3 573 391	3 422 733
- including current accounts of KBC Group	*2 452 859*	*3 231 534*	*2 809 093*	*3 258 030*
Other liabilities	6 376	4 753	3 977	6 313
Total amounts due to banks	**11 739 962**	**11 867 510**	**12 150 706**	**11 747 582**
Subordinated liabilities (from KBC Group)	1 031 965	947 298	911 100	866 476
Total	**12 771 927**	**12 814 808**	**13 061 806**	**12 614 058**

The Bank finances the lending activities not only with deposits but also, to a large extent, with financing made available by KBC Group, the Bank's main shareholder. The loans in foreign currencies granted by Kredyt Bank's Capital Group are fully financed with loans in foreign currencies received from KBC Group, deposits in foreign currencies made by entities from KBC Group and customer deposits in foreign currencies. Amounts due to KBC Group includes current accounts, which are mostly used to finance the trading activities.

Customers' deposits portfolio

Customers' deposits portfolio at the end of the third quarter of 2011 did not change significantly (an increase by 0.4%), as compared to the end of the second quarter of 2011, and it increased by PLN 489 million (1.9%) as compared to the end of the third quarter of 2010.

Details concerning the deposits portfolio have been presented in sections I.8.2.1 and I.8.2.2 below.

8.2.1. Corporate and SME banking

This section presents aggregate figures for corporate and SME customers, excluding non-commercial institutions providing services to households (data for non-commercial institutions providing services to households have been presented in section I.8.2.2. in 'Retail banking').

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

in PLN '000	30.09.2011	30.06.2011	31.12.2010	30.09.2010
Corporate and SME customers				
- overdraft facilities	2 155 312	2 044 128	1 624 480	1 650 440
- term loans*	4 146 789	3 971 351	4 407 040	4 537 684
- purchased debt	219 530	195 541	121 070	177 785
- realised guarantees	1 120	1 321	1 325	1 777
- other receivables (including leasing fees)	604 906	569 459	548 589	519 919
- debt securities classified as loans and receivables	52 236	46 621	47 296	47 803
Total**	**7 179 893**	**6 828 421**	**6 749 800**	**6 935 408**

** mainly investment and working capital loans*

in PLN '000	30.09.2011	30.06.2011	31.12.2010	30.09.2010
Budgetary Sector				
- overdraft facilities	9 480	3 999	2 735	25 696
- term loans*	115 587	135 298	164 658	154 737
- purchased debt	4 946	0	0	0
- debt securities classified as loans and receivables	24 765	20 246	20 236	20 232
Razem	**154 778**	**159 543**	**187 629**	**200 665**

** mainly investment and working capital loans*

The balance of the corporate and SME customers' loans at the end of the third quarter of 2011 as compared to the end of the second quarter increased by PLN 351 million (5.1%), primarily because of higher exposures in overdraft facilities and term deposits. As compared to the end of the third quarter of 2010, the balance of the corporate and SME customers' loans at the end of the third quarter of 2011 increased by PLN 244 million (3.5%), mostly as an effect of higher exposures in overdraft facilities and set off with exposure of term deposits.

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

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Corporate and SME customers				
- current accounts	3 369 653	3 537 286	3 819 591	3 879 076
- term deposits	3 628 975	3 939 858	3 648 005	4 177 018
- including 'Warta Gwarancja' product	*677 359*	*740 278*	*706 509*	*696 858*
- loans and advances	882 091	828 941	197 122	197 101
- other	5 793	2 723	4 103	6 536
Total	**7 886 512**	**8 308 808**	**7 668 821**	**8 259 731**

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Budgetary Sector				
- current accounts	1 290 148	1 160 986	1 359 213	1 364 531
- term deposits	542 605	479 160	628 586	597 833
- other	2	4	0	0
Total	**1 832 755**	**1 640 150**	**1 987 799**	**1 962 364**

The value of the term deposits portfolio of corporate and SME customers at the end of the third quarter of 2011 decreased by PLN 422 million (5.1%) as compared to the end of the second quarter of 2011 and by PLN 373 million (4.5%) as compared to the previous year's corresponding period, which results mainly from a decrease of the balances on term deposits and current deposits.

8.2.2. Retail banking

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

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

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
- overdraft facilities	1 038 509	1 024 534	860 214	881 366
- purchased debt	16 005	16 326	12 841	16 882
- term loans*	839 567	837 631	794 181	791 559
- installment loans, cash loans, and cards	2 799 437	2 779 576	3 831 329	3 825 122
- mortgage housing loans	17 685 358	16 524 872	16 183 199	15 470 851
- other mortgage loans**	431 063	436 165	455 886	444 662
- realised guarantees	1 375	1 371	1 340	1 519
- other receivables	43 474	43 358	32 101	38 693
Total**	**22 854 788**	**21 663 833**	**22 171 091**	**21 470 654**

** mainly investment and working capital loans for individual entrepreneurs*
*** including mortgage loans other than for housing purposes and refinancing loans secured with mortgage*

The balance of retail customers' loans portfolio at the end of the third quarter of 2011 increased, as compared to the end of the second quarter of 2011 by PLN 1,191 million (5.5%), and as compared to the end of the third quarter of 2010 by PLN 1,384 million (6.4%). The change results mainly from the change of the mortgages amount of the end of the third quarter of 2011, which increased by PLN 1,160 million as compared to the end of the second quarter of 2011 and by PLN 2,215 million as compared to the end of the third quarter of 2010. These changes are primarily an effect of an increase of an exchange rate of CHF/PLN.

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

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
- current accounts (including savings accounts)	12 081 431	12 482 792	12 536 406	11 759 570
- term deposits	4 411 452	3 653 204	3 346 027	3 701 837
- other	35 296	69 292	121 705	74 504
Total	**16 528 179**	**16 205 288**	**16 004 138**	**15 535 911**

The value of the retail customers' deposits portfolio at the end of the third quarter of 2011 increased by PLN 323 million (2.0%) as compared to the end of the second quarter of 2011, and by PLN 992 million (6.4%) as compared to the end of the third quarter of 2010. It was an effect of new products offered by the Bank and competitive interest rates for term deposits.

The funds collected by the Bank from TUnŻ Warta S.A. due to the sales of 'Warta Gwarancja' product offered by the insurer to retail customers is recognised in these financial statements in the corporate and SME segment.

Installment and cash loans, and credit cards

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

The gross value of the portfolio of loans granted via Żagiel as at 30.09.2011 increased by PLN 48 million (3.1%) as compared to the figures as at 30.06.2011, and, as compared to the figures as at 30.09.2010, decreased by PLN 875 million (35.6%), which is related mainly to the sale of the portfolio of retail loans.

In 2011, as compared to 2010, a decline in the total cash loans sales comes from, i.a. the adjustment of the Bank's policy to the requirements of T Recommendation and the tightened principles of assessing the creditworthiness of customers.

in PLN '000	**3rd quarter of 2011**	**2nd quarter of 2011**	**4th quarter of 2010**	**3rd quarter of 2010**
Installment and cash loans, and cards				
Gross value of the portfolio at the end of the quarter, including:	2 799 437	2 779 576	3 831 329	3 825 122
Cash loans granted by KB network				
Gross value of the portfolio at the end of the quarter	990 744	1 018 213	1 152 136	1 148 318
Number of loans granted in the quarter (in '000)	12	9	14	17
Value of loans granted in the quarter	139 835	95 832	176 758	208 836
Loans granted via Żagiel				
Gross value of the portfolio at the end of the quarter*	1 581 918	1 533 875	2 451 907	2 456 943
Number of loans granted in the quarter (in '000)**	184	164	179	185
- installment loans	178	158	174	181
- cash loans	6	6	5	4
Value of loans granted in the quarter:**	415 392	368 306	389 970	397 998
- installment loans	381 087	338 913	365 437	380 206
- cash loans	34 305	29 393	24 533	17 792

** including a consolidation adjustment due to EIR*
*** related to installment and cash loans*

in thousands	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Credit cards (aggregate for KB and Żagiel S.A.)	192	194	205	210

Mortgage housing loans

in PLN '000	**3rd quarter of 2011**	**2nd quarter of 2011**	**4th quarter of 2010**	**3rd quarter of 2010**
Mortgages housing loans				
Gross value of the portfolio at the end of the quarter	17 685 358	16 524 872	16 183 199	15 470 851
Number of loans granted in the quarter (in '000)	1.4	1.2	2.0	3.4
Value of loans granted in the quarter*	335 711	281 337	400 144	716 978

* the value of agreements signed in the period

The decline in the sales of mortgages in 2011 as compared to the corresponding period in the previous year was temporary and was an effect of comprehensive organizational changes and of the thorough rebuilding of the process of granting mortgages in the Bank, which have been implemented since the beginning of this year.

Since the second quarter of 2011, we have observed an increase in the growth rate of the sales of mortgages as a result of implemented changes (the streamlining of the lending process, the introduction of a new competitive offer, an increase in the effectiveness of the sales network through the training of mortgage advisors and the development of the cooperation with brokerage houses).

Current accounts for individual clients

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Current accounts				
Carrying amount at quarter end	12 081 431	12 482 792	12 536 406	11 759 570
including ROR accounts *				
Number (in '000)	675	653	634	637
Carrying amount	1 233 854	1 203 594	1 156 413	1 151 717
including Savings Account *				
Number (in '000)	735	661	617	593
Carrying amount	9 360 738	9 834 050	9 850 124	9 151 465

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

As at 30.09.2011, the number of current-savings accounts (ROR) amounted to 675 thousand and increased as compared to figures as at 30.06.2011 by 22 thousand (3.4%) and by 38 thousand (6.0%) as compared to figures as at 30.09.2010. Also, the carrying amount of the cash deposited on ROR accounts of individual customers at the end of the third quarter of 2011 increased by PLN 30 million (2.5%) as compared to the figures as at 30.06.2011 and by PLN 82 million (7.1%) as compared to figures as at 30.09.2010.

As at 30.09.2011, the number of savings accounts amounted to 735 thousand and increased by 74 thousand (11.2%) as compared to figures as at 30.06.2011, and by 142 thousand (23.9%) as compared to figures as at 30.09.2010. At the end of the third quarter of 2011, the value of deposited cash decreased by PLN 473 million (4.8%) as compared to figures as at 30.06.2011 and is set off with an increase in time deposits, and increased by PLN 209 million (2.3%) as compared to figures as at 30.09.2010.

The increase in the number of ROR accounts and savings accounts in the third quarter of 2011 is related to the launch of the nationwide promotional campaign and increased acquisition activities.

Number of outlets

The Bank continuously conducts the adjustment process of the Network with respect to market conditions.

in units	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Bank's outlets	374	374	381	383

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

Total net assets of KBC TFI funds (excluding non-registered funds) sold by 30.09.2011 via the Bank's distribution network amounted to PLN 4,547 million. As compared to figures as at 30.06.2011, it denotes a decrease by 3.0%, and, as compared to figures as at 30.09.2010, an increase by 18.8%.

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Net assets of KBC TFI funds (excluding non-registered funds) sold via the Bank's distribution network	4 546 519	4 685 840	4 491 634	3 827 357

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

In the third quarter of 2011 and in the third quarter of 2010, the Group's companies did not issue, redeem or repay any equity securities issued by the Group's companies.

8.5. The quality of loans and advances portfolio

The receivables quality ratio presented in the table below, as compared to the end of 2010 and the end of the third quarter of 2011, have changed materially in relation to the sale of retail loans conducted in the second quarter of 2011 and described in detail in the Interim Consolidated Financial Statements of Kredyt Bank S.A. Capital Group for the first half of 2011.

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 30.09.2011 amounted to 7.5% and has deteriorated by 0.2 p.p. as compared to figures as at 30.06.2011 and decreased by 2.1 p.p. as compared to 30.09.2010.

As at 30.09.2011, the coverage ratio of loans and advances with evidence for impairment with corresponding impairment losses equalled to 53.4% and decreased by 1.2 p.p. as compared to figures as at 30.06.2011 and by 9.2 p.p. as compared to figures as at 30.09.2010.

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Loans and advances with no evidence for impairment	27 935 099	26 547 219	26 286 536	25 849 749
Loans and advances with evidence for impairment	2 254 360	2 104 578	2 821 984	2 756 978
including: loans and advances for which no impairment losses were established	3 339	6 274	17 263	9 612
Total gross loan and advances to customers	**30 189 459**	**28 651 797**	**29 108 520**	**28 606 727**
Impairment losses on loans and advances to customers	1 325 461	1 272 660	1 914 000	1 851 543
including: impairment losses on loans and advances with evidence for impairment	1 202 973	1 149 375	1 793 562	1 725 279
Total net loans and advances to customers	**28 863 998**	**27 379 137**	**27 194 520**	**26 755 184**
The share of loans and advances with evidence for impairment in total gross loans and advances	7.5%	7.3%	9.7%	9.6%
Coverage of loans and advances with evidence for impairment with corresponding impairment losses	53.4%	54.6%	63.6%	62.6%
Coverage of gross loans and advances to customers with corresponding impairment losses	4.4%	4.4%	6.6%	6.5%

8.6. Capital adequacy ratio

The Group's capital adequacy ratio was calculated in compliance with the regulations of the Polish Financial Supervision Authority in force and, as at 30.09.2011, equalled to 12.14% as compared to 12.74% recorded as at 30.06.2011. The Group applies the standardised approach to credit risk calculation.

As at 30.09.2011, as compared to 30.09.2010, the capital adequacy ratio decreased from 12.34%, ie. by 0.3 p.p.

The ratio calculated only with the use of own basic capitals (Tier 1) amounted to 8.52% as at 30.09.2011, to 9.08% as at 30.06.2011, and to 9.01% as at 30.09.2010.

8.7. Income and results by operating segments

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, it needs to be mentioned, the management segmentation differs from the segmentation of financial reporting presented in other part of the financial statements.

The Group's operations were divided into three basic categories: retail, corporate and 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 Polish natural and legal persons and foreign customers operating on the Polish market.

Retail Segment

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

The offer consists of 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 credit intermediaries operating on the market.

Corporate Segment

The Corporate Segment, in management terms, incorporates transactions with medium-sized companies (SME with annual sales revenue exceeding PLN 1 million, but not exceeding PLN 25 million), large companies (corporate clients with total sales revenue exceeding PLN 25 million) as well as municipalities.

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, which offers a complete range of services for companies in respect of leasing of property, plant and equipment.

Treasury Segment

The Treasury Segment, in management terms, comprises the result of the transactions performed by the Bank on its own account as an active participant of the money market (Treasury and NBP bills), bonds market (Treasury and commercial bonds), currency market and interbank market. The result of the segment also includes net income on derivative instruments transactions: forward, FX swap, IRS, CIRS, FRA, interest rate and currency options, except for write-downs for credit risk. Besides the trading activities carried by the Bank on its own account, the segment includes the activities aiming to hedge the Banking Book position.

Other

Income and expenses not assigned to the above segments have been presented as ‘Other' segment. In addition, this category includes the results of the operations of Reliz and Kredyt Trade.

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

Additional clarifications

The results presented in all segments include costs of financing of lending activities and interest income on sales of deposit funds 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 items of the balance sheet and income statement for the reporting segments with items of the consolidated balance sheet and consolidated income statement required consideration of adjustments, presented further in the note.

Net interest income includes net interest income from deposit and lending activities and the total net income from loan commissions treated, in management terms, as an element of the interest margin. The Bank’s Management Board, when making operating decisions, bases them mainly on net interest margin. In addition, particular segments include 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 investment funds and other services provided to 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 including 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 the aggregate of the following items from the interim condensed consolidated financial statements:

- net trading income, (excluding, among others: 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 condensed consolidated financial statements in net trading income).

Group’s general expenses – the Group allocates the costs on the basis of direct costs accounting and statistical key figures applied in own management system; operating expenses of the Bank's branches and affiliates are fully charged to the retail function. The costs of the Head Office and general and administrative expenses are allocated according to the structure of direct costs. The Bank has been implementing the Activity-based Costing (ABC), which will affect the method of allocating costs to particular segments.

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

Loans and advances to customers – include net loans and advances to customers, excluding interest receivables, as well as debt securities classified in the portfolio of loans and receivables.

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.

Securities – this category is presented in the treasury segment, entails debt securities, securities with the right to equity and shares in investment funds, except for debt securities classified as loans and receivables.

Other – this category entails all other assets not presented above.

Group's net profit for the third quarter of 2011 by business segments (breakdown according to management reporting)

in PLN '000	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**175 292**	**77 761**	**62 303**	**-4 967**	**310 389**
- lending activities	132 310	50 106	0	-4 989	177 427
- depositing activities	46 354	30 576	0	22	76 952
- the cost of financing cash kept in the Bank's branches	-3 372	-2 921	6 293	0	0
Net commission income and other net income	**46 622**	**8 488**	**0**	**17 382**	**72 492**
- commissions related to keeping accounts and transactions	20 461	12 733	0	152	33 346
- commissions related to cards	14 406	1 286	0	2 324	18 016
- commissions related to shares in investment funds	10 700	766	0	0	11 466
- commissions related to insurance products	-4 148	-96	0	-121	-4 365
- commissions related to foreign transactions	8	6 991	0	118	7 117
- other	5 195	-13 192	0	14 909	6 912
Net income from treasury transactions	**15 129**	**16 115**	**-19 540**	**-1 708**	**9 996**
- exchange transactions	15 098	13 173	2 780	-1 372	29 679
- derivatives and securities	31	2 942	-22 320	-336	-19 683
Net gains from investment activities	**0**	**0**	**-19**	**67**	**48**
Gross operating income	**237 043**	**102 364**	**42 744**	**10 774**	**392 925**
Net impairment losses on financial assets, other assets and provisions	**-67 801**	**15 788**	**0**	**1 161**	**-50 852**
Group's general and administrative expenses, including:	**-194 254**	**-51 236**	**-13 102**	**-5 488**	**-264 080**
- the costs of the operation of business functions (direct costs)	-105 335	-30 672	-7 012	-98 157	-241 176
- allocated expenses	-71 945	-17 899	-4 841	94 685	0
- depreciation (direct costs)	-10 511	-1 100	-812	-10 481	-22 904
- depreciation (allocated costs)	-6 463	-1 565	-437	8 465	0
Net operating income	**-25 012**	**66 916**	**29 642**	**6 447**	**77 993**
Share in profit (loss) of associates					1 081
Income tax expense					-18 291
Net profit (loss)					**60 783**

Group's net profit for three quarters of 2011 by business segments (breakdown according to management reporting)

in PLN '000	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**502 840**	**225 102**	**204 599**	**-14 251**	**918 290**
- lending activities	388 024	144 905	0	-14 307	518 622
- depositing activities	123 737	87 252	0	56	211 045
- the cost of financing cash kept in the Bank's branches	-8 921	-7 055	15 976	0	0
Net commission income and other net income	**133 582**	**57 555**	**0**	**46 454**	**237 591**
- commissions related to keeping accounts and transactions	63 889	38 345	0	434	102 668
- commissions related to cards	49 918	4 081	0	1 741	55 740
- commissions related to shares in investment funds	36 630	2 144	0	0	38 774
- commissions related to insurance products	-14 013	-163	0	-155	-14 331
- commissions related to foreign transactions	28	16 907	0	291	17 226
- other	-2 870	-3 759	0	44 143	37 514
Net income from treasury transactions	**35 482**	**39 113**	**-37 475**	**-1 190**	**35 930**
- exchange transactions	35 438	35 008	-2 757	-973	66 716
- derivatives and securities	44	4 105	-34 718	-217	-30 786
Net gains from investment activities	**0**	**50**	**386**	**1 593**	**2 029**
Gross operating income	**671 904**	**321 820**	**167 510**	**32 606**	**1 193 840**
Net impairment losses on financial assets, other assets and provisions	**-99 730**	**8 651**	**0**	**7 083**	**-83 996**
Group's general and administrative expenses, including:	**-533 581**	**-150 721**	**-35 612**	**-16 692**	**-736 606**
- the costs of the operation of business functions (direct costs)	-311 366	-97 805	-20 915	-235 706	-665 792
- allocated expenses	-169 718	-44 535	-11 327	225 580	0
- depreciation (direct costs)	-32 995	-3 264	-2 068	-32 487	-70 814
- depreciation (allocated costs)	-19 502	-5 117	-1 302	25 921	0
Net operating income	**38 593**	**179 750**	**131 898**	**22 997**	**373 238**
Share in profit (loss) of associates					2 886
Income tax expense					-93 424
Net profit (loss)					**282 700**

Group's net profit for the third quarter of 2010 by business segments (breakdown according to management reporting)

in PLN '000	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**177 726**	**66 023**	**58 200**	**-2 307**	**299 642**
- lending activities	142 667	42 880	0	-2 327	183 220
- depositing activities	37 544	25 181	0	20	62 745
- the cost of financing cash kept in the Bank's branches	-2 485	-2 038	4 523	0	0
Net commission income and other net income	**46 837**	**30 931**	**0**	**18 788**	**96 556**
- commissions related to keeping accounts and transactions	21 256	12 996	0	145	34 397
- commissions related to cards	19 346	1 143	0	0	20 489
- commissions related to shares in investment funds	12 493	737	0	0	13 230
- commissions related to insurance products	-375	-40	0	0	-415
- commissions related to foreign transactions	12	3 860	0	106	3 978
- other	-5 895	12 235	0	18 537	24 877
Net income from treasury transactions	**15 255**	**10 668**	**3 412**	**-74**	**29 261**
- exchange transactions	15 241	10 233	4 954	201	30 629
- derivatives and securities	14	435	-1 542	-275	-1 368
Net gains from investment activities	**0**	**0**	**2 723**	**49**	**2 772**
Gross operating income	**239 818**	**107 622**	**64 335**	**16 456**	**428 231**
Net impairment losses on financial assets, other assets and provisions	**-139 881**	**23 268**	**0**	**-1 652**	**-118 265**
Group's general and administrative expenses, including:	**-171 787**	**-45 340**	**-11 295**	**-6 351**	**-234 773**
- the costs of the operation of business functions (direct costs)	-94 757	-28 599	-6 502	-80 216	-210 074
- allocated expenses	-58 263	-14 229	-3 795	76 287	0
- depreciation (direct costs)	-12 129	-873	-560	-11 137	-24 699
- depreciation (allocated costs)	-6 638	-1 639	-438	8 715	0
Net operating income	**-71 850**	**85 550**	**53 040**	**8 453**	**75 193**
Share in profit (loss) of associates					928
Income tax expense					-20 594
Net profit (loss)					**55 527**

Group's net profit for three quarters of 2010 by business segments (breakdown according to management reporting)

in PLN '000	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**531 432**	**205 657**	**134 974**	**-5 258**	**866 805**
- lending activities	441 790	136 178	0	-5 313	572 655
- depositing activities	96 889	75 274	0	55	172 218
- the cost of financing cash kept in the Bank's branches	-7 247	-5 795	13 042	0	0
Net commission income and other net income	**142 510**	**79 823**	**0**	**34 629**	**256 962**
- commissions related to keeping accounts and transactions	63 759	37 643	0	740	102 142
- commissions related to cards	62 154	3 433	0	-3 679	61 908
- commissions related to shares in investment funds	32 723	2 089	0	0	34 812
- commissions related to insurance products	-6 150	-227	0	0	-6 377
- commissions related to foreign transactions	81	11 461	0	339	11 881
- other	-10 057	25 424	0	37 229	52 596
Net income from treasury transactions	**35 388**	**34 871**	**13 229**	**102**	**83 590**
- exchange transactions	35 312	33 290	18 098	862	87 562
- derivatives and securities	76	1 581	-4 869	-760	-3 972
Net gains from investment activities	**0**	**100**	**6 407**	**1 741**	**8 248**
Gross operating income	**709 330**	**320 451**	**154 610**	**31 214**	**1 215 605**
Net impairment losses on financial assets, other assets and provisions	**-312 612**	**-27 486**	**0**	**-16 290**	**-356 388**
Group's general and administrative expenses, including:	**-509 016**	**-128 300**	**-31 414**	**-17 958**	**-686 688**
- the costs of the operation of business functions (direct costs)	-295 038	-84 383	-18 871	-211 940	-610 232
- allocated expenses	-155 277	-36 416	-9 583	201 276	0
- depreciation (direct costs)	-38 082	-2 665	-1 688	-34 021	-76 456
- depreciation (allocated costs)	-20 619	-4 836	-1 272	26 727	0
Net operating income	**-112 298**	**164 665**	**123 196**	**-3 034**	**172 529**
Share in profit (loss) of associates					2 143
Income tax expense					-45 833
Net profit (loss)					**128 839**

The allocation of assets by business segments as at 30.09.2011

in PLN '000	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to customers	20 636 347	8 119 732	0	0	28 756 079
Loans and advances to banks	0	0	1 190 196	0	1 190 196
Securities	0	0	10 197 386	0	10 197 386
Other	0	0	1 161 220	3 789 496	4 950 716
Total	**20 636 347**	**8 119 732**	**12 548 802**	**3 789 496**	**45 094 377**

The allocation of assets by business segments as at 31.12.2010

in PLN '000	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to customers	19 536 318	7 559 754	0	0	27 096 072
Loans and advances to banks	0	0	1 463 279	0	1 463 279
Securities	0	0	11 187 085	0	11 187 085
Other	0	0	463 159	3 164 651	3 627 810
Total	**19 536 318**	**7 559 754**	**13 113 523**	**3 164 651**	**43 374 246**

The allocation of assets by business segments as at 30.09.2010

in PLN '000	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to customers	18 881 350	7 776 942	0	0	26 658 292
Loans and advances to banks	0	0	1 324 844	0	1 324 844
Securities	0	0	12 068 047	0	12 068 047
Other	0	0	486 001	2 558 104	3 044 105
Total	**18 881 350**	**7 776 942**	**13 878 892**	**2 558 104**	**43 095 288**

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

in PLN '000	**01.07.2011-30.09.2011**
Net interest income – management information	**310 389**
- commissions on loans	12 326
+ operating expenses (interest on finance lease)	-149
+ operating income (the collection of statutory interest)	3 404
+ commissions related to foreign transactions	160
- structured deposit – interest adjustment	3 035
Net interest income – financial statements	**298 443**
Net commission income and other net income – management information	**72 492**
+ commissions on loans	12 326
- operating expenses (interest on finance lease)	-149
- operating income (the collection of statutory interest)	3 404
- commissions related to foreign transactions	160
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-19 685
Net commission income and other net income – financial statements – presented as:	**101 088**
Net fee and commission income	78 899
Other operating income	33 449
Other operating expenses	-11 260
Net income from treasury transactions – management information	**9 996**
+ net increase/decrease in provisions for potential losses related to active derivatives	-744
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-19 685
+ structured deposit – interest adjustment	3 035
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**-7 398**
Net trading income	-6 659
Net result on derivatives used as hedging instruments and hedged items	-739
Net gains from investment activities – management information	**48**
Net gains from investment activities and dividend income - financial statements – presented as:	**48**
Net gains from investment activities	-19
Dividend income	67
Gross operating income – management information	**392 925**
+ net increase/decrease in provisions for potential losses related to active derivatives	-744
Gross operating income – financial statements – presented as:	**392 181**
Total operating income	403 441
Other operating expenses	-11 260
Net impairment losses on financial assets, other assets and provisions – management information	**-50 852**
- net increase/decrease in provisions for potential losses related to active derivatives	-744
Net impairment losses on financial assets, other assets and provisions – financial statements	**-50 108**

in PLN '000	**01.01.2011-30.09.2011**
Net interest income – management information	**918 290**
- commissions on loans	35 783
+ operating expenses (interest on finance lease)	-565
+ operating income (the collection of statutory interest)	12 047
+ commissions related to foreign transactions	391
- structured deposit – interest adjustment	12 130
+ other	-5
Net interest income – financial statements	**882 245**
Net commission income and other net income – management information	**237 591**
+ commissions on loans	35 783
- operating expenses (interest on finance lease)	-565
- operating income (the collection of statutory interest)	12 047
- commissions related to foreign transactions	391
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-23 109
+ reversal of provisions related to incentive programmes	17 061
- other	-5
Net commission income and other net income – financial statements – presented as:	**301 676**
Net fee and commission income	240 200
Other operating income	101 075
Other operating expenses	-39 599
Net income from treasury transactions – management information	**35 930**
+ net increase/decrease in provisions for potential losses related to active derivatives	-990
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-23 109
+ structured deposit – interest adjustment	12 130
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**23 961**
Net trading income	25 131
Net result on derivatives used as hedging instruments and hedged items	-1 170
Net gains from investment activities – management information	**2 029**
Net gains from investment activities and dividend income – financial statements – presented as:	**2 029**
Net gains from investment activities	386
Dividend income	1 643
Gross operating income – management information	**1 193 840**
+ net increase/decrease in provisions for potential losses related to active derivatives	-990
+ reversal of provisions related to incentive programmes	17 061
Gross operating income – financial statements – presented as:	**1 209 911**
Total operating income	1 249 510
Other operating expenses	-39 599

Net impairment losses on financial assets, other assets and provisions – management information	**-83 996**
- net increase/decrease in provisions for potential losses related to active derivatives	-990
+ provisions for restructuring/severance pays	-1 287
Net impairment losses on financial assets, other assets and provisions – financial statements	**-84 293**

Bank's general and administrative expenses – management information	**-736 606**
- provisions for restructuring/severance pays	-1 287
- reversal of provisions related to incentive programmes	17 061
Bank's general and administrative expenses – financial statements	**-752 380**

in PLN '000'	**01.07.2010-30.09.2010**
Net interest income – management information	**299 642**
- commissions on loans	11 628
+ operating expenses (interest on finance lease)	-329
+ operating income (the collection of statutory interest)	1 887
+ commissions related to foreign transactions	134
- structured deposit – interest adjustment	5 946
+ other	-38
Net interest income - financial statements	**283 722**
Net commission income and other net income - management information	**96 556**
+ commissions on loans	11 628
- operating expenses (interest on finance lease)	-329
- operating income (the collection of statutory interest)	1 887
- commissions related to foreign transactions	134
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	7 457
- reversal of provisions related to the sale of debt	-1 047
- other	-38
Net commission income and other net income - financial statements – presented as:	**100 120**
Net fee and commission income	84 014
Other operating income	31 919
Other operating expenses	-15 813
Net income from treasury transactions - management information	**29 261**
+ net increase/decrease in provisions for potential losses related to active derivatives	2 263
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	7 457
+ structured deposit – interest adjustment	5 946
Net trading income and net result on derivatives used as hedging instruments - financial statements – presented as:	**44 927**
Net trading income	45 058
Net result on derivatives used as hedging instruments and hedged items	-131
Net gains from investment activities - management information	**2 772**
Net gains from investment activities and dividend income - financial statements – presented as:	**2 772**
Net gains from investment activities	2 723
Dividend income	49

Gross operating income – management information	**428 231**
+ net increase/decrease in provisions for potential losses related to active derivatives	2 263
- reversal of provisions related to the sale of retail loans	-1 047
Gross operating income – financial statements – presented as:	**431 541**
Total operating income	447 354
Other operating expenses	-15 813
Net impairment losses on financial assets, other assets and provisions - management information	**-118 265**
- net increase/decrease in provisions for potential losses related to active derivatives	2 263
+ reversal of provisions related to the sale of retail loans	-1 047
Net impairment losses on financial assets, other assets and provisions – financial statements	**-121 575**

in PLN '000'	**01.01.2010-30.09.2010**
Net interest income - management information	**866 805**
- commissions on loans	34 725
+ operating expenses (interest on finance lease)	-1 161
+ operating income (the collection of statutory interest)	7 166
+ commissions related to foreign transactions	290
- structured deposit – interest adjustment	7 576
+ other	2
Net interest income - financial statements	**830 801**
Net commission income and other net income - management information	**256 962**
+ commissions on loans	34 725
- operating expenses (interest on finance lease)	-1 161
- operating income (the collection of statutory interest)	7 166
- commissions related to foreign transactions	290
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	3 552
- reversal of provisions related to the sale of retail loans	2 123
- other	2
Net commission income and other net income - financial statements – presented as:	**279 715**
Net fee and commission income	240 673
Other operating income	76 837
Other operating expenses	-37 795
Net income from treasury transactions - management information	**83 590**
+ net increase/decrease in provisions for potential losses related to active derivatives	6 282
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	3 552
+ structured deposit – interest adjustment	7 576
Net trading income and net result on derivatives used as hedging instruments - financial statements – presented as:	**101 000**
Net trading income	100 535
Net result on derivatives used as hedging instruments and hedged items	465

Net gains from investment activities - management information	**8 248**
Net gains from investment activities and dividend income - financial statements – presented as:	**8 248**
Net gains from investment activities	6 407
Dividend income	1 841

Gross operating income – management information	**1 215 605**
+ net increase/decrease in provisions for potential losses related to active derivatives	6 282
- reversal of provisions related to the sale of retail loans	2 123
Gross operating income – financial statements – presented as:	**1 219 764**
Total operating income	1 257 559
Other operating expenses	-37 795

Net impairment losses on financial assets, other assets and provisions - management information	**-356 388**
- net increase/decrease in provisions for potential losses related to active derivatives	6 282
+ reversal of provisions related to the sale of retail loans	2 123
Net impairment losses on financial assets, other assets and provisions – financial statements	**-360 547**

in PLN '000	**Management information**	**Interest**	**Financial statements (Net)**
30.09.2011			
Loans and advances to customers	28 756 079	107 919	28 863 998
Loans and advances to banks	1 190 196	903	1 191 099
31.12.2010			
Loans and advances to customers	27 096 072	98 448	27 194 520
Loans and advances to banks	1 463 279	710	1 463 989
30.09.2010			
Loans and advances to customers	26 658 292	96 892	26 755 184
Loans and advances to banks	1 324 844	912	1 325 756

in PLN '000	**30.09.2011**
Securities – management information	**10 197 386**
Securities – financial statements – presented as:	**10 197 386**
Financial assets designated upon initial recognition as at fair value through profit or loss	99 945
Financial assets held for trading (excluding derivatives)	769 474
Investment securities	9 327 967

	31.12.2010
Securities – management information	**11 187 085**
Securities – financial statements – presented as:	**11 187 085**
Financial assets designated upon initial recognition as at fair value through profit or loss	118 562
Financial assets held for trading (excluding derivatives)	1 601 283
Investment securities	9 467 240

	30.09.2010
Securities – management information	**12 068 047**
Securities – financial statements – presented as:	**12 068 047**
Financial assets designated upon initial recognition as at fair value through profit or loss	127 097
Financial assets held for trading (excluding derivatives)	1 986 818
Investment securities	9 954 132

9. Information on dividend

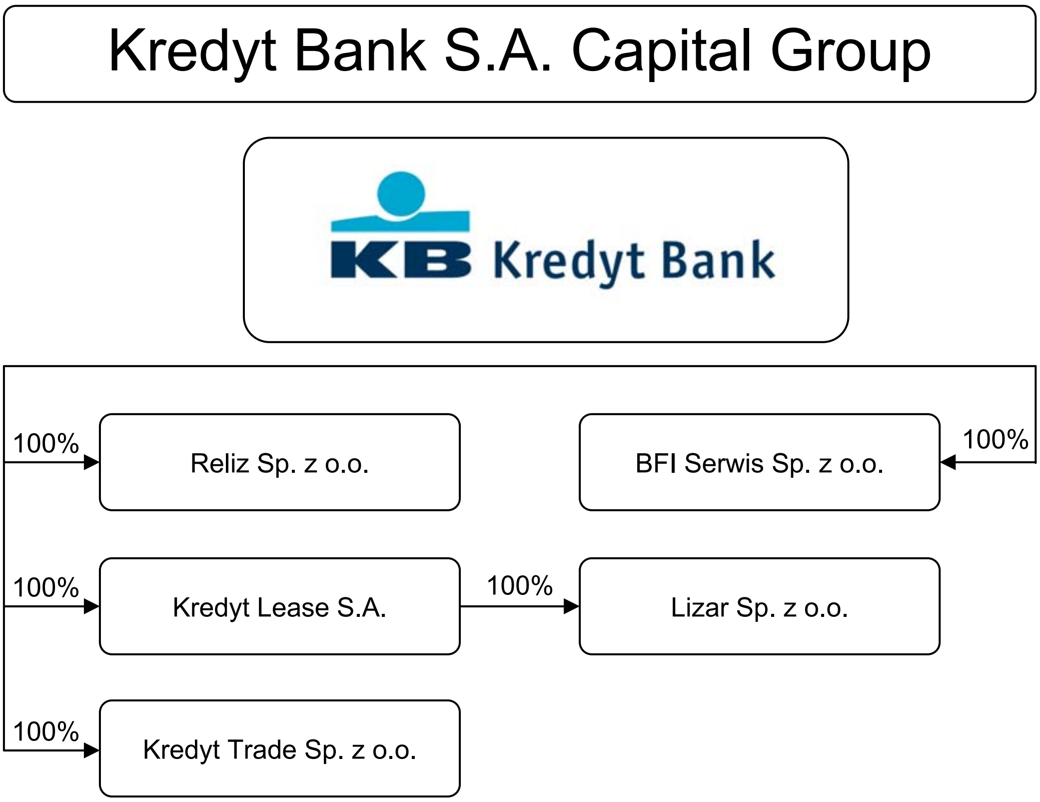
Pursuant to the Resolution of the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. concerning the distribution of profit for 2010 adopted on 25.05.2011, the dividend for the financial year 2010 was paid in the gross amount of PLN 0.37 per share. The total amount of the dividend was PLN 100,513,785.60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

Pursuant to the Resolution of the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. concerning the distribution of profit for 2009 adopted on 26.05.2010, the dividend for 2009 was not paid.

10. Group's structure

Kredyt Bank S.A. Capital Group encompasses legally separated business entities, whose activities are coordinated to a great extent. The capital relations linking the Group, defining the nature of the relationship, are strengthened by business relations, contracts, a joint product offer, controlling functions performed by the Bank over the companies' operating and financial policies as well as a transfer of management staff and also know-how.

Below, we present the composition and ownership structure of the Group as of 30.09.2011.



As at 30.09.2011, the following companies were consolidated with the full method: Kredyt Lease S.A., Kredyt Trade Sp. z o.o. and Reliz Sp. z o.o.

As at 30.09.2011, as compared to 30.09.2010 the composition of the Capital Group has not changed.

Due to the immateriality of their operations and financial figures, the Group does not consolidate financial statements of the following entities: Lizar Sp. z o.o. and BFI Serwis Sp. z o.o.

11. Description of the significant accounting principles applied and material accounting estimates

The Group did not introduce any material changes in the applied accounting principles and methods of performing accounting estimates as compared to the principles and methods described in the Group's published consolidated financial statements as of 31.12.2010.

11.1. Material accounting estimates

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

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

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

11.2. Classification and measurement of financial assets and liabilities

The full description of accounting principles and accounting estimates applied in the Group is presented in the consolidated financial statements of the Group as at 31.12.2010. 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:

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

basis of the valuation at fair value, pursuant to the recorded risk management principles or the Group's investment strategy.

Fair value is determined on the basis of quotations on active markets, including prices of the latest transactions and generally adopted measurement models based on variables that can be observed in the market environment. For assets to which the above-mentioned methods do not apply, the valuation technique is not based on observable market data.

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

The profit/loss from assets disposal is calculated with the FIFO method.

Financial derivatives are recognized at fair value, without deductions of transaction expenses that can be incurred at the disposal. The transaction price is the best indicator of fair value at the initial recognition of a derivative. The valuation of derivatives also includes 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 or fixed maturity that the Group's entities intend and are able to hold to maturity or by the date very close to maturity, other than those:

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

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

Available-for-sale financial assets

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

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

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

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

The profit/loss from assets disposal is calculated with the FIFO method.

Financial liabilities not held for trading

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

Financial liabilities not held for trading are recognized in the balance sheet at amortised 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 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 disclosed in the income statement;
- gains or losses related to the hedged item, resulting from the hedged risk, adjust the carrying amount of the hedged item and are recognized in the income statement.

Future cash flow 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 recognised 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.

Effective interest rate method

The Group settles over time, 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 amortised cost with the application of the effective interest rate:

- loans and receivables – not held for trading;
- held-to-maturity investments;
- non-derivative financial liabilities not held for trading;
- financial assets (not equity instruments) for which fair value cannot be determined reliably.

In addition in the case of debt securities carried at fair value, the coupon rates and acquired discounts or premiums are settled using amortised cost method in the income statement.

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

The method of settling coupon rates, commissions/fees and certain external costs connected with the financial instruments (with the effective interest 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 intermediaries. The collection of the above commissions and fees constitutes an integral part of the return generated by a specific financial instrument. This category also includes fees and costs of changes in contractual terms, what modifies the value of initial effective interest rate. Any significant amendment to the conditions of a given financial instrument in economic terms is connected with the expiry of the financial instrument of the previous type and creation of a new instrument with different characteristics. The fees that are collected in this category include, i.a. 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 a straight-line method, depending on the type of a product.

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

11.3. Value of deferred tax assets

The Group's companies 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 realisation of the asset.

11.4. Investment properties

Under IAS 40 and pursuant to the policy of the Group's main shareholder, the Group values investment properties at cost.

11.5. Non-current assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount is 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.

12. Events after the reporting period

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

13. Information on shareholders holding over 5% stake in the share capital and votes at General Meeting of Shareholders

The table below presents the list of major shareholders of Kredyt Bank S.A. as at 30.09.2011.

Shareholder	Line of business	Number of shares and votes at GMS	Stake in votes and in share capital (in %)
KBC Bank NV* – a subsidiary of KBC Group*	Banking	217 327 103	80.00
Pioneer Fundusz Inwestycyjny Otwarty**	Investment fund	20 040 203	7.38

** By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V. is entitled to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.*
***According to information of 15.04.2010 received from Pioneer Pekao Investment Management S.A.*

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

As of both 30.09.2011 and 30.09.2010, 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.

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

In the third quarter of 2011, 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 a 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 4.03.1997, granted a syndicated loan to LFO. The loan was secured by, i.a. 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. Experts' opinions and auxiliary opinions were prepared and additional witnesses were questioned. In the first quarter of 2007, the State Treasury changed the lawsuit and claimed PLN 8,207 thousand including interest. The parties exchanged pleadings. In the fourth quarter of 2008, the court requested the Bank to submit documents concerning the debt collection process carried out against the State Treasury on the basis of a banking executory title with the enforceability clause. The Bank delivered the required documents to the court. 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 third quarter of 2011 any date of the next hearing was set, there were no developments as regards the said proceedings.

- Claims of LFO for damages due to the termination of the loan agreement amounting to PLN 119,477 thousand. At present, after being heard by courts of all instances, the case was referred to the circuit court in Warsaw, which, as a result of LFO bankruptcy, stayed legal proceedings. Upon the request of LFO, the court called upon the trustee in bankruptcy of LFO to participate in the case. In the meantime, the parties submitted pleadings. In the third quarter of 2011 the trustee in bankruptcy of LFO submitted a motion for termination of bankruptcy proceedings (liquidation). On 27.10.2011, the circuit court in Tarnobrzeg issued a judgment on the termination of bankruptcy proceedings. The judgment is not in force.

- 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.

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

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

  The decision was to be enforced immediately as regards the order to discontinue the practice of joint determination of the intercharge fee rate. On 17.01.2006 and 19.01.2007, appeals against Decision No. DAR 15/2006 of the President of the Office for Competition and Customer Protection were made on behalf of HSBC Bank Polska S.A. 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 POHiD as reimbursement of the proceedings costs. On 31.01.2007, Kredyt Bank S.A. complained against this decision and deemed it unjustified. The case was referred to the Economic Court in Warsaw, which split the case into separate proceedings against each of the banks involved in the case. On 25.08.2008, the court decided to withhold the execution of the decision issued in the case of interchange fees. On 12.11.2008, the circuit court in Warsaw, the Competition and Customer Protection Court, issued a judgment amending the contested decision, in which the court stated that the Banks had not applied monopolistic practices in this respect. On 3.02.2009, the Bank received the appeal against the judgment made by the President of the Office for Competition and Customer Protection. 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 third quarter of 2011, there were no developments as regards the said proceedings.

- In relation to a loan transaction to finance the construction of 'Altus' building in Katowice, the Bank and Reliz Sp. z o.o. (the owner of the building) are involved in certain disputes of legal nature. The Bank owns 100% of the shares of Reliz. The said disputes are related to claims of the guarantor of the loan to finance the building, i.e. Mostostal Zabrze Holding S.A. against the Bank and the owner of the building. The present dispute concerns fraudulent conveyance charge by Mostostal Zabrze Holding S.A. ('MZH') against Reliz Sp. z o.o. regarding the failure to recognize the agreement on the transfer of ownership title to 'Altus' building by Business Center 2000 Sp. z o.o. ('BC 2000') to Reliz Sp. z o.o. as effective. The value of the subject of litigation amounts to PLN 46 million.

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 owner of the building and Reliz Sp. z o.o. The Bank filed the request to prepare and deliver the judgment with the justification, submitting means of appeal. On 12.03.2010, the appeal court 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. 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 recognised the agreements concerning the sale of 'Altus' building concluded between Business Center 2000 Sp. z o.o. to Reliz Sp. z o.o. as ineffective. The attorney for Reliz Sp. z o.o. filed the last resort appeal against the said decision. In the third quarter of 2011, there were no developments as regards the said proceedings. According to the Bank's knowledge as at the date of this information, MZH holds valid judgments against BC 2000 for the total amount of PLN 28,478,503.08.

- 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 o 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 appealed against this decision. On 6.07.2011, the court dismissed the plaintiff's appeal, issuing the decision upholding the judgment of the court of first instance. The case was validly terminated; however, the plaintiff is entitled to make the last resort appeal. Until the publication date of these financial statements, the Bank has not received the plaintiff's appeal.
- 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 9.04.2010, the court dismissed the 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 last resort appeal against the above judgment, to which the Bank's attorneys replied.
- 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, i.a., 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 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 advantageous for the Bank decision and dismissed the full lawsuit. The plaintiff is entitled to appeal.

- On 21.04.2011, the Bank was informed that a 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, i.a., misleading the customer, abusing its stronger contractual position, and violating the norms of social coexistence. The Bank's attorneys submitted the response to the lawsuit. The first hearing, on which no decisions were taken, has already taken place, and the date of the next hearing was set for December 2011.

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

16. Related party transactions

In the third quarter of 2011 and the third quarter of 2010, there were no related party transactions concluded by the Bank or its subsidiaries, which were not concluded on market terms.

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

Balance sheet as at 30.09.2011

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.09.2011
Loans and advances to banks	0	7 479	6 282	13 761
Derivatives	0	316 005	22 673	338 678
Loans and advances to customers	206	0	23 872	24 078
Other assets	1 900	1 077	13 112	16 089
Total assets	**2 106**	**324 561**	**65 939**	**392 606**

* including WARTA Group

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.09.2011
Amounts due to banks	0	8 994 301	2 212 322	11 206 623
Derivatives	0	129 346	11 942	141 288
Amounts due to customers	35 219	2 841	1 435 247	1 473 307
Subordinated liabilities	0	1 031 965	0	1 031 965
Other liabilities	0	2 069	7 241	9 310
Total liabilities	**35 219**	**10 160 522**	**3 666 752**	**13 862 493**

* including WARTA Group

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for three quarters of 2011
Interest income	0	10 774	1 292	12 066
Commission income	12 985	186	40 988	54 159
Net trading income	8	3 422	18 146	21 576
Other operating income	19	7	5 652	5 678
Total income	**13 012**	**14 389**	**66 078**	**93 479**

* including WARTA Group

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for three quarters of 2011
Interest expense	930	77 090	80 907	158 927
Commission expense**	0	322	22 158	22 480
General and administrative expenses, as well as other operating expenses	0	2 038	26 515	28 553
Total expenses	**930**	**79 450**	**129 580**	**209 960**

* including WARTA Group
** in previous periods the item was presented pursuant to the policy of the Bank's main shareholder, since the third quarter 2011 it has been presented on a contractual basis

Balance sheet as at 31.12.2010

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2010
Loans and advances to banks	0	88 777	17 538	106 315
Derivatives	0	91 481	9 810	101 291
Loans and advances to customers	20 204	0	83 203	103 407
Other assets	1 915	87	10 142	12 144
Total assets	**22 119**	**180 345**	**120 693**	**323 157**

* including WARTA Group

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2010
Amounts due to banks	0	8 465 593	2 902 893	11 368 486
Derivatives	0	193 330	28 534	221 864
Amounts due to customers	24 591	0	1 420 876	1 445 467
Subordinated liabilities	0	911 100	0	911 100
Other liabilities	0	1 088	11 585	12 673
Total liabilities	**24 591**	**9 571 111**	**4 363 888**	**13 959 590**

* including WARTA Group

Balance sheet as at 30.09.2010

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.09.2010
Loans and advances to banks	0	6 780	44	6 824
Derivatives	0	92 141	15 611	107 752
Loans and advances to customers	0	0	27 609	27 609
Other assets	2 094	99	9 760	11 953
Total assets	**2 094**	**99 020**	**53 024**	**154 138**

* including WARTA Group

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.09.2010
Amounts due to banks	0	8 542 854	2 790 349	11 333 203
Derivatives	0	207 130	22 457	229 587
Amounts due to customers	16 972	0	1 535 577	1 552 549
Subordinated liabilities	0	866 476	0	866 476
Other liabilities	0	3 316	22 974	26 290
Total liabilities	**16 972**	**9 619 776**	**4 371 357**	**14 008 105**

* including WARTA Group

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for three quarters of 2010
Interest income	0	12 948	352	13 300
Commission income	10 857	213	39 617	50 687
Other operating income	40	53	7 322	7 415
Total income	**10 897**	**13 214**	**47 291**	**71 402**

* including WARTA Group

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for three quarters of 2010
Interest expense	320	57 160	20 858	78 338
Commission expense**	0	218	20 560	20 778
Net trading income	-104	154 155	30 291	184 342
General and administrative expenses, as well as other operating expenses	0	3 363	22 042	25 405
Total expenses	**216**	**214 896**	**93 751**	**308 863**

* including WARTA Group
** in previous periods the item was presented pursuant to the policy of the Bank's main shareholder, since the third quarter 2011 it has been presented on a contractual basis

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

As of 30.09.2011, the Bank issued guarantees with the total value of at least 10% of the Bank's equity, to one company. The guarantees were issued for the total amount of PLN 493,086 thousand.

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

As of 30.09.2010, the Bank did not issue guarantees with the total value of at least 10% of the Bank's equity, to one company and its subsidiaries.

18. Seasonality or cyclical nature of operations

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

19. Non-typical factors and events

In the third quarter of 2011 and in the third quarter of 2010, no untypical events occurred in the Group (not related to operating activities) that would affect the structure of balance sheet items and the financial result to a large extent, and which were not presented in this report.

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

On 13.07.2011, KBC Group published the press release of the following content:

"KBC Group confirms that, after careful and thorough consideration, it and the Belgian authorities yesterday formally applied to the European Commission to amend the strategic plan which had been submitted on 30 September 2009 and which the European Commission had approved on 18 November 2009 (the 'EC Decision'). The relevant notification has also been made to the National Bank of Belgium.

Due to the impact of certain changes in the regulatory environment (especially Basel III and draft IFRS rules on leases) and the difficulty involved in floating K&H in the current circumstances, some measures presented in the initial plan have become less effective in achieving the intended aim. In their application to the European Commission, KBC and the Belgian Authorities therefore propose replacing those measures by others.

KBC and the Belgian Authorities formally applied to the European Commission for its approval to replace the planned IPOs of a minority stake of CSOB Bank (Ceskoslovenska obchodni banka, a. s., Czech Republic) and K&H Bank Zrt. (Keresekedelmi es Hitelbank, Hungary) and the sale and lease back of KBC's headquarter offices in Belgium by the divestment of KBC's Polish banking and insurance subsidiaries, Kredyt Bank S.A. ('Kredyt Bank') and Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A. ('Warta') (and their subsidiaries) and the sale or unwind of selected ABS and CDO assets."

The intention of KBC Group, the majority shareholder, to sell its stakes in Kredyt Bank S.A. will not result in the change in strategic objectives adopted in 2010.

On 27.07.2011, KBC Group received the approval from the European Commission to amend its 2009 strategic plan.

There is no other information, which is material for the assessment of the Issuer's staff, assets, financial situation, financial results and their changes, or information material for the assessment of the potential satisfaction of the Issuer's commitments.

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

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

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

The most significant factors that may affect the Group's future financial results and fair value of Group's assets and liabilities:

- currency risk - a significant depreciation of PLN (especially against CHF) resulting from the increase in the aversion to risk on financial markets, which may result in deterioration of the quality of the foreign currency mortgage loans;
- potential deterioration of economic situation in the world and, hence, decrease of the growth rate of the Polish economy, which may result in deterioration of the quality of the loans portfolio;
- significant volatility of raw materials prices, which may have an adverse impact upon the economic and financial situation of certain entrepreneurs;
- decreasing expenditure of the public sector resulting in the decline in the portfolio of orders of certain entrepreneurs;
- decrease of real estate prices, which results in the lower coverage of loans and advances with collateral, and which may result in a negative impact on process of commercialization of financed real estate for rent and sale;
- the impact of the implementation of new recommendations/regulations of the Polish Financial Supervision Authority upon the rate of the development of the mortgage loans portfolio and its profitability;
- changes in market interest rates and margins for banking products;
- persisting high cost of long-term liquidity both in the Polish zloty and in foreign currencies;
- increased aversion to risk caused by the concerns about the insolvency of the countries of Southern Europe resulting in an increase in financing costs and a decrease in the prices of the bonds of the Polish government.

II. INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS OF KREDYT BANK S.A.

1. Income Statement

in PLN '000	3rd quarter of 2011 1.07.2011-30.09.2011	Three quarters of 2011 1.01.2011-30.09.2011	3rd quarter of 2010 01.07.2010-30.09.2010	Three quarters of 2010 1.01.2010-30.09.2010
Interest income	605 154	1 754 431	534 987	1 551 834
Interest expense	-311 583	-893 190	-271 221	-807 671
Net interest income	**293 571**	**861 241**	**263 766**	**744 163**
Fee and commission income	98 674	305 437	111 295	312 114
Fee and commission expense	-19 911	-65 581	-27 503	-71 979
Net fee and commission income	**78 763**	**239 856**	**83 792**	**240 135**
Dividend income	67	4 020	49	6 886
Net trading income	-6 895	24 186	44 756	99 658
Net result on derivatives used as hedged items and hedging instruments	-739	-1 170	-131	465
Net gains from investment activities	-19	386	2 722	6 407
Other operating income	23 227	67 659	21 260	44 992
Total operating income	**387 975**	**1 196 178**	**416 214**	**1 142 706**
General and administrative expenses	-254 925	-724 521	-225 333	-659 804
Other operating expenses	-9 092	-32 599	-13 836	-32 681
Total operating expenses	**-264 017**	**-757 120**	**-239 169**	**-692 485**
Net impairment losses on financial assets, other assets and provisions	-49 384	-80 960	-119 643	-344 897
Net operating income	**74 574**	**358 098**	**57 402**	**105 324**
Profit before tax	**74 574**	**358 098**	**57 402**	**105 324**
Income tax expense	-17 099	-88 456	-16 787	-30 981
Net profit from continued operations	**57 475**	**269 642**	**40 615**	**74 343**
Net profit from discontinued operations	0	0	0	0
Net profit	**57 475**	**269 642**	**40 615**	**74 343**

2. Statement of Comprehensive Income

in PLN '000	3rd quarter of 2011 1.07.2011-30.09.2011	Three quarters of 2011 1.01.2011-30.09.2011	3rd quarter of 2010 01.07.2010-30.09.2010	Three quarters of 2010 1.01.2010-30.09.2010
Net profit (loss) for the period	**57 475**	**269 642**	**40 615**	**74 343**
Other comprehensive income				
Valuation of financial assets available-for-sale	1 131	11 702	33 244	77 539
- including deferred tax	-266	-2 745	-7 799	-18 188
Effects of valuation of derivatives designated for cash flow hedge	14 982	10 711	93	21 321
- including deferred tax	-3 514	-2 513	-21	-5 001
Other comprehensive income recognized directly in equity	**16 113**	**22 413**	**33 337**	**98 860**
Total comprehensive income	**73 588**	**292 055**	**73 952**	**173 203**
including:				
Attributable to the Shareholders of the Bank	**73 588**	**292 055**	**73 952**	**173 203**

3. Balance Sheet

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Assets				
Cash and balances with Central Bank	2 385 981	1 136 785	1 943 571	1 114 399
Gross loans and advances to banks	1 190 499	1 246 481	1 466 249	1 328 016
Impairment losses on loans and advances to banks	0	0	-2 260	-2 260
Receivables arising from repurchase transactions	292 903	0	87 218	410 900
Financial assets designated upon initial recognition as at fair value through profit or loss	79 528	93 434	98 849	107 585
Held-for-trading financial assets (excluding derivatives)	769 474	2 371 250	1 601 283	1 986 818
Derivatives, including:	1 161 220	382 244	463 159	486 001
- derivatives used as hedging instruments	96 613	69 144	74 340	90 505
Gross loans and advances to customers	29 931 859	28 390 111	28 901 536	28 466 326
Impairment losses on loans and advances to customers	-1 286 055	-1 233 802	-1 875 759	-1 813 700
Investment securities:	9 325 274	10 693 138	9 464 547	9 951 490
- available-for-sale	5 901 835	7 339 038	6 216 768	6 662 809
- held-to-maturity	3 423 439	3 354 100	3 247 779	3 288 681
Investments in subsidiaries and jointly controlled entities	64 626	64 626	64 626	64 576
Property, plant and equipment	251 624	264 119	291 922	321 152
Intangible assets	57 366	56 470	51 827	46 948
Deferred tax asset	246 401	267 267	327 776	216 225
Current tax receivable	77 946	48 753	0	0
Non-current assets classified as held for sale	2 080	2 080	7 070	0
Investment properties	17 586	17 732	18 217	20 327
Other assets	109 410	118 548	90 424	95 233
Total assets	**44 677 722**	**43 919 236**	**43 000 255**	**42 800 036**

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Liabilities				
Amounts due to Central Bank	2	2	6	6
Amounts due to banks	11 332 092	11 456 556	11 771 404	11 432 401
Liabilities arising from repurchase transactions	1 775 215	1 406 593	228 693	678 323
Financial liabilities held for trading (excluding derivatives)	0	0	0	34 982
Derivatives, including:	901 402	652 612	1 131 078	773 527
- derivatives used as hedging instruments	2 827	204	1 274	0
Amounts due to customers	26 300 310	26 203 964	25 710 004	25 805 083
Current tax liability	0	0	152 959	63 683
Provisions	53 533	52 347	70 878	39 897
Other liabilities	274 419	264 668	206 890	280 156
Subordinated liabilities	1 031 965	947 298	911 100	866 476
Total liabilities	**41 668 938**	**40 984 040**	**40 183 012**	**39 974 534**

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Equity				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	898 072	898 072	887 347	887 347
Revaluation reserve	81 834	65 721	59 421	104 576
Other reserves	400 942	400 942	400 942	400 942
Current net profit (loss) attributable to the Shareholders of the Bank	269 642	212 167	111 239	74 343
Total equity	**3 008 784**	**2 935 196**	**2 817 243**	**2 825 502**
Total equity and liabilities	**44 677 722**	**43 919 236**	**43 000 255**	**42 800 036**

Capital adequacy ratio (%)	12.34	12.98	12.85	12.65
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	11.08	10.80	10.37	10.40

4. Off-Balance Sheet Items

in PLN '000	**30.09.2011**	**30.06.2011**	**31.12.2010**	**30.09.2010**
Liabilities, granted and received				
Liabilities granted:	**6 241 410**	**5 757 135**	**6 224 202**	**5 789 691**
- financial	4 010 930	3 676 045	4 153 019	4 197 514
- guarantees	2 230 480	2 081 090	2 071 183	1 592 177
Liabilities received:	**1 463 922**	**1 741 199**	**2 129 702**	**1 506 673**
- financial	628 633	836 424	1 051 341	407 483
- guarantees	835 289	904 775	1 078 361	1 099 190
Liabilities related to the sale/purchase transactions	**220 091 623**	**179 305 684**	**134 779 591**	**168 126 775**
Other	**8 301 771**	**8 147 621**	**7 353 944**	**7 316 006**
- collateral received	8 301 771	8 147 621	7 353 944	7 316 006

5. Statement of Changes in Shareholders' Equity

Changes in the period from 1 January to 30 September 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 opening balance – as of 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			14 447				14 447
Effects of valuation of derivatives designated for cash flow hedge			13 224				13 224
Deferred tax on items recognized in equity			-5 258				-5 258
Net profit (loss) recognized directly in the equity			**22 413**				**22 413**
Net profit (loss) for the period						269 642	269 642
Total comprehensive income			**22 413**			**269 642**	**292 055**
Profit distribution		10 725			-10 725		0
Dividend payment					-100 514		-100 514
Equity at end of period – as of 30.09.2011	**1 358 294**	**898 072**	**81 834**	**400 942**	**0**	**269 642**	**3 008 784**

Changes in the period from 1 January to 31 December 2010

in PLN '000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings (losses)	Net profit (loss) for the period	Total equity
Equity at opening balance – as of 01.01.2010	**1 358 294**	**782 046**	**5 716**	**340 942**	**165 301**	**0**	**2 652 299**
Valuation of financial assets available-for-sale			52 521				52 521
Effects of valuation of derivatives designated for cash flow hedge			13 781				13 781
Deferred tax on items recognized in equity			-12 597				-12 597
Net profit (loss) recognized directly in the equity			**53 705**				**53 705**
Net profit (loss) for the period						111 239	111 239
Total comprehensive income			**53 705**			**111 239**	**164 944**
Profit distribution		105 301		60 000	-165 301		0
Equity at end of period – as of 31.12.2010	**1 358 294**	**887 347**	**59 421**	**400 942**	**0**	**111 239**	**2 817 243**

Changes in the period from 1 January to 30 September 2010

in PLN '000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings (loss)	Net profit (loss) for the period	Total equity
Equity at opening balance – as of 01.01.2010	**1 358 294**	**782 046**	**5 716**	**340 942**	**165 301**	**0**	**2 652 299**
Valuation of financial assets available-for-sale			95 727				95 727
Effects of valuation of derivatives designated for cash flow hedge			26 322				26 322
Deferred tax on items recognized in equity			-23 189				-23 189
Net profit (loss) recognized directly in the equity			**98 860**				**98 860**
Net profit (loss) for the period						74 343	74 343
Total comprehensive income			**98 860**			**74 343**	**173 203**
Profit distribution		105 301		60 000	-165 301		0
Equity at end of period – as of 30.09.2010	**1 358 294**	**887 347**	**104 576**	**400 942**	**0**	**74 343**	**2 825 502**

6. Cash Flow Statement

in PLN '000	3rd quarter of 2011 1.07.2011-30.09.2011	Three quarters of 2011 1.01.2011-30.09.2011	3rd quarter of 2010 01.07.2010-30.09.2010	Three quarters of 2010 1.01.2010-30.09.2010
Cash flow from operating activities				
Net profit (loss)	**57 475**	**269 642**	**40 615**	**74 343**
Adjustments to net profit (loss) and net cash from operating activities:	**561 870**	**-37 322**	**1 180 410**	**3 680 007**
Current and deferred tax recognized in financial result	17 099	88 456	16 787	30 981
Non-realised profit (loss) from currency translation differences	19 772	80 151	-29 991	-45 440
Depreciation	20 727	63 729	22 102	68 644
Net increase/decrease in impairment	50 958	-593 730	69 220	268 228
Dividends	-67	-4 020	-49	-6 886
Interest	-90 028	-154 718	-109 086	-134 672
Net increase/decrease in provisions	1 186	-17 345	717	8 488
Profit (loss) on disposal of investments	-3 994	-6 754	-4 344	-7 878
Net increase/decrease in assets (excluding cash)	**-1 013 238**	**-1 177 423**	**-442 969**	**-1 677 570**
Net increase/decrease in loans and advances to banks	-24 262	-32 821	50 351	-865 506
Net increase/decrease in financial assets designated upon initial recognition as at fair value through profit or loss	13 906	19 321	-3 384	29 251
Net increase/decrease financial assets held for trading	1 607 736	835 568	-402 140	-742 030
Valuation of derivatives (except for derivatives used as hedging instruments)	-751 507	-675 788	106 498	120 173
Net increase/decrease in receivables arising from repurchase transactions	-292 903	-205 685	-410 900	-79 025
Net increase/decrease in gross loans and advances to customers	-1 541 748	-1 030 323	187 860	-1 153 859
Net increase/decrease in current tax receivable	-29 193	-77 946	0	0
Net increase/decrease in other assets	4 733	-9 749	28 746	1 013 426
Net increase/decrease in liabilities	**1 559 455**	**1 684 332**	**1 658 023**	**5 176 112**
Net increase/decrease in amounts due to Central Bank	0	-4	0	-1 321 796
Net increase/decrease in amounts due to banks	889 308	556 068	1 037 017	2 415 418
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)	246 167	-231 229	29 600	235 625
Net increase/decrease in financial liabilities held for trading (excluding derivatives)	0	0	34 982	34 982
Net increase/decrease in amounts due to customers	41 566	-94 517	-369	3 086 414
Net increase/decrease in liabilities arising from repurchase transactions	368 622	1 546 522	549 762	678 323
Net increase/decrease in other liabilities	13 861	72 966	16 133	106 671
Paid/received income tax	-69	-165 474	-9 102	-59 525
Net cash flow from operating activities	**619 345**	**232 320**	**1 221 025**	**3 754 350**

in PLN '000	3rd quarter of 2011 1.07.2011-30.09.2011	Three quarters of 2011 1.01.2011-30.09.2011	3rd quarter of 2010 01.07.2010-30.09.2010	Three quarters of 2010 1.01.2010-30.09.2010
Cash flow from investing activities				
Inflows	**18 792 846**	**70 297 208**	**14 467 539**	**42 901 265**
Disposal of property, plant and equipment, intangible assets and investment properties	242	1 233	87	120
Disposal of interests in equity investments	0	0	0	1 449
Disposal of investment securities	18 784 173	70 215 227	14 448 136	42 814 340
Dividends	67	4 020	49	6 886
Interest received	8 364	76 728	19 267	78 470
Outflows	**-17 240 616**	**-69 873 573**	**-14 895 428**	**-44 735 434**
Acquisition of property, plant and equipment, intangible assets and investment properties	-8 535	-34 478	-15 569	-36 401
Acquisition of investment securities	-17 232 081	-69 839 095	-14 879 859	-44 699 033
Net cash flow from investing activities	**1 552 230**	**423 635**	**-427 889**	**-1 834 169**
Cash flow from financing activities				
Inflows	**54 552**	**684 716**	**99 725**	**196 695**
Proceeds from loans and advances	54 552	684 716	99 725	196 695
Outflows	**-1 057 175**	**-1 206 832**	**-1 057 336**	**-1 905 431**
Dividends	0	-100 514	0	0
Repayment of loans and advances	-1 026 686	-1 026 821	-1 031 145	-1 825 104
Other financial outflows	-30 489	-79 497	-26 191	-80 327
Net cash flow from financing activities	**-1 002 623**	**-522 116**	**-957 611**	**-1 708 736**
Net increase/decrease in cash	**1 168 952**	**133 839**	**-164 475**	**211 445**
Cash at the beginning of the period	**1 366 265**	**2 401 378**	**1 567 059**	**1 191 139**
Cash at the end of the period, including:	**2 535 217**	**2 535 217**	**1 402 584**	**1 402 584**
Restricted cash	1 062 751	1 062 751	924 974	924 974
Interest paid*	242 691	658 453	240 100	639 635
Interest received*	419 333	1 176 791	309 753	992 450

** concerns items recognized within interest income and expense lines*

7. Notes to the interim condensed standalone financial statements

Accounting principles and methods of carrying accounting estimates adopted at the preparation of the interim condensed standalone financial statements of the Bank comply with the accounting principles adopted for the interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group, which were described in section I.11., except for the valuation of associates which, in the Group's consolidated financial statements, are measured with the equity method.

Other additional information, that is material for the proper assessment of the assets, the financial situation and the financial result of the Bank, has been stated in section I. concerning consolidated financial statements.

Signatures of the Members of the Management Board

date	10.11.2011	Maciej Bardan	President of the Management Board	....
date	10.11.2011	Piotr Sztrauch	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	10.11.2011	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....