Interim Consolidated Financial Statements of Kredyt Bank S.A. Capital Group prepared for the first half of 2011 ended on 30.06.2011 with Independent Auditor's Review Report

Independent Auditors' Review Report
on the Interim Condensed Consolidated Financial Statements
for the 6-month period ended 30 June 2011

To the Supervisory Board of Kredyt Bank S.A.

1. We have reviewed the interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group ('the Group') where Kredyt Bank S.A. is the dominant entity ('the Bank'), and is located at Kasprzaka 2/8 St, Warsaw, including the consolidated income statement for the period from 1 January 2011 to 30 June 2011, the consolidated statement of comprehensive income for the period from 1 January 2011to 30 June 2011, the consolidated balance sheet as at 30 June 2011, the statement of changes in consolidated equity for the period from 1 January 2011 to 30 June 2011, the consolidated cash flow statement for the period from 1 January 2011 to 30 June 2011 and other explanatory notes ('the accompanying interim condensed consolidated financial statements').

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

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

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

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

Key Certified Auditor

(-)

Dorota Snarska-Kuman
certified auditor
No 9667

Warsaw, 9th of August 2011

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

Independent Auditors' Review Report
on the Interim Condensed Standalone Financial Statements
for the 6-month period ended 30 June 2011

To the Supervisory Board of Kredyt Bank S.A.

1. We have reviewed the interim condensed standalone financial statements of Kredyt Bank S.A. ('the Bank') located at Kasprzaka 2/8 St, Warsaw, including the income statement for the period from 1 January 2011 to 30 June 2011, the statement of comprehensive income for the period from 1 January 2011to 30 June 2011, the balance sheet as at 30 June 2011, the statement of changes in equity for the period from 1 January 2011 to 30 June 2011, the cash flow statement for the period from 1 January 2011 to 30 June 2011 and other explanatory notes ('the accompanying interim condensed standalone financial statements').

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

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

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

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

Key Certified Auditor

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Interim Consolidated Financial Statements of Kredyt Bank S.A. Capital Group for the First Half of 2011 Ended on 30.06.2011

CONTENTS

I. Interim Condensed Consolidated Financial Statements

1. Consolidated Income Statement

in PLN '000'	Note	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
Interest income	12	612 487	1 171 340	551 810	1 086 645
Interest expense	13	-314 051	-587 538	-281 310	-539 566
Net interest income		**298 436**	**583 802**	**270 500**	**547 079**
Fee and commission income	14	105 663	206 973	99 379	201 148
Fee and commission expense	15	-24 432	-45 672	-23 129	-44 489
Net fee and commission income		**81 231**	**161 301**	**76 250**	**156 659**
Dividend income		1 571	1 576	1 539	1 792
Net trading income		11 390	31 790	31 990	55 477
Net result on derivatives used as hedged items and hedging instruments		-273	-431	81	596
Net gains from investment activities		295	405	30	3 684
Other operating income		41 003	67 626	20 059	44 918
Total operating income		**433 653**	**846 069**	**400 449**	**810 205**
General and administrative expenses	16	-255 977	-488 300	-227 032	-451 915
Other operating expenses		-13 318	-28 339	-12 660	-21 982
Total operating expenses		**-269 295**	**-516 639**	**-239 692**	**-473 897**
Net impairment losses on financial assets, other assets and provisions		-45 656	-34 185	-141 383	-238 972
Net operating income		**118 702**	**295 245**	**19 374**	**97 336**
Share in profit (loss) of associates		984	1 805	551	1 215
Profit before tax		**119 686**	**297 050**	**19 925**	**98 551**
Income tax expense	17	-31 793	-75 133	-6 170	-25 239
Net profit from business activities		**87 893**	**221 917**	**13 755**	**73 312**
Net profit from discontinued operations		0	0	0	0
Net profit		**87 893**	**221 917**	**13 755**	**73 312**
Including:					
Attributable to the Shareholders of the Bank		**87 893**	**221 917**	**13 755**	**73 312**
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		**0.32**	**0.82**	**0.05**	**0.27**

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

2. Consolidated Statement of Comprehensive Income

in PLN '000'	**2nd quarter of 2011 01.04.2011 - 30.06.2011** non-audited	**Two quarters of 2011 01.01.2011 - 30.06.2011** non-audited	**2nd quarter of 2010 01.04.2010 - 30.06.2010** non-audited	**Two quarters of 2010 01.01.2010 - 30.06.2010** non-audited
Net profit (loss) for the period	**87 893**	**221 917**	**13 755**	**73 312**
Other comprehensive income				
Valuation of financial assets available-for-sale	51 459	10 571	-41 210	44 295
- including deferred tax	-12 071	-2 479	9 668	-10 389
Effects of valuation of derivatives designated for cash flow hedge	5 796	-4 271	-537	21 228
- including deferred tax	-1 359	1 001	125	-4 980
Other comprehensive income (loss) recognized directly in equity	**57 255**	**6 300**	**-41 747**	**65 523**
Total comprehensive income (loss)	**145 148**	**228 217**	**-27 992**	**138 835**
Including:				
attributable to the Shareholders of the Bank	**145 148**	**228 217**	**-27 992**	**138 835**
attributable to non-controlling interests	0	0	0	0

3. Consolidated Balance Sheet

in PLN '000'	Note	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Assets				
Cash and balances with Central Bank		1 136 843	1 943 636	1 441 062
Gross loans and advances to banks	19	1 246 481	1 466 249	1 216 184
Impairment losses on loans and advances to banks	19	0	-2 260	-2 260
Receivables arising from repurchase transactions		0	87 218	0
Financial assets designated upon initial recognition as at fair value through profit or loss	20	113 696	118 562	123 478
Held-for-trading financial assets (excluding derivatives)	21	2 371 250	1 601 283	1 590 660
Derivatives including:		382 244	463 159	591 221
- derivatives used as hedging instruments		69 144	74 340	89 227
Gross loans and advances to customers	24	28 651 797	29 108 520	28 748 715
Impairment losses on loans and advances to customers	24	-1 272 660	-1 914 000	-1 781 266
Investment securities:	22	10 695 830	9 467 240	9 374 468
- available-for-sale		7 341 730	6 219 461	6 886 155
- held-to-maturity		3 354 100	3 247 779	2 488 313
Investments in associates valued using the equity method		16 984	15 179	13 171
Property, plant and equipment	25	262 354	290 444	316 622
Intangible assets		54 822	50 201	45 509
Deferred tax asset	17	287 586	350 387	236 902
Current tax receivable		49 107	0	0
Non-current assets classified as held for sale		11 714	7 070	0
Investment properties		211 766	225 668	232 706
Other assets		120 401	95 690	98 204
Total assets		**44 340 215**	**43 374 246**	**42 245 376**

Consolidated balance sheet should be analysed together with notes which form an integral part of these interim condensed consolidated financial statements

Consolidated Balance Sheet (cont.)

in PLN '000'	**Note**	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Liabilities				
Amounts due to Central Bank	26	2	6	6
Amounts due to banks	27	11 867 510	12 150 706	11 706 356
Liabilities arising from repurchase transactions		1 406 593	228 693	128 561
Derivatives, including:		652 612	1 131 078	743 927
- derivatives used as hedging instruments		204	1 274	0
Amounts due to customers	28	26 154 246	25 660 758	25 651 880
Current tax liability		112	155 197	41 913
Provisions	29	76 285	92 811	69 498
Deferred tax liability	17	762	869	1 123
Other liabilities		278 868	214 804	271 532
Subordinated liabilities		947 298	911 100	903 162
Total liabilities		**41 384 288**	**40 546 022**	**39 517 958**

in PLN '000'	**Note**	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Equity				
Share capital	30	1 358 294	1 358 294	1 358 294
Supplementary capital		900 065	889 340	889 340
Revaluation reserve		65 721	59 421	71 239
Reserves		400 942	400 942	400 942
Retained earnings (loss)		8 988	-65 709	-65 709
Current net profit (loss) attributable to the Shareholders of the Bank		221 917	185 936	73 312
Total equity attributable to shareholders of the Bank		**2 955 927**	**2 828 224**	**2 727 418**
Attributable to non-controlling interests		0	0	0
Total equity		**2 955 927**	**2 828 224**	**2 727 418**
Total equity and liabilities		**44 340 215**	**43 374 246**	**42 245 376**

4. Consolidated Off-balance-sheet Items

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Liabilities granted and received			
Liabilities granted	**5 549 951**	**6 038 697**	**5 962 739**
- financial	3 464 968	3 958 357	4 061 507
- guarantees	2 084 983	2 080 340	1 901 232
Liabilities received	**1 696 199**	**2 085 702**	**1 221 525**
- financial	791 424	1 007 341	36 103
- guarantees	904 775	1 078 361	1 185 422
Liabilities related to the sale/purchase transactions	**179 305 684**	**134 779 591**	**175 348 398**
Other	**8 743 692**	**7 950 015**	**7 576 014**
- collateral received	8 743 692	7 950 015	7 576 014

5. Statement of Changes in Consolidated Equity

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

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

Changes in the period 01.01.2010-31.12.2010

in PLN '000'	**Share capital**	**Supplementary capital**	**Revaluation reserve**	**Reserves**	**Retained earnings (loss)**	**Net profit (loss) for the period**	**Total equity attributable to shareholders of the Bank**	**Total equity attributable to non-controlling interests**	**Total equity**
Equity at 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 allowance		105 301		60 000	-165 301		0		0
Equity at end of 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 01.01.2010-30.06.2010 *non-audited*

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (loss)	Net profit (loss) for the period	Total equity attributable to shareholders of the Bank	Total equity attributable to non-controlling interests	Total equity
Equity at 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			54 684				54 684		54 684
Effects of valuation of derivatives designated for cash flow hedge			26 208				26 208		26 208
Deferred tax on items recognized in equity			-15 369				-15 369		-15 369
Net profit (loss) recognized directly in the equity			**65 523**				**65 523**		**65 523**
Net profit/loss for the period						73 312	73 312		73 312
Total comprehensive income			**65 523**			**73 312**	**138 835**		**138 835**
Profit allowance		105 301		60 000	-165 301		0		0
Equity at end of period – as of 30.06.2010	**1 358 294**	**889 340**	**71 239**	**400 942**	**-65 709**	**73 312**	**2 727 418**	**0**	**2 727 418**

6. Consolidated Cash Flow Statement

in PLN '000'	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
Cash flow from operating activities				
Net profit	**87 893**	**221 917**	**13 755**	**73 312**
Adjustments to net profit (loss) and net cash from operating activities:	**-2 075 870**	**-641 978**	**1 152 428**	**2 419 514**
Current and deferred tax recognized in financial result	31 793	75 133	6 170	25 239
Non-realised profit (loss) from currency translation differences	79 524	60 379	44 279	-15 449
Depreciation	23 923	47 910	25 378	51 757
Share in profit (loss) of associates	-984	-1 805	-551	-1 215
Net increase/decrease in impairment	-630 291	-645 967	130 068	200 168
Dividends	-1 571	-1 576	-1 539	-1 792
Interest	22 316	-65 741	29 295	-27 203
Net increase/decrease in provisions	-13 586	-16 526	9 997	15 581
Profit (loss) on disposal of investments	725	274	364	-2 775
Net increase/decrease in assets (excluding cash)	**1 185 992**	**-218 690**	**-2 228 709**	**-1 338 654**
Net increase/decrease in loans and advances to banks	-19 079	-8 558	-941 382	-915 857
Net increase/decrease in financial assets designated upon initial recognition as at fair value through profit or loss	5 020	4 866	-1 769	31 922
Net increase/decrease financial assets held for trading	42 807	-772 168	-372 390	-339 890
Valuation of derivatives (except for derivatives used as hedging instruments)	-8 836	75 719	27 602	13 675
Net increase/decrease in receivables arising from repurchase transactions	815 350	87 218	32 235	331 875
Net increase/decrease in gross loans and advances to customers	387 120	456 723	-1 973 527	-1 450 971
Net increase/decrease in current tax receivable	-30 672	-49 107	18 638	0
Net increase/decrease in other assets	-5 718	-13 383	981 884	990 592
Net increase/decrease in liabilities	**-2 773 711**	**124 631**	**3 137 676**	**3 513 857**
Net increase/decrease in amounts due to Central Bank	0	-4	-207 991	-1 321 796
Net increase/decrease in amounts due to banks	-649 381	-333 199	2 155 089	1 378 885
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)	-457 737	-477 396	167 490	206 025
Net increase/decrease in financial liabilities held for trading (excluding derivatives)	-9 999	0	0	0
Net increase/decrease in amounts due to customers	-1 171 485	-136 555	1 049 708	3 085 617
Net increase/decrease in liabilities arising from repurchase transactions	-469 893	1 177 900	-18 312	128 561
Net increase/decrease in other liabilities	-17 956	63 009	4 145	87 421
Paid/received income tax	2 740	-169 124	-12 453	-50 856
Net cash flow from operating activities	**-1 987 977**	**-420 061**	**1 166 183**	**2 492 826**

in PLN '000'	Note	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
Cash flow from investing activities					
Inflows		**36 978 298**	**51 503 258**	**24 189 566**	**28 428 500**
Disposal of property, plant and equipment, intangible assets and investment properties		1 065	2 264	-1 043	-149
Disposal of interests in equity investments		0	0	1 450	1 450
Disposal of investment securities		36 913 414	51 431 054	24 134 887	28 366 204
Dividends		1 571	1 576	1 539	1 792
Interest received		62 248	68 364	52 733	59 203
Outflows		**-35 744 502**	**-52 633 762**	**-24 484 548**	**-29 840 180**
Acquisition of property, plant and equipment, intangible assets and investment properties		-15 456	-26 748	-9 675	-21 006
Acquisition of interests in equity investments		0	0	0	0
Acquisition of investment securities		-35 729 046	-52 607 014	-24 474 873	-29 819 174
Net cash flow from investing activities		**1 233 796**	**-1 130 504**	**-294 982**	**-1 411 680**
Cash flow from financing activities					
Inflows		**650 544**	**661 912**	**116 782**	**138 612**
Proceeds from a subordinated loan		0	0	0	0
Proceeds from loans and advances		650 544	661 912	116 782	138 612
Outflows		**-123 952**	**-146 466**	**-818 575**	**-843 835**
Dividends		-100 514	-100 514	0	0
Repayment of loans and advances		-135	-135	-793 959	-793 959
Other financial outflows		-23 303	-45 817	-24 616	-49 876
Net cash flow from financing activities		**526 592**	**515 446**	**-701 793**	**-705 223**

Net increase/decrease in cash		**-227 589**	**-1 035 119**	**169 408**	**375 923**
Cash at the beginning of the period		**1 593 913**	**2 401 443**	**1 397 656**	**1 191 141**
Cash at the end of the period, including:	**18**	**1 366 324**	**1 366 324**	**1 567 064**	**1 567 064**
Restricted cash	18	1 142 118	1 142 118	897 837	897 837

Interest paid		240 750	430 875	248 158	408 082
Interest received		486 172	788 711	328 563	757 943

Consolidated cash flow statement should be analysed together with notes which form an integral part of these interim condensed consolidated financial statements

7. General information

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

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

These interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group (‘Capital Group’ or ‘Group’) as at 30.06.2011 comprise the financial statements of the Bank and its subsidiaries.

Below, there are subsidiaries, which, as at 30.06.2011, were consolidated with the full method:

	Parent company	Seat		
	Kredyt Bank S.A.	Warsaw		
	Subsidiary	**Seat**	**Share (%) in votes at GMS as at 30.06.2011**	**Share (%) in votes at GMS as at 30.06.2010**
1.	Reliz Sp. z o.o.	Katowice	100.00	100.00
2.	Kredyt Lease S.A.	Warsaw	100.00	100.00
3.	Kredyt Trade Sp. z o.o.	Warsaw	100.00	100.00

These interim condensed consolidated financial statements of the Group also entail an associate measured with the equity method.

Associate	Seat	Share (%) in votes at GMS as at 30.06.2011	Share (%) in votes at GMS as at 30.06.2010
KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Warsaw	30.00	30.00

As at 30.06.2011, compared to figures as at 30.06.2010, the list of the companies consolidated with the full method and of associates consolidated using the equity method 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 Sp. z o.o.

KBC Banking and Insurance Capital Group

Kredyt Bank S.A. is a subsidiary of KBC Banking and Insurance Capital Group (‘KBC Group’) established in 1998 as a result of a merger of ABB Insurance Group, Almanij-Kreditbank Group and CERA Bank Group. As at 30.06.2011, KBC Group held 80.00% of the shares of Kredyt Bank. KBC Group has been operating in the present structure since 2005, i.e. the merger of KBC Bank and Insurance Holding Company with Almanij. The shares of KBC Group NV are listed on the Euronext stock exchange in Brussels.

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

In Poland, KBC Group is also the owner of Żagiel S.A. (100% of shares), TUiR WARTA S.A. (100%), KBC TFI S.A. (94%) and KBC Autolease Polska Sp. z o.o. (100%).

8. Basis of the preparation of the interim condensed consolidated financial statements

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

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

The interim condensed consolidated financial statements of the Group for the first half of 2011 ended on 30.06.2011 have been prepared pursuant to the IAS/IFRS in the versions effective as at the date of these financial statements. 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 19.02.2009 on current and interim information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2009, No. 33, item 259).

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

These interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group were approved for publication by the Management Board of Kredyt Bank S.A. on 09.08.2011.

These interim condensed consolidated financial statements for the first half of 2011 ended on 30.06.2011 were reviewed by the key certified auditor acting on behalf of the authorized entity, i.e. Ernst & Young Audit sp. z o.o. The review was performed in accordance with the Polish law and the National Financial Review Standards issued by the National Chamber of Statutory Auditors. Quarterly figures for the second quarter of 2011 and the second quarter of 2010 have not been reviewed or audited by a certified auditor.

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

These interim condensed consolidated financial statements were prepared based on the assumption that the Group's companies would remain going concern in the foreseeable future. As at the approval date of these financial statements, there are no circumstances which could threaten the continuation of the business of the Group's companies.

These interim condensed consolidated financial statements do not cover all information and disclosures required in annual consolidated financial statements and should be read jointly with the consolidated financial statements of Kredyt Bank S.A. Capital Group for the year ended on 31.12.2010.

9. Description of major applied accounting principles and material accounting estimates

9.1. Significant 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. 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.

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

Below, we are presenting new or amended IAS and IFRS standards as well as new IFRIC interpretations that the Group has applied this year. Their application has not affected the interim condensed consolidated financial statements to a large extent:

- An amendment to IFRS 1 *First–time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – applicable to annual periods beginning on or after 1 July 2010;
- IAS 24 *Related Party Disclosures* (amended in November 2009) – applicable to annual periods beginning on or after 1 January 2011;
- Amendments to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues* – applicable to annual periods beginning on or after 1 February 2010;
- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements* – applicable to annual periods beginning on or after 1 January 2011;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – applicable to annual periods beginning on or after 1 July 2010;
- Amendments resulting from the IFRS review (published in May 2010) – a part of the amendments is applicable to annual periods beginning on 1 July 2010 and part to annual periods beginning on 1 January 2011.

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

- Phase 1 of IFRS 9 *Financial Instruments* – applicable to annual periods beginning on or after 1 January 2013; by the date of the approval of these financial statements, not approved by the EU;
- Amendments to IFRS 7 *Financial Instruments: Disclosures: Transfers of Financial Assets* – applicable to annual periods beginning on or after 1 July 2011; by the date of the approval of these financial statements, not approved by the EU;

- Amendments to IAS 12 *Income Taxes: Recovery of Underlying Assets* – applicable to annual periods beginning on or after 1 January 2012; by the date of the approval of these financial statements, not approved by the EU;
- Amendments to IFRS 1 *First–time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – applicable to annual periods beginning on or after 1 July 2011; by the date of the approval of these financial statements, not approved by the EU;
- IFRS 10 *Consolidated Financial Statements* – applicable to annual periods beginning on or after 1 January 2013; by the date of the approval of these financial statements, not approved by the EU;
- IFRS 11 *Joint Arrangements* – applicable to annual periods beginning on or after 1 January 2013; by the date of the approval of these financial statements, not approved by the EU;
- IFRS 12 *Disclosure of Interests in Other Entities* – applicable to annual periods beginning on or after 1 January 2013; by the date of the approval of these financial statements, not approved by the EU;
- IFRS 13 *Fair Value Measurement* – applicable to annual periods beginning on or after 1 January 2013; by the date of the approval of these financial statements, not approved by the EU;
- IAS 27 *Separate Financial Statements* – applicable to annual periods beginning on or after 1 January 2013; by the date of the approval of these financial statements, not approved by the EU;
- IAS 28 *Investments in Associates and Joint Ventures* – applicable to annual periods beginning on or after 1 January 2013; by the date of the approval of these financial statements, not approved by the EU;
- Amendments to IAS 19 *Employee Benefits* - applicable to annual periods beginning on or after 1 January 2013; by the date of the approval of these financial statements, not approved by the EU;
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* - applicable to annual periods beginning on or after 1 July 2012; by the date of the approval of these financial statements, not approved by the EU.

The Management Boards of the companies of the Group do not predict that the introduction of the above standards and interpretations will materially affect the Group's accounting principles (policy), except for the amendments which will result from the implementation of IFRS 9. According to the analysis carried out in the Group concerning a part of IFRS 9 (the so called Phase 1) published by the date of the approval of these financial statements, it is estimated that the amendments will not affect the Group's net profit to a large extent; however, they may affect other income recognized directly in the equity and the disclosures presented in notes.

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

9.3. 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 portfolios managed jointly in order to generate profits in a short time horizon. This category also includes derivatives;

- financial assets or liabilities which, at the time of initial recognition, were designated by the 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 a part of 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 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 has been amortising, 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, as indicated in ‘Financial assets and liabilities’ section, in the case of debt securities carried at fair value, the coupon rates and acquired discounts or premiums are amortised using effective interest rate method in the income statement.

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

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

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

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

In the case of assets for which evidence for 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.

9.4. 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.

9.5. Investment properties

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

9.6. 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 will be recovered principally through a sale transaction rather than through continuing use.

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

10. Income and results by operating segments

The criterion for separating a segment now 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.

The Group's operations were divided into three basic segments: the Retail Segment, the Enterprises Segment and the Treasury Segment.

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

Enterprises Segment

The Enterprises Segment, in management terms, incorporates transactions with medium-sized companies (SMEs with annual sales revenue exceeding PLN 1 million, but not larger than PLN 25 million), large companies (understood as corporations with total sales revenue exceeding PLN 25 million) and state budgetary units at central and local levels.

Beside the traditional products, such as loans, deposits, settlement services, derivative transactions, 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 the 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 above segments have been presented as Other 'segment'. In addition, this category entails the results of the operations of Reliz and Kredyt Trade.

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

Additional clarifications

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

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 interest margin. The Bank's Management Board, when making operating decisions, bases them mainly on net income on 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 (including: 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 expenses 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 expenses. The Bank has been implementing the Activity-based Costing (ABC), which will affect the method of allocating costs to particular segments.

The segment's assets were divided into four basic categories:

Loans and advances to customers – include net loans and advances to customers, excluding interest receivables, and debt securities classified as loans and receivables.

Loans and advances to banks – include net loans and advances to banks, excluding interest receivables, and 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.

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

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Net interest income, including:	**168 304**	**76 644**	**72 146**	**-4 811**	**312 283**
- lending activities	130 323	49 195		-4 829	174 689
- depositing activities	40 997	29 729		18	70 744
- the cost of financing cash kept in the Bank's branches	-3 016	-2 280	5 296		0
Net commission income and other net income	**45 132**	**21 099**	**0**	**11 925**	**78 156**
- commissions related to the keeping of accounts and transactions	21 806	12 978		143	34 927
- commissions related to cards	17 862	1 624		-1 507	17 979
- commissions related to shares in investment funds societies	13 270	647			13 917
- commissions related to insurance products	-4 639	-9		-74	-4 722
- commissions related to foreign transactions	11	4 884		83	4 978
- other	-3 178	975		13 280	11 077
Net income from treasury transactions	**11 326**	**12 105**	**-12 339**	**-115**	**10 977**
- exchange transactions	11 320	11 553	-6 948	-285	15 640
- derivatives and securities	6	552	-5 391	170	-4 663
Net gains from investment activities	**0**	**50**	**295**	**1 521**	**1 866**
Operating income before tax	**224 762**	**109 898**	**60 102**	**8 520**	**403 282**
Net impairment losses on financial assets, other assets and provisions	-40 605	-11 640	0	7 868	**-44 377**
Group's general and administrative expenses, including:	**-172 106**	**-51 648**	**-10 661**	**-5 788**	**-240 203**
- the costs of the operation of business functions (direct expenses)	-111 223	-36 512	-7 011	-61 534	-216 280
- allocated expenses	-43 211	-12 118	-2 620	57 949	0
- depreciation (direct expenses)	-11 121	-1 192	-625	-10 985	-23 923
- depreciation (allocated expenses)	-6 551	-1 826	-405	8 782	0
Net operating income	**12 051**	**46 610**	**49 441**	**10 600**	**118 702**
Share in profit (loss) of associates					984
Income tax expense					-31 793
Net profit (loss)					**87 893**

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

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Net interest income, including:	**327 548**	**147 341**	**142 296**	**-9 284**	**607 901**
- lending activities	255 714	94 799		-9 318	341 195
- depositing activities	77 383	56 676		34	134 093
- the cost of financing cash kept in the Bank's branches	-5 549	-4 134	9 683		0
Net commission income and other net income	**86 960**	**49 067**	**0**	**29 072**	**165 099**
- commissions related to the keeping of accounts and transactions	43 428	25 612		282	69 322
- commissions related to cards	35 512	2 795		-583	37 724
- commissions related to shares in investment funds societies	25 930	1 378			27 308
- commissions related to insurance products	-9 865	-67		-34	-9 966
- commissions related to foreign transactions	20	9 916		173	10 109
- other	-8 065	9 433		29 234	30 602
Net income from treasury transactions	**20 353**	**22 998**	**-17 935**	**518**	**25 934**
- exchange transactions	20 340	21 835	-5 537	399	37 037
- derivatives and securities	13	1 163	-12 398	119	-11 103
Net gains from investment activities	**0**	**50**	**405**	**1 526**	**1 981**
Operating income before tax	**434 861**	**219 456**	**124 766**	**21 832**	**800 915**
Net impairment losses on financial assets, other assets and provisions	**-31 929**	**-7 137**	**0**	**5 922**	**-33 144**
Group's general and administrative expenses, including:	**-339 327**	**-99 485**	**-22 510**	**-11 204**	**-472 526**
- the costs of the operation of business functions (direct expenses)	-206 031	-67 133	-13 903	-137 549	-424 616
- allocated expenses	-97 773	-26 636	-6 486	130 895	0
- depreciation (direct expenses)	-22 484	-2 164	-1 256	-22 006	-47 910
- depreciation (allocated expenses)	-13 039	-3 552	-865	17 456	0
Net operating income	**63 605**	**112 834**	**102 256**	**16 550**	**295 245**
Share in profit (loss) of associates					1 805
Income tax expense					-75 133
Net profit (loss)					**221 917**

The Group's net result for the second quarter of 2010 by business segments (breakdown according to management reporting) non-audited

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Net interest income, including:	**171 755**	**73 679**	**37 276**	**-1 442**	**281 268**
- lending activities	145 435	50 082		-1 461	194 056
- depositing activities	28 709	25 471		19	54 199
- the cost of financing cash kept in the Bank's branches	-2 389	-1 874	4 263		0
Net commission income and other net income	**42 700**	**25 808**	**0**	**5 624**	**74 132**
- commissions related to the keeping of accounts and transactions	21 151	12 415		259	33 825
- commissions related to cards	20 215	1 172		-969	20 418
- commissions related to shares in investment funds societies	8 462	704			9 166
- commissions related to insurance products	-2 847	-111			-2 958
- commissions related to foreign transactions	9	3 930		119	4 058
- other	-4 290	7 698		6 215	9 623
Net income from treasury transactions	**13 346**	**11 879**	**8 688**	**815**	**34 728**
- exchange transactions	13 308	11 238	9 929	139	34 614
- derivatives and securities	38	641	-1 241	676	114
Net gains from investment activities	**0**	**100**	**30**	**1 439**	**1 569**
Operating income before tax	**227 801**	**111 466**	**45 994**	**6 436**	**391 697**
Net impairment losses on financial assets, other assets and provisions	**-91 901**	**-48 066**	**0**	**-5 324**	**-145 291**
Group's general and administrative expenses, including:	**-170 377**	**-43 135**	**-7 878**	**-5 642**	**-227 032**
- the costs of the operation of business functions (direct expenses)	-100 838	-28 773	-4 652	-67 391	-201 654
- allocated expenses	-50 048	-11 773	-2 342	64 163	0
- depreciation (direct expenses)	-12 479	-937	-561	-11 401	-25 378
- depreciation (allocated expenses)	-7 012	-1 652	-323	8 987	0
Net operating income	**-34 477**	**20 265**	**38 116**	**-4 530**	**19 374**
Share in profit (loss) of associates					551
Income tax expense					-6 170
Net profit (loss)					**13 755**

The Group's net result for the first half of 2010 by business segments (breakdown according to management reporting) non-audited

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Net interest income, including:	**353 706**	**139 634**	**76 774**	**-2 951**	**567 163**
- lending activities	299 123	93 298		-2 986	389 435
- depositing activities	59 345	50 093		35	109 473
- the cost of financing cash kept in the Bank's branches	-4 762	-3 757	8 519		0
Net commission income and other net income	**95 673**	**48 892**	**0**	**15 841**	**160 406**
- commissions related to the keeping of accounts and transactions	42 503	24 647		595	67 745
- commissions related to cards	42 808	2 290		-3 679	41 419
- commissions related to shares in investment funds societies	20 230	1 352			21 582
- commissions related to insurance products	-5 775	-187			-5 962
- commissions related to foreign transactions	69	7 601		233	7 903
- other	-4 162	13 189		18 692	27 719
Net income from treasury transactions	**20 133**	**24 203**	**9 817**	**176**	**54 329**
- exchange transactions	20 071	23 057	13 144	661	56 933
- derivatives and securities	62	1 146	-3 327	-485	-2 604
Net gains from investment activities	**0**	**100**	**3 684**	**1 692**	**5 476**
Operating income before tax	**469 512**	**212 829**	**90 275**	**14 758**	**787 374**
Net impairment losses on financial assets, other assets and provisions	**-172 731**	**-50 754**	**0**	**-14 638**	**-238 123**
Group's general and administrative expenses, including:	**-337 229**	**-82 960**	**-20 119**	**-11 607**	**-451 915**
- the costs of the operation of business functions (direct expenses)	-200 281	-55 784	-12 369	-131 724	-400 158
- allocated expenses	-97 014	-22 187	-5 788	124 989	0
- depreciation (direct expenses)	-25 953	-1 792	-1 128	-22 884	-51 757
- depreciation (allocated expenses)	-13 981	-3 197	-834	18 012	0
Net operating income	**-40 448**	**79 115**	**70 156**	**-11 487**	**97 336**
Share in profit (loss) of associates					1 215
Income tax expense					-25 239
Net profit (loss)					**73 312**

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

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

The allocation of assets by business segments as at 31.12.2010

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Loans and advances to customers	19 536 318	7 559 754			27 096 072
Loans and advances to banks			1 463 279		1 463 279
Securities			11 187 085		11 187 085
Other			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 30.06.2010 non-audited

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Loans and advances to customers	18 908 843	7 962 398			26 871 241
Loans and advances to banks			1 177 260		1 177 260
Securities			11 088 606		11 088 606
Other			591 221	2 517 048	3 108 269
Total	**18 908 843**	**7 962 398**	**12 857 087**	**2 517 048**	**42 245 376**

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

in PLN '000'	**01.04.2011-30.06.2011** non-audited
Net interest income – management information	**312 283**
- commissions on loans	12 418
+ operating expenses (interest on finance lease)	-190
+ operating income (the collection of statutory interest)	3 431
+ commissions related to foreign transactions	75
- structured deposit – interest adjustment	4 741
+ other	-4
Net interest income – financial statements	**298 436**
Net commission income and other net income – management information	**78 156**
+ commissions on loans	12 418
- operating expenses (interest on finance lease)	-190
- operating income (the collection of statutory interest)	3 431
- commissions related to foreign transactions	75
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-4 593
+ reversal of provisions related to incentive programmes	17 061
- other	-4
Net commission income and other net income – financial statements – presented as:	**108 916**
Net fee and commission income	81 231
Other operating income	41 003
Other operating expenses	-13 318
Net income from treasury transactions – management information	**10 977**
+ net increase/decrease in provisions for potential losses related to active derivatives	-8
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-4 593
+ structured deposit – interest adjustment	4 741
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**11 117**
Net trading income	11 390
Net result on derivatives used as hedging instruments and hedged items	-273
Net gains from investment activities – management information	**1 866**
Net gains from investment activities and dividend income – financial statements – presented as:	**1 866**
Net gains from investment activities	295
Dividend income	1 571
Operating income before tax – management information	**403 282**
+ net increase/decrease in provisions for potential losses related to active derivatives	-8
+ reversal of provisions related to incentive programmes	17 061
Operating income before tax – financial statements – presented as:	**420 335**
Total operating income	433 653
Other operating expenses	-13 318

Net impairment losses on financial assets, other assets and provisions – management information	**-44 377**
- net increase/decrease in provisions for potential losses related to active derivatives	-8
+ write-downs related to provisions for restructuring/severance pays	-1 287
Net impairment losses on financial assets, other assets and provisions – financial statements	**-45 656**
Bank's general and administrative expenses – management information	**-240 203**
- write-downs related to provisions for restructuring/severance pays	-1 287
- reversal of provisions related to incentive programmes	17 061
Bank's general and administrative expenses – financial statements	**-255 977**

in PLN '000'	**01.01.2011-30.06.2011** non-audited
Net interest income – management information	**607 901**
- commissions on loans	23 457
+ operating expenses (interest on finance lease)	-416
+ operating income (the collection of statutory interest)	8 643
+ commissions related to foreign transactions	231
- structured deposit – interest adjustment	9 095
+ other	-5
Net interest income – financial statements	**583 802**
Net commission income and other net income – management information	**165 099**
+ commissions on loans	23 457
- operating expenses (interest on finance lease)	-416
- operating income (the collection of statutory interest)	8 643
- commissions related to foreign transactions	231
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 424
+ reversal of provisions related to incentive programmes	17 061
- other	-5
Net commission income and other net income – financial statements – presented as:	**200 588**
Net fee and commission income	161 301
Other operating income	67 626
Other operating expenses	-28 339
Net income from treasury transactions – management information	**25 934**
+ net increase/decrease in provisions for potential losses related to active derivatives	-246
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 424
+ structured deposit – interest adjustment	9 095
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**31 359**
Net trading income	31 790
Net result on derivatives used as hedging instruments and hedged items	-431
Net gains from investment activities – management information	**1 981**
Net gains from investment activities and dividend income – financial statements – presented as:	**1 981**
Net gains from investment activities	405
Dividend income	1 576

Operating income before tax – management information	**800 915**
+ net increase/decrease in provisions for potential losses related to active derivatives	-246
+ reversal of provisions related to incentive programmes	17 061
Operating income before tax – financial statements – presented as:	**817 730**
Total operating income	846 069
Other operating expenses	-28 339
Net impairment losses on financial assets, other assets and provisions – management information	**-33 144**
- net increase/decrease in provisions for potential losses related to active derivatives	-246
+ write-downs related to provisions for restructuring/severance pays	-1 287
Net impairment losses on financial assets, other assets and provisions – financial statements	**-34 185**
Bank's general and administrative expenses – management information	**-472 526**
- write-downs related to provisions for restructuring/severance pays	-1 287
- reversal of provisions related to incentive programmes	17 061
Bank's general and administrative expenses – financial statements	**-488 300**

in PLN '000'	**01.04.2010-30.06.2010** non-audited
Net interest income – management information	**281 268**
- commissions on loans	11 482
+ operating expenses (interest on finance lease)	-390
+ operating income (the collection of statutory interest)	2 624
+ commissions related to foreign transactions	95
- structured deposit – interest adjustment	1 630
+ other	15
Net interest income – financial statements	**270 500**
Net commission income and other net income – management information	**74 132**
+ commissions on loans	11 482
- operating expenses (interest on finance lease)	-390
- operating income (the collection of statutory interest)	2 624
- commissions related to foreign transactions	95
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 549
- reversal of provisions related to the sale of debt	3 170
- other	15
Net commission income and other net income – financial statements – presented as:	**83 649**
Net fee and commission income	76 250
Other operating income	20 059
Other operating expenses	-12 660

Net income from treasury transactions - management information	**34 728**
+ provision for potential losses related to active derivatives	-738
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 549
+ structured deposit – interest adjustment	1 630
Net trading income and net result on derivatives used as hedging instruments - financial statements – presented as:	**32 071**
Net trading income	31 990
Net result on derivatives used as hedging instruments and hedged items	81

Net gains from investment activities - management information	**1 569**
Net gains from investment activities and dividend income - financial statements – presented as:	**1 569**
Net gains from investment activities	30
Dividend income	1 539

Operating income before tax - management information	**391 697**
+ provision for potential losses related to active derivatives	-738
- reversal of provisions related to the sale of debt	3 170
Operating income before tax - financial statements – presented as:	**387 789**
Total operating income	400 449
Other operating expenses	-12 660

Net impairment losses on financial assets, other assets and provisions - management information	**-145 291**
- provision for potential losses related to active derivatives	-738
+ reversal of provisions related to the sale of debt	3 170
Net impairment losses on financial assets, other assets and provisions – financial statements	**-141 383**

in PLN '000'	**01.01.2010-30.06.2010** non-audited
Net interest income - management information	**567 163**
- commissions on loans	23 097
+ operating expenses (interest on finance lease)	-832
+ operating income (the collection of statutory interest)	5 279
+ commissions related to foreign transactions	156
- structured deposit – interest adjustment	1 630
+ other	40
Net interest income - financial statements	**547 079**

Net commission income and other net income - management information	**160 406**
+ commissions on loans	23 097
- operating expenses (interest on finance lease)	-832
- operating income (the collection of statutory interest)	5 279
- commissions related to foreign transactions	156
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 905
- reversal of provisions related to the sale of debt	3 170
- other	40
Net commission income and other net income - financial statements – presented as:	**179 595**
Net fee and commission income	156 659
Other operating income	44 918
Other operating expenses	-21 982

Net income from treasury transactions - management information	**54 329**
+ provision for potential losses related to active derivatives	4 019
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 905
+ structured deposit – interest adjustment	1 630
Net trading income and net result on derivatives used as hedging instruments - financial statements – presented as:	**56 073**
Net trading income	55 477
Net result on derivatives used as hedging instruments and hedged items	596

Net gains from investment activities - management information	**5 476**
Net gains from investment activities and dividend income - financial statements – presented as:	**5 476**
Net gains from investment activities	3 684
Dividend income	1 792

Operating income before tax - management information	**787 374**
+ provision for potential losses related to active derivatives	4 019
- reversal of provisions related to the sale of debt	3 170
Operating income before tax - financial statements – presented as:	**788 223**
Total operating income	810 205
Other operating expenses	-21 982

Net impairment losses on financial assets, other assets and provisions - management information	**-238 123**
- provision for potential losses related to active derivatives	4 019
+ reversal of provisions related to the sale of debt	3 170
Net impairment losses on financial assets, other assets and provisions – financial statements	**-238 972**

in PLN '000'	**Management information**	**Interest**	**Financial statements**
30.06.2011			
Loans and advances to customers	27 277 433	101 704	27 379 137
Loans and advances to banks	1 245 779	702	1 246 481
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
30.06.2010			
Loans and advances to customers	26 871 241	96 208	26 967 449
Loans and advances to banks	1 177 260	36 664	1 213 924

in PLN '000'	**30.06.2011**
Securities – management information	**13 180 776**
Securities – financial statements – presented as:	**13 180 776**
Financial assets designated upon initial recognition as at fair value through profit or loss	113 696
Held-for-trading financial assets (excluding derivatives)	2 371 250
Investment securities	10 695 830

	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
Held-for-trading financial assets (excluding derivatives)	1 601 283
Investment securities	9 467 240

	30.06.2010
Securities – management information	**11 088 606**
Securities – financial statements – presented as:	**11 088 606**
Financial assets designated upon initial recognition as at fair value through profit or loss	123 478
Held-for-trading financial assets (excluding derivatives)	1 590 660
Investment securities	9 374 468

11. The Group's financial standing at the end of the first half of 2011

The Group's net result and result before tax

In the first half of 2011, the Group generated net profit amounting to PLN 221,917 thousand, as compared to net profit in the first half of 2010 amounting to PLN 73,312 thousand. The significant difference between the net profit generated in the first half of 2011 as compared to the first half of 2010 results mainly from:

- an increase in net interest income by PLN 36,723 thousand;
- an increase in net gains from other operating income and operating expenses by PLN 16,351 thousand;
- a decrease in net impairment losses on financial assets, other assets and provisions by PLN 204,787 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 28,209 thousand;
- an increase in general and administrative expenses by PLN 36,385 thousand;
- an increase in income tax expense by PLN 49,894 thousand.

As at 30.06.2011, the recognition in the consolidated income statement for the first half of 2011 of the estimated result of PLN 63,483 thousand related to the sale of retail debts described in Note I.43 had a significant impact upon the Group's net result.

Disregarding the estimates related to the said transaction, the Group's net result at the end of the first half of 2011 would amount to PLN 158,434 thousand, which denotes an increase as compared to the net result for the first half of 2010 by 116.1%.

in PLN '000'	**2nd quarter of 2011** non-audited	**2nd quarter of 2010** non-audited	**Change (%)**	**Two quarters of 2011** non-audited	**Two quarters of 2010** non-audited	**Change (%)**
Net interest income	298 436	270 500	10.3%	583 802	547 079	6.7%
Net fee and commission income	81 231	76 250	6.5%	161 301	156 659	3.0%
Net gains from trading and investment activities*	12 983	33 640	-61.4%	33 340	61 549	-45.8%
Net gains from other operating income/expenses	27 685	7 399	274.2%	39 287	22 936	71.3%
Total	**420 335**	**387 789**	**8.4%**	**817 730**	**788 223**	**3.7%**
General and administrative expenses	-255 977	-227 032	12.7%	-488 300	-451 915	8.1%
Net impairment losses on financial assets, other assets and provisions	-45 656	-141 383	-67.7%	-34 185	-238 972	-85.7%
Total	**-301 633**	**-368 415**	**-18.1%**	**-522 485**	**-690 887**	**-24.4%**
Share in profit (loss) of associates	984	551	78.6%	1 805	1 215	48.6%
Profit (loss) before tax	**119 686**	**19 925**	**500.7%**	**297 050**	**98 551**	**201.4%**
Income tax expense	-31 793	-6 170	415.3%	-75 133	-25 239	197.7%
Net profit (loss)	**87 893**	**13 755**	**539.0%**	**221 917**	**73 312**	**202.7%**

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

In the second quarter of 2011, the Group generated net profit amounting to PLN 87,893 thousand, as compared to net profit in the second quarter of 2010 amounting to PLN 13,755 thousand. The significant difference between the net profit generated in the second quarter of 2011 as compared to the second quarter of 2010 results mainly from:

- an increase in net interest income by PLN 27,936 thousand;
- an increase in net gains from other operating income and operating expenses by PLN 20,286 thousand;
- a decrease in net impairment losses on financial assets, other assets and provisions by PLN 95,727 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 20,657 thousand;
- an increase in general and administrative expenses by PLN 28,945 thousand;
- an increase in income tax expense by PLN 25,623 thousand.

Net interest, fee and commission income

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

Net interest income generated by the Group in the first half of 2011 amounted to PLN 583,802 thousand and was higher by PLN 36,723 thousand (6.7%) than the net interest income generated in the first half of 2010 mainly due to the increase in the net interest income from securities by PLN 77,986 thousand, set off with a decrease in the net income from repurchase transactions by PLN 16,553 thousand and an increase in interest expenses on amounts due to customers and banks by PLN 21,284 thousand.

The difference in the net interest income generated by the Group as compared to the net interest income generated by the Bank results from the depreciation, at the consolidated level, of the 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 second quarter of 2011 amounted to PLN 298,436 thousand and was higher by PLN 27,936 thousand (10.3%) than the net interest income generated in the second quarter of 2010 mainly due to the increase in the net interest income from securities by PLN 54,910 thousand, set off with a decrease in the net income from repurchase transactions by PLN 14,755 thousand and an increase in interest expenses on amounts due to customers (including banks) by PLN 11,266 thousand.

Net fee and commission income generated by the Group in the first half of 2011 amounted to PLN 161,301 thousand and was higher, by PLN 4,642 thousand (3.0%), than net income generated in the first half of 2010, mainly due to the increase in income from the sales and management of combined investment and insurance products by PLN 2,898 thousand.

Net fee and commission income generated by the Group in the second quarter of 2011 amounted to PLN 81,231 thousand and was higher, by PLN 4,981 thousand (by 6.5%), than net income generated in the second quarter of 2010 mainly due to the increase in income from the sales and management of combined investment and insurance products by PLN 4,162 thousand.

Net gains from trading and investment activities

In the first half 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 33,340 thousand and were lower by PLN 28,209 thousand (45.8%) than the result generated in the first half of 2010, which was mainly the effect of the lower result on currency translation differences (by PLN 19,732 thousand).

In the second 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 12,983 thousand and were lower by PLN 20,657 thousand (61.4%) than the result generated in the second quarter of 2010, which was mainly the effect of the lower result on currency translation differences (by PLN 19,111 thousand).

Net gains from other operating income/expenses

Net gains from other operating activities for the first half of 2011 amounted to PLN 39,287 thousand and were higher by PLN 16,351 thousand (71.3%) than the net gains in the first half of 2010; and, for the second quarter of 2010, they amounted to PLN 27,685 thousand and were higher by 20,286 thousand (274.2%) than the net gains in the corresponding period of 2010, which was mainly an effect of the reversal of the provisions related to incentive programmes amounting to PLN 17,061 thousand.

General and administrative expenses

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

In the first half of 2011, staff costs amounted to PLN 212,590 thousand, which means an increase as compared to the first half of 2010 by PLN 9,691 thousand (4.8%). In the second quarter of 2011, staff costs amounted to PLN 107,504 thousand, which means an increase as compared to the second quarter of 2010 by PLN 6,032 thousand (5.9%). Higher costs of basic remunerations were the main reason for higher staff costs both in the first half of 2011 and in the first quarter of 2011 as compared to the corresponding periods in 2010.

Employment *	**30.06.2011** non-audited	**30.06.2010** non-audited	**Change**	**Change (%)**
KB	4 811	4 762	49	1%
Other companies	86	89	-3	-3%
Total	**4 897**	**4 851**	**46**	**1%**

** Figures in FTEs.*

The Group's general expenses, excluding staff costs, in the first half of 2011 amounted to PLN 227,800 thousand and, as compared to the first half of 2010, they were higher by PLN 30,541 thousand (by 15.5%).

It results mainly from the increase in:

- costs of taxes and fees (PLN 13,621 thousand), mainly due to a higher fee for the Bank Guarantee Fund and an increase in VAT costs;
- costs of promotion and advertising services (PLN 8,335 thousand), mainly due to the implementation of a wide-scale marketing campaign;
- IT and telecommunications costs (PLN 6,223 thousand), due to, inter alia, the projects being implemented in the Bank;
- costs of advisory and specialist services (PLN 1,676 thousand);
- costs of buildings lease (PLN 1,468 thousand), mainly due to the periodical indexation of lease agreements;

set off with the decrease in:

- postal charges (PLN 2,638 thousand).

The Group's general expenses, excluding staff costs, in the second quarter of 2011 amounted to PLN 124,550 thousand and, as compared to the second quarter of 2010, they were higher by PLN 24,368 thousand (by 24.3%).

It results mainly from the increase in:

- costs of promotion and advertising services (PLN 11,052 thousand), mainly due to the implementation of a wide-scale marketing campaign;
- costs of taxes and fees (PLN 9,788 thousand), mainly due to a higher fee for the Bank Guarantee Fund and an increase in VAT costs;
- IT and telecommunications costs (PLN 2,982 thousand), due to, inter alia, the projects being implemented in the Bank;
- costs of buildings lease (PLN 1,153 thousand), mainly due to the periodical indexation of lease agreements;

set off with the decrease in:

- postal charges (PLN 1,726 thousand).

Number of outlets

The decrease in the number of outlets is related to the restructuring of the Network which involves, inter alia, the combination of certain units to streamline costs and accomplish the synergy effect.

in units	**30.06.2011** non-audited	**31.12.2010** non-audited	**30.06.2010** non-audited
Bank's outlets	374	381	384

Cost/income ratio (CIR)

Cost/income ratio (CIR) in the first half of 2011 was equal to 59.7%, and increased from 57.3% recorded in the corresponding period of the previous year. Cost/income ratio (CIR) in the second quarter of 2011 was equal to 60.9%, and increased from 58.5% recorded in the corresponding period of the previous year. The higher ratios result chiefly from the proportionally higher increase in the general and administrative expenses described above as compared to the increase in income.

Net impairment losses on financial assets, other assets and provisions

	2nd quarter of 2011 non-audited	**2nd quarter of 2010** non-audited	**Two quarters of 2011** non-audited	**Two quarters of 2010** non-audited
Retail Segment	-36 603	-91 784	-29 126	-172 574
Enterprises Segment	-11 708	-44 177	-6 906	-51 418
Other provisions	2 655	-5 422	1 847	-14 980
Result on provisions	**-45 656**	**-141 383**	**-34 185**	**-238 972**

In the first half of 2011, the Group recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 34,185 thousand, as compared to the negative balance in the first half of 2010 amounting to PLN 238,972 thousand.

In the second quarter of 2011, the Group recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 45,656 thousand, as compared to the negative balance in the second quarter of 2010 amounting to PLN 141,383 thousand.

The result of the Retail Segment for the first half of 2011 includes the reversal of impairment losses amounting to PLN 84,964 thousand related to the sale of debt described in Note I.43.

The balance of impairment losses for the Retail Segment in the first half of 2011 includes impairment losses on loans and advances to customers of the former Consumer Finance Segment amounting to PLN 96,188 thousand.

The lower level of impairment losses for assets in the Enterprises Segment in the first half of 2011 is mainly an effect of improved financial condition of corporate customers.

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

Investment funds and unit funds in unit-linked insurance plans

Total net assets of KBC TFI funds (excluding non-registered funds) sold by 30.06.2011 via the Bank's distribution network amounted to PLN 4,685,840 thousand. As compared to the figures as at 30.06.2010, it denotes an increase by PLN 1,055,761 thousand (29.1%), and, as compared to figures as at 31.12.2010, by PLN 194,206 thousand (4.3%).

in PLN '000'	**30.06.2011** non-audited	**31.12.2010** non-audited	**30.06.2010** non-audited
Net assets of KBC TFI funds (excluding non-registered funds) sold via the Bank's distribution network	4 685 840	4 491 634	3 630 079
The share of net assets of funds sold via the Bank's distribution network in net assets of investment funds managed by KBC TFI S.A.	81.6%	79.4%	73.0%

Corporate income tax

The deduction from the Group's net profit due to the income tax in the first half of 2011 amounted to PLN 75,133 thousand, as compared to the deduction from the Group's net profit in the first half of 2010 of PLN 25,239 thousand, and in the second quarter of 2011 it amounted to PLN 31,793 thousand as compared to the deduction in the second quarter of 2010 of PLN 6,170 thousand. The effective tax rate in the first half of 2011 was at the level of 25.3% and was distorted mainly due to the writing off of a deferred tax asset related to the impairment of receivables which would not become deductible expenditure, and non-tax financial expenses arising due to 'thin capitalisation'. The reasons for the higher-than-usual tax rate (25.6%) in the first half of 2010 are identical to the reasons that occurred in the first half of 2011.

12. Interest income

in PLN '000'	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
On account of:				
Loans and advances to banks	27 175	51 575	26 951	35 616
Loans and advances to customers, including:	370 343	722 438	371 306	741 919
- financial sector	2 064	4 128	3 711	7 217
- non-financial sector	365 887	713 488	364 863	729 279
- budgetary sector	2 392	4 822	2 732	5 423
Leasing fees	8 869	16 948	7 590	15 405
Securities:	175 555	323 314	120 645	245 328
- at fair value through profit or loss	634	1 279	1 692	4 074
- held-for-trading	30 646	47 765	9 352	23 347
- available-for-sale	99 552	185 088	85 225	156 047
- held-to-maturity	44 723	89 182	24 376	61 860
Receivables arising from repurchase transactions	6 342	11 147	-3	29
Interest on hedging instruments	24 203	45 918	25 321	48 348
Total	**612 487**	**1 171 340**	**551 810**	**1 086 645**

13. Interest expense

in PLN '000'	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
On account of:				
Amounts due to banks	28 450	50 774	22 164	46 521
Amounts due to customers:	237 543	455 298	232 563	438 267
- financial sector	33 169	61 858	29 154	55 796
- non-financial sector	186 379	358 478	185 395	349 812
- budgetary sector	17 995	34 962	18 014	32 659
Liabilities arising from repurchase transactions	21 436	32 096	336	4 425
Subordinated liabilities	9 860	18 769	8 916	16 786
Interest on hedging instruments	16 762	30 601	17 331	33 567
Total	**314 051**	**587 538**	**281 310**	**539 566**
Net interest income	**298 436**	**583 802**	**270 500**	**547 079**

14. Fee and commission income

in PLN '000'	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
Fees and commissions related to lending activities	10 395	19 988	10 060	20 507
Fees and commissions on deposit-related transactions with customers	34 925	69 316	33 815	67 714
Fees and commissions due for payment cards processing and ATMs maintenance	32 183	63 188	32 359	64 528
Commissions on foreign clearing operations	3 993	7 742	3 945	7 577
Commissions on guarantee commitments	5 479	11 095	4 621	8 886
Commissions on distribution and management of combined investment and insurance products	16 154	30 170	11 992	27 272
Commissions on other custodian services	781	1 819	934	1 464
Other fees and commissions	1 753	3 655	1 653	3 200
Total	**105 663**	**206 973**	**99 379**	**201 148**

15. Fee and commission expense

in PLN '000'	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
Brokerages	544	1 231	405	714
Fees and commissions due for payment cards processing and ATMs maintenance	14 682	26 370	12 067	23 513
Fees related to loan guarantees	5 360	10 656	5 404	10 616
Fees for credit rating information	1 555	3 112	1 600	3 216
Other fees and commissions	2 291	4 303	3 653	6 430
Total	**24 432**	**45 672**	**23 129**	**44 489**
Net fee and commission income	**81 231**	**161 301**	**76 250**	**156 659**

In the first half of 2011, the Group changed the method of settling certain income and expenses related to 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 influence the result for the first half of 2011 to a large extent.

16. General and administrative expenses

in PLN '000'	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
Staff costs	**107 504**	**212 590**	**101 472**	**202 899**
General expenses	**124 550**	**227 800**	**100 182**	**197 259**
- costs of buildings lease	21 419	42 439	20 266	40 971
- IT and telecommunications costs	21 217	40 432	18 235	34 209
- maintenance and repairs costs	5 438	10 305	4 843	9 652
- energy costs	4 818	10 268	4 412	10 039
- costs of advisory and specialist services	4 437	11 484	4 887	9 808
- postal charges	6 205	12 581	7 931	15 219
- transportation services	3 925	7 401	3 478	6 971
- property protection costs	2 600	4 452	2 148	4 403
- taxes and fees	32 308	58 003	22 520	44 382
- promotion and advertising services	15 911	17 411	4 859	9 076
- purchase of other materials	971	1 542	842	1 531
- training expenses	1 522	2 225	815	1 365
- business trips	645	1 172	473	828
- other	3 134	8 085	4 473	8 805
Depreciation	**23 923**	**47 910**	**25 378**	**51 757**
Total	**255 977**	**488 300**	**227 032**	**451 915**

17. Income tax expense

in PLN '000'	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
Profit before tax	**119 686**	**297 050**	**19 925**	**98 551**
Share in profit (loss) of associates	**-984**	**-1 805**	**-551**	**-1 215**
Income tax expense at basic tax rate (19%)	**22 553**	**56 097**	**3 681**	**18 494**
Permanent differences, including:	**9 033**	**18 821**	**1 757**	**6 760**
- dividends received	-296	-297	-295	-343
- provisions and impairment losses	6 276	17 180	4 519	6 687
- thin capitalisation	2 614	4 273	-149	1 382
- other permanent differences	439	-2 335	-2 318	-966
Recognized asset surplus related to differences from previous periods	207	215	732	-15
Actual deductions from (crediting to) net profit	**31 793**	**75 133**	**6 170**	**25 239**
Effective tax rate	**26.6%**	**25.3%**	**31.0%**	**25.6%**

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

Income tax expense (credit) in the income statement *in PLN '000'*	**2nd quarter of 2011 01.04.2011 - 30.06.2011** non-audited	**Two quarters of 2011 01.01.2011 - 30.06.2011** non-audited	**2nd quarter of 2010 01.04.2010 - 30.06.2010** non-audited	**Two quarters of 2010 01.01.2010 - 30.06.2010** non-audited
Current income tax	-2 847	13 917	53 991	60 294
Net increase/decrease in deferred tax	34 640	61 216	-47 821	-35 055
Deductions from net profit	**31 793**	**75 133**	**6 170**	**25 239**

Deferred tax on the valuation of available-for-sale securities, cash flow hedge instruments, charged to revaluation reserve *in PLN '000'*	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Debt instruments	11 596	9 117	9 527
Cash flow hedge instruments	3 820	4 821	7 183
Total	**15 416**	**13 938**	**16 710**

in PLN '000'	30.06.2011 non-audited		31.12.2010		30.06.2010 non-audited		Impact upon the result/equity for the first half of 2011
Deferred tax asset/liability	**Asset**	**Liability**	**Asset**	**Liability**	**Asset**	**Liability**	
Cash and balances with Central Bank	0	0	0	0	0	0	0
Gross loans and advances to banks	0	-8 063	0	-3 624	0	-2 316	-4 439
Impairment losses on loans and advances to banks	0	0	418	0	395	0	-418
Receivables arising from repurchase transactions	0	0	0	-7	0	0	7
Financial assets designated upon initial recognition as at fair value through profit or loss	8 955	0	0	-6 456	0	-13 636	15 411
Held-for-trading financial assets (excluding derivatives)	329	0	0	-428	488	0	757
Derivatives	0	-72 399	0	-86 114	0	-106 624	13 715
Gross loans and advances to customers	0	-2 252	0	-1 859	0	-7 370	-393
Impairment losses on loans and advances to customers	132 403	0	196 764	0	190 336	0	-64 361
Investment securities:	3 273	-17 907	4 739	-18 026	4 594	-20 612	-1 347
- available-for-sale	2 491	-17 907	4 088	-18 026	3 901	-20 612	-1 478
- held-to-maturity	782	0	651	0	693	0	131
Investments in associates valued using the equity method	0	0	0	0	0	0	0
Property, plant and equipment	7 965	0	8 163	0	8 454	0	-198
Intangible assets	0	-4 755	0	-4 475	0	-3 959	-280
Deferred tax asset	0	0	0	0	0	0	0
Non-current assets classified as held for sale	0	0	0	0	0	0	0
Other assets	6 097	0	5 915	0	5 554	0	182
Total assets	**159 022**	**-105 376**	**215 999**	**-120 989**	**209 821**	**-154 517**	**-41 364**

in PLN '000'	30.06.2011 non-audited		31.12.2010		30.06.2010 non-audited		Impact upon the result/equity for the first half of 2011
Deferred tax asset/liability	**Asset**	**Liability**	**Asset**	**Liability**	**Asset**	**Liability**	
Amounts due to Central Bank	0	0	0	0	0	0	0
Amounts due to banks	2 828	0	2 914	0	4 933	0	-86
Liabilities arising from repurchase transactions	113	0	8	0	5	0	105
Derivatives	128 576	0	218 464	0	143 040	0	-89 888
Amounts due to customers	13 760	0	12 181	0	14 570	0	1 579
Current tax liability	0	0	0	0	0	0	0
Held-for-trading financial liabilities	0	-1 021	0	-481	0	0	-540
Provisions	9 526	0	12 397	0	7 187	0	-2 871
Other liabilities	20 012	0	9 025	0	10 670	0	10 987
Subordinated liabilities	76	0	0	0	70	0	76
Total liabilities	**174 891**	**-1 021**	**254 989**	**-481**	**180 475**	**0**	**-80 638**
Asset on the current tax loss	**59 308**	**0**	**0**	**0**	**0**	**0**	**59 308**
Total asset/liability	**393 221**	**-106 397**	**470 988**	**-121 470**	**390 296**	**-154 517**	**-62 694**
Asset/liability recognized with the income statement (in a given year and in previous years)	390 730	-88 490	466 900	-103 444	386 395	-133 905	-61 216
Asset/liability recognised with revaluation reserve	2 491	-17 907	4 088	-18 026	3 901	-20 612	-1 478

Presented as			
Deferred tax asset	287 586	350 387	236 902
Deferred tax liability	762	869	1 123

18. Cash and cash equivalents

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Cash and balances with Central Bank	1 136 843	1 943 636	1 441 062
Interbank term deposits (up to 3 months)*	229 481	457 807	126 002
Cash and cash equivalents	**1 366 324**	**2 401 443**	**1 567 064**

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

In 'Cash and cash equivalents', the Group presents its obligatory reserve held by the Bank in line with the adequate regulations, on NBP account, presented as restricted cash, which, as at 30.06.2011 amounted to PLN 1,142,118 thousand, as at 31.12.2010 to PLN 1,078,101 thousand, and as at 30.06.2010 to PLN 897,837 thousand. The Bank is required to keep, in the current account in the Central Bank, for a pre-determined period, an average balance amounting to, at least, the obligatory reserve.

19. Loans and advances to banks

By types

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Current accounts	17 913	19 704	16 079
Deposits in other banks	211 602	440 391	112 192
Loans and advances to banks	63 788	70 760	132 724
Purchased debt	14 445	15 762	20 561
Other	14 077	20 881	10 037
Debt securities classified as loans and receivables	924 656	898 751	924 591
Total	**1 246 481**	**1 466 249**	**1 216 184**

By maturity dates

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
- up to 1 month	246 315	480 260	141 158
- 1-3 months	1 515	2 454	55 279
- 3-6 months	9 760	10 081	6 984
- 6 months to 1 year	15 788	15 986	7 731
- 1 - 3 years	32 395	34 098	23 202
- 3-5 years	680 535	668 620	712 803
- 5-10 years	260 173	252 490	266 766
- past due	0	2 260	2 261
Total	**1 246 481**	**1 466 249**	**1 216 184**

Classification due to impairment

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Loans and advances with no evidence for impairment	1 246 481	1 463 989	1 213 924
Loans and advances with evidence for impairment	0	2 260	2 260
Total	**1 246 481**	**1 466 249**	**1 216 184**

Impairment losses on loans and advances to banks

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Impairment on loans and advances to banks at period beginning	2 260	2 260	2 260
a) increase	0	1	1
b) decrease	0	1	1
c) utilisation	2 260	0	0
Period end	**0**	**2 260**	**2 260**

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

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Treasury securities	27 570	26 903	27 429
- bonds	27 570	26 903	27 429
Other securities	28 491	31 149	35 943
- bonds	28 491	31 149	35 943
Shares in investment funds	20 261	19 713	19 277
Equity securities	37 374	40 797	40 829
Total	**113 696**	**118 562**	**123 478**

All securities classified, upon initial recognition, in the portfolio of financial assets at fair value through profit or loss are measured at fair value on the basis of market quotations, except for SINUSD commercial bonds issued by HONGKONG AND SHANGHAI BANKING CORPORATION and equity investments.

The fair value of SINUSD bonds is determined by discounting cash flows from the bonds with USD-BOND curve having regard for the credit spread, as there are no quotations on an active market. The bonds are with fixed coupon.

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

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Listed	**64 944**	**67 700**	**68 258**
- shares	37 374	40 797	40 829
- bonds	27 570	26 903	27 429
Non-listed	**48 752**	**50 862**	**55 220**
- shares in investment funds	20 261	19 713	19 277
- bonds	28 491	31 149	35 943
Total	**113 696**	**118 562**	**123 478**

21. Held-for-trading financial assets (excluding derivatives)

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Treasury securities	271 519	1 151 591	990 780
- bonds	161 663	162 650	192 912
- bills	109 856	988 941	797 868
Central Bank securities	2 099 731	449 692	599 880
- bills	2 099 731	449 692	599 880
Total	**2 371 250**	**1 601 283**	**1 590 660**

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

Treasury Eurobonds are valued by discounting cash flows from the bonds with EUR-BOND curve (for securities in EUR), having regard for the credit spread. There is an active market for these bonds, but with limited liquidity.

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

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Listed	**271 519**	**1 151 591**	**990 780**
- bonds	161 663	162 650	192 912
- bills	109 856	988 941	797 868
Non-listed	**2 099 731**	**449 692**	**599 880**
- bills	2 099 731	449 692	599 880
Total	**2 371 250**	**1 601 283**	**1 590 660**

22. Investment securities

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Available-for-sale securities	**7 341 730**	**6 219 461**	**6 886 155**
Treasury securities	5 038 002	5 608 099	5 284 070
- bonds	5 038 002	5 608 099	4 984 262
- bills	0	0	299 808
Central Bank securities	1 999 494	299 765	1 299 614
- bills	1 999 494	299 765	1 299 614
Other securities	300 311	307 674	298 596
- bonds	300 311	307 674	298 596
Equity securities	3 923	3 923	3 875
Held-to-maturity securities	**3 354 100**	**3 247 779**	**2 488 313**
Treasury securities	3 354 100	3 247 779	2 488 313
- bonds	3 354 100	3 247 779	2 488 313
Total	**10 695 830**	**9 467 240**	**9 374 468**

All investment securities classified in the portfolio of available-for-sale financial assets are measured at fair value on the basis of market quotations, except for SINPLN commercial bonds issued by HONGKONG AND SHANGHAI BANKING CORPORATION, Treasury Eurobonds, money bills of the National Bank of Poland and non-listed equity investments.

The fair value of SINPLN bonds is determined by discounting cash flows from the bonds with PLN-BOND curve having regard for the credit spread, as there are no quotations on an active market. The bonds are with fixed coupon.

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

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

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Available-for-sale securities	**7 341 730**	**6 219 461**	**6 886 155**
Listed	**5 038 002**	**5 608 099**	**5 284 070**
- bonds	5 038 002	5 608 099	4 984 262
- bills	0	0	299 808
Non-listed	**2 303 728**	**611 362**	**1 602 085**
- shares	3 923	3 923	3 875
- bonds	300 311	307 674	298 596
- bills	1 999 494	299 765	1 299 614
Held-to-maturity securities	**3 354 100**	**3 247 779**	**2 488 313**
Listed	**3 354 100**	**3 247 779**	**2 488 313**
- bonds	3 354 100	3 247 779	2 488 313
Total	**10 695 830**	**9 467 240**	**9 374 468**

23. The division of financial instruments measured at fair value depending on the method of fair value measurement

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

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

**except for equity securities measured at cost*

Liabilities measured at fair value	Level 1	Level 2	Level 3	Total as at 30.06.2011 non-audited
Held-for-trading financial liabilities				
Derivatives other than derivatives used as hedging instruments		641 023	11 385	652 408
Hedging instruments				
Derivatives		204		204
Total	**0**	**641 227**	**11 385**	**652 612**

Assets measured at fair value	Level 1	Level 2	Level 3	Total as at 31.12.2010
Held-for-trading financial assets				
Debt securities	1 144 179	457 104		1 601 283
Derivatives other than derivatives used as hedging instruments		388 819		388 819
Financial assets designated upon initial recognition as at fair value through profit or loss				
Debt securities	26 903	31 149		58 052
Equity securities		40 797		40 797
Shares in investment funds		19 713		19 713
Available-for-sale financial assets*				
Debt securities	5 295 703	919 835		6 215 538
Hedging instruments				
Derivatives		74 340		74 340
Total	**6 466 785**	**1 931 757**	**0**	**8 398 542**

**except for equity securities measured at cost*

Liabilities measured at fair value	Level 1	Level 2	Level 3	Total as at 31.12.2010
Held-for-trading financial liabilities				
Derivatives other than derivatives used as hedging instruments		1 123 915	5 889	1 129 804
Hedging instruments				
Derivatives		1 274		1 274
Total	**0**	**1 125 189**	**5 889**	**1 131 078**

Assets measured at fair value	Level 1	Level 2	Level 3	Total as at 30.06.2010 non-audited
Held-for-trading financial assets				
Debt securities	1 590 660			1 590 660
Derivatives other than derivatives used as hedging instruments		500 151	1 843	501 994
Financial assets designated upon initial recognition as at fair value through profit or loss				
Debt securities	27 429	35 943		63 372
Equity securities		40 829		40 829
Shares in investment funds		19 277		19 277
Available-for-sale financial assets*				
Debt securities	6 583 684	298 596		6 882 280
Hedging instruments				
Derivatives		89 227		89 227
Total	**8 201 773**	**984 023**	**1 843**	**9 187 639**

**except for equity securities measured at cost*

Liabilities measured at fair value	Level 1	Level 2	Level 3	Total as at 30.06.2010 non-audited
Held-for-trading financial liabilities				
Derivatives other than derivatives used as hedging instruments		739 738	4 189	743 927
Hedging instruments				
Derivatives				
Total	**0**	**739 738**	**4 189**	**743 927**

24. Loans and advances to customers

By types

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Loans and advances	27 757 554	28 323 722	27 941 013
Purchased debt	211 867	133 911	190 849
Realised guarantees and sureties	2 692	2 665	4 209
Other receivables	612 817	580 690	553 547
- including leasing fees	554 414	533 130	506 431
Debt securities classified as loans and receivables	66 867	67 532	59 097
Total	**28 651 797**	**29 108 520**	**28 748 715**

By maturity dates

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
- up to 1 month	825 322	666 091	1 181 814
- 1-3 months	819 457	921 420	911 774
- 3-6 months	1 392 717	1 011 620	1 260 040
- 6 months to 1 year	2 821 759	2 870 410	2 485 967
- 1 - 3 years	3 972 597	4 060 504	3 800 118
- 3-5 years	2 428 619	2 487 863	2 633 749
- 5-10 years	3 871 865	3 926 722	3 751 224
- 10-20 years	6 350 790	6 152 841	5 879 000
- over 20 years	3 671 666	3 686 473	3 573 345
- past due*	2 497 005	3 324 576	3 271 684
Total	**28 651 797**	**29 108 520**	**28 748 715**

*The item comprises only the value of instalments for which payments were delayed.

Receivables by classes

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Natural persons*	**21 663 833**	**22 171 091**	**21 407 048**
- overdraft facilities	1 024 534	860 214	887 266
- purchased debt	16 326	12 841	14 993
- term loans**	827 107	783 239	814 577
- cash loans, instalment loans and cards	3 226 265	4 298 157	4 201 009
- mortgages	16 524 872	16 183 199	15 457 445
- realised guarantees	1 371	1 340	1 519
- other receivables	43 358	32 101	30 239
Corporate customers and SMEs	**6 828 421**	**6 749 800**	**7 108 883**
- overdraft facilities	2 044 128	1 624 480	1 552 921
- term loans**	3 971 351	4 407 040	4 805 028
- purchased debt	195 541	121 070	175 856
- realised guarantees	1 321	1 325	2 690
- other receivables, including leasing fees	569 459	548 589	523 307
- debt securities classified as loans and receivables	46 621	47 296	49 081
Budgetary sector	**159 543**	**187 629**	**232 784**
- overdraft facilities	3 999	2 735	43 573
- term loans**	135 298	164 658	179 195
- debt securities classified as loans and receivables	20 246	20 236	10 016
Total	**28 651 797**	**29 108 520**	**28 748 715**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing to households.
** The item contains mainly: in the case of natural persons - investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate customers and the budgetary sector – investment loans and working capital loans.

The value of gross loans and advances to customers at the end of the first half of 2011 decreased by PLN 457 million (1.6%) as compared to the end of 2010, and as compared to the corresponding period in the previous year, it did not change significantly (a decrease by 0.3%).

Instalment and cash loans, and cards

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

In relation to the adjustment of the Bank's policy to the requirements of T Recommendation, at the end of the fourth quarter of 2010, the Bank tightened the principles of assessing the creditworthiness of customers. Furthermore, in the first quarter of 2011, the Bank recorded a seasonal, observed annually, decrease in the sales of instalment loans for the purchase of goods and services extended via Żagiel.

The value of the portfolio of loans granted via Żagiel at the end of the first half of 2011 decreased by PLN 918 million (37.4%) as compared to the figures at the end of the fourth quarter of 2010, and, as compared to the end of the second quarter of 2010, by PLN 910 million (37.2%), which is related mainly to the sale of the portfolio of retail debts described in Note I.43.

in PLN '000'	**2nd quarter of 2011** non-audited	**1st quarter of 2011** non-audited	**4th quarter of 2010** non-audited	**2nd quarter of 2010** non-audited
Instalment and cash loans, and cards				
Gross value of the portfolio at the end of the quarter, including:	3 226 265	4 087 393	4 298 157	4 201 009
Cash loans granted by KB network				
Gross value of the portfolio at the end of the quarter*	1 464 902	1 532 050	1 618 964	1 548 071
Number of loans granted in the quarter (in '000')**	9	7	14	17
Value of loans granted in the quarter:**	95 832	78 798	176 758	203 634
Loans granted via Żagiel				
Gross value of the portfolio at the end of the quarter*	1 533 875	2 331 863	2 451 907	2 443 707
Number of loans granted in the quarter (in '000')**	164	125	179	167
Value of loans granted in the quarter:**	368 306	280 032	389 970	342 355
- instalment loans	338 913	260 352	365 437	329 810
- cash loans	29 393	19 680	24 533	12 545

** including the consolidation adjustment due to EIR*
*** related to instalment and cash loans*

in PLN '000'	**2nd quarter of 2011** non-audited	**1st quarter of 2011** non-audited	**4th quarter of 2010** non-audited	**2nd quarter of 2010** non-audited
Credit cards (aggregate for KB and Żagiel S.A.)	194	199	205	216

Mortgages

The decline in the sales of mortgages in the first half of 2011 as compared to the corresponding period in the previous year (by 68.9% in the category of signed agreements) 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 the year.

Since the second quarter, we have been observing 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). In the second quarter of 2011 as compared to the first quarter of 2011, the value of agreements signed by the customers increased by 106%, and the number of mortgage loan applications by 212% (5,627 applications in the second quarter of 2011 as compared to 1,803 applications in the first quarter of 2011).

in PLN '000'	**2nd quarter of 2011** non-audited	**1st quarter of 2011** non-audited	**4th quarter of 2010** non-audited	**2nd quarter of 2010** non-audited
Mortgages				
Gross value of the portfolio at the end of the quarter	16 524 872	15 863 601	16 183 199	15 457 445
Number of loans granted in the quarter (in '000')	1.6	0.7	2.0	4.5
Value of loans granted in the quarter*	281 337	136 356	400 144	944 518

* the value of agreements signed in the period

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

	Gross receivables	Impaired gross receivables	Impairment losses for impaired receivables	Non-impaired gross receivables by days of delay in payment						Impairment losses IBNR
				no delay	up to 30 days*	31 - 60 days*	61 - 90 days*	over 90 days*	Total non-impaired gross receivables	
Natural persons**	**21 663 833**	**1 318 915**	**733 136**	**18 598 449**	**1 519 796**	**185 515**	**41 037**	**121**	**20 344 918**	**99 210**
- overdraft facilities	1 024 534	142 429	108 920	702 203	167 218	9 020	3 553	111	882 105	9 535
- purchased debt	16 326	2 257	2 257	13 431	638	0	0	0	14 069	25
- term loans***	827 107	69 310	53 334	670 042	65 336	21 526	887	6	757 797	2 610
- cash and instalment loans, and cards	3 226 265	388 241	302 612	2 537 753	226 328	52 790	21 153	0	2 838 024	46 660
- mortgages	16 524 872	706 382	256 168	14 640 587	1 060 276	102 179	15 444	4	15 818 490	40 380
- realised guarantees	1 371	1 371	935	0	0	0	0	0	0	0
- other receivables	43 358	8 925	8 910	34 433	0	0	0	0	34 433	0
Corporate customers and SMEs	**6 828 421**	**785 662**	**416 238**	**5 907 248**	**126 109**	**7 169**	**2 109**	**124**	**6 042 759**	**24 011**
- overdraft facilities	2 044 128	233 269	118 713	1 726 107	80 291	2 733	1 719	9	1 810 859	8 429
- purchased debt	195 541	7 528	6 641	187 329	684	0	0	0	188 013	94
- term loans***	3 971 351	471 918	248 054	3 454 688	44 745	0	0	0	3 499 433	14 010
- realised guarantees	1 321	1 321	1 120		0	0	0	0	0	1
- other receivables, including leasing fees	569 459	71 626	41 710	492 503	389	4 436	390	115	497 833	1 477
- debt securities classified as loans and receivables	46 621	0	0	46 621	0	0	0	0	46 621	0
Budgetary sector	**159 543**	**1**	**1**	**157 786**	**1 756**	**0**	**0**	**0**	**159 542**	**64**
- overdraft facilities	3 999	1	1	3 998	0	0	0	0	3 998	30
- term loans***	135 298	0	0	133 542	1 756	0	0	0	135 298	34
- debt securities classified as loans and receivables	20 246	0	0	20 246	0	0	0	0	20 246	0
Total	**28 651 797**	**2 104 578**	**1 149 375**	**24 663 483**	**1 647 661**	**192 684**	**43 146**	**245**	**26 547 219**	**123 285**

*In the case of a delay in payment of at least one instalment, the total debt is presented as delayed.
** The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing to households.
*** The item contains mainly: in the case of natural persons - investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate customers and the budgetary sector – investment loans and working capital loans.

Receivables in breakdown by classes and by impaired and non-impaired receivables as at 31.12.2010

	Gross receivables	Impaired gross receivables	Impairment losses for impaired receivables	Non-impaired gross receivables by days of delay in payment						Impairment losses IBNR
				no delay	up to 30 days*	31 - 60 days*	61 - 90 days*	over 90 days*	Total non-impaired gross receivables	
Natural persons**	**22 171 091**	**1 947 548**	**1 356 134**	**18 796 137**	**1 200 301**	**182 325**	**44 534**	**246**	**20 223 543**	**102 832**
- overdraft facilities	860 214	129 768	95 699	576 439	142 947	7 822	3 066	172	730 446	8 263
- purchased debt	12 841	1 890	1 890	10 816	135	0	0	0	10 951	7
- term loans***	783 239	69 593	50 840	652 677	58 868	2 045	56	0	713 646	1 022
- cash and instalment loans, and cards	4 298 157	1 162 089	1 008 078	2 836 915	210 877	59 412	28 793	71	3 136 068	58 685
- mortgages	16 183 199	573 804	189 657	14 696 253	787 474	113 046	12 619	3	15 609 395	34 855
- realised guarantees	1 340	1 340	917	0	0	0	0	0	0	0
- other receivables	32 101	9 064	9 053	23 037	0	0	0	0	23 037	0
Corporate customers and SMEs	**6 749 800**	**874 435**	**437 427**	**5 761 455**	**103 414**	**9 902**	**593**	**1**	**5 875 365**	**17 563**
- overdraft facilities	1 624 480	241 940	127 855	1 328 085	52 256	2 070	128	1	1 382 540	5 901
- purchased debt	121 070	7 243	6 042	91 170	22 657	0	0	0	113 827	51
- term loans***	4 407 040	547 269	261 269	3 826 563	28 501	4 707	0	0	3 859 771	9 481
- realised guarantees	1 325	1 325	1 122	0	0	0	0	0	0	0
- other receivables, including leasing fees	548 589	76 658	41 139	468 341	0	3 125	465	0	471 931	2 130
- debt securities classified as loans and receivables	47 296	0	0	47 296	0	0	0	0	47 296	0
Budgetary sector	**187 629**	**1**	**1**	**183 985**	**3 643**	**0**	**0**	**0**	**187 628**	**43**
- overdraft facilities	2 735	1	1	2 734	0	0	0	0	2 734	3
- term loans***	164 658	0	0	161 015	3 643	0	0	0	164 658	40
- debt securities classified as loans and receivables	20 236	0	0	20 236	0	0	0	0	20 236	0
Total	**29 108 520**	**2 821 984**	**1 793 562**	**24 741 577**	**1 307 358**	**192 227**	**45 127**	**247**	**26 286 536**	**120 438**

*In the case of a delay in payment of at least one instalment, the total debt is presented as delayed.
** The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services tor households.
*** The item contains mainly: in the case of natural persons - investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate customers and the budgetary sector – investment loans and working capital loans.

Receivables in breakdown by classes and by impaired and non-impaired receivables as at 30.06.2010 *non-audited*

	Gross receivables	Impaired gross receivables	Impairment losses for impaired receivables	Non-impaired gross receivables by days of delay in payment						Impairment losses IBNR
				no delay	up to 30 days*	31 - 60 days*	61 - 90 days*	over 90 days*	Total non-impaired gross receivables	
Natural persons**	**21 407 048**	**1 817 254**	**1 182 159**	**17 907 743**	**1 427 894**	**186 689**	**66 898**	**570**	**19 589 794**	**90 979**
- overdraft facilities	887 266	161 420	107 994	584 069	129 956	8 137	3 284	400	725 846	4 234
- purchased debt	14 993	2 077	1 906	12 830	37	49	0	0	12 916	17
- term loans***	814 577	91 134	64 732	654 284	65 191	3 457	505	6	723 443	1 021
- cash and instalment loans, and cards	4 201 009	1 101 078	892 024	2 745 505	246 291	68 675	39 299	161	3 099 931	65 686
- mortgages	15 457 445	455 084	109 691	13 885 758	986 419	106 371	23 810	3	15 002 361	20 021
- realised guarantees	1 519	1 519	876	0	0	0	0	0	0	0
- other receivables	30 239	4 942	4 936	25 297	0	0	0	0	25 297	0
Corporate customers and SMEs	**7 108 883**	**879 504**	**466 358**	**6 039 025**	**184 167**	**5 345**	**830**	**12**	**6 229 379**	**41 654**
- overdraft facilities	1 552 921	204 750	117 326	1 282 735	64 316	804	304	12	1 348 171	4 131
- purchased debt	175 856	5 192	3 306	113 244	57 335	85	0	0	170 664	108
- term loans***	4 805 028	586 890	301 030	4 150 640	62 516	4 456	526	0	4 218 138	36 669
- realised guarantees	2 690	2 690	1 692	0	0	0	0	0	0	0
- other receivables, including leasing fees	523 307	79 982	43 004	443 325	0	0	0	0	443 325	746
- debt securities classified as loans and receivables	49 081	0	0	49 081	0	0	0	0	49 081	0
Budgetary sector	**232 784**	**0**	**0**	**229 486**	**3 298**	**0**	**0**	**0**	**232 784**	**116**
- overdraft facilities	43 573	0	0	43 573	0	0	0	0	43 573	26
- term loans***	179 195	0	0	175 897	3 298	0	0	0	179 195	90
- debt securities classified as loans and receivables	10 016	0	0	10 016	0	0	0	0	10 016	0
Total	**28 748 715**	**2 696 758**	**1 648 517**	**24 176 254**	**1 615 359**	**192 034**	**67 728**	**582**	**26 051 957**	**132 749**

*In the case of a delay in payment of at least one instalment, the total debt is presented as delayed.
** The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households.
*** The item contains mainly: in the case of natural persons - investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate customers and the budgetary sector – investment loans and working capital loans.

As at 30.06.2011, the amount of non-amortised loan commissions settled with the effective interest rate method, which, according to the concept of the measurement of financial assets at amortised cost, decreases the value of gross receivables, amounted to PLN 97,700 thousand, as at 31.12.2010 to PLN 110,943 thousand, and as at 30.06.2010, to PLN 132,638 thousand. The amounts have been recognized in total gross loans and advances.

Receivables quality ratio

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Loans and advances with no evidence for impairment, including interest	26 547 219	26 286 536	26 051 957
Loans and advances with evidence for impairment, including interest	2 104 578	2 821 984	2 696 758
including:			
loans and advances for which no impairment losses were established	6 274	17 263	30 504
Total gross loan and advances to customers	**28 651 797**	**29 108 520**	**28 748 715**
Impairment losses on loans and advances to customers	1 272 660	1 914 000	1 781 266
including:			
impairment losses on loans and advances with evidence for impairment	1 149 375	1 793 562	1 648 517
Total net loans and advances to customers	**27 379 137**	**27 194 520**	**26 967 449**
The share of loans and advances with evidence for impairment in total gross loans and advances	7.3%	9.7%	9.4%
Coverage of loans and advances with evidence for impairment with impairment losses	54.6%	63.6%	61.1%
Coverage of gross loans and advances to customers with corresponding impairment losses	4.4%	6.6%	6.2%

The receivables quality ratio presented in the table above, as compared to the previous periods, have changed materially in relation to the sale of debts described in Note I.43.

The quality ratio for the portfolio of the Group's gross loans and advances understood as 'The share of loans and advances with evidence for impairment in total gross loans and advances' as at 30.06.2011 amounted to 7.3% and in the first half of 2010 improved by 2.4 p.p.

As at 30.06.2011, the coverage of loans and advances with evidence for impairment with corresponding impairment losses was at the level of 54.6% and decreased by 9.0 p.p. as compared to 31.12.2010 and by 6.5 p.p. as compared to 30.06.2010.

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

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

Impairment losses on loans and advances to customers

	Period beginning - 01.01.2011	Recognised	Reversed	Written off	Other changes	Period end - 30.06.2011 non-audited
Natural persons*	**1 458 966**	**978 768**	**-938 803**	**-8 369**	**-658 216**	**832 346**
- overdraft facilities	103 962	85 001	-69 043	-1 889	424	118 455
- purchased debt	1 897	525	-140	0	0	2 282
- term loans**	51 862	8 409	-6 544	-211	2 428	55 944
- cash and instalment loans, and cards	1 066 763	657 216	-706 326	-6 182	-662 199	349 272
- mortgages	224 512	227 543	-156 522	-87	1 102	296 548
- realised guarantees	917	45	-27	0	0	935
- other receivables	9 053	29	-201	0	29	8 910
Corporate customers and SMEs	**454 990**	**209 283**	**-200 155**	**-21 029**	**-2 840**	**440 249**
- overdraft facilities	133 756	54 995	-44 499	-16 362	-748	127 142
- purchased debt	6 093	1 720	-1 101	0	23	6 735
- term loans**	270 750	141 391	-143 288	-4 667	-2 122	262 064
- realised guarantees	1 122	201	-202	0	0	1 121
- other receivables, including leasing fees	43 269	10 976	-11 065	0	7	43 187
Budgetary sector	**44**	**79**	**-58**	**0**	**0**	**65**
- overdraft facilities	4	41	-14	0	0	31
- term loans**	40	38	-44	0	0	34
Total	**1 914 000**	**1 188 130**	**-1 139 016**	**-29 398**	**-661 056**	**1 272 660**

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

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

The amount in 'Other changes' column for cash and instalment loans, and cards refers mainly to the sale of debts described in Note I.43.

	Period beginning - 01.01.2010	Recognised	Reversed	Written off	Other changes	Period end - 31.12.2010
Natural persons*	**1 088 316**	**1 825 324**	**-1 433 186**	**-22 996**	**1 508**	**1 458 966**
- overdraft facilities	104 108	142 372	-127 741	-13 476	-1 301	103 962
- purchased debt	1 914	315	-331	0	-1	1 897
- term loans**	56 860	16 010	-18 299	-2 520	-189	51 862
- cash and instalment loans, and cards	836 704	1 173 567	-936 940	-6 553	-15	1 066 763
- mortgages	85 431	485 353	-348 839	-447	3 014	224 512
- realised guarantees	914	298	-295	0	0	917
- other receivables	2 385	7 409	-741	0	0	9 053
Corporate customers and SMEs	**487 448**	**531 360**	**-513 036**	**-50 858**	**76**	**454 990**
- overdraft facilities	101 442	209 648	-175 682	-3 315	1 663	133 756
- purchased debt	3 503	28 982	-25 657	-716	-19	6 093
- term loans**	329 541	270 493	-291 476	-36 445	-1 363	270 750
- realised guarantees	4 019	1 887	-4 534	0	-250	1 122
- other receivables, including leasing fees	48 943	20 350	-15 687	-10 382	45	43 269
Budgetary sector	**122**	**334**	**-412**	**0**	**0**	**44**
- overdraft facilities	1	246	-243	0	0	4
- term loans**	121	88	-169	0	0	40
Total	**1 575 886**	**2 357 018**	**-1 946 634**	**-73 854**	**1 584**	**1 914 000**

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

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

	Period beginning - 01.01.2010	Recognised	Reversed	Written off	Other changes	Period end - 30.06.2010 non-audited
Natural persons*	**1 088 316**	**760 834**	**-570 080**	**-9 668**	**3 736**	**1 273 138**
- overdraft facilities	104 108	78 777	-64 937	-5 575	-145	112 228
- purchased debt	1 914	239	-229	0	-1	1 923
- term loans**	56 860	17 530	-11 463	0	2 826	65 753
- cash and instalment loans, and cards	836 704	502 460	-377 763	-3 857	166	957 710
- mortgages	85 431	158 916	-115 289	-236	890	129 712
- realised guarantees	914	20	-58	0	0	876
- other receivables	2 385	2 892	-341	0	0	4 936
Corporate customers and SMEs	**487 448**	**250 337**	**-221 767**	**-10 532**	**2 526**	**508 012**
- overdraft facilities	101 442	77 961	-57 696	-1 946	1 696	121 457
- purchased debt	3 503	21 852	-21 492	-455	6	3 414
- term loans**	329 541	140 655	-133 263	0	766	337 699
- realised guarantees	4 019	511	-2 838	0	0	1 692
- other receivables, including leasing fees	48 943	9 358	-6 478	-8 131	58	43 750
Budgetary sector	**122**	**141**	**-147**	**0**	**0**	**116**
- overdraft facilities	1	121	-96	0	0	26
- term loans**	121	20	-51	0	0	90
Total	**1 575 886**	**1 011 312**	**-791 994**	**-20 200**	**6 262**	**1 781 266**

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

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

IBNR

Impairment losses on incurred but not reported (IBNR) credit losses for homogenous balance sheet and off-balance sheet receivables portfolios as at 30.06.2011 amounted to PLN 129,781 thousand, including PLN 6,496 thousand related to off-balance sheet liabilities; and as at 31.12.2010 amounted to PLN 126,845 thousand, including PLN 6,407 thousand related to off-balance sheet liabilities; and as at 30.06.2010 amounted to PLN 135,596 thousand, including PLN 2,847 thousand related to off-balance sheet liabilities.

25. Property, plant and equipment

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Property, plant and equipment, including:	246 799	269 893	300 816
- land	11 008	11 036	11 617
- buildings and premises	128 747	131 123	145 714
- plant and machinery	65 506	77 170	83 472
- motor vehicles	878	434	614
- other property, plant and equipment	40 660	50 130	59 399
Construction in progress (expenditure)	15 555	20 551	15 806
Total	**262 354**	**290 444**	**316 622**

26. Amounts due to Central Bank

By types

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Open market transactions	0	0	0
Other liabilities	2	6	6
Total	**2**	**6**	**6**

By maturity dates

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
- up to 1 month	2	6	6
- 1-3 months	0	0	0
Total	**2**	**6**	**6**

27. Amounts due to banks

By types

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Current accounts	3 522 035	3 573 391	2 731 198
Term deposits	2 458 328	2 922 345	2 315 304
Borrowed loans and advances	5 882 394	5 650 993	6 654 424
Other liabilities	4 753	3 977	5 430
Total	**11 867 510**	**12 150 706**	**11 706 356**

By maturity dates (by maturity dates as at the balance sheet date)

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
- up to 1 month	4 159 277	6 009 725	5 243 697
- 1-3 months	2 896 602	489 787	901 080
- 3-6 months	1 849 666	0	0
- 6 months to 1 year	0	2 826 848	0
- 1 - 3 years	2 961 965	2 824 346	5 561 579
Total	**11 867 510**	**12 150 706**	**11 706 356**

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Loans and advances from KBC Group	5 882 394	5 650 993	6 654 424
- including loans and advances in foreign currencies	*5 557 394*	*5 340 993*	*6 362 540*
Term deposits	2 458 328	2 922 345	2 315 304
- including term deposits from KBC Group	*2 363 674*	*2 909 169*	*2 258 904*
Current accounts	3 522 035	3 573 391	2 731 198
Other liabilities	4 753	3 977	5 430
Total amounts due to banks	**11 867 510**	**12 150 706**	**11 706 356**
Subordinated liabilities (from KBC Group)	947 298	911 100	903 162
Total	**12 814 808**	**13 061 806**	**12 609 518**

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. Deposits and loans obtained from KBC Group are renewed at their maturities in the amount necessary to ensure the financing of the Bank's lending activities.

28. Amounts due to customers

By types

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Current accounts	17 181 064	17 715 210	16 052 157
- including the Savings Account	9 834 050	9 850 124	9 421 182
Term deposits	8 072 222	7 622 618	9 430 985
Borrowed loans and advances	828 941	197 122	97 253
Other liabilities	72 019	125 808	71 485
Total	**26 154 246**	**25 660 758**	**25 651 880**

By maturity dates (by maturity dates as at the balance sheet date)

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
- up to 1 month	19 918 417	19 716 891	18 989 307
- 1-3 months	2 063 961	1 978 374	2 711 369
- 3-6 months	2 123 720	2 169 911	2 355 013
- 6 months to 1 year	818 031	1 044 007	763 205
- 1 - 3 years	461 902	535 003	651 069
- 3 - 5 years	43 419	17 585	80 560
- 5 - 10 years	724 048	198 242	100 615
- 10 - 20 years	748	745	742
Total	**26 154 246**	**25 660 758**	**25 651 880**

Liabilities by customer types

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Natural persons*	**16 205 288**	**16 004 138**	**15 876 811**
- in current account (including the Savings Account)	12 482 792	12 536 406	11 934 892
- term deposits	3 653 204	3 346 027	3 882 622
- other	69 292	121 705	59 297
Corporate customers and SMEs	**8 308 808**	**7 668 821**	**7 635 768**
- in current account	3 537 286	3 819 591	2 779 225
- term deposits	3 939 858	3 648 005	4 747 102
- loans and advances	828 941	197 122	97 253
- other	2 723	4 103	12 188
Budgetary sector	**1 640 150**	**1 987 799**	**2 139 301**
- in current account	1 160 986	1 359 213	1 338 040
- term deposits	479 160	628 586	801 261
- other	4	0	0
Total	**26 154 246**	**25 660 758**	**25 651 880**

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

The value of amounts due to customers at the end of the first half of 2011 increased by PLN 493 million (1.9%) as compared to the end of 2010 and by PLN 502 million (2.0%) as compared to the corresponding period in the previous year.

Current accounts for individual clients

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Current accounts			
Carrying amount at quarter end	12 482 792	12 536 406	11 934 892
Including ROR accounts *			
Number (in '000')	653	634	633
Carrying amount	1 203 594	1 156 413	1 189 779
Including the Savings Account *			
Number (in '000')	661	617	577
Carrying amount	9 834 050	9 850 124	9 421 182

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

As at 30.06.2011, the number of current-savings accounts (ROR) amounted to 653 thousand and increased as compared to figures at 31.12.2010 by 19 thousand (3.0%) and by 20 thousand (3.2%) as compared to figures at 30.06.2010. Also, the carrying amount of the cash deposited on ROR accounts of individual customers at the end of the first half of 2011 increased as compared to the end of 2010 by PLN 47,181 thousand (4.1%) and by PLN 13,815 thousand (1.2%) as compared to the end of the first half of 2010.

At the end of the first half of 2011, the number of savings accounts amounted to 661 thousand and increased by 44 thousand (7.1%) as compared to the end of 2010, and by 84 thousand (14.6%) as compared to the end of the first half of 2010. At the end of the first half of 2011, the value of deposited cash did not change (a decrease by 0.2%) as compared to the end of 2010 and increased by PLN 412,868 thousand (4.4%) as compared to the end of the first half of 2010.

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

29. Provisions

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Employee benefits provision	1 544	1 585	1 257
Provision for off-balance sheet liabilities	37 040	49 877	16 178
Restructuring provision	0	0	0
Provision for litigations	36 806	40 699	50 421
Other	895	650	1 642
Total	**76 285**	**92 811**	**69 498**

The decrease in the provision for off-balance sheet liabilities results mainly from the change in the off-balance sheet provision to the balance sheet provision, without any impact upon the income statement.

The litigations with the highest value claims are described in Note I.41.

'Employee benefits provision' is composed of provisions for retirement benefits.

30. Share capital

As at 30.06.2011, the parent company's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares of nominal value PLN 5.00 each. The parent company's shares are registered shares and bearer shares, but not preference shares. Each share entitles its holder to one vote at the parent company's General Meeting of Shareholders. The parent company's shares are admitted to public trading on the main market of the Warsaw Stock Exchange. The share capital did not change in the first half of 2011 and in 2010.

The table below presents the list of major shareholders of Kredyt Bank S.A. as at 30.06.2011.

Shareholder	Line of business	Number of shares and votes at GMS	Share in votes and in share capital (in %)
KBC Bank NV* – an entity from 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 NV is entitled to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.*

According to the information received from KBC Bank NV and KBC Group NV on 8 February 2011 and 15 February 2011:

- KBC Securities NV – a subsidiary of KBC Bank NV – sold all the shares of Kredyt Bank S.A. held by it.

  Prior to the sale, KBC Securities NV held 11,751,771 shares, which accounted for 4.33% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Following the sale, KBC Securities NV does not hold any shares of Kredyt Bank S.A.

- KBC Insurance NV – an entity from KBC Group NV – sold all the shares of Kredyt Bank S.A. held by it.

  Prior to the sale, KBC Insurance NV held 7,860,918 shares, which accounted for 2.89% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Following the sale, KBC Insurance NV does not hold any shares of Kredyt Bank S.A.

KBC Bank NV still holds 217,327,103 shares accounting for 80% of votes.

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

As at 30.06.2011, 31.12.2010 and 30.06.2010, 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.

32. Capital adequacy ratio

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Capital requirement, including:	**2 287 434**	**2 278 833**	**2 333 288**
- credit risk	2 018 991	2 016 969	2 045 511
- market risk	24 471	32 749	58 662
- operational risk	243 972	229 115	229 115
Equity and short-term capital	**3 641 393**	**3 562 209**	**3 521 791**
Basic capitals	**2 597 196**	**2 549 062**	**2 515 675**
- share capital	1 358 294	1 358 294	1 358 294
- supplementary capital	900 065	889 340	889 340
- revaluation reserve included in basic equity	-8 018	-15 806	-15 297
- other reserves	400 942	400 942	400 942
- retained profit/loss	8 988	-65 709	-65 709
- net profit included in the calculation of capital adequacy ratio	0	73 312	0
- predicted dividend	0	-33 728	0
- intangible assets	-54 822	-50 201	-45 509
- shares in financial entities (50%)	-8 253	-7 382	-6 386
Supplementary funds	**998 097**	**960 047**	**932 804**
- revaluation reserve included in supplementary equity	56 744	53 995	33 548
- subordinated liabilities included in equity	949 606	913 434	905 642
- shares in financial entities (50%)	-8 253	-7 382	-6 386
Short-term capital	**46 100**	**53 100**	**73 312**
Capital adequacy ratio (%)	**12.74**	**12.51**	**12.07**
Ratio, including basic funds (%)	**9.08**	**8.95**	**8.63**

As at 30.06.2011, 31.12.2010 and 30.06.2010, capital adequacy ratio was calculated as required by the regulations of the Polish Financial Supervision Authority.

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

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

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
The amount of the capital requirement for credit risk*, including counterparty credit risk:	**2 018 991**	**2 016 969**	**2 045 511**
- central governments and central banks	0	0	0
- regional governments and local authorities	2 118	2 454	3 483
- administrative bodies and non-commercial undertakings	7 754	8 450	7 998
- multilateral development banks	0	0	0
- international organisations	0	0	0
- institutions – banks	65 979	71 045	79 487
- enterprises	403 298	376 390	440 573
- retail	714 451	773 399	752 924
- secured by real estate property	741 476	694 970	666 066
- past due items	28 762	32 706	36 083
- exposures belonging to regulatory high-risk categories	6 670	6 865	6 628
- covered bonds	0	0	0
- securitisation positions	0	0	0
- exposures towards institutions and entrepreneurs with short-term credit rating	0	0	0
- in collective investment undertakings	0	0	0
- other exposures	48 483	50 690	52 269

* estimated on the basis of the Standardized Approach

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

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
The amount of the capital requirement for credit risk, including:	**24 471**	**32 749**	**58 662**
- currency risk	0	0	0
- commodity price risk	0	0	0
- equity securities price risk	0	0	0
- price risk of debt instruments	9	23	0
- general interest rate risk	24 462	32 726	58 662

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

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

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

	Year	2010
Result*	2007	1 442 179
Result*	2008	1 685 448
Result*	2009	1 647 521
Capital Charge	2007	207 300
Capital Charge	2008	242 268
Capital Charge	2009	237 776
Operational risk requirement**		**229 115**

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

As at 30.06.2011, 31.12.2010 and 30.06.2010, the exposure concentration limit, the large exposure limit and the capital concentration threshold were not exceeded in Kredyt Bank.

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

- the amount of required internal capital on the basis of the present situation;
- an additional amount, if the excess of “free” internal capital, defined as the difference between available funds and the required internal capital decreases in the scenario based on three years’ forecasts of the further development of Kredyt Bank S.A. Capital Group. This additional amount should secure the excess of free internal capital against its full use.

33. Discontinued operations

The Group did not carry out operations which were discontinued in the first half of 2011 or in 2010.

34. Related party transactions

In the first half of 2011 and in 2010, there were no significant non-standard transactions with related parties whose nature and terms were not related to current operations. All transactions were concluded on market terms, without any exceptional or non-standard terms or conditions.

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

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

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

*including Warta Group

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2011
Amounts due to banks	0	8 487 860	3 082 421	11 570 281
Derivatives	0	126 560	8 437	134 997
Amounts due to customers	29 481	0	1 375 462	1 404 943
Subordinated liabilities	0	947 298	0	947 298
Other liabilities	0	1 586	7 325	8 911
Total liabilities	**29 481**	**9 563 304**	**4 473 645**	**14 066 430**

*including Warta Group

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2011
Granted financing liabilities	0	0	240 150	240 150
Guarantees granted	0	218 661	106 157	324 818
Received financing liabilities	0	738 324	0	738 324
Guarantees received	0	778 269	49 371	827 640
Derivatives	0	21 147 427	2 044 829	23 192 256
Securities received	0	0	1 400	1 400
Total off-balance sheet items	**0**	**22 882 681**	**2 441 907**	**25 324 588**

*including Warta Group

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for the first half of 2011
Interest income	0	6 334	883	7 217
Commission income	8 642	123	25 979	34 744
Other operating income	16	8	5 643	5 667
Total income	**8 658**	**6 465**	**32 505**	**47 628**

*including Warta Group

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for the first half of 2011
Interest expense	545	47 166	33 293	81 004
Commission expense	0	207	-9 965	-9 758
Net trading income	-34	124 288	-904	123 350
General and administrative expenses, and other operating expenses	0	1 399	18 000	19 399
Total expenses	**511**	**173 060**	**40 424**	**213 995**

*including Warta Group

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

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2010
Granted financing liabilities	0	0	240 150	240 150
Guarantees granted	0	219 376	152 992	372 368
Received financing liabilities	0	977 267	0	977 267
Guarantees received	0	875 070	116 196	991 266
Derivatives	0	12 094 379	2 559 963	14 654 342
Total off-balance sheet items	**0**	**14 166 092**	**3 069 301**	**17 235 393**

*including Warta Group

As at 30.06.2010 ***non-audited***

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2010
Loans and advances to banks	0	10 385	339	10 724
Derivatives	0	82 404	15 701	98 105
Other assets	644	72	9 304	10 020
Total assets	**644**	**92 861**	**25 344**	**118 849**

*including Warta Group

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2010
Amounts due to banks	0	8 521 337	2 904 453	11 425 790
Derivatives	0	219 507	36 181	255 688
Amounts due to customers	8 357	0	1 494 770	1 503 127
Subordinated liabilities	0	903 162	0	903 162
Other liabilities	0	2 760	24 839	27 599
Total liabilities	**8 357**	**9 646 766**	**4 460 243**	**14 115 366**

*including Warta Group

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2010
Granted financing liabilities	0	0	242 150	242 150
Guarantees granted	0	437 507	35 999	473 506
Received financing liabilities	0	568	0	568
Guarantees received	0	924 698	169 939	1 094 637
Derivatives	0	14 893 509	4 915 854	19 809 363
Total off-balance sheet items	**0**	**16 256 282**	**5 363 942**	**21 620 224**

*including Warta Group

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for the first half of 2010
Interest income	0	8 293	252	8 545
Commission income	6 313	152	21 215	27 680
Other operating income	36	44	4 238	4 318
Total income	**6 349**	**8 489**	**25 705**	**40 543**

*including Warta Group

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for the first half of 2010
Interest expense	229	37 404	13 405	51 038
Commission expense	0	88	-9 927	-9 839
Net trading income	-106	94 757	-6 419	88 232
General and administrative expenses	0	2 239	16 191	18 430
Total expenses	**123**	**134 488**	**13 250**	**147 861**

*including Warta Group

35. Remunerations of the Members of the Management Board and of the Supervisory Board of Kredyt Bank S.A. and of the Group's companies

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

Bank's Management Board *in PLN '000'*	**01.01.2011-30.06.2011** non-audited	**01.01.2010-31.12.2010**	**01.01.2010-30.06.2010** non-audited
Basic remunerations	3 501	6 125	3 089
Bonuses*	869	0	0
Other benefits	374	2 399	1 335
Severance pays	1 546	0	0
Total	**6 290**	**8 524**	**4 424**

*partial payment of bonuses for 2010

Bank's Supervisory Board *in PLN '000'*	**01.01.2011-30.06.2011** non-audited	**01.01.2010-31.12.2010**	**01.01.2010-30.06.2010** non-audited
Basic remunerations and other benefits	501	1 198	711
Total	**501**	**1 198**	**711**

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

Management Boards of the Group's companies *in PLN '000'*	**01.01.2011-30.06.2011** non-audited	**01.01.2010-31.12.2010**	**01.01.2010-30.06.2010** non-audited
Reliz Sp. z o.o.	248	225	128
Kredyt Lease S.A.	837	1 108	572
Kredyt Trade Sp. z o.o.	341	473	246
BFI Sp. z o.o.	13	26	13
Net Fund Administration Sp. z o.o. (01.01.2010-31.03.2010)	-	60	60
Lizar Sp. z o.o.	0	0	0
Total	**1 439**	**1 892**	**1 019**

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

Benefit *in PLN '000'*	**01.01.2011-30.06.2011** non-audited	**01.01.2010-31.12.2010**	**01.01.2010-30.06.2010** non-audited
Short-term employee benefits	5 245	9 706	5 135
Benefits paid after employment termination	0	16	0
Severance pays	1 546	0	0
Total	**6 791**	**9 722**	**5 135**

In the first half of 2011 and in 2010, the Members of the Bank's Management Board and of the Bank's Supervisory Board did not receive remuneration for performing their functions in subsidiaries.

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

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

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

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

As at 31.12.2010, the receivables related to loans and cash loans extended by the Bank amounted to PLN 262,500 thousand for the Bank's employees. As at 31.12.2010, there were no receivables from the Members of the Bank's Management Board and of the Bank's Supervisory Board.

As at 30.06.2010, the receivables related to loans and cash loans extended by the Bank amounted to PLN 251,053 thousand for the Bank's employees. As at 30.06.2011, there were no receivables from the Members of the Bank's Management Board and of the Bank's Supervisory Board.

As at 30.06.2011, past due debts of employees amounted to PLN 444 thousand.

The Members of the Bank's Management Board and the Members of the Bank's Supervisory Board did not borrow any loans and advances from subsidiaries.

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

37. Disposal of subordinated companies

No subordinated companies were sold in the first half of 2011.

On 1.04.2010, the Bank sold:

- to KBC TFI S.A., 970 shares in Net Fund Administration Sp. z o.o. (former Net Banking Sp. z o.o.);
- to PTE WARTA S.A., 1,868 shares in Net Fund Administration Sp. z o.o. (former Net Banking Sp. z o.o.).

As a result, the Bank sold all its shares held in Net Fund Administration Sp. z o.o.

In addition, the Bank's subsidiary, Kredyt Trade Sp. z o.o., sold, on 1.04.2010, to PTE WARTA S.A., one share held by it in Net Fund Administration Sp. z o.o.

No other subordinated companies were sold in 2010.

38. Seasonality and cyclical nature of operations

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

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

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

40. Dividends paid and declared

Pursuant to the Resolution of the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. concerning the distribution of profit for 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.

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

In the first half 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 the defendant.

- Two court proceedings regarding a credit granted to Laboratorium Frakcjonowania Osocza Sp. z o.o. in Mielec ('LFO'). The Bank is the leader of the syndicate of five banks, which, under the agreement of 4.03.1997, granted a syndicated loan to LFO. The loan was secured by, among others, a registered pledge on the company's property, plant and equipment and the surety of the State Treasury up to 60% of the drawn amount of the loan and accrued interest. As the investment project for which the loan was extended had not been completed and the dates of the payment of commitments had not been met, the Bank, representing the syndicate, terminated the agreement under its terms and conditions and called LFO to pay claims.

- The State Treasury requested for determination whether the syndicated loan agreement concluded between LFO and the syndicate of five banks had expired on 28.02.1998 as a result of the occurrence of a contractual condition, and, as a result, the commitment of the State Treasury as the guarantor of the loan under the guarantor's agreement had expired as well. The State Treasury is represented by the General Public Prosecutor's Office of the State Treasury. Experts' opinions and auxiliary opinions were prepared and additional witnesses were questioned. In the first quarter of 2007, the State Treasury changed the lawsuit and claimed PLN 8,207 thousand including interest. The parties exchanged pleadings. In the fourth quarter of 2008, the court requested the Bank to submit documents concerning the debt collection process carried out against the State Treasury on the basis of a banking executory title with the enforceability clause. The Bank delivered the required documents to the court. 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. The Bank's attorney will submit a respective pleading by 20.08.2011.

- 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 first half of 2011, there were no developments as regards the said proceedings.

- A trustee in bankruptcy of a company operating in the real estate developing sector (the name of the company is subject to confidentiality application) claims for payment of indemnity of PLN 32,256 thousand by the reason of effecting by the Bank of financial orders from the company's account on the basis of bank transfers orders and checks bearing a forged signature of one of the persons authorized to represent the company in dealings with the Bank. At the hearing on 21.11.2006, the plaintiff limited its claim for interest. The total amount claimed by the plaintiff equals PLN 20,665 thousand. On 20.03.2007, the court announced its decision and claimed the whole disputed amount with interest from the Bank. Having received the justification of the judgment, the Bank lodged the appeal and requested to summon the member of the company's management board who had forged signatures. By the judgment of 8.04.2008, the appeal court overruled the judgment of the court of first instance (in the judgment, the court stated that the limitation of claims for damages by lapse of time had not been examined) and referred the case to the circuit court to be re-examined. The first hearing at which the positions of the parties were established was held on 25.07.2008. At the hearing on 3.07.2009, the court continued the examination of the facts concerning the original bank transfer orders. At the hearing held on 30.12.2009, the court dismissed the lawsuit of the trustee in bankruptcy, adjudging for the Bank the reimbursement of the costs of the proceedings, including the costs of legal representation. The trustee in bankruptcy appealed against the above decision. The Bank filed the response to the trustee in bankruptcy's appeal. On 9.11.2010, the circuit court dismissed the appeal of the trustee in bankruptcy, taking the decision in favour of the Bank. The deadline for making the last resort appeal expired without effect on 21.05.2011, hence the case was officially terminated.

- 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:

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

  The decision was to be enforced immediately as regards the order to discontinue the practice of joint determination of the intercharge fee rate. On 17.01.2006 and 19.01.2007, appeals against Decision No. DAR 15/2006 of the President of the Office for Competition and Customer Protection were made on behalf of HSBC Bank Polska 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 the Polish Organization of Commerce and Distribution (‘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 first half 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 fourth quarter of 2009, the Bank’s legal advisor analysed the potential claims and the claims under court proceedings brought by MZH against BC 2000 which, if upheld, could be satisfied from ‘Altus’ real property which belongs to Reliz. In the opinion of the Bank’s legal advisor, a part of potential claims is prescribed. 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.

  Upon the request of MZH, the court debt collector, on the basis of the valid decision of the appeal court of 13.04.2011, initiated enforcement proceedings against the real estate on which ‘Altus’ building has been erected. Both Reliz and the Bank submitted a number of procedural motions (including suits for discontinuance of enforcement in civil proceedings and the motions to dismiss enforcement proceedings). At present, all these proceedings were not terminated with valid decisions of competent courts. Upon the Bank’s request, on 26.07.2011, the circuit court in Katowice suspended the said enforcement proceedings by the time of examining the motions of Reliz and of the Bank.

- The plaintiff claims damages from Kredyt Bank S.A. and HSBC Bank Polska S.A. of PLN 20 million and PLN 10 million as the satisfaction of the claim. In the justification of the lawsuit, the plaintiff claims that Prosper Bank S.A. (now HSBC Bank Polska S.A.), acting under the cooperation agreement concluded with a leasing company, wrote a bill of exchange which secured the agreement, and further lodged a lawsuit against this company and the plaintiff in the proceedings by writ of payment for this bill of exchange and obtained the order for payment. In the plaintiff's opinion, Prosper Bank violated the agreement, wrote the bill of exchange incorrectly and lodged a completely unjustified lawsuit. The plaintiff claims that the order for payment issued by the district court on 11.01.1999 resulted in the loss of his property and his detriment amounting to PLN 30 million. Kredyt Bank submitted a reply to the lawsuit on its own and HSBC's behalf. 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.
- 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. The Supreme Court will settle the plaint.
- On 23.12.2010, a plaintiff filed a lawsuit against Kredyt Bank S.A. questioning the validity of the settlements of option transactions made between July 2008 and August 2009. The plaintiff claims and accuses the Bank of, inter alia, unauthorized financial advisory and persuading him to make the transactions, the failure to exercise due diligence, the contradiction between the option transaction structure and the hedging function of such transactions. On 30.12.2010, the circuit court in Gliwice issued an order for the Bank, delivered to the Bank on 13.01.2011, to pay the claimed amount to the plaintiff. The Bank's attorneys 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. The first hearing has already taken place, and the date of the next hearing was set for September 2011.
- 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, inter alia, 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 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.

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

As of 30.06.2011, the Bank issued guarantees with the total value of at least 10% of the Bank's equity, to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 451,598 thousand.

As of 31.12.2010, the Bank issued guarantees with the total value of at least 10% of the Bank's equity, to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 456,494 thousand.

As of 30.06.2010, the Bank issued guarantees with the total value of at least 10% of the Bank's equity, to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 334,302 thousand.

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

43. 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 25.05.2011, the Bank's Management Board was notified of the resignation, submitted to the Chairman of the Supervisory Board of Kredyt Bank S.A., by Mr. Dirk Mampaey from the membership in the Supervisory Board, as from 25.05.2011, due to other professional obligations.

Furthermore, due to the adoption on 25.05.2011 by the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. of Resolution No. 29/2011 concerning changes in the composition of the Supervisory Board of Kredyt Bank S.A., the Bank's Management Board informed that the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. had appointed Mr. Guy Libot as a member of the Bank's Supervisory Board as from 25.05.2011.

The Supervisory Board of Kredyt Bank S.A., at its meeting on 25.05.2011, appointed the Bank's Management Board for a new term of office.

Maciej Bardan was appointed the President of the Management Board of Kredyt Bank S.A.

The following persons were appointed Vice Presidents of the Bank's Management Board:

- from 25 May 2011:

  Umberto Arts

  Zbigniew Kudaś

  Piotr Sztrauch

  Jerzy Śledziewski

- from 1 July 2011:

  Mariusz Kaczmarek.

Gert Rammeloo and Krzysztof Kokot, who were members of the previous Management Board, were not appointed for the new term of office.

On 26.04.2011, the Management Board of Kredyt Bank S.A. informed that on that day the Bank and BEST III Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ('Best III NSFIZ') with BEST Towarzystwo Funduszy Inwestycyjnych S.A. acting on its behalf, had concluded the agreement on the sale of debt ('Agreement').

The agreement provides for the sale of retail debts portfolio of Kredyt Bank S.A. ('Portfolio') which includes 423,849 receivables with the total nominal value as of 31.03.2011 equal to PLN 1,169.7

million. The net carrying amount of the Portfolio in the books of Kredyt Bank S.A. as of 31.03.2011, having regard for the reversal of impairment losses, amounted to PLN 137.2 million.

Pursuant to the Agreement, the transfer of the Portfolio was to take place in two parts, including: Receivables Batch A, which was to be transferred to BEST III NSFIZ until 31.05.2011, and Receivables Batch B, which is to be transferred to BEST III NSFIZ until 26.10.2011.

On 31.05.2011, Receivables Batch A was transferred to BEST III Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ('BEST III NSFIZ') in relation to the payment by BEST III NSFIZ of the amount on account of the final price.

The final price for the Portfolio was decreased by the sum of all the inflows received by Kredyt Bank S.A. due to the partial or total repayment of the receivables included in the Portfolio in the period from 1.04.2011 until the day preceding the transfer day for each batch.

The positive impact of the transaction upon the net result of Kredyt Bank S.A. Capital Group for the first half of 2011, on the basis of the data available as at 30.06.2011, amounts to PLN 63,483 thousand.

The impact of the above transaction upon particular categories of the consolidated income statement of the Group for the first half of 2011 is presented in the table below.

in PLN '000'

Net interest income	-4 313
Net impairment losses on financial assets, other assets and provisions	84 964*
Profit before tax	80 651
Income tax expense	-17 168
Net profit	**63 483**

*includes PLN 4,000 thousand of transaction-related costs, which affect the estimates of the recoveries from the portfolio of sold loans

The sold receivables and corresponding impairment losses were derecognised from the Bank's balance sheet on the date of signing the agreement, as, from this day, pursuant to IAS 39, all the substantial risks and rewards related to these assets are transferred upon the buyer.

In February 2011, the Bank signed two credit lines agreements with the European Investment Bank under which it obtained EUR 150 million of long-term financing. The Bank will allocate all the funds to provide attractive financing in the form of loans, leasing and municipal bonds to entrepreneurs and local government units. Details of the signed agreements are presented in the current report dated 09.02.2011.

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

44. Events after the reporting period

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.

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

45. Non-typical factors and events

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

46. 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.

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

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

- currency risk; on the one hand, a significant depreciation of PLN (especially against CHF) resulting from the increase in the aversion to risk on financial markets, which may result in lower quality of mortgage loans; and, on the other hand, a significant appreciation of PLN resulting in the worse situation of exporters and, hence, a possible deterioration of the quality of the loans portfolio of institutional customers;
- increased uncertainty as regards the perspectives for the global economic growth (mainly for Poland's major business partners) and, hence, for the growth rate of the Polish economy and the situation on the labour market in the years to come;
- 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;
- the impact of the implementation of new recommendations/regulations of the Polish Financial Supervision Authority upon the rate of the development of the portfolio of mortgage loans and its profitability;

- 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;
- changes in market interest rates and margins for banking products.

48. Risk management in Kredyt Bank S.A. Capital Group

On 8.02.2011, the Bank's Management Board appointed the Risk and Capital Committee which replaced the following existing committees: the Credit Risk Committee, the Assets and Liabilities Management Committee, and the Operational Risk Committee. The new Committee will be a forum for the integrated review of all types of risk and capital management. It supports the Bank's Management Board in the area of risk and capital management, control and monitoring.

Below, we are describing changes in the approach towards the management of credit risk, liquidity risk and operational risk introduced in the first half of 2011. As regards other types of risk the Group is exposed to, i.e. the market risk in trade and ALM risk, the approach has not changed much as compared to the situation described in the consolidated financial statements of the Group as at 31.12.2010.

48.1. Credit risk

In the first half of 2011, the Group introduced, as regards credit exposures, modifications in response to the general macroeconomic situation in Poland and the regulatory environment in order to maintain the level of the Bank's credit risk at an acceptable level.

As regards retail exposures, the major modifications in the lending policy included:

- adjustment of the lending policy to the requirements of the T-Recommendation;
- gradual adjustment of the lending policy to the requirements of the new S-Recommendation;
- introduction of additional insurance in order to diminish the risk of mortgage loans granted to the customers who do not possess their own sufficient funds;
- changes in the offer of mortgage loans increasing the Bank's competitiveness on the market, having regard for the defined level of the risk appetite;
- changes in the Bank's organisational structure which involved the centralization of the process of granting mortgage loans with a view to increase the effectiveness and enhance the quality of the lending process.

Simultaneously, as regards the credit risk, its measurement and monitoring, the Group:

- enhanced the quality of reporting through the expansion of the reports on the portfolio of mortgage loans;
- adjusted the monitoring of the Bank's internal limits for retail loans to the requirements of the T - Recommendation, having regard for the defined level of the risk appetite.

As regards non-retail exposures, the main changes included:

- changes in the Bank's organisational structure which involved the centralization of the lending process for SMEs which keep integrated accounts with a view to increase the effectiveness and enhance the quality of the process;
- adjustment of the parameters of acceptance and lending to business requirements having regard for the defined level of risk appetite;

- adjustment of the lending policy for the customers operating in specific industries to the changing market situation.

At the same time, the stricter policy concerning the financing of hotels and commercial real properties has been continued.

As regards credit risk, its measurement and monitoring, the main activities included the improvement of the reporting quality, also through the expansion of the scope of the management information for the portfolio of the loans financing commercial real properties.

48.2. Market and liquidity risk

As regards the market risk in the first half of 2011, the Bank:

- undertook works on the estimation of the level of liquidity measures according to the principles adopted in December 2010 by the Basel Committee (the LCR and the NSFR);
- updated the policy governing the process of the management of the market, ALM and liquidity risk.

48.3. Operational risk

In the first half of 2011, the Group expanded and improved the operational risk management system through:

- updating the internal regulations concerning:

  - the methodology of Risk Self Assessment - RSA;

  - the methodology concerning potentially lost income;

  - business continuity management;

  - the rules of the functioning of the Bank's Crisis Committee;
- carrying out operating tests for selected IT systems supporting critical processes.

These interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group were approved by the Management Board of Kredyt Bank S.A. on 09.08.2011.

Signatures of all Management Board Members

date	09.08.2011	Maciej Bardan	President of the Management Board	....
date	09.08.2011	Piotr Sztrauch	Vice President of the Management Board	....
date	09.08.2011	Umberto Arts	Vice President of the Management Board	....
date	09.08.2011	Mariusz Kaczmarek	Vice President of the Management Board	....
date	09.08.2011	Zbigniew Kudaś	Vice President of the Management Board	....
date	09.08.2011	Jerzy Śledziewski	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	09.08.2011	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....

II. Interim condensed standalone financial statements

1. Income Statement

in PLN '000'	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
Interest income	602 076	1 149 277	521 468	1 016 847
Interest expense	-310 987	-581 607	-279 677	-536 450
Net interest income	**291 089**	**567 670**	**241 791**	**480 397**
Fee and commission income	105 547	206 763	99 220	200 819
Fee and commission expense	-24 432	-45 670	-23 123	-44 476
Net fee and commission income	**81 115**	**161 093**	**76 097**	**156 343**
Dividend income	3 948	3 953	6 584	6 837
Net trading income	11 059	31 081	31 978	54 902
Net result on derivatives used as hedged items and hedging instruments	-273	-431	81	596
Net gains from investment activities	295	405	30	3 685
Other operating income	29 725	44 432	10 274	23 732
Total operating income	**416 958**	**808 203**	**366 835**	**726 492**
General and administrative expenses	-246 031	-469 596	-218 382	-434 471
Other operating expenses	-11 137	-23 507	-10 532	-18 845
Total operating expenses	**-257 168**	**-493 103**	**-228 914**	**-453 316**
Net impairment losses on financial assets, other assets and provisions	-44 593	-31 576	-139 182	-225 254
Net operating income	**115 197**	**283 524**	**-1 261**	**47 922**
Profit before tax	**115 197**	**283 524**	**-1 261**	**47 922**
Income tax expense	-29 804	-71 357	-2 599	-14 194
Net profit from continued operations	**85 393**	**212 167**	**-3 860**	**33 728**
Net profit from discontinued operations	0	0	0	0
Net profit	**85 393**	**212 167**	**-3 860**	**33 728**

Income statement should be analysed together with notes which form an integral part of these interim condensed financial statements

2. Statement of Comprehensive Income

in PLN '000'	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
Net profit (loss) for the period	**85 393**	**212 167**	**-3 860**	**33 728**
Other comprehensive income				
Valuation of financial assets available-for-sale	51 459	10 571	-41 210	44 295
- including deferred tax	-12 071	-2 479	9 668	-10 389
Effects of valuation of derivatives designated for cash flow hedge	5 796	-4 271	-537	21 228
- including deferred tax	-1 359	1 001	125	-4 980
Other comprehensive income (loss) recognized directly in equity	**57 255**	**6 300**	**-41 747**	**65 523**
Total comprehensive income (loss)	**142 648**	**218 467**	**-45 607**	**99 251**
Including:				
attributable to the Shareholders of the Bank	**142 648**	**218 467**	**-45 607**	**99 251**

3. Balance Sheet

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Assets			
Cash and balances with Central Bank	1 136 785	1 943 571	1 441 057
Gross loans and advances to banks	1 246 481	1 466 249	1 216 184
Impairment losses on loans and advances to banks	0	-2 260	-2 260
Receivables arising from repurchase transactions	0	87 218	0
Financial assets designated upon initial recognition as at fair value through profit or loss	93 434	98 849	104 201
Held-for-trading financial assets (excluding derivatives)	2 371 250	1 601 283	1 590 660
Derivatives including:	382 244	463 159	591 221
- derivatives used as hedging instruments	69 144	74 340	89 227
Gross loans and advances to customers	28 390 111	28 901 536	28 654 186
Impairment losses on loans and advances to customers	-1 233 802	-1 875 759	-1 744 445
Investment securities:	10 693 138	9 464 547	9 371 825
- available-for-sale	7 339 038	6 216 768	6 883 512
- held-to-maturity	3 354 100	3 247 779	2 488 313
Investments in subsidiaries and jointly controlled entities	64 626	64 626	64 576
Property, plant and equipment	264 119	291 922	327 991
Intangible assets	56 470	51 827	47 860
Deferred tax asset	267 267	327 776	209 792
Current tax receivable	48 753	0	0
Non-current assets classified as held for sale	2 080	7 070	0
Investment properties	17 732	18 217	20 544
Other assets	118 548	90 424	100 276
Total assets	**43 919 236**	**43 000 255**	**41 993 668**

Balance Sheet (cont.)

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Liabilities			
Amounts due to Central Bank	2	6	6
Amounts due to banks	11 456 556	11 771 404	11 414 472
Liabilities arising from repurchase transactions	1 406 593	228 693	128 561
Derivatives, including:	652 612	1 131 078	743 927
- derivatives used as hedging instruments	204	1 274	0
Amounts due to customers	26 203 964	25 710 004	25 705 578
Current tax liability	0	152 959	41 692
Provisions	52 347	70 878	39 180
Deferred tax liability	0	0	0
Other liabilities	264 668	206 890	265 540
Subordinated liabilities	947 298	911 100	903 162
Total liabilities	**40 984 040**	**40 183 012**	**39 242 118**

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Equity			
Share capital	1 358 294	1 358 294	1 358 294
Supplementary capital	898 072	887 347	887 347
Revaluation reserve	65 721	59 421	71 239
Reserves	400 942	400 942	400 942
Current net profit (loss) attributable to the Shareholders of the Bank	212 167	111 239	33 728
Total equity	**2 935 196**	**2 817 243**	**2 751 550**
Total equity and liabilities	**43 919 236**	**43 000 255**	**41 993 668**

4. Off-balance Sheet Items

in PLN '000'	**30.06.2011** non-audited	**31.12.2010**	**30.06.2010** non-audited
Liabilities granted and received			
Liabilities granted	**5 757 135**	**6 224 202**	**6 100 222**
- financial	3 676 045	4 153 019	4 208 561
- guarantees	2 081 090	2 071 183	1 891 661
Liabilities received	**1 741 199**	**2 129 702**	**1 241 526**
- financial	836 424	1 051 341	56 103
- guarantees	904 775	1 078 361	1 185 423
Liabilities related to the sale/purchase transactions	**179 305 684**	**134 779 591**	**175 348 397**
Other	**8 147 621**	**7 353 944**	**6 989 484**
- collateral received	8 147 621	7 353 944	6 989 484

5. Statement of Changes in Equity

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

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (loss)	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			13 050				13 050
Effects of valuation of derivatives designated for cash flow hedge			-5 272				-5 272
Deferred tax on items recognized in equity			-1 478				-1 478
Net profit (loss) recognized directly in the equity			**6 300**				**6 300**
Net profit (loss) for the period						212 167	212 167
Total comprehensive income (loss)			**6 300**			**212 167**	**218 467**
Profit allowance		10 725			-10 725		0
Dividend payment					-100 514		-100 514
Equity at end of period – as of 30.06.2011	**1 358 294**	**898 072**	**65 721**	**400 942**	**0**	**212 167**	**2 935 196**

The statement of changes in equity should be analysed together with notes which form an integral part of these interim condensed financial statements

Changes in the period 01.01.2010-31.12.2010

in PLN '000'	**Share capital**	**Supplementary capital**	**Revaluation reserve**	**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			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 (loss)			**53 705**			**111 239**	**164 944**
Profit allowance		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 01.01.2010-30.06.2010 ***non-audited***

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	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			54 684				54 684
Effects of valuation of derivatives designated for cash flow hedge			26 208				26 208
Deferred tax on items recognized in equity			-15 369				-15 369
Net profit (loss) recognized directly in the equity			**65 523**				**65 523**
Net profit (loss) for the period						33 728	33 728
Total comprehensive income (loss)			**65 523**			**33 728**	**99 251**
Profit allowance		105 301		60 000	-165 301		0
Equity at end of period – as of 30.06.2010	**1 358 294**	**887 347**	**71 239**	**400 942**	**0**	**33 728**	**2 751 550**

6. Cash Flow Statement

in PLN '000'	2nd quarter of 2011 01.04.2011 - 30.06.2011 non-audited	Two quarters of 2011 01.01.2011 - 30.06.2011 non-audited	2nd quarter of 2010 01.04.2010 - 30.06.2010 non-audited	Two quarters of 2010 01.01.2010 - 30.06.2010 non-audited
Cash flow from operating activities				
Net profit (loss)	**85 393**	**212 167**	**-3 860**	**33 728**
Adjustments to net profit (loss) and net cash from operating activities:	**-2 053 924**	**-599 192**	**1 186 756**	**2 499 597**
Current and deferred tax recognized in financial result	29 804	71 357	2 599	14 194
Non-realised profit (loss) from currency translation differences	79 524	60 379	44 279	-15 449
Depreciation	21 546	43 002	22 796	46 542
Net increase/decrease in impairment	-628 989	-644 688	128 255	199 008
Dividends	-3 948	-3 953	-6 584	-6 837
Interest	22 809	-64 690	30 083	-25 586
Net increase/decrease in provisions	-14 322	-18 531	10 163	7 771
Profit (loss) on disposal of investments	-287	-2 760	-327	-3 534
Net increase/decrease in assets (excluding cash)	**1 227 928**	**-164 185**	**-2 178 077**	**-1 234 601**
Net increase/decrease in loans and advances to banks	-19 080	-8 559	-941 382	-915 857
Net increase/decrease in financial assets designated upon initial recognition as at fair value through profit or loss	5 367	5 415	-1 560	32 635
Net increase/decrease financial assets held for trading	42 807	-772 168	-372 391	-339 890
Valuation of derivatives (except for derivatives used as hedging instruments)	-8 836	75 719	27 602	13 675
Net increase/decrease in receivables arising from repurchase transactions	815 350	87 218	32 235	331 875
Net increase/decrease in gross loans and advances to customers	429 881	511 425	-1 916 497	-1 341 719
Net increase/decrease in current tax receivable	-30 318	-48 753	18 638	0
Net increase/decrease in other assets	-7 243	-14 482	975 278	984 680
Net increase/decrease in liabilities	**-2 787 989**	**124 877**	**3 133 569**	**3 518 089**
Net increase/decrease in amounts due to Central Bank	0	-4	-207 991	-1 321 796
Net increase/decrease in amounts due to banks	-649 186	-333 240	2 155 019	1 378 401
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)	-457 737	-477 396	167 490	206 025
Net increase/decrease in financial liabilities held for trading (excluding derivatives)	-9 999	0	0	0
Net increase/decrease in amounts due to customers	-1 181 132	-136 083	1 048 340	3 086 783
Net increase/decrease in liabilities arising from repurchase transactions	-469 893	1 177 900	-18 312	128 561
Net increase/decrease in other liabilities	-23 420	59 105	2 298	90 538
Paid/received income tax	3 378	-165 405	-13 275	-50 423
Net cash flow from operating activities	**-1 968 531**	**-387 025**	**1 182 896**	**2 533 325**

in PLN '000'	**2nd quarter of 2011 01.04.2011 - 30.06.2011** non-audited	**Two quarters of 2011 01.01.2011 - 30.06.2011** non-audited	**2nd quarter of 2010 01.04.2010 - 30.06.2010** non-audited	**Two quarters of 2010 01.01.2010 - 30.06.2010** non-audited
Cash flow from investing activities				
Inflows	**36 980 129**	**51 504 362**	**24 194 755**	**28 433 726**
Disposal of property, plant and equipment, intangible assets and investment properties	519	991	-898	33
Disposal of interests in equity investments	0	0	1 449	1 449
Disposal of investment securities	36 913 414	51 431 054	24 134 887	28 366 204
Dividends	3 948	3 953	6 584	6 837
Interest received	62 248	68 364	52 733	59 203
Outflows	**-35 743 809**	**-52 632 957**	**-24 484 418**	**-29 840 006**
Acquisition of property, plant and equipment, intangible assets and investment properties	-14 763	-25 943	-9 545	-20 832
Acquisition of interests in equity investments	0	0	0	0
Acquisition of investment securities	-35 729 046	-52 607 014	-24 474 873	-29 819 174
Net cash flow from investing activities	**1 236 320**	**-1 128 595**	**-289 663**	**-1 406 280**
Cash flow from financing activities				
Inflows	**630 164**	**630 164**	**96 970**	**96 970**
Proceeds from a subordinated loan	0	0	0	0
Proceeds from loans and advances	630 164	630 164	96 970	96 970
Outflows	**-125 536**	**-149 657**	**-820 798**	**-848 095**
Dividends	-100 514	-100 514	0	0
Repayment of loans and advances	-135	-135	-793 959	-793 959
Other financial outflows	-24 887	-49 008	-26 839	-54 136
Net cash flow from financing activities	**504 628**	**480 507**	**-723 828**	**-751 125**

Net increase/decrease in cash	**-227 583**	**-1 035 113**	**169 405**	**375 920**
Cash at the beginning of the period	**1 593 848**	**2 401 378**	**1 397 654**	**1 191 139**
Cash at the end of the period, including:	**1 366 265**	**1 366 265**	**1 567 059**	**1 567 059**
Restricted cash	1 142 118	1 142 118	897 837	897 837

Interest paid	233 006	415 762	243 973	399 535
Interest received	471 077	757 458	295 658	682 697

7. Basis of the preparation of the interim condensed standalone financial statements

Under Article 45 clause 1c of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2009, No. 152, item 1223) as amended ('the Act') and under the decision of the General Meeting of Shareholders of Kredyt Bank S.A. of 25.04.2005, starting from 01.01.2005, the standalone financial statements of Kredyt Bank S.A. 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.

These condensed financial statements of Kredyt Bank S.A. for the first half of 2011 ended on 30.06.2011 have been prepared in accordance with par. 83 clauses 3 and 4 of the Ordinance of the Minister of Finance of 19.02.2009 on current and interim information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2009, No. 33, item 259) and IAS 34 *Interim Financial Reporting*.

These interim condensed financial statements of the Bank were approved for publication by the Management Board of Kredyt Bank S.A. on 09.08.2011.

These financial statements for the first half of 2011 ended on 30.06.2011 were reviewed by the key certified auditor acting on behalf of the authorized entity, i.e. Ernst & Young Audit sp. z o.o. The review was performed in accordance with the Polish law and the National Financial Review Standards issued by the National Chamber of Statutory Auditors. The figures for the second quarter of 2011 and the second quarter of 2010 have not been reviewed or audited by a certified auditor.

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

These interim condensed financial statements were prepared based on the assumption that the Bank would remain going concern in the foreseeable future. As at the approval date of these financial statements, there are no circumstances which could threaten the continuation of the business of the Bank.
These interim condensed financial statements of the Bank do not cover all information and disclosures required in annual financial statements and should be read jointly with the financial statements of the Bank for the year ended on 31 December 2010.

8. Description of major applied accounting principles and material accounting estimates

The description of chief accounting principles and material accounting estimates applied in the Bank is identical to the description presented in Note I.9, except for the valuation of associates which, in the consolidated financial statements of the Group, are measured with the equity method.

9. Income and results by operating segments

The description of segments, the rules of their separation and items presented in the segmentation note have been given in Note I.10.

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

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Net interest income, including:	**161 863**	**72 412**	**72 146**	**-1 485**	**304 936**
- lending activities	123 882	44 963		-1 503	167 342
- depositing activities	40 997	29 729		18	70 744
- the cost of financing cash kept in the Bank's branches	-3 016	-2 280	5 296		0
Net commission income and other net income	**45 132**	**19 851**	**0**	**4 418**	**69 401**
- commissions related to the keeping of accounts and transactions	21 806	12 978		143	34 927
- commissions related to cards	17 862	1 624		-1 507	17 979
- commissions related to shares in investment funds societies	13 270	647		0	13 917
- commissions related to insurance products	-4 639	-9		-74	-4 722
- commissions related to foreign transactions	11	4 884		83	4 978
- other	-3 178	-273		5 773	2 322
Net income from treasury transactions	**11 326**	**12 120**	**-12 339**	**-461**	**10 646**
- exchange transactions	11 320	11 568	-6 948	-631	15 309
- derivatives and securities	6	552	-5 391	170	-4 663
Net gains from investment activities	**0**	**0**	**295**	**3 948**	**4 243**
Operating income before tax	**218 321**	**104 383**	**60 102**	**6 420**	**389 226**
Net impairment losses on financial assets, other assets and provisions	**-40 605**	**-11 291**	**0**	**8 582**	**-43 314**
Group's general and administrative expenses, including:	**-172 106**	**-47 948**	**-10 661**	**0**	**-230 715**
- the costs of the operation of business functions (direct expenses)	-111 223	-32 987	-7 010	-57 949	-209 169
- allocated expenses	-43 211	-12 118	-2 620	57 949	0
- depreciation (direct expenses)	-11 121	-1 017	-626	-8 782	-21 546
- depreciation (allocated expenses)	-6 551	-1 826	-405	8 782	0
Net operating income	**5 610**	**45 144**	**49 441**	**15 002**	**115 197**
Income tax expense					-29 804
Net profit (loss)					**85 393**

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

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Net interest income, including:	**312 522**	**139 124**	**142 296**	**-2 173**	**591 769**
- lending activities	240 688	86 582		-2 207	325 063
- depositing activities	77 383	56 676		34	134 093
- the cost of financing cash kept in the Bank's branches	-5 549	-4 134	9 683		0
Net commission income and other net income	**86 960**	**46 597**	**0**	**13 430**	**146 987**
- commissions related to the keeping of accounts and transactions	43 428	25 612		282	69 322
- commissions related to cards	35 512	2 795		-583	37 724
- commissions related to shares in investment funds societies	25 930	1 378		0	27 308
- commissions related to insurance products	-9 865	-67		-34	-9 966
- commissions related to foreign transactions	20	9 916		173	10 109
- other	-8 065	6 963		13 592	12 490
Net income from treasury transactions	**20 353**	**22 953**	**-17 935**	**-146**	**25 225**
- exchange transactions	20 340	21 790	-5 537	-265	36 328
- derivatives and securities	13	1 163	-12 398	119	-11 103
Net gains from investment activities	**0**	**0**	**405**	**3 953**	**4 358**
Operating income before tax	**419 835**	**208 674**	**124 766**	**15 064**	**768 339**
Net impairment losses on financial assets, other assets and provisions	**-31 929**	**-5 850**	**0**	**7 244**	**-30 535**
Group's general and administrative expenses, including:	**-339 327**	**-92 443**	**-22 510**	**0**	**-454 280**
- the costs of the operation of business functions (direct expenses)	-206 031	-60 450	-13 902	-130 895	-411 278
- allocated expenses	-97 773	-26 636	-6 486	130 895	0
- depreciation (direct expenses)	-22 484	-1 805	-1 257	-17 456	-43 002
- depreciation (allocated expenses)	-13 039	-3 552	-865	17 456	0
Net operating income	**48 579**	**110 381**	**102 256**	**22 308**	**283 524**
Income tax expense					-71 357
Net profit (loss)					**212 167**

The Bank's net result for the second quarter of 2010 by business segments (breakdown according to management reporting) non-audited

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Net interest income, including:	**146 569**	**69 835**	**37 276**	**-1 121**	**252 559**
- lending activities	120 249	46 238		-1 140	165 347
- depositing activities	28 709	25 471		19	54 199
- the cost of financing cash kept in the Bank's branches	-2 389	-1 874	4 263		0
Net commission income and other net income	**42 700**	**24 337**	**0**	**-715**	**66 322**
- commissions related to the keeping of accounts and transactions	21 151	12 415		259	33 825
- commissions related to cards	20 215	1 172		-969	20 418
- commissions related to shares in investment funds societies	8 462	704			9 166
- commissions related to insurance products	-2 847	-111			-2 958
- commissions related to foreign transactions	9	3 930		119	4 058
- other	-4 290	6 227		-124	1 813
Net income from treasury transactions	**13 346**	**11 993**	**8 688**	**689**	**34 716**
- exchange transactions	13 308	11 352	9 929	13	34 602
- derivatives and securities	38	641	-1 241	676	114
Net gains from investment activities			**30**	**6 584**	**6 614**
Operating income before tax	**202 615**	**106 165**	**45 994**	**5 437**	**360 211**
Net impairment losses on financial assets, other assets and provisions	**-91 901**	**-46 552**	**0**	**-4 637**	**-143 090**
Group's general and administrative expenses, including:	**-170 377**	**-40 127**	**-7 878**	**0**	**-218 382**
- the costs of the operation of business functions (direct expenses)	-100 838	-25 933	-4 652	-64 163	-195 586
- allocated expenses	-50 048	-11 773	-2 342	64 163	0
- depreciation (direct expenses)	-12 479	-769	-561	-8 987	-22 796
- depreciation (allocated expenses)	-7 012	-1 652	-323	8 987	0
Net operating income	**-59 663**	**19 486**	**38 116**	**800**	**-1 261**
Income tax expense					-2 599
Net profit (loss)					**-3 860**

The Bank's net result for the first half of 2010 by business segments (breakdown according to management reporting) non-audited

in PLN '000'	**Retail Segment**	**Enterprises Segment**	**Treasury Segment**	**Other**	**Total**
Net interest income, including:	**293 517**	**131 930**	**76 774**	**-1 740**	**500 481**
- lending activities	238 934	85 594		-1 775	322 753
- depositing activities	59 345	50 093		35	109 473
- the cost of financing cash kept in the Bank's branches	-4 762	-3 757	8 519		0
Net commission income and other net income	**95 673**	**46 031**	**0**	**337**	**142 041**
- commissions related to the keeping of accounts and transactions	42 503	24 647		595	67 745
- commissions related to cards	42 808	2 290		-3 679	41 419
- commissions related to shares in investment funds societies	20 230	1 352			21 582
- commissions related to insurance products	-5 775	-187			-5 962
- commissions related to foreign transactions	69	7 601		233	7 903
- other	-4 162	10 328		3 188	9 354
Net income from treasury transactions	**20 133**	**24 258**	**9 817**	**-454**	**53 754**
- exchange transactions	20 071	23 112	13 144	31	56 358
- derivatives and securities	62	1 146	-3 327	-485	-2 604
Net gains from investment activities			**3 684**	**6 838**	**10 522**
Operating income before tax	**409 323**	**202 219**	**90 275**	**4 981**	**706 798**
Net impairment losses on financial assets, other assets and provisions	**-172 731**	**-46 860**	**0**	**-4 814**	**-224 405**
Group's general and administrative expenses, including:	**-337 229**	**-77 123**	**-20 119**	**0**	**-434 471**
- the costs of the operation of business functions (direct expenses)	-200 281	-50 290	-12 369	-124 989	-387 929
- allocated expenses	-97 014	-22 187	-5 788	124 989	0
- depreciation (direct expenses)	-25 953	-1 449	-1 128	-18 012	-46 542
- depreciation (allocated expenses)	-13 981	-3 197	-834	18 012	0
Net operating income	**-100 637**	**78 236**	**70 156**	**167**	**47 922**
Income tax expense					-14 194
Net profit (loss)					**33 728**

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

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

The allocation of assets by business segments as at 31.12.2010

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Loans and advances to customers	19 569 183	7 358 146			26 927 329
Loans and advances to banks			1 463 279		1 463 279
Securities			11 164 679		11 164 679
Other			463 159	2 981 809	3 444 968
Total	**19 569 183**	**7 358 146**	**13 091 117**	**2 981 809**	**43 000 255**

The allocation of assets by business segments as at 30.06.2010 non-audited

in PLN '000'	Retail Segment	Enterprises Segment	Treasury Segment	Other	Total
Loans and advances to customers	18 970 318	7 843 215			26 813 533
Loans and advances to banks			1 177 260		1 177 260
Securities			11 066 686		11 066 686
Other			591 221	2 344 968	2 936 189
Total	**18 970 318**	**7 843 215**	**12 835 167**	**2 344 968**	**41 993 668**

Below, we are presenting the reconciliation of particular items with the income statement and assets contained in this report.

in PLN '000'	**01.04.2011-30.06.2011** non-audited
Net interest income – management information	**304 936**
- commissions on loans	12 418
+ operating expenses (interest on finance lease)	-190
+ operating income (the collection of statutory interest)	3 431
+ commissions related to foreign transactions	75
- structured deposit – interest adjustment	4 741
+ other	-4
Net interest income – financial statements	**291 089**
Net commission income and other net income – management information	**69 401**
+ commissions on loans	12 418
- operating expenses (interest on finance lease)	-190
- operating income (the collection of statutory interest)	3 431
- commissions related to foreign transactions	75
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-4 593
+ reversal of provisions related to incentive programmes	16 603
- other	-4
Net commission income and other net income – financial statements – presented as:	**99 703**
Net fee and commission income	81 115
Other operating income	29 725
Other operating expenses	-11 137
Net income from treasury transactions – management information	**10 646**
+ net increase/decrease in provisions for potential losses related to active derivatives	-8
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-4 593
+ structured deposit – interest adjustment	4 741
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**10 786**
Net trading income	11 059
Net result on derivatives used as hedging instruments and hedged items	-273
Net gains from investment activities – management information	**4 243**
Net gains from investment activities and dividend income – financial statements – presented as:	**4 243**
Net gains from investment activities	295
Dividend income	3 948
Operating income before tax – management information	**389 226**
+ net increase/decrease in provisions for potential losses related to active derivatives	-8
+ reversal of provisions related to incentive programmes	16 603
Operating income before tax – financial statements – presented as:	**405 821**
Total operating income	416 958
Other operating expenses	-11 137

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

Bank's general and administrative expenses - management information	**-230 715**
- write-downs related to provisions for restructuring/severance pays	-1 287
- reversal of provisions related to incentive programmes	16 603
Bank's general and administrative expenses - financial statements	**-246 031**

in PLN '000'	**01.01.2011-30.06.2011** non-audited
Net interest income – management information	**591 769**
- commissions on loans	23 457
+ operating expenses (interest on finance lease)	-416
+ operating income (the collection of statutory interest)	8 643
+ commissions related to foreign transactions	231
- structured deposit – interest adjustment	9 095
+ other	-5
Net interest income – financial statements	**567 670**
Net commission income and other net income – management information	**146 987**
+ commissions on loans	23 457
- operating expenses (interest on finance lease)	-416
- operating income (the collection of statutory interest)	8 643
- commissions related to foreign transactions	231
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 424
+ reversal of provisions related to incentive programmes	16 603
- other	-5
Net commission income and other net income – financial statements – presented as:	**182 018**
Net fee and commission income	161 093
Other operating income	44 432
Other operating expenses	-23 507
Net income from treasury transactions – management information	**25 225**
+ net increase/decrease in provisions for potential losses related to active derivatives	-246
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 424
+ structured deposit – interest adjustment	9 095
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**30 650**
Net trading income	31 081
Net result on derivatives used as hedging instruments and hedged items	-431
Net gains from investment activities – management information	**4 358**
Net gains from investment activities and dividend income – financial statements – presented as:	**4 358**
Net gains from investment activities	405
Dividend income	3 953

Operating income before tax – management information	**768 339**
+ net increase/decrease in provisions for potential losses related to active derivatives	-246
+ reversal of provisions related to incentive programmes	16 603
Operating income before tax – financial statements – presented as:	**784 696**
Total operating income	808 203
Other operating expenses	-23 507
Net impairment losses on financial assets, other assets and provisions – management information	**-30 535**
- net increase/decrease in provisions for potential losses related to active derivatives	-246
+ write-downs related to provisions for restructuring/severance pays	-1 287
Net impairment losses on financial assets, other assets and provisions – financial statements	**-31 576**
Bank's general and administrative expenses - management information	**-454 280**
- write-downs related to provisions for restructuring/severance pays	-1 287
- reversal of provisions related to incentive programmes	16 603
Bank's general and administrative expenses - financial statements	**-469 596**

in PLN '000'	**01.04.2010-30.06.2010** non-audited
Net interest income - management information	**252 559**
- commissions on loans	11 482
+ operating expenses (interest on finance lease)	-390
+ operating income (the collection of statutory interest)	2 624
+ commissions related to foreign transactions	95
- structured deposit – interest adjustment	1 630
+ other	15
Net interest income - financial statements	**241 791**
Net commission income and other net income - management information	**66 322**
+ commissions on loans	11 482
- operating expenses (interest on finance lease)	-390
- operating income (the collection of statutory interest)	2 624
- commissions related to foreign transactions	95
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 549
- reversal of provisions related to the sale of debt	3 170
- other	15
Net commission income and other net income - financial statements – presented as:	**75 839**
Net fee and commission income	76 097
Other operating income	10 274
Other operating expenses	-10 532

Net income from treasury transactions - management information	**34 716**
+ provision for potential losses related to active derivatives	-738
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 549
+ structured deposit – interest adjustment	1 630
Net trading income and net result on derivatives used as hedging instruments - financial statements – presented as:	**32 059**
Net trading income	31 978
Net result on derivatives used as hedging instruments and hedged items	81

Net gains from investment activities - management information	**6 614**
Net gains from investment activities and dividend income - financial statements – presented as:	**6 614**
Net gains from investment activities	30
Dividend income	6 584

Operating income before tax - management information	**360 211**
+ provision for potential losses related to active derivatives	-738
- reversal of provisions related to the sale of debt	3 170
Operating income before tax - financial statements – presented as:	**356 303**
Total operating income	366 835
Other operating expenses	-10 532

Net impairment losses on financial assets, other assets and provisions - management information	**-143 090**
- provision for potential losses related to active derivatives	-738
+ reversal of provisions related to the sale of debt	3 170
Net impairment losses on financial assets, other assets and provisions – financial statements	**-139 182**

in PLN '000'	**01.01.2010-30.06.2010** non-audited
Net interest income - management information	**500 481**
- commissions on loans	23 097
+ operating expenses (interest on finance lease)	-832
+ operating income (the collection of statutory interest)	5 279
+ commissions related to foreign transactions	156
- structured deposit – interest adjustment	1 630
+ other	40
Net interest income - financial statements	**480 397**

Net commission income and other net income - management information	**142 041**
+ commissions on loans	23 097
- operating expenses (interest on finance lease)	-832
- operating income (the collection of statutory interest)	5 279
- commissions related to foreign transactions	156
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 905
- reversal of provisions related to the sale of debt	3 170
- other	40
Net commission income and other net income - financial statements – presented as:	**161 230**
Net fee and commission income	156 343
Other operating income	23 732
Other operating expenses	-18 845

Net income from treasury transactions - management information	**53 754**
+ provision for potential losses related to active derivatives	4 019
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	-3 905
+ structured deposit – interest adjustment	1 630
Net trading income and net result on derivatives used as hedging instruments - financial statements – presented as:	**55 498**
Net trading income	54 902
Net result on derivatives used as hedging instruments and hedged items	596

Net gains from investment activities - management information	**10 522**
Net gains from investment activities and dividend income - financial statements – presented as:	**10 522**
Net gains from investment activities	3 685
Dividend income	6 837

Operating income before tax - management information	**706 798**
+ provision for potential losses related to active derivatives	4 019
- reversal of provisions related to the sale of debt	3 170
Operating income before tax - financial statements – presented as:	**707 647**
Total operating income	726 492
Other operating expenses	-18 845

Net impairment losses on financial assets, other assets and provisions - management information	**-224 405**
- provision for potential losses related to active derivatives	4 019
+ reversal of provisions related to the sale of debt	3 170
Net impairment losses on financial assets, other assets and provisions – financial statements	**-225 254**

in PLN '000'	Management information	Interest	Financial statements
30.06.2011			
Loans and advances to customers	27 054 605	101 704	27 156 309
Loans and advances to banks	1 245 779	702	1 246 481
31.12.2010			
Loans and advances to customers	26 927 329	98 448	27 025 777
Loans and advances to banks	1 463 279	710	1 463 989
30.06.2010			
Loans and advances to customers	26 813 533	96 208	26 909 741
Loans and advances to banks	1 177 260	36 664	1 213 924

in PLN '000'	**30.06.2011** non-audited
Securities – management information	**13 157 822**
Securities – financial statements – presented as:	**13 157 822**
Financial assets designated upon initial recognition as at fair value through profit or loss	93 434
Held-for-trading financial assets (excluding derivatives)	2 371 250
Investment securities	10 693 138
	31.12.2010
Securities – management information	**11 164 679**
Securities – financial statements – presented as:	**11 164 679**
Financial assets designated upon initial recognition as at fair value through profit or loss	98 849
Held-for-trading financial assets (excluding derivatives)	1 601 283
Investment securities	9 464 547
	30.06.2010 non-audited
Securities – management information	**11 066 686**
Securities – financial statements – presented as:	**11 066 686**
Financial assets designated upon initial recognition as at fair value through profit or loss	104 201
Held-for-trading financial assets (excluding derivatives)	1 590 660
Investment securities	9 371 825

10. Related party transactions

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

In the first half of 2011 and in 2010, there were no significant non-standard transactions with related parties whose nature and terms were not related to current operations. All transactions were concluded on market terms, without any exceptional or non-standard terms or conditions.

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

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

*including Warta Group

Liabilities	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2011
Amounts due to banks	0	8 076 906	3 082 421	11 159 327
Derivatives	0	126 560	8 437	134 997
Amounts due to customers	49 718	0	1 404 940	1 454 658
Subordinated liabilities	0	947 298	0	947 298
Other liabilities	5 875	1 586	7 202	14 663
Total liabilities	**55 593**	**9 152 350**	**4 503 000**	**13 710 943**

*including Warta Group

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2011
Granted financing liabilities	211 077	0	240 150	451 227
Guarantees granted	5 262	218 661	106 157	330 080
Received financing liabilities	45 000	738 324	0	783 324
Guarantees received	0	778 269	49 371	827 640
Derivatives	0	21 147 427	2 044 829	23 192 256
Securities received	82 920	0	1 400	84 320
Total off-balance sheet items	**344 259**	**22 882 681**	**2 441 907**	**25 668 847**

*including Warta Group

Income	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for the first half of 2011
Interest income	7 525	6 334	883	14 742
Commission income	0	123	34 481	34 604
Dividend income	2 426	0	0	2 426
Other operating income	433	7	3 955	4 395
Total income	**10 384**	**6 464**	**39 319**	**56 167**

*including Warta Group

Expenses	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for the first half of 2011
Interest expense	1 338	40 094	33 838	75 270
Commission expense	0	207	-9 965	-9 758
Net trading income	0	124 288	-938	123 350
General and administrative expenses, and other operating expenses	4 233	1 399	17 879	23 511
Total expenses	**5 571**	**165 988**	**40 814**	**212 373**

*including Warta Group

As at 31.12.2010

Assets	Subsidiaries	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	295 658	0	83 203	378 861
Other assets	3 147	87	11 775	15 009
Total assets	**298 805**	**180 345**	**122 326**	**601 476**

*including Warta Group

Liabilities	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2010
Amounts due to banks	0	8 087 531	2 901 654	10 989 185
Derivatives	0	193 330	28 534	221 864
Amounts due to customers	49 247	0	1 445 464	1 494 711
Subordinated liabilities	0	911 100	0	911 100
Other liabilities	8 588	1 088	11 392	21 068
Total liabilities	**57 835**	**9 193 049**	**4 387 044**	**13 637 928**

*including Warta Group

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2010
Granted financing liabilities	194 662	0	240 150	434 812
Guarantees granted	120	219 376	152 992	372 488
Received financing liabilities	44 000	977 267	0	1 021 267
Guarantees received	0	875 070	116 196	991 266
Derivatives	0	12 094 379	2 559 963	14 654 342
Securities received	82 920	0	0	82 920
Total off-balance sheet items	**321 702**	**14 166 092**	**3 069 301**	**17 557 095**

*including Warta Group

As at 30.06.2010 *non-audited*

Assets	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2010
Loans and advances to banks	0	10 385	339	10 724
Derivatives	0	82 404	15 701	98 105
Loans and advances to customers	354 377	0	0	354 377
Other assets	8 277	72	9 923	18 272
Total assets	**362 654**	**92 861**	**25 963**	**481 478**

*including Warta Group

Liabilities	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2010
Amounts due to banks	0	8 229 454	2 904 453	11 133 907
Derivatives	0	219 507	36 181	255 688
Amounts due to customers	53 697	0	1 503 127	1 556 824
Subordinated liabilities	0	903 162	0	903 162
Other liabilities	11 820	2 759	24 837	39 416
Total liabilities	**65 517**	**9 354 882**	**4 468 598**	**13 888 997**

*including Warta Group

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2010
Granted financing liabilities	147 053	0	242 150	389 203
Guarantees granted	400	437 507	35 999	473 906
Received financing liabilities	20 000	568	0	20 568
Guarantees received	0	924 698	169 939	1 094 637
Derivatives	0	14 893 509	4 915 854	19 809 363
Securities received	84 022	0	0	84 022
Total off-balance sheet items	**251 475**	**16 256 282**	**5 363 942**	**21 871 699**

*including Warta Group

Income	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for the first half of 2010
Interest income	3 289	8 293	252	11 834
Commission income	0	152	26 823	26 975
Dividend income	5 145	0	0	5 145
Other operating income	568	33	3 445	4 046
Total income	**9 002**	**8 478**	**30 520**	**48 000**

*including Warta Group

Expenses	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for the first half of 2010
Interest expense	1 796	32 583	13 634	48 013
Commission expense	0	88	-9 927	-9 839
Net trading income	-440	94 757	-6 525	87 792
General and administrative expenses, and other operating expenses	6 991	2 239	16 010	25 240
Total expenses	**8 347**	**129 667**	**13 192**	**151 206**

*including Warta Group

11. Capital adequacy ratio

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
Capital requirement, including:	**2 242 836**	**2 235 557**	**2 298 207**
- credit risk	1 996 154	1 995 922	2 032 659
- market risk	24 471	32 749	58 662
- operational risk	222 211	206 886	206 886
Equity and short-term capital	**3 637 614**	**3 591 823**	**3 548 738**
Basic capitals	**2 588 992**	**2 575 122**	**2 579 623**
- share capital	1 358 294	1 358 294	1 358 294
- supplementary capital	898 072	887 347	887 347
- revaluation reserve included in basic equity	-8 018	-15 806	-15 297
- other reserves	400 942	400 942	400 942
- retained profit/loss	0	0	0
- net profit included in the calculation of capital adequacy ratio	0	33 728	0
- predicted dividend	0	-33 728	0
- intangible assets	-56 470	-51 827	-47 860
- shares in financial entities (50%)	-3 828	-3 828	-3 803
Supplementary funds	**1 002 522**	**963 601**	**935 387**
- revaluation reserve included in supplementary equity	56 744	53 995	33 548
- subordinated liabilities included in equity	949 606	913 434	905 642
- shares in financial entities (50%)	-3 828	-3 828	-3 803
Short-term capital	**46 100**	**53 100**	**33 728**
Capital adequacy ratio (%)	**12.98**	**12.85**	**12.35**
Ratio, including basic funds (%)	**9.23**	**9.22**	**8.98**

As at 30.06.2011, 31.12.2010 and 30.06.2010, capital adequacy ratio was calculated as required by the regulations of the Polish Financial Supervision Authority.

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

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

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
The amount of the capital requirement for credit risk*, including counterparty credit risk:	**1 996 154**	**1 995 922**	**2 032 659**
- central governments and central banks	0	0	0
- regional governments and local authorities	2 118	2 454	3 483
- administrative bodies and non-commercial undertakings	7 754	8 451	7 998
- multilateral development banks	0	0	0
- international organisations	0	0	0
- institutions – banks	65 979	71 045	79 487
- enterprises	386 714	363 966	434 771
- retail	709 637	768 996	748 834
- secured by real estate property	755 255	708 053	679 150
- past due items	27 592	29 810	33 185
- exposures belonging to regulatory high-risk categories	4 632	5 043	5 047
- covered bonds	0	0	0
- securitisation positions	0	0	0
- exposures towards institutions and entrepreneurs with short-term credit rating	0	0	0
- in collective investment undertakings	0	0	0
- other exposures	36 473	38 104	40 704

* estimated on the basis of the Standardized Approach

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

in PLN '000'	30.06.2011 non-audited	31.12.2010	30.06.2010 non-audited
The amount of the capital requirement for credit risk, including:	**24 471**	**32 749**	**58 662**
- currency risk	0	0	0
- commodity price risk	0	0	0
- equity securities price risk	0	0	0
- price risk of debt instruments	9	23	0
- general interest rate risk	24 462	32 726	58 662

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

	Year	2011
Result*	2008	1 453 068
Result*	2009	1 488 182
Result*	2010	1 543 923
Capital Charge	2008	213 555
Capital Charge	2009	220 704
Capital Charge	2010	232 373
Operational risk requirement**		**222 211**

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

	Year	2010
Result*	2007	1 291 673
Result*	2008	1 453 068
Result*	2009	1 488 477
Capital Charge	2007	189 835
Capital Charge	2008	213 555
Capital Charge	2009	217 268
Operational risk requirement**		**206 886**

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

As at 30.06.2011, 31.12.2010 and 30.06.2010, the exposure concentration limit, the large exposure limit and the capital concentration threshold were not exceeded in the Bank.

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

- the amount of required internal capital on the basis of the present situation;
- an additional amount, if the excess of "free" internal capital, defined as the difference between available funds and the required internal capital decreases in the scenario based on three years' forecasts of the further development of Kredyt Bank S.A. Capital Group. This additional amount should secure the excess of free internal capital against its full use.

12. Dividend income

In the first half of 2011, the Bank received PLN 2,426 thousand of dividends from subsidiaries consolidated with the full method and PLN 1,527 thousand from other entities.

In 2010, the Bank received PLN 5,145 thousand of dividends from subsidiaries consolidated with the full method and PLN 1,741 thousand from other entities.

In the first half of 2010, the Bank received PLN 5,145 thousand of dividends from subsidiaries consolidated with the full method and PLN 1,692 thousand from other entities.

13. Seasonality and cyclical nature of operations

The Bank's operations are not of seasonal nature.

14. Dividends paid and declared

Pursuant to the Resolution by 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 by 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.

15. Events after the reporting period

The description of important post-balance sheet events is presented in Note I.44.

16. Other additional information

Other additional information material for the proper assessment of the assets, the financial situation and the financial result of the Bank has been stated in Part I of the report.

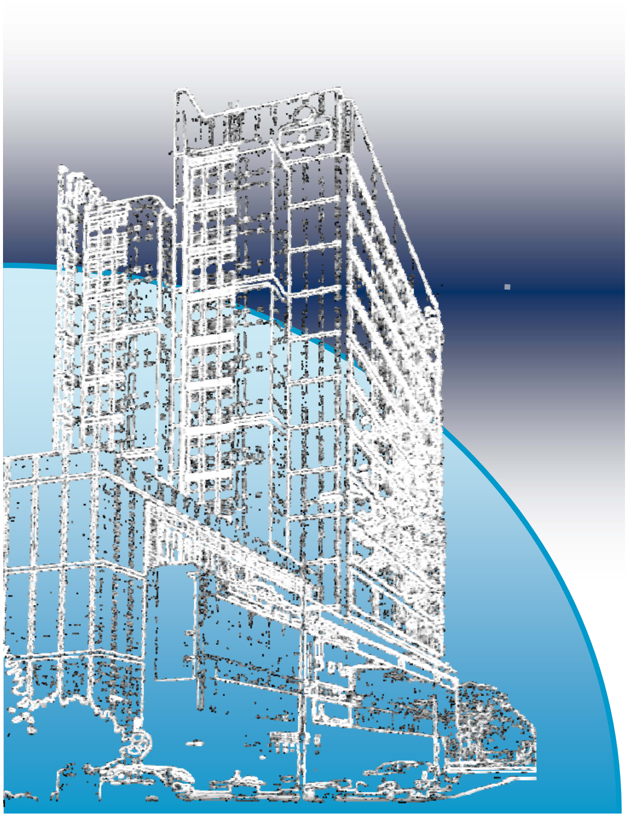
These interim condensed financial statements of Kredyt Bank S.A. were approved by the Management Board of Kredyt Bank S.A. on 09.08.2011.

Signatures of all Management Board Members

date	09.08.2011	Maciej Bardan	President of the Management Board	....
date	09.08.2011	Piotr Sztrauch	Vice President of the Management Board	....
date	09.08.2011	Umberto Arts	Vice President of the Management Board	....
date	09.08.2011	Mariusz Kaczmarek	Vice President of the Management Board	....
date	09.08.2011	Zbigniew Kudaś	Vice President of the Management Board	....
date	09.08.2011	Jerzy Śledziewski	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	09.08.2011	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....



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

for the First Half of 2011

Ended on 30.06.2011

2011

CONTENTS

1. Factors affecting the results of Kredyt Bank S.A. Capital Group in the first half of 2011

In the first half of 2011, Kredyt Bank S.A. Group generated PLN 221,917 thousand of net profit. It was higher by 202.7% than the net profit generated in the first half of the previous year. The result allowed for the generation of ROE at the level of 11.8%.

Selected financial ratios and figures	30.06.2011	30.06.2010
Net loans and advances to customers	27 379 294	26 967 449
Amounts due to customers	26 154 246	25 651 880
Net operating income	817 730	788 223
Operating profit	329 431	336 308
Profit before tax	297 050	98 551
Net profit	221 917	73 312
ROE	11.8%	3.9%
ROA	0.8%	0.2%
CIR	59.7%	57.3%
Capital adequacy ratio	12.7%	12.1%
Loans and advances with evidence for impairment/total gross loans and advances	7.3%	9.4%

*ROE and ROA were calculated including net profit actually realized in the period of the last 12 months

The two most important elements that affected the financial result of Kredyt Bank S.A. Group in the first half of 2011:

- The sale of the portfolio of retail debts with the total nominal value of PLN 1,169.7 million (as at 31.03.2011). The net book value of the Portfolio in the books of Kredyt Bank S.A. as of 31.03.2011 amounted to PLN 137.2 million. The positive impact of the transaction upon the net result of Kredyt Bank S.A. Capital Group, on the basis of the data available as at 30.06.2011, having regard for the predicted future repayments amounted in the first half of 2011 to PLN 63,483 thousand.
- Reduction of the costs of credit risk and smaller deduction of net impairment losses on financial assets, other assets and provisions from profit before tax; in the first half of 2011, they amounted to - PLN 34,185 thousand, i.e. less by 85.7% than in the first half of the previous year (- PLN 238,972 thousand). Disregarding the impact of the above-mentioned sale of debt, net impairment losses in the first half of 2011 would amount to – PLN 119,149 thousand.

Other factors that affected the level and the structure of results in the first half 2011 to a large extent were as follows:

- An increase in the value of the Group's loans and deposits portfolio. At the end of the first half of 2011, the value of net loans and advances to customers amounted to PLN 27,379,294 thousand, i.e. 1.5% more than at the end of the first half of 2010, and amounts due customers amounted to PLN 26,154,246 thousand, i.e. 2.0% more than at the end of the first half of the previous year.
- An increase by 6.7% in realized net interest income as compared to the first half of 2010. It improved due to the growth of the portfolio of investment securities and the growth of the loans and deposits portfolio, against a slight decrease in loan margins (a decrease in the Retail Segment and an increase in the Enterprises Segment) and the improvement of deposit margins.

- Higher net fee and commission income (by 3.0%) due to, among other things, the improvement by 10.6% of the income from the distribution of investment and insurance products. Furthermore, the income from commissions on guarantees and for the maintenance of bank accounts as well as for the transactions in such accounts was higher.
- A decrease in net trading income resulting mainly from limited foreign exchange income.
- An increase in the Group's general and administrative expenses in the first half of 2011 by 8.1% as compared to the first half of the previous year. The increase was associated with the costs of a marketing campaign aiming at the improvement of the brand image and at the sourcing of individual customers as well as with the payroll regulations implemented in the second quarter of the current year.

The most important events for the Group's operations in the first half of 2011 are as follows:

- Stabilisation of business conditions in 2011, reflected in a better economic situation of customers from the Enterprises Segment and an increase in the liquidity of the financial sector.
- Further implementation of the Group's new strategy which involves the concentration of activities on selected products and services and target customer segments, organisational changes aiming at the improvement of the management of processes and changes in business models in order to better align the offer and processes to market and customers' requirements.
- Termination of the reorganisation of the mortgage banking business line in order to, among other things, improve the management of the credit risk of the mortgages portfolio and better align the sales process to the market requirements.
- An increase in basic interest rates of the National Bank of Poland and of the money market which, on the one hand, affects the level of deposit margins in a positive way and, on the other hand, adversely affects the financing costs on the inter-bank market.
- Slow growth of the demand for the loan in the Enterprises Segment, which is positive for the implementation of the diversification strategy for the loans portfolio.
- Increased price competition on the deposit market.
- Changes in the exchange rates of the Polish zloty adversely affecting the structure and the costs of the financing of the banking operations, the level of risk-weighted assets and the capital adequacy ratio.

2. Business conditions in Poland and in the banking sector in the first half of 2011

Overall situation in the first half of 2011

In the first quarter of 2011, the economic revival observed in the global economy in 2010 continued. The majority of the EU countries and of the most developed economies recorded a positive economic growth rate. Significant diversification of the business conditions between countries was characteristic. In the event of developed economies, the high growth rate was recorded in Germany and France, and lower one in the USA and the UK. The strong GDP growth was noticeable in the developing countries, particularly in Asia.

Poor business conditions have persisted in certain countries of the euro area, which were the most severely hit by the crisis of the debt of the private sector and which are in a difficult fiscal situation. In the first half of 2011, the uncertainty related to their ability to handle the debt of the private sector increased. The countries are facing the necessity for reducing their large public finance deficits and the excessive debt of the private sector, which arose still prior to the global crisis. As a result, further declines in the ratings of the bonds of Greece, Ireland and Portugal took place, and, due to greater concerns about the situation of the US public finances, the outlooks for the rating and for the rates of return from the bonds so far regarded as safe were lowered.

As in previous years, Poland's economic situation was good at the background of European countries. The GDP growth stabilized at a relatively high level: in the fourth quarter of 2010, the GDP growth rate amounted to 4.5%, and 4.4% in the first quarter of 2011. According to the forecasts of the Ministry of Economy, the GDP growth in the second quarter of 2011 will be at the level of ca. 4%.
As in previous periods, internal demand was the major driver for the economic growth on the 'demand' side; it increased due to the faster growth of investments, the maintenance of the growth rate for the consumption and further growth of inventory. In the first months of the second quarter of 2011, the increase in the business activity in Poland was similar to the one observed in previous quarters. Certain slowdown in the industrial production (according to the estimates of the Polish Central Statistical Office, industrial production in June 2011 increased by 2.0% y/y, following an increase by 7.7% in May 2011) was accompanied by the faster growth of the construction and assembly production and of retail sales.
In June 2011 as compared to May 2011, the unemployment rate declined (by 11.8% and 12.2% respectively). In June 2010, it was at the level of 11.7%. The employment in enterprises remained stable, and the growth rate for salaries and wages, following temporary acceleration in April 2011, decreased to a moderate level.

The relatively high economic growth was constructive for the improvement of the situation of the public finance sector. From January to May 2011, the deficit of the state budget was considerably smaller than in the corresponding period of 2010.

The annual inflation rate, which in December 2010 amounted to 3.1%, rose to 5.0% in May 2011. The increase in the inflation rate in the period resulted mostly from the consistent growth of the prices of food, clothes and footwear, a high growth rate of energy prices, including mainly the prices of fuels, and higher VAT rates. In the first quarter of 2011, the fast growth rate for the prices of imported goods persisted. In June 2011, the annual inflation rate fell to 4.2% due to the decrease in the prices of food, clothes and transport. In the majority of countries, the inflation rate is at a higher level, which, to a large extent, is associated with high prices of raw materials. As forecast by the Ministry of Finance, in the months to come, the inflation rate in Poland should be at ca. 4.0%.

In order to mitigate the risk of the inflation rate maintaining above the inflation target, in the first half of 2011, the Monetary Policy Council increased the interest rates of the National Bank of Poland by 0.25 p.p. four times (in January, April, May and June). At the end of the first half of the year, the reference rate was at the level of 4.50%, the lombard rate – 6.00%, the deposit rate – 3.00%, and the rediscount rate – 4.75% p.a. According to the Council, the significant tightening of the monetary policy should make it possible for the inflation rate to return to the inflation target in the medium term.

As compared to the end of June 2010, the Polish zloty appreciated against the euro and the US dollar; however, it depreciated greatly against the Swiss franc. The currency, recognised as safe and stable, also appreciated against the euro and the US dollar.

Banking sector in the first half of 2011

In the first half of 2011, the financial markets remained under the influence of the debt crisis in Greece, Ireland and Portugal. The characteristic thing was that, unlike in the period of the financial crisis, the decisions of the market players depended to a larger extent on local factors, and their approach to the markets of Central and Eastern Europe was varied and depended on the situation and perspectives of particular countries. It was conducive to the inflow of foreign investors to the Polish market.
The situation on the Polish money market has improved to some extent. The turnovers on the market of unsecured interbank deposits stabilized, and the credit risk premium decreased. Furthermore, the turnovers on the domestic market of currency swaps grew and the deviation of the valuation of swaps

from the interest rate parity decreased. The short-term liquidity situation of the banking sector remains favourable; however, the excess liquidity is concentrated in a small group of banks and its redistribution is limited.

The results of the Polish banking sector in the first quarter of 2011 improved significantly as compared to the corresponding period in the previous year. Net profit of the banking sector was higher by ca. 54% than the year before and not much lower than in the period prior to the global financial crisis. The improvement was caused largely by the decrease in the costs of the credit risk and an increase in net interest income. The growth of loans and advances with evidence for impairment, slower than in 2010, was a positive factor. Higher risk cost was characteristic of the portfolio of consumer loans due to the slower economic growth and a too lenient lending policy in the periods of strong sales growth in previous years. Furthermore, the increases in the interest rates of the National Bank of Poland were favourable for level of net interest income, which contributed to a slight improvement of the net interest margin.

Total receivables in the sector in the period from December 2010 to June 2011 increased by 5.6%, i.e. virtually as much as in the first half of 2010 (by 5.0%). Faster growth was characteristic of the second quarter of 2011. More new loans were granted to enterprises, both in the case of working capital loans and investment loans. The growth of receivables in the enterprises segment and in the central and local government sector in the first half of 2011 amounted to 6.9% as compared to the decline observed in the first half of 2010. In the households segment, the receivables due to mortgages were on a constant rise; at the same time, the debt due to consumer loans declined. It was a result of the continuation of the conservative lending policy in the area of consumer loans implemented by the banks in previous years. The total growth of receivables in the households segment in the first half of 2011 was at the level of 4.8% as compared to 9.2% in the first half of 2010. The perspectives for the development of the lending activities in the second half of 2011 seem to be optimistic in the case of the enterprises and mortgages sectors. The change in the lending policy of banks as regards consumer loans depends on the permanent improvement on the labour market.

Total liabilities in the sector in the period from December 2010 to June 2011 increased by 1.2%, i.e. a bit less than in the first half of 2010 (by 2.5%). The increase in the households segment by 3.4% was accompanied by a decrease in the enterprises segment and in the central and local government sector by 2.1%.
The change in the trend in the enterprises segment results probably from the increase in the investment activity. In the case of households, the upward trend should persist throughout 2011. It will depend on the business conditions on capital markets and on the attractiveness of alternative investment options.

Finding new capital by banks through the issue of shares in 2010 as well as a relatively small increase in the lending activities contributed to the maintenance of the capital adequacy ratios of the Polish banking sector at a high level. Macroeconomic shock scenarios demonstrate that the majority of the banking sector is able to absorb higher than expected costs of the credit risk in generated income and the capital buffer.

The most important factors that may adversely affect the results of banks in the whole 2011 are as follows: the impact of the economic situation in the euro area upon the GDP growth rate in Poland; the volatility of exchange rates; and the situation on capital markets. The factors may adversely affect the costs of risk, net trading income, general expenses and net fee and commission income. The ability to maintain the cost discipline under the pressure to increase expenditure aiming at the acceleration of the growth of sales and income and at the increase in remunerations will be of greater importance than in the previous year.

The factors which may positively affect the results of the sector include the faster growth of the GDP and the swifter improvement of the financial situation of enterprises leading to an increase in the demand for loans, faster improvement of the quality of loans portfolios, and the improvement of business conditions on capital markets.

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

In autumn 2010, KB S.A. Group adopted a new strategy for 2010 – 2012. Its main objective is to ensure the accomplishment of satisfactory financial results, assuming the reduction of the risk of the operations. The strategy prefers the business model which involves organic growth.

Overall strategic objectives for 2010–2012

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

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

- Retail Banking;
- Mortgage Loans Factory;
- Enterprises Banking;

and an independent and integrated risk and capital management function.

The target customer segments in the area of retail banking:

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

The target customer segments in the area of enterprises banking:

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

Methods of accomplishing the objectives:

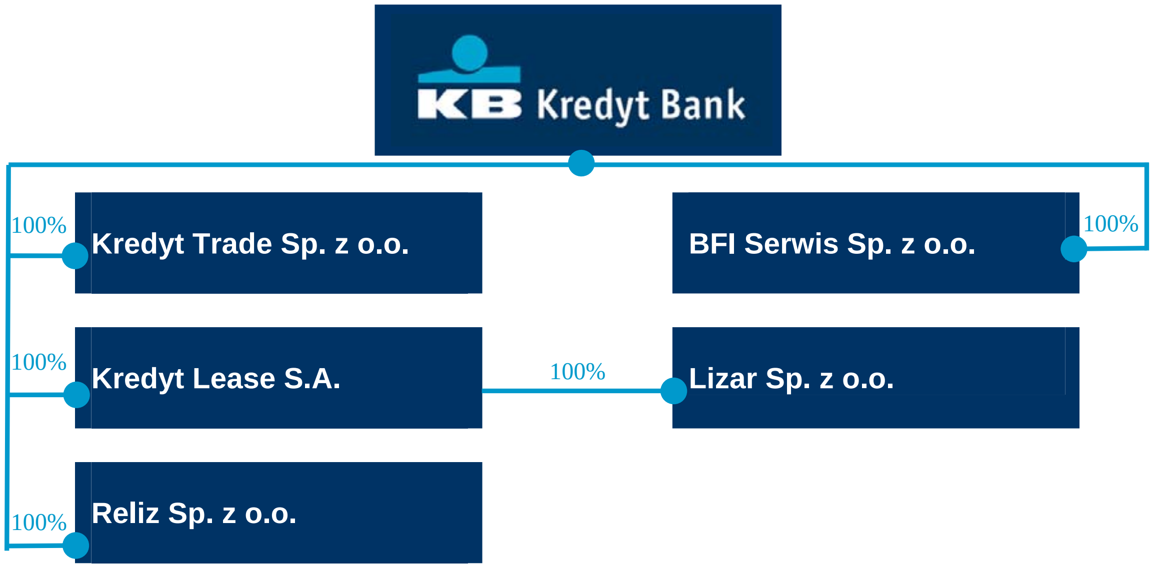
- A banking model based on the development and expansion of customer relations on the basis of selected products and services. Focusing on the accomplishment of the leading position in the case of selected banking products and services.
- An independent and integrated risk management function, while preserving the full liability of business lines for the financial result, including the risk costs. Limitation of credit risk through a prudent credit policy, focusing on the cooperation with reliable, tested customers and close monitoring of the customers' standing.
- Changes in the area of infrastructure. Optimization of IT systems aimed at increasing the integrity and coherence of applied IT solutions; a new electronic banking platform.
- Organisational changes aiming at the centralization and improvement of the processes of product development and management, distribution and customer service.
- Taking advantage of the implemented cost management model to optimally align the level of costs to the existing potential for generating income. A decrease in the level of fixed costs, an increase in the share of variable costs.
- Taking advantage of revolving long–term financing made available by KBC Group, the Bank's major shareholder.
- In the Retail Segment, focus on the growth of the share in the individual customer deposits market and in the market of the sales of investment funds. Continuation of the growth of the base of deposits, sourcing new customers, the conversion of sourced deposits to the investment offer.
- Recovery and maintenance of the position on the market of mortgages – the market share at 6%. Development of a bancassurance offer sold together with the mortgage. In the case of cash loans - focus on customers with lower credit risk: the Bank's present customers.
- In the corporate segment, focus on the diversification of the loans portfolio – an increase in the number of customers faster than the growth in the value of the portfolio. The reduction of the financing of large transactions related to the financing of real property and syndicated loans; the expansion of the cooperation with the present customers.
- An increase in the share of commission income in total income of the corporate segment (including income from foreign exchange, trade finance and from transactional banking). Sourcing new customers and an increase in income from the SME segment (including the growth in commission income from transactional banking and foreign exchange).
- Implementation and improvement of a comprehensive staff management system: from recruitment, through development and appraisal, to the aspects of an incentive system and a payroll structure.
- Cooperation with entities of KBC Group in Poland to provide the customers with a complete, professional and up-to-date offer of financial services with limited costs of its development.

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

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

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

The Group's companies and ownership structure as at 30.06.2011 was as follows:



As of 30.06.2011, 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. 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.

Investment plans, including equity investments

According to the Group's development strategy which provides for the incorporation of a universal banking model, the Bank will focus on operations other than investment banking.
As at 30.06.2011, equity investments made outside the Group were mainly investments in interests of such companies as KIR S.A., BIK S.A., GPW w Warszawie S.A., SWIFT and of the companies acquired as a result of debt recovery and restructuring processes. As at 30.06.2011, their share in the Group's balance sheet was immaterial.

Related party transactions

In the first half of 2011 and in 2010, there were no significant non-standard transactions with related parties whose nature and terms were not related to current operations. All transactions were concluded on market terms, without any exceptional or non-standard terms or conditions. Transactions volumes and related income and expenses are presented in Note 34 of the Interim Consolidated Financial Statements of Kredyt Bank S.A. Capital Group for the First Half of 2011 Ended on 30.06.2011.

4.2. Shareholding structure of the Group's parent company

As at 30.06.2011, the Bank's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares with the nominal value of PLN 5.00 each. The Bank's shares are registered shares and bearer shares; they are not preference shares and each share entitles its holder to one vote at the Bank's General Meeting of Shareholders. All the Bank's shares are admitted to public trading on the regulated market. In comparison to share capital as at 31.12.2010, the Bank's share capital did not change.
The table below presents Shareholders of Kredyt Bank S.A. (including related parties) holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 30.06.2011.

Shareholder	Line of business	Number of shares and votes at the Bank's GMS	Share in votes and in share capital (in %)
KBC Bank NV – an entity from 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 NV is entitled to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.

According to the information received from KBC Bank NV and KBC Group NV on 8 February 2011 and 15 February 2011:

- KBC Securities NV – a subsidiary of KBC Bank NV – sold all the shares of Kredyt Bank S.A. held by it. Prior to the sale, KBC Securities NV held 11,751,771 shares, which accounted for 4.33% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Following the sale, KBC Securities NV does not hold any shares of Kredyt Bank S.A.
- KBC Insurance NV – an entity from KBC Group NV – sold all the shares of Kredyt Bank S.A. held by it. Prior to the sale, KBC Insurance NV held 7,860,918 shares, which accounted for 2.89% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Following the sale, KBC Insurance NV does not hold any shares of Kredyt Bank S.A.

KBC Bank NV still holds 217,327,103 shares accounting for 80% of votes.

The quotations of shares of Kredyt Bank S.A. at the Warsaw Stock Exchange in the first half of 2011

From the beginning of January 2011 until the end of the first decade of March 2011, the price of the Bank's share was rising fast, reaching, on 10 March, its local maximum of PLN 17.46 per share (an increase by 18.7%). Until the end of the second decade of May 2011, the share price of Kredyt Bank S.A. remained in the sideways trend at the level of PLN 16.90 – PLN 17.40 per share.

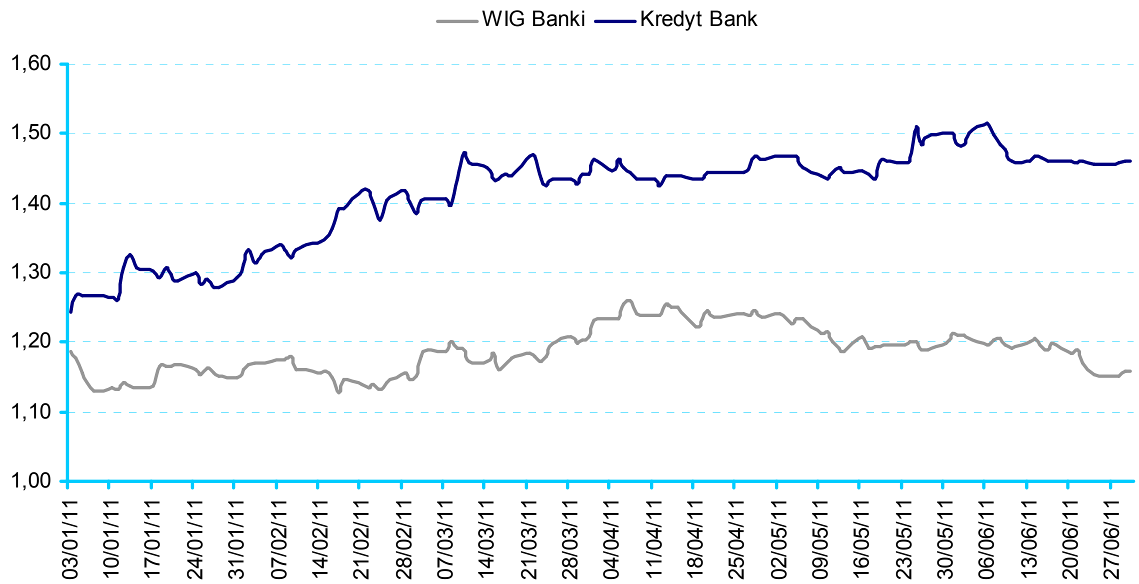
Towards the end of May 2011, we witnessed a short-term upward trend, which jacked up the price of the Bank's share to PLN 17.94 per share. The upward trend transformed into the sideways trend again in June. Within this trend, towards the end of June, the price of the Bank's share oscillated at PLN 17.30 per share.

The market value of the Bank at the closing price during the stock exchange session on 30 June 2011 amounted to PLN 4,699.70 million, and the P/BV was at the level of 1.61. For comparison purposes, at the last session in June 2010, the Bank's shares were valued at the total of PLN 4,210.71 million at P/BV of 1.53. Hence, the market value of KB S.A. increased in six months by ca. 11.6%. For comparison purposes, WIG index was close to 23% above the quotations from the end of June 2010, and WIG Banks index gained 17.5% in this period.

	30.06.2011	30.06.2010	Change (%)
KB S.A. share price (PLN)	17.30	15.50	11.6%
WIG	48 414	39 392	22.9%
WIG Banki	6 801	5 787	17.5%
Earnings per share* in PLN	0.82	0.27	203.7%
Book value per share* in PLN	10.88	10.04	8.4%

* computed on the basis of consolidated figures

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



4.3. The authorities of the Group's parent company

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

On 4 April 2011, the Chairman of the Supervisory Board of Kredyt Bank S.A. received a letter informing that Gert Rammeloo, due to his decision about his return to Belgium, does not intend to run for the position of a member of the Bank's Management Board for the term of office beginning after the date of the closest Ordinary General Meeting of Shareholders of the Bank.

The Supervisory Board of Kredyt Bank S.A., at its meeting on 25 May 2011, appointed the Bank's Management Board for the new term of office. Maciej Bardan was appointed the President of the Management Board of Kredyt Bank S.A. The following persons were appointed Vice Presidents of the Bank's Management Board:

from 25 May 2011: Umberto Arts, Zbigniew Kudaś, Piotr Sztrauch, Jerzy Śledziewski; and from 1 July 2011: Mariusz Kaczmarek.
Gert Rammeloo and Krzysztof Kokot, who had been members of the previous Management Board of the Bank, were not appointed for the new term of office.

As at 30.06.2011, the Management Board of Kredyt Bank S.A. was composed of:

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

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

On 25 May 2011, the Chairman of the Supervisory Board of Kredyt Bank S.A. received the information about the resignation by Dirk Mampaey from his membership in the Supervisory Board, as from 25 May 2011.
Furthermore, on 25 May 2011, by virtue of Resolution No. 29/2011 concerning amendments in the composition of the Supervisory Board of Kredyt Bank S.A., the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. appointed Guy Libot as a member of the Bank's Supervisory Board (as from 25 May 2011).
As a result, as at 30.06.2011, the Supervisory Board of Kredyt Bank S.A. was composed of:

Name	Title
Andrzej Witkowski	Chairman of the Supervisory Board
Adam Noga	Vice Chairman of the Supervisory Board
Marko Voljč	Member of the Supervisory Board
Ronny Delchambre	Member of the Supervisory Board
Guy Libot	Member of the Supervisory Board
Stefan Kawalec	Member of the Supervisory Board
Jarosław Parkot	Member of the Supervisory Board

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

As at the publication date of this report, i.e. 9.08.2011, the Members of the Bank's Management Board and of the Bank's Supervisory Board did not hold any Bank's shares, or shares or interests in the Bank's subsidiaries and associates.

As compared to the situation as at the publication date of the annual consolidated financial report for 2010, the number of the Bank's shares held by members of the Bank's Management Board did not change.

4.4. Events and contracts material for the Group's operations in the first half of 2011

The following events were material for the Group's operations in the first half of 2011:

- At the beginning of February 2011, the Bank signed with the European Investment Bank based in Luxembourg two agreements under which Kredyt Bank S.A. gained two credit lines in the amounts representing the equivalent of EUR 50 million and of EUR 100 million.
  Within the framework of these credit lines, the Bank can acquire funds in tranches with maturities of seven years in the case of the single repayment and up to ten years in the case of the repayment in instalments. The interest rate on the funds will be based, depending on the drawing currency, on 3-month WIBOR / EURIBOR / LIBOR rates.
  The funds acquired by the Bank are secured with a financial pledge on the Treasury bonds held by the Bank.
  The funds acquired under the agreement in the amount representing the equivalent of EUR 100 million are allocated to the financing of loan transactions concluded with small and medium-sized enterprises. And, the funds acquired under the agreement in the amount representing the equivalent of EUR 50 million are allocated to the financing of institutional entities implementing investment projects, inter alia, in the following areas: infrastructure, renewable energy, environmental protection.

- On 26 April 2011, Kredyt Bank and BEST III Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ('BEST III NSFIZ'), with BEST Towarzystwo Funduszy Inwestycyjnych S.A. acting on its behalf, concluded the agreement on the sale of debt.
  The agreement regarded the retail debts portfolio of Kredyt Bank S.A. ('Portfolio') which includes 423,849 receivables with the total nominal value as of 31.03.2011 equal to PLN 1,169.7 million.
  The net book value of the Portfolio in the books of Kredyt Bank S.A. as of 31.03.2011 amounted to PLN 137.2 million.
  The Portfolio will be transferred in two parts, including: Receivables Batch A, which was transferred to BEST III NSFIZ on 31.05.2011, and Receivables Batch B, which will be transferred to BEST III NSFIZ until 26.10.2011.
  The Portfolio was transferred upon the condition of paying by BEST III NSFIZ to the Bank, until 31.05.2011, an amount on account of the final price.
  The positive impact of the transaction upon the net result of Kredyt Bank S.A. Capital Group recognised in the results for the first quarter of 2011, on the basis of the data available as at 31.03.2011, amounted to PLN 51 million. The positive impact of the transaction upon the net result of Kredyt Bank S.A. Capital Group for the whole first half of 2011, on the basis of the data available as at 30.06.2011, amounted to PLN 63,483 thousand.

- Pursuant to Resolution No. 4/2011 by the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. concerning the distribution of profit for 2010 adopted on 25 May 2011, Kredyt Bank S.A. allocated for the payment of the dividend to shareholders the gross amount of PLN 0.37 per share. The total amount of the dividend was PLN 100,513,785.60. The dividend was distributed among 271,658,880 shares of Kredyt Bank S.A., A to W series inclusive. The right to dividend was established on 14 June 2011, and the dividend was paid on 30 June 2011.

- On 22 June 2011, Fitch Ratings agency assigned the following ratings to Kredyt Bank S.A.: Long-term Issuer Default Rating (IDR): 'A-' (with Stable Outlook); Short-term Issuer Default Rating (IDR): 'F2'; Support Rating: '1'; Individual Rating: 'C/D'.
  Fitch Ratings paid attention to the fact that long-term and short-term ratings reflect a very high potential support that the Bank could obtain from KBC Group, its majority shareholder.

Assigning the Individual Rating, Fitch Ratings took into consideration, e.g. the fast growth of the value of the loan portfolio before the launch of the financial crisis; the risks embedded in the substantial exposure to foreign currency mortgage loans; and the quality of the loan portfolio as well as the solvency level.
In the opinion of the Agency, these factors are balanced by the adequate liquidity and improved funding structure.

In 2011, the Bank did not enter into any material agreements with the central bank or the regulatory authorities.

Events after the reporting period

- On 13 July 2011, the Management Board of Kredyt Bank S.A. informed about publishing, on the same day, by KBC Group of the press release including, inter alia, the following information:
  "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."
- On 14 July 2011, Fitch Ratings placed the Long-term Issuer Default Rating (IDR) and the Short-term Issuer Default Rating (IDR) of Kredyt Bank S.A. on Rating Watch Evolving (RWE). At the same time, Fitch placed the Bank's Support Rating on Rating Watch Negative (RWN).
  Placing the Long-term Issuer Default Rating (IDR) and the Short-term Issuer Default Rating (IDR) of Kredyt Bank S.A. on Rating Watch Evolving (RWE) reflects Fitch Ratings' view that the entity's ratings could be upgraded if Kredyt Bank S.A. is bought by an entity with the rating higher than the rating of KBC.
  If Kredyt Bank S.A. is sold to a buyer with a weaker ability to support the Bank, the entity's Ratings could be downgraded.
  Placing the Support Rating on Rating Watch Negative (RWN) reflects the fact that this rating can be downgraded if the Bank is purchased by an entity with a lower rating than KBC. If the entity is bought by an entity with a higher rating than KBC or the sale is not effected, the rating may be affirmed at its current level.
- On 20 July 2011, Fitch Ratings changed the method of presenting Individual Ratings by introducing the so called Viability Rating (VR), which for Kredyt Bank S.A. was set at 'bb+'.
  According to the information received from Fitch Ratings, the Viability Rating assesses the same basic risks as the Individual Rating, but the ratings are assigned on a much wider, i.e. 19-point rating scale, corresponding to the scale used for the Long-term Issuer Default Rating (IDR). The Viability Rating represents the assessment of the internal and intrinsic creditworthiness of the Bank. In the end, the Viability Rating will replace the existing Individual Rating; however, in the transitory period, i.e. by the end of 2011, Fitch will publish both ratings on a parallel basis.

- On 27 July 2011, the Management Board of Kredyt Bank S.A. informed about publishing, on the same day, by KBC Group of the press release including, inter alia, the following content: "Today KBC Group received approval from the European Commission to amend its 2009 strategic plan. It involves the replacement of the planned IPOs of a minority stake of CSOB Bank in the Czech Republic and K&H Bank in 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 and Warta, and the sale or unwind of selected ABS and CDO assets."

Contracts entered into by the Issuer with an entity authorized to audit financial statements
On 6 June 2011, the Bank entered into an agreement with Ernst&Young Audit Sp. z o.o., an entity authorized to audit financial statements, on the review of the semi-annual standalone and consolidated financial statements of the Bank and of the Group with the semi-annual reporting package for the first half of 2011, the audit of the standalone and consolidated financial statements of the Bank and of the Group with the annual reporting package for 2011, and the procedures regarding the correctness of the calculation of the capital requirements for credit risk and operational risk as well as for the interest rate risk as at 30 June 2011 and 31 December 2011. The net remuneration under this agreement amounted to PLN 772 thousand, PLN 990 thousand and PLN 45 thousand respectively (for 2010: PLN 750 thousand, PLN 962 thousand and PLN 36 thousand; the contract as of 14.06.2010).

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

5.1. Retail banking

The Retail Segment in Kredyt Bank S.A. Group is defined as the group of individual customers as well as micro- and small companies whose annual sales revenue does not exceed PLN 1 million.
The network of own outlets is the core distribution channel through which Kredyt Bank reaches retail customers with its offer. As at 30.06.2011, the network of retail outlets comprised 374 units, including 99 branches, 273 affiliates, one banking point and one agency.
Financial brokers were the distribution channel supporting the sales of mortgages. At the end of the first half of 2011, the Bank cooperated with 13 major Polish financial intermediaries, offering its services throughout Poland, and with 523 local intermediaries. The Bank also cooperated with the network of 276 agents of TUiR Warta S.A. KB24, an electronic banking system, and Call Center supplement the traditional distribution channel. Owing to them, our customers have access to products and services 24 hours a day, seven days a week.

As at the end of the first half of 2011, Kredyt Bank S.A. provided services (except for the customers sourced via Żagiel S.A.) to 1,111 thousand individual customers and micro- and small enterprises, which means an increase by 20 thousand as compared to the end of the first half of 2010.

in '000'	30.06.2011	31.12.2010	30.06.2010
Individual customers	1 047	1 032	1 050
Micro- and small enterprises	64	63	41
Total customers	**1 111**	**1 095**	**1 091**

At the end of the first half of 2011, the number of KB24 users amounted to 435 thousand as compared to 377 thousand at the end of the first half of 2010 (an increase by 58 thousand). The number of bank transfers made in the Internet banking system also increased and amounted to 9,480 thousand as compared to 8,893 thousand in the first half of 2010 (an increase by 6.6%).

in '000'	30.06.2011	31.12.2010	30.06.2010
Number of KB24 users	435	402	377
Number of transfers via KB24 in six months of the year	9 480	9 330	8 893

The sourcing of new customers and the expansion of the customer base in the medium affluent and affluent segments are important elements of the strategy of Kredyt Bank S.A. adopted in the previous year. In May 2011, the Bank launched the marketing campaign under the motto "Finances with Principles" aiming at the improvement of the brand recognition and the promotion of new 'Ekstrakonto Plus' account (a savings & settlement account with the interest rate of 7% on the amount up to PLN 3,000). The campaign in the mass media started on 22 May 2011. The advertisements were broadcast on TV, published in the Internet and the press. On local markets, the campaign was supported with marketing activities (large-format meshes, advertisements on large outdoor screens and in the public transport) and selling activities (customer service on selected Saturdays, advertising stands in shopping malls and at local events).

Within the Retail Segment, the Bank also provides services to micro- and small companies which are a crucial element of the strategy of Kredyt Bank. In 2011, the Bank introduced essential changes in the product offer for this customer group. The implementation of a new attractive 'Ekstrabiznes Direct' package was a key element. It comprises the majority of products used by micro-enterprises (e.g. the basic account, the auxiliary account, payments, the debit card). Developing dedicated proposals for selected groups of customers, i.e. entrepreneurs, professionals and housing cooperatives, was a crucial element. Making the offer for micro-entrepreneurs more attractive was possible also due to special promotional products, i.e. the savings account with the interest rate up to 4.5% without the condition of having a pre-determined balance in the account, and a promotional offer of overdraft facilities with a simplified procedure (a lower interest rate for 12 months, the loan extended without the front-end fee, the management fee and the commitment fee).

In the first half of 2011, the segment's gross operating result (including micro- and small companies) amounted to PLN 434,861 thousand and was lower than the result generated in the first half of 2010 by PLN 34,651 thousand, i.e. 7.4%. The decrease in net interest income from lending activities associated, among other things, with the deconsolidation and the limitation of the sales of loan products via Żagiel S.A. and the smaller sales of loan products resulting, e.g. from the rebuilding of the mortgages lending process, were the main reasons behind the decrease in the said result. The said decreases were fully set off with a significant decline in risk costs. Net impairment losses on financial assets and other assets (in management terms) amounted, in the first half of 2011, to – PLN 31,929 thousand as compared to – PLN 172,731 thousand in the first half of 2010 (disregarding the impact of the sale of debts in the second quarter of 2011, the net impairment losses would amount to – PLN 116,893 thousand and – PLN 172,731 thousand respectively).

Payments and cards

In the Payments and Cards area, the key products include savings and settlement accounts, credit cards and credit limits. In the first half of 2011, the Bank opened 45,660 new savings and settlement accounts, sold 9,177 credit cards and 41,078 credit limits. New customers were sourced mainly through marketing campaigns. The campaign introducing new 'Ekstrakonto Plus' account (a savings & settlement account with the interest rate of 7% on the amount up to PLN 3,000) was the most significant campaign.

ROR current accounts	30.06.2011	31.12.2010	30.06.2010
No. of ROR accounts (in '000')	653	634	633
Carrying amount (in PLN '000')	1 203 594	1 156 413	1 189 779

In the first half of 2011, the Bank modified the offer of credit cards for medium-affluent and affluent customers; Kredyt Bank World MasterCard cards with an extended package of insurance policies and the customer loyalty system were introduced. To support the cross-selling, the Bank implemented the functionality of offering a combined limit for the credit card and a limit in the account for customers. Free insurance for cards was abandoned.

Credit cards (in '000')	30.06.2011	31.12.2010	30.06.2010
Credit cards (an aggregate for KB and Żagiel)	194	205	216

Savings and Investments

The Savings Account in PLN is the key product in this area. In the first half of 2011, the Bank continued its activities regarding the development of the offer of Savings Accounts through the promotion of Blue Cap for the Savings Account in PLN in the spring promotion (a bonus for new funds), of 'Maximus' Savings Account for affluent customers (a bonus for maintaining funds at the level declared by the customer) and of 'Lokata Swobodna' savings account with the interest accrued on a daily basis.

Savings accounts	30.06.2011	31.12.2010	30.06.2010
No. of savings accounts (in '000')	661	617	577
Carrying amount (in PLN '000')	9 834 050	9 850 124	9 421 182

The sales of structured deposits was growing fast (14 editions were implemented) and the sales of 'Progres4' term deposit was resumed (a 6-month term deposit in PLN offered from February to April 2011). Furthermore, now customers have the opportunity to open 'eConstans' term deposits (term deposits for the holders of ROR accounts from KB 24) in branches.

In the first half of 2011, in subscription periods, the Bank offered the following investment products:

- KBC TFI Closed-end Investment Funds (three subscriptions), in which, by the end of June 2011, the customers deposited nearly PLN 179.3 million. An auto-call fund, i.e. KBC Poland Jumper 4, generated the biggest sales; the customers invested PLN 120 million in it. Other subscriptions comprise: KBC Progresja FIZ and KBC Himalaja FIZ.
- Global Partners capital guaranteed foreign funds, which, apart from attractive interest rates depending on their structure, may ensure tax optimisation to investors. Four products were offered in which customers invested PLN 83.6 million.
- Investment Programmes of TUnŻ Warta, which, apart from attractive investment opportunities, provide an additional insurance cover to customers, collected over PLN 74 million in two subscriptions. In addition, to make the offer more attractive, the Bank introduced two products in the form of investment endowment policies without unitised

insurance funds. Due to such a structure, the bonus for living until the maturity of the insurance policy is exempt from the capital gains tax.

The Open-end Investment Funds offered on a continuous basis were still dominated by the sales of money market funds.
The sales of 'Profit Plan' was high. In the first half of 2011, the total sourced amount was PLN 283.4 million.

Investment funds	30.06.2011	31.12.2010	30.06.2010
Net assets of funds (excluding non-registered funds) sold via the Bank's distribution network (in PLN thousand)	4 685 840	4 491 634	3 630 079
The share of net assets of funds sold via the Bank's distribution network in net assets of investment funds managed by KBC TFI S.A.	81.6%	79.4%	73.0%

In the second half of 2011 and in 2012, the Bank intends to continue the development of the investment and savings offer by implementing:

- further investment products of KBC TFI and TUnŻ Warta with complete and partial capital guarantee;
- a new absolute return fund;
- the development of structured deposits, especially those based on other underlying instruments than a currency pair;
- an open-end equity fund with the exposure to the shares of the dividend paying companies;
- an umbrella fund with the strategies which allow for the leverage mechanism and the generation of profits in the periods of declines in the values of underlying instruments;
- innovative investment products dedicated to affluent customers.

Mortgages

In the first half of 2011, the value of mortgage agreements signed by the customers of Kredyt Bank amounted to PLN 418 million. The value of the payments of mortgages in the same period was at the level of nearly PLN 460 million.
The portfolio of the Bank's mortgage loans at the end of June 2011 amounted to PLN 16.5 billion, which resulted in the Bank's market share at the level of 5.8%.

The decline in the sales of mortgages in the first half of 2011 as compared to the corresponding period in the previous year (by 68% in the category of signed agreements and 56% in the category of paid mortgages) was temporary and was an effect of comprehensive organizational changes and of the thorough rebuilding of the process of granting mortgages in Kredyt Bank.

From the beginning of 2011, the Bank has been carrying out activities to ensure the effective and safe sales of mortgages in the future: it introduced new high lending standards (with particular focus on the requirements concerning documents, the principles of estimating creditworthiness and approved collateral). The Bank implemented changes in the organisation of the process of granting loans, i.e. the system of appraising loan applications was fully centralized and the functions and tasks in the area of the sales and of credit analyses were separated and became specialized. Furthermore, the Bank reconstructed the cooperation with financial intermediaries and implemented the programme of intensive training courses for the employees of branches and of external distribution channels.

At the same time, in the first half of 2011, the Bank gradually implemented the plan of making the product offer more attractive and fine-tuning it to market standards. The most important changes in the mortgage offer include the introduction of max. 100% LTV for loans in EUR and the insurance of low own funds in the loan as well as the extension of the lending period to 40 years. Having regard for the proper return on sales, the changes also affected other product categories: in the case of a mortgage loan, the maximum lending period was extended from 15 to 25 years, and max. LTV was upgraded to 70%. Furthermore, within a new offer of a consolidation & mortgage loan, the Bank introduced a new grid of margins, the option of obtaining the loan in PLN and EUR even for 100% of the real property value, with the lending period of up to 40 years. In addition, to build good relations with loyal customers of the Bank, in the event of all the products from the mortgage offer, the margin on cross-sell can be lowered.

In May 2011, the Bank introduced a preferential mortgage granted under 'Rodzina na swoim' ('Own house for a family') programme. The attractive offer of loans with subsidies from the State Treasury became quite popular. Since 9 May 2011, the customers have submitted to Kredyt Bank nearly 700 applications for 'Rodzina na swoim' loans, and the monthly share of this product in the number of all applications filed by persons applying for mortgage products in Kredyt Bank is, at present, at the level of ca. 15%.

Along with the optimisation of the loans extension process, the introduction of an attractive competitive offer and an increase in the effectiveness of the sales network (training courses for mortgage advisors, close cooperation with brokers), from the second quarter of 2011, the Bank has been recording an increased growth rate for the sales of mortgages:

- Fast growth of the number of submitted applications for mortgage products – 1,800 in May, and nearly 2,800 in June.
- A gradual increase in the volume of concluded agreements – over PLN 90 million in May and over PLN 120 million in June.
- Fast growth of the share of brokers in the volume of granted loans (signed agreements) up to 50% in June.

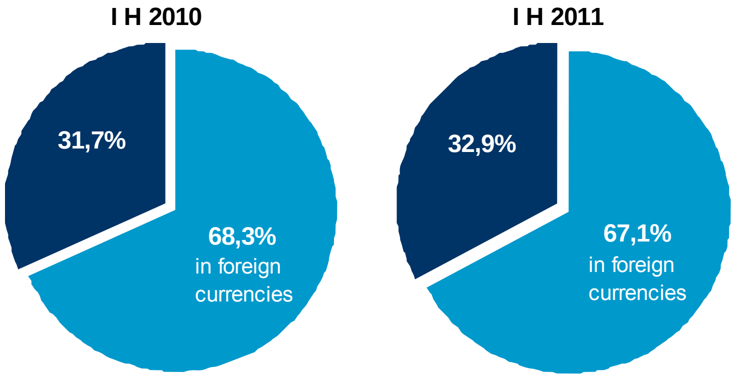
In the second half of 2011, Kredyt Bank will strive to continue to gradually develop the sales. The most significant plans for the second half of the year:

- The autumn advertising campaign for mortgages with a view to support the implementation of the mortgages sales plans and to continue the building of the awareness of the Bank's image in the context of the new positioning of the 'respected and important' brand (based on the motto: "Finances with Principles").
- The implementation of a new IT application to handle loan applications, which will allow for the effective and independent modelling of lending processes by the business.
- The implementation of amendments in the regulations and templates of loan agreements resulting from the amended SII Recommendation and the Consumer Loan Act.
- The development of an attractive bancassurance offer by signing new general agreements with TU Warta S.A. in the area of life insurance and insurance of the real properties of borrowers.

Mortgages (in PLN '000')	30.06.2011	31.12.2010	30.06.2010
Gross value of the portfolio at the end of the period	16 524 872	16 183 199	15 457 445
Number of loans granted in the period of six months (in '000')	2.3	5.4	6.2
Value of loans extended in the period of six months*	417 693	1 117 122	1 276 239

* new loans

The structures of the mortgages portfolio by currencies at the end of the first half of 2010 and of 2011 are as follows:



Consumer loans

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

Instalment and cash loans, and cards (in PLN '000')	30.06.2011	31.12.2010	30.06.2010
Gross value of the portfolio at the end of the period, including:	3 226 265	4 298 157	4 201 009
Loans extended via Żagiel*:			
Gross value of the portfolio at the end of the period	1 533 875	2 451 907	2 443 707
No. of loans extended in the period of six months (in '000')	289	355	312
Value of loans extended in the period of six months**:	648 338	755 766	640 863

* including the consolidation adjustment due to EIR
** related to instalment and cash loans

The sales of cash loans in the network of the Bank's outlets was lower in the first half of 2011 than in the previous year. It resulted mainly from the modification of the lending policy, which aimed at the reduction of the credit risk, particularly in the case of extending loans to new customers.

In April, the Bank carried out a marketing campaign promoting cash loans with insurance (0% commission); another promotion was launched in June and it will continue until the end of the holiday season. The summer promotion is related to the loans with insurance and, apart from 0% commission, it also introduces a lower and uniform price for all the customers at the level of 12% for fixed interest rate loans and 12.69% for floating interest rate loans. The campaign aimed at increasing the sales of cash loans and insurance policies offered with loans. Within this campaign, the number of granted loans is higher by 25% than in other periods.
In April, the Bank also implemented the offer for selected professional groups: professionals, employees of state administration institutions and farmers. The monthly sales within this offer amounts to ca. PLN 3 million.

In July, the requirement to have a loan guarantor was abolished, and the conditions regarding the requirement to have a co-borrower were amended to a large extent. A co-borrower is required in the case of loans with the value exceeding the net income 12 times and the requirement is not applicable to the Bank's best customers. Furthermore, the amount from which a spouse's consent is required was increased from PLN 10 thousand to PLN 15 thousand, and the maximum lending period was extended to 84 months. Due to the alterations made in the price list in the previous year and regular training campaigns, the sales of the loans with insurance was growing constantly. In July, the share of loans with insurance was at the level of over 80%.

The Bank undertook active direct marketing measures addressed at its customers in order to encourage them to take cash loans. In the period from January to May 2011, as a result of direct marketing activities addressed at the centrally compiled base of 144 thousand customers who were offered a cash loan, the Bank entered into 2,495 loan agreements (20% of all sold loans). In terms of value, the sales amounted to PLN 30.5 million, which accounts for 21% of the total sales of the cash loan.

Cash loans are also sold via Żagiel S.A. This company plays a role of a lending intermediary on the market and also offers to customers two other products of KB S.A.: the instalment loan and the credit card. Cash loans are sold in the distribution network composed of: own 'Kredyt Punkt' outlets, agency-based 'Kredyt Punkt' outlets and Multi-agencies, which also offer products of other banks.
Instalment loans are distributed by agents and the regional proprietary structure, which manages relations with cooperating shops. The shops may be divided into: network shops, medium-sized and small shops, online shops and the direct sales network.
In the case of the sales of credit cards, they use the existing customer base. The cards are sold to people, who repay the instalment loan when due. An analysis of their behaviour is an element of the examination of creditworthiness.

5.2. Enterprises Banking

The criteria for the division of customers, pursuant to the approach to the SME segment adopted since 2010, treating it as an independent business line separated from the Retail Segment, are as follows:

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

The Enterprises Banking Department has been operating in the Corporate Banking Function. It manages business lines of the SME Customer and of the Corporate Customer, and comprises the product support service for both business lines (product manager teams in Warsaw) along with the transactional support and after-sales service (the Business Service Center in Lublin). In addition, within the department, there is the sales management information team that provides required MIS data and manages the CRM system. The establishment of the Loans Center, which assumed the responsibility for the complete lending process (dispersed earlier over six regional units), is a crucial organisational change.

Operating income before tax of the segment in the first half of 2011 was higher as compared to the corresponding period in the previous year and amounted to PLN 219,456 thousand as compared to PLN 212,829 thousand. Both net interest income and net fee and commission income were higher. As compared to the first half of 2010, the cost of the credit risk decreased substantially. In the first half of 2011, net impairment losses on financial assets, other assets and provisions (in management terms) amounted to – PLN 7,137 thousand as compared to – PLN 50,754 thousand in the corresponding period of the previous year. The result of the Enterprises Segment was higher than in the previous year, despite the decrease in the assets value of the segment by 2.8%.

SME Segment

The services to the SME customers are provided by ten Macroregions of Small and Medium-Sized Enterprises (SME). The sales model in the SME segment is based on mobile team of SME Consultants, who source new customers and manage the portfolio of their existing customers. The SME Consultants, located in nearly fifty towns and cities throughout Poland, have a direct contact with their customers in a given region. Cash services are provided in branches and retail affiliates of KB S.A. throughout Poland. Day-to-day transactional services and after-sales services are rendered by the professional Business Service Center located in Lublin. In the event of specialized services, SME Consultants are supported by product specialists, who are employees of the Enterprises Banking Department. In addition, a crucial part of the product offer is provided by the companies of Kredyt Bank Group and KBC Group in Poland, including: in the case of leasing services – Kredyt Lease S.A. which offers complete services to companies leasing fixed assets and real properties; KBC Autolease S.A. – long-term lease and fleet services; and KBC TFI S.A. – an offer of investment funds for SMEs.

The key areas of activities and accomplishments of the SME Segment in the first half of 2011:

- Focusing the activities in the area of new customer acquisition: in the first half of 2011, the Bank sourced 1,722 new customers with annual income from PLN 1 million to PLN 25 million. For comparison purposes, in the first half of 2010, the number of sourced customers equalled 1,029.
- Establishing the SME Sales Development Team (SDT) within the existing structure of ten Macroregions. The task of the SDT composed of 45 mobile Consultants is to acquire new SME customers.
- Coducting the implementation, in the first quarter of 2011 (in the cooperation with a third party provider) of an electronic customer file, which is a centralized base of a customer's documents, including specimen signatures cards and authorization forms, which allows for the complete 'de-location' (i.e. availability in each outlet of KB S.A.) of cash services.
- Centralizing the process of approving transactions, making lending decisions, preparing loan agreements and loan management: the Loans Center was established in place of six existing regional units. It provides complete services within the lending process for SME customers.
- Making the product offer regarding 'Szybki Kredyt' fast loan more attractive. The main elements are as follows:
  - increasing the available loan amount for SME customers to PLN 350 thousand;
  - making the lending decision in 24 hours / signing the loan agreement in 48 hours;
  - granting a bonus to the customers taking the loan within a promotion: decreasing the interest rate for the loan by 1 p.p.
- Signing the cooperation agreement with BGK (10.06.2011) under which the Bank launched the sales of loans with a technology bonus (Technology Credit). Only in the first week of its participation in the Programme, Kredyt Bank gained the market share of 4.83% (6th place) in terms of the number of issued loan commitments concerning the technology credit.
- Obtaining, on attractive terms, from the European Investment Bank, two new credit lines for the total amount of EUR 150 million. The funds from the EIB are allocated to the financing of loan and leasing transactions for entrepreneurs, and loan transactions and municipal bonds for local government units. The customers of Kredyt Bank benefit from the EIB's financing due to a lower cost of transactions.

- Implementing the Bank's first credit card for companies, i.e. MasterCard BusinessCard Silver card with an insurance package (supplementing the existing offer of Visa Business charge and debit cards). The card gives an opportunity to take an interest free loan for a period of up to 56 days, without any commission for non-cash transactions and without any fees for the issue and use of the card in the first year.
- Carrying out an over two-months' (from 23 May) integrated promotional campaign of the fast deposit & credit line, a currency package and factoring - on TV, in nationwide and regional press, on the radio and in the Internet. The campaign also comprised two direct marketing campaigns, which supported the process of sourcing new customers.
- Participating, as a strategic partner, in the 11th edition of 'Gazele Biznesu' contest for the fastest growing small and medium-sized enterprises in particular provinces; extended to further editions of the contest (2011-2013).
- Continuing the project called 'An Entrepreneur's Academy' with the aim to strengthen the local positions of Kredyt Bank Group and KBC. The first edition of the series of 50 conferences, launched in 2010, titled "Your Company's Capital and Safety – Opportunities, Solutions, Chances", which were held in all former provincial capitals, was terminated in June. The conferences were organised in the cooperation with the following partners: the Warsaw Stock Exchange, the Polish Chamber of Commerce, the National Debt Register, and the National Chamber of Statutory Auditors. In the period from 7 June to 7 July, within the 2nd edition of the Academy, in 36 towns and cities, we held seminaries concerning three different subjects:
  - "Receivables Management in a Company" (in the cooperation with the National Debt Register);
  - "Market Risk Management in a Company" (in the cooperation with KUKE S.A.);
  - "Strategic Management vs. HR Management in a Company" (in the cooperation with Brian Tracy International training company).

The most important areas in which the measures in the SME Segment will be focused in the second half of 2011 are as follows:

- Continuing the intensive acquisition and activation of customers, supported with the sales campaign being the biggest in the Bank's history and with the use of new products, and the streamlined organisation and processes.
- Incorporating the Business Service Center in selling and cross-selling campaigns.
- Focusing on the areas of the discount of receivables (factoring), leasing, and treasury products.
- Sourcing new deposits and, at the same time, focusing further on an increase in margins on deposits;
- Launching the term deposits negotiation module on KB autodealing platform.
- Continuing 'An Entrepreneur's Academy' initiative.

Corporate Segment

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

Direct contact with customers and the management of the whole cooperation is performed by Customer Assistants. In the event of specialized services, they are supported by product specialists, who are employees of the Enterprises Banking Department in the Bank's Head Office in Warsaw. In addition, a crucial part of the product offer is provided by the companies of Kredyt Bank Group and KBC Group in Poland, including: in the case of leasing services – Kredyt Lease S.A. which offers complete services to companies leasing fixed assets and real properties; KBC Autolease S.A. – long-term lease and fleet services; and KBC TFI S.A. – an offer of investment funds for Corporate Customers. In the case of investment banking, the services to corporate customers are provided in the cooperation with KBC Securities S.A.

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

The key areas of activities and accomplishments of the Corporate Segment in the first half of 2011:

- Implementing improvements which will significantly reduce the time in the approving process and in the process of making credit decisions through:
  - the elimination of six regional Risk Centers and the appointment, in each of 13 Corporate Banking Centers, of Senior Lenders as the persons making credit decisions on behalf of the Risk Function;
  - the centralization of the processes of verifying, signing and launching loan transactions within the central loans management process.
- Making the product offer regarding 'Szybki Kredyt' fast loan more attractive:
  - making the lending decision in 24 hours / signing the loan agreement in 48 hours;
  - decreasing the interest rate within promotion by 1 p.p.
- Signing the cooperation agreement with BGK (10.06.2011) under which the Bank launched the sales of loans with a technology bonus (Technology Credit). Only in the first week of its participation in the Programme, Kredyt Bank gained the market share of 4.83% (6th place) in terms of the number of issued loan commitments concerning the technology credit.
- Obtaining, on attractive terms, from the European Investment Bank, two new credit lines for the total amount of EUR 150 million. The funds from the EIB are allocated to the financing of loan and leasing transactions for entrepreneurs, and loan transactions and municipal bonds for local government units. The customers of Kredyt Bank benefit from the EIB's financing due to a lower cost of transactions.
- Supplementing the offer of existing Visa Business charge and debit cards, the Bank introduced its first credit card for companies, i.e. MasterCard BusinessCard Silver card with an insurance package. The card gives an opportunity to take an interest free loan for a period of up to 56 days, without any commission for non-cash transactions and without any fees for the issue and use of the card in the first year.
- In the area of financing, the Bank continued the strategy of increasing the return on the transactions made with the customer and of reducing exposures when the risk is too high. Financing decisions were made as a derivative of the credit rating and of the return on assets, and the new activities in the segment of financing real properties were limited, focusing only on the cases with a satisfactory rate of return and level of the cross-selling of non-loan products.
- Focusing on acquisition – in the first half of the year, the Bank sourced 273 new customers with annual turnovers of over PLN 25 million (as compared to 140 customers sourced in the corresponding period of 2010).
- Implementing an over two-months' integrated promotional campaign of the fast deposit & credit line, a currency package and factoring - on TV, in nationwide and regional press, on the radio and in the Internet. The campaign also comprised two direct marketing campaigns, which supported the process of sourcing new customers.

The most important areas in which the measures in the Corporate Segment will be focused in 2011 are as follows:

- Good quality of the loans portfolio and strict discipline in this area.
- Further intensive focus on the acquisition of new customers, using the campaign, having regard for the accomplishment of the return on capital.
- Strong stress on the activation of new customers.
- Focus on the acquisition of customers from the FX area, a substantial increase in the market share and in income from this line.
- Development of the Receivables Discount line.
- Sourcing of new deposits through the introduction of new products and periodical promotions as well as through the sourcing of new deposit customers.
- Implementation of the electronic base of loan-related documents to improve the effectiveness and efficiency of the process.

5.3. Treasury Segment and cooperation with international financial institutions

The Bank performs transactions on the inter-bank market, both domestic and international, on own account and on behalf of customers. Active participation in the inter-bank market makes it possible to obtain competitive quotations, which is the basis of stabilization and development of existing corporate customers' base. The Bank is the Treasury Securities Dealer and Money Market Dealer. The treasury products offer is being expanded and ensures appropriate services both to Private Banking customers and medium-sized and large companies. It entails, among other things, the conclusion for customers of transactions hedging the market risk, the currency risk, the interest rate risk and the risk of raw materials prices.
Kredyt Bank S.A. established active relations with domestic and foreign banks providing FX/MM, Custody, Trade Finance and payments services. They are supplemented by cooperation agreements with global foreign institutions, e.g. the European Investment Bank, the European Reconstruction and Development Bank, Visa International. Due to the base of 35,000 SWIFT keys exchanged with other institutions, the Bank is able to exchange correspondence with banks and service foreign trade in the majority of countries worldwide. As at 30.06.2011, Kredyt Bank maintained 11 LORO accounts in foreign currencies and 29 LORO accounts in PLN for 30 correspondent banks (25 foreign banks and five national banks). The network of NOSTRO accounts included 16 accounts in 16 banks and it fully satisfied the clearing needs of Kredyt Bank.

5.4. Custodian services and investment activities

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

5.5. Operations of the Group's companies

Kredyt Lease S.A.

As at 30 June 2011, the company's share capital amounted to PLN 27,501 thousand. Kredyt Lease is engaged in leasing services, rental and lease of rights and assets, trade in real estate and intermediation in the sales of goods and services. The company focuses mainly on services provided to the Bank's customers, but also offers its services on the market. Kredyt Lease's offer is supplementary to the Bank's offer and provides a complete range of services for corporate customers and SMEs.

Kredyt Trade Sp. z o.o.
As at 30 June 2011, the company's share capital amounted to PLN 64,179 thousand. Kredyt Trade provides services complementary to the Bank's administrative services, mainly concerning servicing and lease of properties and equipment.

Reliz Sp. z o.o.
As at 30 June 2011, the share capital of Reliz amounted to PLN 50 thousand. ALTUS multi-purpose building in Katowice is the company's main asset. The company is involved in the lease and administration of this property.

6. Financial results of Kredyt Bank S.A. Capital Group in the first half of 2011

6.1. Assets structure

The Group's total assets as at 30.06.2011 amounted to PLN 44,340,215 thousand against PLN 42,245,376 thousand as at 30.06.2010 and were higher by 5.0% (an increase by 2.2% as compared to the end of 2010).

The assets structure did not change materially. Net loans and advances to customers (PLN 27,379,137 thousand at the end of the first half of 2011) and investment securities (PLN 10,695,830 thousand at the end of the first half of 2011) generated the greatest shares in the assets structure; as at the end of the first half of 2011, they accounted for 85.9% of total assets.

The most vital changes in the assets structure as compared to the end of the first half of 2010 were as follows: an increase in the share of investment securities in total assets from 22.2% to 24,1% and the simultaneous decrease in the share of net loans and advances to customers from 63.8% to 61.7%.

The depreciation of the Polish zloty against CHF, due to the large share of mortgages in foreign currencies in the portfolio, was a factor which, to a certain extent, affected the increase in the balance sheet total as compared to the figures as of 30.06.2010. At the end of June 2011, the exchange rate for CHF was PLN 3.30, and for EUR - PLN 3.99 (PLN 3.13 and PLN 4.15 at the end of June 2010).

The values of particular assets are presented in the table below (in PLN '000'):

in PLN '000'	30.06.2011	31.12.2010	30.06.2010
Cash and balances with Central Bank	1 136 843	1 943 636	1 441 062
Gross loans and advances to banks	1 246 481	1 466 249	1 216 184
Impairment losses on loans and advances to banks	0	-2 260	-2 260
Receivables arising from repurchase transactions	0	87 218	0
Financial assets designated upon initial recognition as at fair value through profit or loss	113 696	118 562	123 478
Held-for-trading financial assets (excluding derivatives)	2 371 250	1 601 283	1 590 660
Derivatives including:	382 244	463 159	591 221

- derivatives used as hedging instruments	69 144	74 340	89 227
Gross loans and advances to customers	28 651 797	29 108 520	28 748 715
Impairment losses on loans and advances to customers	-1 272 660	-1 914 000	-1 781 266
Investment securities	10 695 830	9 467 240	9 374 468
- available-for-sale	7 341 730	6 219 461	6 886 155
- held-to-maturity	3 354 100	3 247 779	2 488 313
Investments in associates valued using the equity method	16 984	15 179	13 171
Property, plant and equipment	262 354	290 444	316 622
Intangible assets	54 822	50 201	45 509
Deferred tax assets	287 586	350 387	236 902
Current tax receivable	49 107		0
Non-current assets classified as held for sale	11 714	7 070	0
Investment properties	211 766	225 668	232 706
Other assets	120 401	95 690	98 204
Total assets	**44 340 215**	**43 374 246**	**42 245 376**

Credit portfolio quality

At the end of the first half of 2011, in Kredyt Bank S.A. Group, the share of loans and advances with evidence for impairment in total gross loans and advances to customers amounted to 7.3%, i.e. 2.1 p.p. less than at the end of the first half of 2010. In the analysed period, the value of non-performing receivables, i.e. those for which evidence for impairment was identified, decreased by 22.0%. The decrease was related mainly to the receivables due to consumer loans in connection with the sale of retail debts to BEST III Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ('BEST III NSFIZ') which had taken place in the first half of 2011.

The Group monitors established legal securities of loan transactions by evaluation of the value of approved collateral on the basis of documents lodged by the borrower and internal databases including historic data about the recoverability of collateral. As at 30.06.2011, the coverage of loans and advances with evidence for impairment with impairment losses was at the level of 54.6% and decreased by 6.5 p.p. as compared to the figures as of 30.06.2010.

The values of loans and advances with evidence for impairment and basic ratios describing the quality of the loans portfolio are presented in the table below:

in PLN '000'	30.06.2011	31.12.2010	30.06.2010
Loans and advances with no evidence for impairment, including interest	26 547 219	26 286 536	25 992 860
Loans and advances with evidence for impairment, including interest	2 104 578	2 821 984	2 696 758
Total gross loan and advances to customers (including interest)	**28 651 797**	**29 108 520**	**28 689 618**
Impairment losses on loans and advances to customers	1 272 660	1 914 000	1 781 266
including: impairment losses on loans and advances with evidence for impairment	1 149 375	1 793 562	1 648 517
Total net loans and advances to customers	**27 379 137**	**27 194 520**	**26 908 352**
The share of loans and advances with evidence for impairment in total gross loans and advances	7.3%	9.7%	9.4%
Coverage of loans and advances with evidence for impairment with impairment losses	54.6%	63.6%	61.1%

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

In the first half of 2011, in the course of debt collection measures aimed at recovering debts from non-paying customers, the Bank issued 42,584 banking executory titles for the total amount of PLN 213,723.1 thousand. In the first half of 2010, the Bank issued 24,602 banking executory titles for the total amount of PLN 193,091.1 thousand.
In the case of receivables assessed individually, the total fair value of the collateral approved by the Group considered in estimated future cash flows, as at 30.06.2011 amounted to PLN 177,718 thousand. As at 30.06.2010, this value was equal to PLN 256,995 thousand.
Apart from standard loan collateral specified in loan agreements which are in line with the practices applied in the industry (mortgage, transfers of ownership to secure a loan, registered pledges, sureties, guarantees and transfers of receivables), the Group does not apply any other loan collateral, e.g. credit derivatives.

Gross loans and advances to customers – item-by-item structure
In the period, there were no significant changes in the item-by-item structure of the Group's loans portfolio. At the end of the first half of 2011, loan receivables from natural persons generated the biggest share in total gross loans and advances to customers, i.e. 75.6%.

Two trends associated with the implementation of the strategy adopted in 2010 were noticeable in the period: an increase in the share of overdraft facilities in total loans and advances to corporate customers (at the end of the first half of 2011, it was at the level of 29.9% and was higher than the year before by 8.1 p.p.); and a decrease in the share of cash and instalment loans in total loans and advances to natural persons (at the end of the first half of 2011, it was at the level of 14.9% and was lower than the year before by 4.7 p.p.).

	30.06.2011	31.12.2010	30.06.2010
Natural persons*	**75.6%**	**76.2%**	**74.5%**
- overdraft facilities	4.7%	3.9%	4.2%
- purchased debt	0.1%	0.1%	0.1%
- term loans**	3.8%	3.5%	3.8%
- cash and instalment loans	14.9%	19.4%	19.6%
- mortgages	76.3%	73.0%	72.2%
- realised guarantees	0.0%	0.0%	0.0%
- other receivables	0.2%	0.1%	0.1%
Corporate customers	**23.8%**	**23.2%**	**24.7%**
- overdraft facilities	29.9%	24.1%	21.8%
- term loans**	58.2%	65.3%	67.6%
- purchased debt	2.9%	1.8%	2.5%
- realised guarantees	0.0%	0.0%	0.0%
- other receivables	8.3%	8.1%	7.4%
- debt securities classified as loan receivables	0.7%	0.7%	0.7%
Budget	**0.6%**	**0.6%**	**0.8%**
- overdraft facilities	2.5%	1.5%	18.7%
- term loans**	84.8%	87.7%	77.0%
- debt securities classified as loan receivables	12.7%	10.8%	4.3%
Total	**100.0%**	**100.0%**	**100.0%**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households.
** The item contains mainly: in the case of natural persons – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary customers – investment and working capital loans.

6.2. The structure of liabilities and equity

At the end of the first half of 2011, as in the previous year, amounts due to customers were the main category of liabilities. Over last 12 months, their value increased by 2.0%. The share of amounts due to customers in total liabilities and equity amounted, at the end of the first half of 2011, to 59.0% (a decrease by 1.7 p.p.).

The share of amounts due to banks (including the Central Bank) in total liabilities and equity at the end of the first half of 2011 amounted to 26.8% against 27.7% recorded the year before. The majority of them were funds sourced from KBC Group entities. At the end of the first half of 2011, the value of loans and advances obtained from the entities of KBC Group amounted (with subordinated liabilities) to PLN 6,829,692 thousand, which accounted for 15.4% of total liabilities and equity. In addition, at the end of the first half of 2011, KB S.A. Group obtained, from the entities of KBC Group, interbank deposits amounting to PLN 2,363,674 thousand (5.3% of total liabilities and equity).

The values of particular liabilities and equity items are presented in the table below (in PLN '000'):

	30.06.2011	31.12.2010	30.06.2010
Amounts due to Central Bank	2	6	6
Amounts due to banks	11 867 510	12 150 706	11 706 356
Liabilities arising from repurchase transactions	1 406 593	228 693	128 561
Derivatives including:	652 612	1 131 078	743 927
- derivatives used as hedging instruments	204	1 274	0
Amounts due to customers	26 154 246	25 660 758	25 651 880
Current tax liability	112	155 197	41 913
Provisions	76 285	92 811	69 498
Deferred tax liability	762	869	1 123
Other liabilities	278 868	214 804	271 532
Subordinated liabilities	947 298	911 100	903 162
Total equity	2 955 927	2 828 224	2 727 418
Total liabilities and equity	**43 340 215**	**43 374 246**	**42 245 376**

Amounts due to customers – structure by items and types
In the period, there were no substantial changes in the item-by-item structure of amounts due to customers. Changes in the type-by-type structure are related to a greater scale of acquisitions for savings accounts. Term deposits of corporate customers include the funds of TUnŻ WARTA sourced from the sales of 'WARTA GWARANCJA' insurance term deposit – as at 30.06.2011, they amounted to PLN 740,277 thousand (2.8% of total amounts due to customers).

Amounts due to the Group's customers	30.06.2011	31.12.2010	30.06.2010
Natural persons*	**62.0%**	**62.4%**	**61.9%**
- in current account	77.0%	78.3%	75.2%
- term deposits	22.6%	20.9%	24.4%
- other	0.4%	0.8%	0.4%
Corporate customers	**31.7%**	**29.9%**	**29.8%**
- in current account	42.6%	49.8%	36.4%
- term deposits	47.4%	47.6%	62.2%
- loans and advances	10.0%	2.6%	1.3%
- other	0.0%	0.0%	0.1%
Budget	**6.3%**	**7.7%**	**8.3%**
- in current account	70.8%	68.4%	62.5%
- term deposits	29.2%	31.6%	37.5%
Total	**100.0%**	**100.0%**	**100.0%**

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

6.3. Off-balance sheet items

The values of particular off-balance sheet items are presented in section 4 of the interim consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2011 ended on 30.06.2011.

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

As of 30.06.2011, the Bank issued guarantees with the total value of at least 10% of the Bank's equity, to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 451,598 thousand.

As of 30.06.2010, the Bank issued guarantees with the total value of at least 10% of the Bank's equity, to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 334,302 thousand.

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

6.4. Income statement structure

The Group's net profit in the first half of 2011 amounted to PLN 221,917 thousand and was higher by 202.7% in comparison to the first half of the previous year. The most important factors that affected the differences between the compared periods were as follows: the sale, in the first half of 2011, of the portfolio of retail debts whose total impact upon the net profit in the whole first half of the year amounted to PLN 63,483 thousand; and the fact of reducing the costs of risk and deducting, from the result for the first half of 2011, a smaller amount of net impairment losses on assets and provisions than in the corresponding period of the previous year.

In the first half of 2011, the operating profit (understood as profit before tax less net impairment losses and the share in profit of associates) amounted to PLN 329,431 thousand and was slightly lower than the operating profit for the first half of 2010 (by 2.0%). The results in the first half of 2011 were affected by the increase in general and administrative expenses which amounted to PLN 488,300 thousand (an increase by 8.1% as compared to the first half of 2010).

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

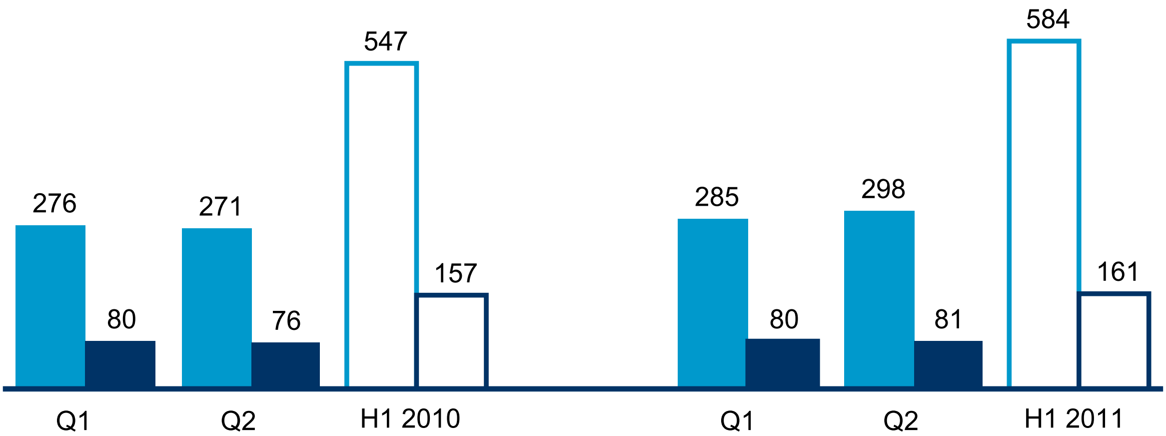
in PLN '000'	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010	Change (%)
Net interest income	583 802	547 079	6.7%
Net commission income	161 301	156 659	3.0%
Net gains from trading and investing activities (including dividend income and net result on derivatives used as hedging instruments and hedged items)	33 340	61 549	-45.8%
Net gains from other operating income/expenses	39 287	22 936	71.3%
Total income	**817 730**	**788 223**	**3.7%**
General and administrative expenses, and depreciation	-488 300	-451 915	-8.1%
Net impairment losses on financial assets, other assets and provisions	-34 185	-238 972	-85.7%
Share in profit (loss) of associates	1 805	1 215	48.5%
Profit before tax	**297 050**	**98 551**	**201.4%**
Income tax expense	-75 133	-25 239	197.7%
Net profit (attributable to the shareholders of the Bank)	**221 917**	**73 312**	**202.7%**

Net interest income and net fee and commission income generated by the Group in the first half of 2011 amounted to PLN 745,103 thousand and were higher by 5.9% than the figure recorded in the first half of 2010 (PLN 703,738 thousand). The factors which positively affected the interest income and commission income were as follows: greater acquisition of new customers and the improvement of the profitability of the cooperation with existing customers in the Enterprises Segment; and the maintenance of the high demand for and high sales of investment and insurance products to individual customers. Lower sales of loan products in the Retail Segment affecting the commission income was a negative factor.

Net interest income in the first half of 2011 amounted to PLN 583,802 thousand and, as compared to the first half of 2010, it increased by 6.7%. An increase in the total volume of interest assets and an increase in deposit margins in both most important segments of customers, as well as the improvement of loan margins in the Enterprises Segment were positive for the level of the net interest income. Higher margins were related, among other things, to the increase in interest rates and the diversification of the loans portfolio of the Enterprises Segment implemented according to the strategy.

The lower loan margin in the Retail Segment associated with the loss of the income generated by the high-margin portfolio of consumer finance loans was a negative factor.

Net interest income in the first half of 2011 and of 2010, in millions of PLN, is presented in the graph below:



Net fee and commission income in the first half of 2011 amounted to PLN 161,301 thousand and, as compared to the first half of 2010, increased by 3.0%. The increase was mainly a result of the greater acquisition of new customers and of the expansion of the cooperation with existing customers in the Enterprises Segment, which resulted in the growth of the income from the commissions on guarantees and foreign transactions and for the maintenance of accounts and transactions made in accounts. The sales of investment and insurance products was also positive for the net fee and commission income.

A decrease in the commission income and a slight increase in commission expenses related to the payment cards processing and ATMs maintenance was a negative factor.
Net commission income in the first half of 2011 and of 2010, in millions of PLN, are presented in the graph below:

The table below presents the structure of commission income in the first half of 2011 and of 2010.

	01.01.2011 - 30.06.2011	Structure %	01.01.2010 - 30.06.2010	Structure %
Fees and commissions on deposit-related transactions with customers	69 316	38.4%	67 714	38.1%
Fees and commissions due for payment cards processing and ATMs maintenance (net; income less expenses)	36 818	20.4%	41 015	23.1%
Commissions on distribution and management of combined investment and insurance products	30 170	16.7%	27 272	15.4%
Fees and commissions related to lending activities	19 988	11.1%	20 507	11.5%
Commissions on guarantee commitments	11 095	6.1%	8 886	5.0%
Commissions on foreign clearing operations	7 742	4.3%	7 577	4.3%
Other fees and commissions	3 655	2.0%	3 200	1.8%
Commissions on other custodian services	1 819	1.0%	1 464	0.8%
Total	**180 603**	**100.0%**	**177 635**	**100.00%**

Net gains from trading and investing activities (including dividend income and net result on derivatives used as hedging instruments and hedged items) in the first half of 2011 amounted to PLN 33,340 thousand and was lower by 45.8% than the result accomplished in the corresponding period of 2010 (PLN 61,549 thousand). Net trading income decreased by 42.7% and amounted to PLN 31,790 thousand (as compared to PLN 55,477 thousand in the corresponding period of 2010). It resulted from the decrease in the net income from foreign exchange and in the result on held-for-trading debt securities.

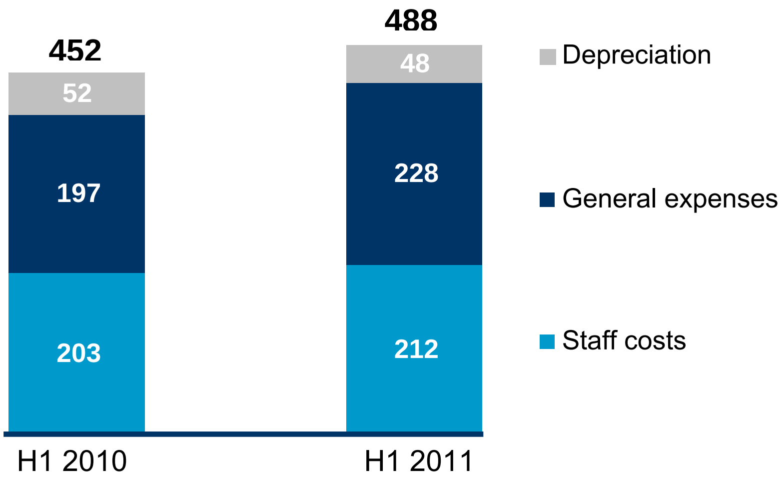
Net gains from other operating income/expenses in the first half of 2011 amounted to PLN 39,287 thousand and were higher by 71.3% that net gains generated in the corresponding period of 2010 (PLN 22,936 thousand). The difference was mainly the result of the reversal of provisions related to incentive programmes amounting to PLN 17,061 thousand.

The Group's general and administrative expenses in the first half of 2011 amounted to PLN 488,300 thousand and were higher by 8.1% than the expenses in the corresponding period of the previous year (PLN 451,915 thousand).

The increase was related mainly to the incurrence in the first half of 2011 of higher general expenses by 15.5% (PLN 227,800 thousand vs. PLN 197,259 thousand in the first half of 2010). The following expenses were higher: promotion and advertising costs (by PLN 8,335 thousand, due to the launch, in the second quarter of 2011, of a large-scale marketing campaign aiming at the improvement of the brand recognition and the acquisition of new retail customers), costs of the fee for the Bank Guarantee Fund (by PLN 7,653 thousand), IT and telecommunications costs (by

PLN 6,223 thousand), other taxes and fees (by PLN 5,409 thousand) and the costs of advisory and specialized services (by PLN 1,676 thousand).

Staff costs in the first half of 2011 amounted to PLN 212,590 thousand and were higher than in the first half of 2010 by 4.8% as a result of payroll regulations and the costs of severance pays in the second quarter of 2011.
General and administrative expenses in the first half of 2011 and of 2010, in millions of PLN, are presented in the graph below:



In the first half of 2011, the cost/income ratio (CIR) amounted to 59.7% and was higher by 2.4 p.p. than in the first half of 2010.

In the first half of 2011, net impairment losses on financial assets, other assets and provisions were negative and amounted to – PLN 34,185 thousand as compared to – PLN 238,972 thousand in the first half of 2010. Disregarding the impact of the above-mentioned sale of debt, the level in this category in the first half of 2011 would amount to – PLN 119,149 thousand (the impact of the transaction: + PLN 84,964 thousand).
As compared to the first half of 2010, the cost of the credit risk decreased for each segment.
The structure of net impairment losses on financial assets, other assets and provisions in incremental terms has been presented in the table below:

in PLN '000'	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010	Change in PLN '000'	Change (%)
Retail Segment	-29 126	-172 574	143 448	-83.1%
Enterprises Segment	-6 906	-51 418	44 512	-86.6%
Other provisions	1 847	-14 980	16 827	-112.3%
Total	**-34 185**	**-238 972**	**204 787**	**-85.7%**
Disregarding the impact of the transaction				
Retail Segment	-118 090	-172 574	54 484	-31.6%
Enterprises Segment	-6 906	-51 418	44 512	-86.6%
Other provisions	5 847	-14 980	20 827	-139.0%
Total	**-119 149**	**-238 972**	**119 823**	**-50.1%**

Income tax expense: the deduction due to the income tax in the Group in the first half of 2011 amounted to PLN 75,133 thousand, as compared to the deduction from the Group's net profit in the first half of 2010 of PLN 25,239 thousand.
The effective tax rate in the first half of 2011 was at the level of 25.3% and was distorted mainly due to the writing off of a deferred tax asset related to the impairment of receivables which will not become deductible expenditure, and non-tax financial expenses arising due to 'thin capitalisation'.
The reasons for the higher-than-usual tax rate in the first half of 2010 are identical to the reasons that occurred in the first half of 2011.

7. Risk management

On 8.02.2011, the Bank's Management Board appointed the Risk and Capital Committee which replaced the following existing committees: the Credit Risk Committee, the Assets and Liabilities Management Committee, and the Operational Risk Committee. The new Committee will be a forum for the integrated review of all types of risk and capital management. It supports the Bank's Management Board in the area of risk and capital management, control and monitoring.
Below, we are describing changes in the approach towards the management of credit risk, liquidity risk and operational risk introduced in the first half of 2011. As regards other types of risk the Group is exposed to, i.e. the market risk in trade and ALM risk, the approach has not changed much as compared to the end of 2010.

7.1. Credit risk

In the first half of 2011, the Group introduced, as regards credit exposures, modifications in response to the general macroeconomic situation in Poland and the regulatory environment in order to maintain the level of the Bank's credit risk at an acceptable level.

The main changes in the lending policy in the retail area:

- Adjustment of the lending policy to the requirements of the T-Recommendation.
- Gradual adjustment of the lending policy to the requirements of the new S-Recommendation.
- A change in the Bank's organisational structure which involved the centralization of the process of granting mortgage loans with a view to increase the effectiveness and enhance the quality of the lending process.
- Introduction of additional insurance in order to diminish the risk of mortgage loans granted to the customers who do not possess their own sufficient funds.

The main changes in the lending policy in the area of enterprises:

- A change in the Bank's organisational structure which involved the centralization of the lending process for SMEs which keep integrated accounts with a view to increase the effectiveness and enhance the quality of the process.
- Adjustment of the parameters of acceptance and lending to business requirements having regard for the defined level of risk appetite.
- Adjustment of the lending policy for the customers operating in specific industries to the changing market situation, including the continuation of the stricter policy concerning the financing of hotels and commercial real properties.

Changes regarding the measurement and monitoring of credit risk:

- Enhanced quality of reporting through the expansion of the reports on the portfolio of mortgage loans.

- Adjustment of the monitoring of the Bank's internal limits for retail loans to the requirements of the T-Recommendation, having regard for the defined level of the risk appetite.

7.2. Market and liquidity risk

As regards the market risk in the first half of 2011, the Bank:

- undertook works on the estimation of the level of liquidity measures according to the principles adopted in December 2010 by the Basel Committee (the LCR and the NSFR);
- updated the policy governing the process of the management of the market, ALM and liquidity risk.

7.3. Operational risk

In the first half of 2011, the Group improved the operational risk management system through:

- updating the internal regulations concerning:
  - the methodology of Risk Self Assessment - RSA;
  - the methodology concerning potentially lost income;
  - business continuity management;
  - the rules of the functioning of the Bank's Crisis Committee;
- carrying out operating tests for selected IT systems supporting critical processes.

8. Financial ratings for the Group's parent company

On 22 June 2011, Fitch Ratings agency assigned the following ratings to Kredyt Bank S.A.: Long-term Issuer Default Rating (IDR): 'A-' (with Stable Outlook); Short-term Issuer Default Rating (IDR): 'F2'; Support Rating: '1'; Individual Rating: 'C/D'.
Fitch Ratings paid attention to the fact that long-term and short-term ratings reflected a very high potential support that the Bank could obtain from KBC Group, its majority shareholder.
Assigning the Individual Rating, Fitch Ratings took into consideration, e.g. the fast growth of the value of the loan portfolio before the launch of the financial crisis; the risks embedded in the substantial exposure to foreign currency mortgage loans; and the quality of the loan portfolio as well as the solvency level. In the opinion of the Agency, these factors are balanced by the adequate liquidity and improved funding structure.
On 14 July 2011, Fitch Ratings placed the Long-term Issuer Default Rating (IDR) and the Short-term Issuer Default Rating (IDR) of Kredyt Bank S.A. on Rating Watch Evolving (RWE).

At the same time, Fitch placed the Bank's Support Rating on Rating Watch Negative (RWN).
Placing the Long-term Issuer Default Rating (IDR) and the Short-term Issuer Default Rating (IDR) of Kredyt Bank S.A. on Rating Watch Evolving (RWE) reflects Fitch Ratings' view that the entity's ratings could be upgraded if Kredyt Bank S.A. is bought by an entity with the rating higher than the rating of KBC. If Kredyt Bank S.A. is sold to a buyer with a weaker ability to support the Bank, the entity's Ratings could be downgraded.
Placing the Support Rating on Rating Watch Negative (RWN) reflects the fact that this rating can be downgraded if the Bank is purchased by an entity with a lower rating than KBC. If the entity is bought by an entity with a higher rating than KBC or the sale is not effected, the rating may be affirmed at its current level.

On 20 July 2011, Fitch Ratings changed the method of presenting Individual Ratings by introducing the so called Viability Rating (VR), which for Kredyt Bank S.A. was set at 'bb+'. According to the

information received from Fitch Ratings, the Viability Rating assesses the same basic risks as the Individual Rating, but the ratings are assigned on a much wider, i.e. 19-point rating scale, corresponding to the scale used for the Long-term Issuer Default Rating (IDR).
The Viability Rating represents the assessment of the internal and intrinsic creditworthiness of the Bank. In the end, the Viability Rating will replace the existing Individual Rating; however, in the transitory period, i.e. by the end of this year, Fitch will publish both ratings on a parallel basis.

9. Corporate governance and social commitment

Corporate Governance rules

Since the implementation of Corporate Governance principles (for the first time, they were incorporated by the authorities of the Warsaw Stock Exchange in 2002), Kredyt Bank S.A. has declared its adherence to them and has made every effort to apply recommendations and corporate governance principles to the largest possible extent. On 1 January 2008, Corporate Governance rules enlisted in the document entitled "The Code of Best Practice for WSE Listed Companies" came into force (Resolution of the Stock Exchange Board No. 12/1170/2007 of 4 July 2007). The Bank approved the new rules on 28 May 2008 under Resolution No. 25/2008 by the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. On the basis of the above rules, reports on their applications in the years 2007 - 2010 were prepared; they constitute a part of annual financial statements.
On 19 May 2010, the Supervisory Board of the Warsaw Stock Exchange adopted Resolution No. 17/1249/10 concerning the amendments to Corporate Governance rules. The Code of Best Practice incorporated the latest amendments in the law, the changes in the present international trends in corporate governance and expectations of the market players. The amendments to "The Code of Best Practice for WSE Listed Companies" came into force on 1 July 2010.

According to the rules of the corporate governance, the Bank applies the By-laws of the Supervisory Board and of the Management Board, as well as the By-laws of the General Meeting of the Bank's Shareholders. The Members of the Supervisory Board have proper education and many-years' experience in the area of business management.
The Audit, Risk and Compliance Committee and the Remunerations Committee operate in the Supervisory Board. If need be, the Supervisory Board may also appoint other Committees, defining their scope and operating mode. The Audit, Risk and Compliance Committee performs supervisory activities over the operations of business units of the Bank responsible for internal audit, risk management and compliance function. The Remunerations Committee supervises employee issues and salaries, especially the salaries of the Bank's Management Board Members.
The By-laws of the General Meeting of Shareholders of the Bank define detailed rules of the meeting procedure and of adopting resolutions. The By-laws define, inter alia, the rules of participating in the General Meeting of Shareholders and detailed rules referring to the selection of the Supervisory Board by way of voting by separate groups.

The Bank presents the information concerning the observance of the Corporates Governance rules on its corporate website: www.kredytbank.pl in Polish and English language versions.

Business ethics

Kredyt Bank considers ethics and honesty as the fundamental values to develop its business activity. Our corporate values, which form the acronym PRO (Professional, Respectful and Open), form a guideline for us in our daily activities. Jointly, they form a consistent unit and entail: courtesy towards customers, efficiency, entrepreneurship and innovation.

The overriding rule of the credit policy involves the financing of transactions complying with ethical standards and the rules of law. Financing criminal activities within the meaning of the criminal code and of socially unacceptable activities is excluded. Kredyt Bank does not finance production and trade in weapons, gambling, erotic business, bio-engineering projects, avoids financing companies showing higher ecological risk.

The Bank introduced an anti-corruption and anti-bribery policy, which presents the official position of the Bank concerning the eradication and prevention of corruption in all forms and variants. The preventative measures in this area are supplemented by the Bank's policy of accepting gifts and presents by employees, including an absolute ban on corruption, bribery, accepting money and extorting gifts as a condition of the positive case solution. In addition, it stipulates that gifts in the form of bribes or hidden commissions are always prohibited.

The Bank's policy on whistleblowers reporting abuses, irregularities and negligence in the operations of Kredyt Bank S.A. gives the opportunity of reporting abuses or other negligence by employees at a very early stage, without the fear of repression. At the same time, whistleblowers can enjoy the guarantee of fair treatment, and the cases reported by them are examined objectively and with confidence.
The Bank applies the policy concerning the prevention of money laundering and terrorism financing. On the Bank's website, there is a questionnaire confirming the implementation by the Bank of the said policy and the meeting of its requirements.

Community involvement
Pursuant to the adopted social community involvement strategy titled "Przyjazny rozwój Dziecka" ("A Child's Favourable Development"), Kredyt Bank participates in the establishment of the friendly environment for the development of the communities, with special support for safe development of children and the promotion of right attitudes and behaviour among them.
From January 2011, in 117 primary schools in three provinces: Śląskie Province, Łódzkie Province and Dolnośląskie Province, the Bank carried out the first edition of a strategic social project titled "Kabecjanie dają radę" ("The Kabecjans can make it"). Over 20,000 pupils from 921 classes participated in the project. A series of 13 lessons about safety in schools were carried out by teachers and special guests, i.e. representatives of rescue services – policemen and firemen. Children were also tested to check their sight, hearing and lateralization (handedness). One of the lessons was held by volunteers from the Polish Red Cross, who taught the basic first aid rules. The educational activities were addressed at pupils of classes 1-3, but also at parents and teachers, who could participate in free first aid courses. The project is implemented in the cooperation with Stowarzyszenie Laboratorium Troski (The Care Laboratory Association) and the Polish Red Cross. It is carried out under the honorary auspices of: the Ministry of the Interior and Administration, the National Headquarters of the State Fire Service and the Polish Police Headquarters. Media sponsorship: TVP Info.
On 19 June 2011, in Agrykola park in Warsaw, we organized 'Kabecjans' Family Picnic which was free for all residents of Warsaw and of the neighbourhood areas. During the Picnic, the rescuers from the Polish Red Cross taught the first aid rules and the firemen talked about fire hazards and gave advice on how to protect oneself against them. Moreover, everyone could test their knowledge of safety rules playing the Grand 'Kabecjan' Game. Radio Kolor was the media sponsor for the Picnic.
Blood donation campaigns with the participation of the employees organized cyclically in the Bank's registered office have become a permanent element of the company's social activities. On 7 February 2011, in the head office, we organized another, already fifth, campaign during which 41 employees donated over 18 litres of blood.

In the first half of 2011, the employees also carried out a few interesting volunteering projects under "TAK od serca" ("YES from the heart") Employee Volunteering Programme. In May 2011, the 'The Volunteer of the Month' title was awarded to Mr. Marcin Salwerowicz from the SME Macroregion in Łódź. This title is awarded by the Centre once a month to volunteers bringing assistance to those who need it, and whose campaigns are supported by their companies. Since 2009, this title has been awarded to as many as six employees of Kredyt Bank.

Social projects were also undertaken by "Razem Możemy Więcej" ("Together We Can Do More") Foundation of WARTA and Kredyt Bank. Since the beginning of the year, the Foundation paid the total of PLN 192,625 for the implementation of the projects supporting social and charitable activities, the development of sports and cultural initiatives. Owing to the co-financing obtained from the employee grants programme called "Chcę pomagać" ("I want to help"), in the first half of the year, we managed to carry out 26 initiatives for children, the youth, seniors and the disabled.

Sponsoring

By sponsoring various events, the Bank wishes to develop cultural and sport life of Poles, and establish and retain positive relations with customers.
In the first half of 2011, Kredyt Bank launched the cooperation with the Polish Yachting Association regarding the implementation of the strategic sports project: Kredyt Bank Polish Sailing Team. The Bank awarded grants to the best sportsmen from the national team from the following classes: Laser Standard, Laser Radial, Finn, RS:X for women, RS:X for men. The cooperation will focus on professional preparation of the Polish team for the Olympic Games in London in 2012. Within the financial support, the Bank prepared two funds for the sailors from the national team: the Grants Fund – grants for the best sportsmen; and the Social Fund – grants for the sportsmen who are temporarily unable to actively participate in trainings due to misfortunes and unexpected events (illnesses, injuries, pregnancy, etc.).
The Bank has been supporting the Laser class for years now; each year, it sponsors, among other things, the Laser Class European Championships in Puck. In May 2011, the Bank participated, as a sponsor, in the Polish Yachting Association Cup in Puck. During the races, sailors could also participate in a special race for the Cup of the President of Kredyt Bank.
The Bank was also involved in a series of cultural projects. In cooperation with the Museum of History in Katowice, the Bank supported, for the third time, "The Night in a Museum", a highly popular cultural event. Moreover, the Bank sponsored a jazz concert of the pianist Wojciech Kamiński and of the singer Irena Gałązka, organized in the cooperation with the Polish Bank Association.

10. The outlook and growth drivers for Kredyt Bank S.A. Capital Group

External drivers

The development of the macroeconomic situation in the countries of the European Union and in developed countries remains the most important risk factor in 2011. As a result of the financial crisis, the dependence between the macroeconomic trends, the situation of financial institutions and the condition of the public finances sector became greater. The recession was halted owing to the changes in the fiscal policy, which, at the same time, resulted in a significant increase in public finance deficits in certain countries. The concerns about the long-term solvency of certain euro area countries are causing tensions on financial markets. The concerns are being neutralised due to the implementation of the European Stabilization Mechanism and the introduction of budgetary savings and public finances improvement programmes.
The failure of the said fiscal consolidation programmes may result again in slower economic growth, a decrease in the liquidity of financial markets and the difficulties related to the refinancing of the debt by financial institutions. Recent months showed that such a risk has increased and remains at a higher level. The emergence of such a scenario could result in a lower economic growth rate in Poland through the decrease in internal demand, an increase in the cost of debt servicing and the necessary tightening of the fiscal policy.

The Polish economy, at the background of European economies, appears to be in a good shape; nevertheless such phenomena as the persisting high unemployment rate and the still low liquidity of national financial markets as well as the uncertainty concerning the position of the Polish zloty do not support the recovery of truly good business conditions on the financial services market. Positive factors are as follows: more new loans extended in the second quarter of 2011 and a noticeable decrease in the costs of risk in the enterprises sector, which may be a symptom of a greater tendency to invest and of a relatively good financial situation of companies. The corroboration of these trends will considerably affect the results of the banking sector in 2011.

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

- Currency risk; on the one hand, a significant depreciation of PLN (especially against CHF) resulting from the increase in the aversion to risk on financial markets, which may result in lower quality of mortgage loans; and, on the other hand, a significant appreciation of PLN resulting in the worse situation of exporters and, hence, a possible deterioration of the quality of the loans portfolio of institutional customers.
- Increased uncertainty as regards the perspectives for the global economic growth (mainly for Poland's major business partners) and, hence, for the growth rate of the Polish economy and the situation on the labour market in the years to come.
- 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.
- An impact of the implementation of new recommendations/regulations of the Polish Financial Supervision Authority upon the rate of the development of the portfolio of mortgage loans and its profitability.
- Persisting high costs 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.
- Changes in market interest rates and margins for banking products.

Internal drivers

As compared to the end of December 2010, the internal drivers for the operations of Kredyt Bank S.A. Group did not change materially. 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. Their implementation will be affected to a great extent by an increase in income, at the same time limiting the costs of risk and maintaining the control of the level of general and administrative expenses.

The ability to source new customers, both in the Retail Segment and in the Enterprises Segment, will be an important driver for the growth of income. The nationwide marketing campaign launched in May 2011, aiming, apart from the promotion of specific products, at the enhancement and repositioning of the brand of Kredyt Bank S.A., will support the process.
More comprehensive exploitation of the existing distribution network is another element. Further works are underway to review and optimize the network of outlets from the point of view of their location, profitability of their activities and sales volume. Alternative distribution channels, such as call center and service center are being developed. Also, the cooperation with brokers on the market of the sales of mortgages is being developed. Works are underway within strategic projects aiming at the reconstruction of the existing electronic banking system.

As a part of the new strategy, the Group initiated a number of projects, which aim at better adjustment of institutions to market requirements, improvement of the efficiency of processes and better use of existing human and material resources. The Group launched the implementation of a few infrastructure projects in the IT area, including changes in the basic operating system, which aim at increasing the possibility of implementing new products and services, and the streamlining and enhancing the reliability of customer service.

An increase in and the maintenance of the share in the market of individual customers' deposits and an increase in the acquisition of customers through the sales of deposit products and mortgages will remain an objective for the Retail Segment in 2011. The Group will strive to recover and maintain its position on the market of mortgages and, at the same time, improve the quality of the loans portfolio, and also to further increase the cross-selling of investment and insurance products.

In the Enterprises Segment, selling activities will be focused on the segment of smaller and medium-sized companies. Deepening relations with existing customers and the greater diversification of the loans portfolio will be the chief goal. The process of reducing large, non-profitable exposures will continue. Sourcing new customers from the SME segment and an increase in income, including an increase in commission income from transactional banking and foreign exchange will remain the main objectives for 2011. Ultimately, customers and income generated from the SME subsegment are to become the most important part of the business line of enterprises banking.

11. Statement of the Management Board of the Group's parent entity

Under § 90 clause 1 items 4 and 5 of the Ordinance by the Minister of Finance of 19 February 2009 on current and interim information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws No. 2009, No. 33 item 259), the Management Board of Kredyt Bank S.A. hereby makes the following statements:

11.1. True and fair view presented in the financial statements

According to the best knowledge of the Management Board of Kredyt Bank S.A., the interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2011 ended on 30.06.2011 along with the comparable data, have been prepared according to the accounting principles effective in the Group and present a true and fair view of the financial standing and assets of Kredyt Bank S.A. Capital Group as well as of its financial result. In addition, the Management Board of Kredyt Bank S.A. hereby declares that the semi-annual Management Board's report presents a true picture of the development and accomplishments, as well as the situation (including the description of basic risks and threats) of Kredyt Bank S.A. Capital Group in the first half of 2011.

11.2. The appointment of the certified auditor for financial statements

The Management Board of Kredyt Bank S.A. hereby declares that the certified auditor to review the interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2011 ended on 30.06.2011 was appointed as required by law. This entity and certified auditors performing the review complied with the conditions on the issue of impartial and independent audit report, as required by the Polish law.

Signatures of all Management Board's Members

date	09.08.2011	Maciej Bardan	President of the Management Board	....
date	09.08.2011	Piotr Sztrauch	Vice President of the Management Board	....
date	09.08.2011	Umberto Arts	Vice President of the Management Board	....
date	09.08.2011	Mariusz Kaczmarek	Vice President of the Management Board	....
date	09.08.2011	Zbigniew Kudaś	Vice President of the Management Board	....
date	09.08.2011	Jerzy Śledziewski	Vice President of the Management Board	....