Consolidated Annual Report of Kredyt Bank S.A. Capital Group prepared for the year ended December 31, 2010

(Submitted to the Polish Financial Supervision Authority on February 25, 2011
- translation from Polish language)

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

Dear Shareholders, Customers and Employees,

On behalf of the Management Board of Kredyt Bank S.A., I have the pleasure to present the consolidated financial statements and the report on the operations of Kredyt Bank S.A. Capital Group in the year 2010.

As we expected, the Group continued to face the negative impact of the economic crisis. The year 2010 brought about the improvement of the main business condition indicators, but Poland's economic situation, though relatively good as compared to other European countries, continued to adversely affect tendencies of enterprises to make investment decisions, hence limiting the demand for loans and the increase in employment.

The results accomplished in 2010 confirmed that the decisions and adjustment measures taken in 2009 had been right. The operating profit of Kredyt Bank S.A. Capital Group (understood as profit before tax less net impairment losses and the share in profit of associates) amounted to PLN 703.5 million and was the highest in the Group's history (excluding net gains from the sale of Żagiel in 2009). It was possible due to an increase in general and administrative expenses by more than 9% with a simultaneous increase in operating income. The income/cost relation reflecting the effectiveness of the operations amounted to 56.9% and was also the best in the Group's history (excluding last year's one-off income). As a result of the measures aimed at the restructuring of the portfolio of corporate banking assets, the increase in the value of risk-weighted assets was reduced, which allowed for a rise in the capital adequacy ratio to 12.5% in consolidated terms.

Focus on sourcing customer deposits was one of the main objectives for 2010. Between December 2009 and December 2010, the amounts due to customers increased by PLN 3,191.6 million. That resulted in the improvement of the assets financing structure and the loans/deposits ratio.

At present, Kredyt Bank S.A. Capital Group is facing the turning point in its history. Consistent measures taken to reduce general and administrative expenses, which brought about results in 2010, must be complemented with changes in the operational model and, hence, modifications in the organisation allowing for the creation of opportunities for a further increase in the income.

To meet this objective, the Group has developed and adopted a new strategy assuming the repositioning of the Bank as a family bank providing services to the middle class and small and medium-sized enterprises, focused on the precisely defined areas in which it will compete with the best players on the market. To fulfil these assumptions, the Group needs to introduce organisational changes, allowing for an increase in the effectiveness and specialisation as well as the remodelling of the processes to streamline and simplify the organisation.

Within this new strategy, in 2010 the Group launched a number of infrastructural projects in order to reduce the existing distance in the area of banking technologies, such as the optimisation of IT systems, including the main operating system, the implementation of a new electronic banking system, the optimisation of the network of outlets, and projects concerning the development and management of processes and products.

The changes leading to the creation of corporate profit-oriented culture based on commitment, a strict definition of accountability and objective assessment of work performance are extremely important. We aspire to create an efficient organisation capable of accomplishing stable and profitable growth in selected areas, ensuring returns on capitals satisfactory to shareholders and a high level of the efficiency and safety of the operations.

In 2011, our goal will be to further increase the share in the market of individual customer deposits and consolidate our high position on the market of mortgages. In the case of corporate customers, we will focus on the provision of services to the segment of small and medium-sized corporations, striving to diversify the loans portfolio and expand relations with the existing and new customers. Faster growth of generated income and the improvement of its structure are our main objectives in the financial area.

When signing these annual consolidated financial statements of Kredyt Bank S.A. Capital Group for 2010, I would like to take this opportunity to thank our customers and the employees of Kredyt Bank S.A. Capital Group for their cooperation, trust and commitment. I hope that the measures we have taken aiming at the improvement of the quality of service and work organisation will allow us to accomplish further growth of results and increase the satisfaction of customers, shareholders and employees of Kredyt Bank S.A. Capital Group.

Yours faithfully,

Maciej Bardan

President of the Management Board

of Kredyt Bank S.A.

INDEPENDENT AUDITORS' OPINION

To the Supervisory Board of Kredyt Bank S.A.

1. We have audited the attached consolidated financial statements of Kredyt Bank S.A. Group ('the Group'), for which the holding company is Kredyt Bank S.A. ('the Bank') located in Warsaw at Kasprzaka 2/8, for the year ended 31 December 2010 containing the consolidated income statement for the period from 1 January 2010 to 31 December 2010, the consolidated statement of comprehensive income for the period from 1 January 2010 to 31 December 2010, the consolidated balance sheet as at 31 December 2010, the statement of changes in consolidated equity for the period from 1 January 2010 to 31 December 2010, the consolidated cash flow statement for the period from 1 January 2010 to 31 December 2010, and the summary of significant accounting policies and other explanatory notes ('the attached consolidated financial statements').

2. The truth and fairness[1] of the attached consolidated financial statements, the preparation of the attached consolidated financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation are the responsibility of the Bank's Management Board. In addition, the Bank's Management Board and Members of the Supervisory Board are required to ensure that the attached consolidated financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached consolidated financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies and whether they truly and fairly[2] reflect, in all material respects, the financial position and results of the operations of the Group.

3. We conducted our audit of the attached consolidated financial statements in accordance with:
   - chapter 7 of the Accounting Act,
   - national auditing standards issued by the National Council of Statutory Auditors,

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

4. In our opinion, the attached consolidated financial statements, in all material respects:

[1] Translation of the following expression in Polish: '*rzetelność i jasność*'
[2] Translation of the following expression in Polish: '*rzetelne i jasne*'

- present truly and fairly all information material for the assessment of the results of the Group's operations for the period from 1 January 2010 to 31 December 2010, as well as its financial position[3] as at 31 December 2010;
- have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.

4. We have read the Management Board's report on the operations of Kredyt Bank S.A. Capital Group for the year ended 31 December 2010 and the rules of preparation of annual statements ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, 2009, item 259).

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, 25 February 2011

[3] Translation of the following expression in Polish: '*sytuacja majątkowa i finansowa*'

Consolidated Financial Statements of Kredyt Bank S.A. Capital Group for the Year Ended 31.12.2010

CONTENTS

1. Consolidated Income Statement

in PLN '000'	**Note**	**01.01.2010 - 31.12.2010**	**Comparable data 01.01.2009 - 31.12.2009**
Interest income	13	2 204 572	2 290 209
Interest expense	14	-1 076 806	-1 228 990
Net interest income		**1 127 766**	**1 061 219**
Fee and commission income	15	426 889	433 717
Fee and commission expense	16	-97 016	-129 610
Net fee and commission income		**329 873**	**304 107**
Dividend income	17	1 841	1 629
Net trading income	18	121 555	159 359
Net result on derivatives used as hedging instruments and hedged items	19	887	25
Net gains from investment activities	20	6 486	4 108
Net result on disposal of Zagiel's shares	67	0	268 274
Other operating income	22	100 930	117 346
Total operating income		**1 689 338**	**1 916 067**
General and administrative expenses	23	-928 103	-1 024 052
Other operating expenses	25	-57 781	-43 950
Total operating expenses		**-985 884**	**-1 068 002**
Net impairment losses on financial assets, other assets and provisions	24	-471 971	-803 232
Net operating income		**231 483**	**44 833**
Share in profit of associates		3 224	1 824
Profit before tax		**234 707**	**46 657**
Income tax expense	26	-48 771	-12 098
Net profit from continued operations		**185 936**	**34 559**
Net profit from discontinued operations		0	0
Net profit		**185 936**	**34 559**
Including:			
Attributable to the Shareholders of the Bank	**27**	**185 936**	**34 559**
Attributable to non-controlling interests		0	0
Weighted average number of ordinary shares		271 658 880	271 658 880
Earnings per ordinary share (in PLN)	**28**	**0.68**	**0.13**

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

2. Consolidated Statement of Comprehensive Income

in PLN '000'	**01.01.2010 - 31.12.2010**	**Comparable data 01.01.2009 - 31.12.2009**
Net profit for the period	**185 936**	**34 559**
Other comprehensive income		
Valuation of financial assets available-for-sale	42 542	-13 677
- including deferred tax	-9 979	3 208
Effects of valuation of derivatives designated for cash flow hedge	11 163	-78 545
- including deferred tax	-2 618	18 424
Other comprehensive income (loss) recognized directly in equity	**53 705**	**-92 222**
Total comprehensive income (loss)	**239 641**	**-57 663**
Including:		
Attributable to the Shareholders of the Bank	**239 641**	**-57 663**
Attributable to non-controlling interests	0	0

3. Consolidated Balance Sheet

in PLN '000'	**Note**	**31.12.2010**	**Comparable data 31.12.2009**
Assets			
Cash and balances with Central Bank	29	1 943 636	1 175 453
Gross loans and advances to banks	30	1 466 249	190 013
Impairment losses on loans and advances to banks	31	-2 260	-2 260
Receivables arising from repurchase transactions	32	87 218	331 875
Financial assets designated upon initial recognition as at fair value through profit or loss	33	118 562	155 400
Financial assets held for trading (excluding derivatives)	34	1 601 283	1 179 949
Derivatives, including:	35	463 159	571 410
- derivatives used as hedging instruments	41	74 340	55 741
Gross loans and advances to customers	36	29 108 520	27 297 744
Impairment losses on loans and advances to customers	37	-1 914 000	-1 575 886
Investment securities:	39	9 467 240	8 789 642
- available-for-sale		6 219 461	6 036 304
- held-to-maturity		3 247 779	2 753 338
Investments in associates valued using the equity method	42	15 179	11 955
Property, plant and equipment	43	290 444	353 534
Intangible assets	44	50 201	51 248
Deferred tax asset	26	350 387	217 383
Non-current assets held for sale	45	7 070	0
Investment properties	46	225 668	222 240
Other assets	47	95 690	106 898
Total assets		**43 374 246**	**39 076 598**

Consolidated Balance Sheet (cont.)

in PLN '000'	Note	31.12.2010	Comparable data 31.12.2009
Liabilities			
Amounts due to Central Bank	48	6	1 321 802
Amounts due to banks	49	12 150 706	11 081 690
Liabilities arising from repurchase transactions	51	228 693	0
Derivatives, including:	35	1 131 078	541 068
- derivatives used as hedging instruments	41	1 274	3 166
Amounts due to customers	50	25 660 758	22 469 154
Current tax liability		155 197	32 282
Provisions	52	92 811	53 917
Deferred tax liability	26	869	1 289
Other liabilities	53	214 804	180 997
Subordinated liabilities	54	911 100	805 816
Total liabilities		**40 546 022**	**36 488 015**

in PLN '000'	Nota	31.12.2010	Comparable data 31.12.2009
Equity			
Share capital	55	1 358 294	1 358 294
Supplementary capital	55	889 340	784 039
Revaluation reserve	55	59 421	5 716
Reserves	55	400 942	340 942
Retained earnings (loss)		-65 709	65 033
Current net profit (loss) attributable to the Shareholders of the Bank	27	185 936	34 559
Total equity attributable to the Shareholders of the Bank		**2 828 224**	**2 588 583**
Attributable to non-controlling interests		0	0
Total equity		**2 828 224**	**2 588 583**
Total equity and liabilities		**43 374 246**	**39 076 598**

4. Off-Balance Sheet Items

in PLN '000'	Note	31.12.2010	Comparable data 31.12.2009
Liabilities granted and received			
Liabilities granted:	**56**	**6 038 697**	**5 803 368**
- financial	56	3 958 357	4 008 224
- guarantees	56	2 080 340	1 795 144
Liabilities received:		**2 085 702**	**2 409 623**
- financial		1 007 341	1 185 242
- guarantees		1 078 361	1 224 381
Liabilities related to the sale / purchase transactions		**134 779 591**	**89 935 737**
Other:		**7 950 015**	**7 140 633**
- collateral received		7 950 015	7 140 633
- other		0	0

5. Statement of Changes in Consolidated Equity

Changes in the period 01.01.2010-31.12.2010

in PLN '000'	Note	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (losses)	Current net profit (loss) attributable to the Shareholders of the Bank	Total equity attributable to the Shareholders of the Bank	Equity attributable to non-controlling interests	Total equity
Equity at the opening balance - as of 01.01.2010		**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	55			52 521				52 521		52 521
Effects of valuation of derivatives designated for cash flow hedge	55			13 781				13 781		13 781
Deferred tax on items recognized in equity	55			-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 of recognized income and expenses				**53 705**			**185 936**	**239 641**		**239 641**
Profit allowance	55		105 301		60 000	-165 301		0		0
Equity at the end of the period - as of 31.12.2010		**1 358 294**	**889 340**	**59 421**	**400 942**	**-65 709**	**185 936**	**2 828 224**	**0**	**2 828 224**

Changes in the period 01.01.2009-31.12.2009 (comparable data)

in PLN '000'	Note	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies	Retained earnings (losses)	Current net profit (loss) attributable to the Shareholders of the Bank	Total equity attributable to the Shareholders of the Bank	Equity attributable to non-controlling interests	Total equity
Equity at the opening balance - as of 01.01.2009		**1 358 294**	**604 966**	**97 938**	**240 942**	**-733**	**344 106**	**0**	**2 645 513**	**0**	**2 645 513**
Valuation of financial assets available-for-sale	55			-16 885					-16 885		-16 885
Effects of valuation of derivatives designated for cash flow hedge	55			-96 969					-96 969		-96 969
Deferred tax on items recognized in equity	55			21 632					21 632		21 632
Net profit (loss) recognized directly in the equity				**-92 222**					**-92 222**		**-92 222**
Net profit (loss) for the period								34 559	34 559		34 559
Total of recognized income and expenses				**-92 222**				**34 559**	**-57 663**		**-57 663**
Other changes			-21 999			733	21 999		733		733
Profit allowance	55		201 072		100 000		-301 072		0		0
Equity at the end of the period - as of 31.12.2009		**1 358 294**	**784 039**	**5 716**	**340 942**	**0**	**65 033**	**34 559**	**2 588 583**	**0**	**2 588 583**

6. Consolidated Cash Flow Statement

in PLN '000'	Note	okres 01.01.2010 - 31.12.2010	Comparable data 01.01.2009 - 31.12.2009
Cash flow from operating activities			
Net profit (loss)		**185 936**	**34 559**
Adjustments to net profit (loss) and net cash from operating activities:		**3 955 162**	**1 558 130**
Current and deferred tax recognized in financial result		48 771	12 098
Non-realised profit (loss) from currency translation differences	66b	40 712	-21 618
Depreciation	23	100 954	114 501
Share in profit (loss) of associates		-3 224	-1 824
Net increase/decrease in impairment	66c	339 568	647 003
Dividends	17	-1 841	-1 629
Interest	66d	-183 128	-176 048
Net increase/decrease in provisions		38 894	-5 557
Profit (loss) on disposal of investments	66e	-5 088	-273 031
Net increase/decrease in assets (excluding cash)		**-1 623 296**	**1 683 440**
Net increase/decrease in loans and advances to banks	66f	-834 117	25 849
Net increase/decrease in financial assets designated upon initial recognition as at fair value through profit or loss		36 838	-43 552
Net increase/ decrease in financial assets held for trading and derivatives	66g	-356 002	24 499
Valuation of derivatives (except for derivatives used as hedging instruments)	66g	126 850	1 620 176
Net increase/decrease in receivables arising from repurchase transactions		244 657	-331 875
Net increase/decrease in gross loans and advances to customers		-1 810 776	362 903
Net increase/decrease in other assets	66h	969 254	25 440
Net increase/decrease in operating liabilities		**5 202 840**	**-419 205**
Net increase/decrease in amounts due to Central Bank		-1 321 796	208 527
Net increase/decrease in amounts due to banks	66i	2 749 793	-1 242 116
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)		591 902	-1 350 611
Net increase/decrease in amounts due to customers	66j	2 994 605	2 178 798
Net increase/decrease in liabilities arising from repurchase transactions		228 693	-8 991
Net increase/decrease in other liabilities	66k	31 533	-73 725
Paid/received income tax		-71 890	-131 087
Net cash flow from operating activities		**4 141 098**	**1 592 689**

in PLN '000'	Note	01.01.2010 - 31.12.2010	Comparable data 01.01.2009 - 31.12.2009
Cash flow from investing activities			
Inflows		**55 428 362**	**8 582 290**
Disposal of property, plant and equipment, intangible assets and investment properties		4 711	1 861
Disposal of interests in equity investments		1 450	350 005
Disposal of investment securities	66l	55 205 555	7 961 693
Dividends	17	1 841	1 629
Interest received	66l	214 805	267 102
Outflows		**-56 761 607**	**-10 565 217**
Acquisition of property, plant and equipment, intangible assets and investment properties		-51 988	-75 368
Acquisition of interests in equity investments		-50	0
Acquisition of investment securities	66l	-56 709 569	-10 489 849
Net cash flows from investing activities		**-1 333 245**	**-1 982 927**
Cash flow from financing activities			
Inflows		**325 764**	**1 989 087**
Proceeds from a subordinated loan	66n	0	560 116
Proceeds from loans and advances		325 764	1 428 971
Outflows		**-1 923 315**	**-1 368 961**
Repayment of loans and advances		-1 825 104	-1 200 000
Other financial outflows	66m	-98 211	-168 961
Net cash flow from financing activities		**-1 597 551**	**620 126**
Net increase/decrease in cash		**1 210 302**	**229 888**
Cash at the beginning of the period		**1 191 141**	**961 253**
Cash at the end of the period, including:	**66a**	**2 401 443**	**1 191 141**
Restricted cash	66a	1 078 101	784 875

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. KRS 0000019597.

Kredyt Bank S.A. is a universal bank which provides banking services addressed and tailored to the needs of all customer groups. A wide range of the Bank’s services is addressed to 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 consolidated financial statements of Kredyt Bank S.A. Capital Group (‘Capital Group’, ‘Group’, or 'Group’s Companies') as at 31.12.2010 comprise the financial statements of the Bank and its subsidiaries.

Below, there are subsidiaries, which, as at 31.12.2010, were consolidated with the full method:

Parent company	Seat		
Kredyt Bank S.A.	Warsaw		
Subsidiary	**Seat**	**Share (%) in votes at GMS as at 31.12.2010**	**Share (%) in votes at GMS as at 31.12.2009**
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

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

Associate	Seat	Share (%) in votes at GMS as at 31.12.2010	Share (%) in votes at GMS as at 31.12.2009
KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Warsaw	30.00	30.00

As compared to figures as at 31.12.2009, the list of companies consolidated with the full method and of associates valued using the equity method has not changed.

Moreover, the Group holds 100% of shares in BFI Serwis Sp. z o.o. and Lizar Sp. z o.o., which are not consolidated as their financial figures are not material.

KBC Banking and Insurance Capital Group

Kredyt Bank S.A. is a subsidiary of KBC Banking and Insurance Capital Group (‘KBC Group’) established in 1998 as a result of a merger of ABB Insurance Group, Almanij-Kreditbank Group and CERA Bank Group. As at 31.12.2010, KBC Group held 87.22% of shares of Kredyt Bank. Changes in the shareholding structure after the balance sheet date are described in Note 73. KBC Group has been operating in the present structure since 2005, i.e. the merger of KBC Bank and Insurance Holding Company with Almanij. The shares of KBC Group NV are listed on the Euronext Stock Exchange in Brussels.

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

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

8. Basis of preparation

8.1. Declaration of compliance with the IFRS

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 Union ('EU').

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, from 01.01.2005, also the Bank's standalone financial statements have been prepared in accordance with the IAS/IFRS.

These consolidated financial statements of the Group for the year ended 31.12.2010 have been prepared in accordance with the IAS and the IFRS in force as at 31.12.2010 approved by the European Union. Matters not governed by the above-mentioned standards are regulated by the Accounting Act and executive regulations thereto, and 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).

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

8.2. Other information about the financial statements

These 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, the Bank's Management Board fails to confirm the existence of circumstances which could threaten the continuation of the business of the Group's companies for the period of minimum 12 months from the balance sheet date.

These consolidated financial statements of Kredyt Bank S.A. Capital Group were approved for publication by the Management Board of Kredyt Bank S.A. on 25.02.2011.

These consolidated financial statements were audited by the key certified auditor acting on behalf of the authorized entity, i.e. Ernst & Young Audit sp. z o.o. The audit was performed in accordance with the Polish law and the National Financial Review Standards issued by the National Chamber of Statutory Auditors.

The Polish zloty is the functional currency of the Group's companies. These consolidated financial statements have been presented in the Polish zloty ('PLN'), and all values, if not stated otherwise, are presented in thousands.

These financial statements were prepared according to the historical cost concept, except for financial assets and financial liabilities which are measured at fair value through profit or loss, loans and advances to customers and financial instruments measured at amortised cost having regard for impairment losses, accepted inter-bank deposits measured at amortised cost, available-for-sale financial instruments which are carried at fair value through revaluation reserve, as well as held-for-sale financial assets, recognized at the lower of: carrying amount as at the classification in this category and fair value less selling costs.

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

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

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

Below, we present new and amended IAS/IFRS and new IFRIC interpretations that the Group has applied this year. Their application has not materially affected the financial statements.

- Restated IFRS 1 *First–time Adoption of the International Financial Reporting Standards* (amended in November 2008) – applicable to annual periods beginning on 1 July 2009 or later;
- Amendments to IFRS 1 *First-time Adoption of the International Financial Reporting Standards*: *Additional Exemptions for First-time Adopters* – applicable to annual periods beginning on 1 January 2010 or later;
- Amendments to IFRS 2 *Share-based Payments: Group Cash-settled Share-based Payment Transactions* (amended in June 2009) – applicable to annual periods beginning on 1 January 2010 or later; by the date of the approval of these financial statements, not approved by the EU;
- IFRS 3 *Business Combinations* (amended in January 2008) – applicable to annual periods beginning on 1 July 2009 or later;
- IAS 27 *Consolidated and Separate Financial Statements* (amended in January 2008) – applicable to annual periods beginning on 1 July 2009 or later;
- Amendments to IAS 39 *Financial Instruments: Recogniton and Measurement: Eligible Hedged Items* (amendments published in July 2008) – applicable to annual periods beginning on 1 July 2009 or later;
- IFRIC 17 *Distributions of Non-cash Assets to Owners* – applicable to annual periods beginning on 1 July 2009 or later;
- The amendments resulting from the IFRS review (published in May 2008) – a part of the amendments is applicable to annual periods beginning on 1 January 2010;
- Amendments resulting from the IFRS review (published in April 2009) – a part of the amendments is applicable to annual periods beginning on 1 July 2009 and a part to annual periods beginning on 1 January 2010.

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

- Amendment to IFRS 1 *First-time Adoption of the International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – applicable to annual periods beginning on 1 July 2010 or later;
- IAS 24 *Related Party Disclosures* (amended in November 2009) – applicable to annual periods beginning on 1 January 2011 or later;
- Amendments to IAS 32 *Financial Instruments: presentation: Classification of Rights Issues* – applicable to annual periods beginning on 1 February 2010 or later;
- 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 1 January 2011 or later;
- IFRIC 19 *Regulating Financial Liabilities with the Use of Equity Instruments* – applicable to annual periods beginning on 1 July 2010 or later;
- Amendments to IFRS 1 *First-time Adoption of the International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – applicable to annual

periods beginning on 1 July 2011 or later; by the date of the approval of these financial statements, not approved by the EU;

- Amendments to IFRS 7 *Financial Instruments: Disclosures: Transfer of Financial Assets* – applicable to annual periods beginning on 1 July 2011 or later; by the date of the approval of these financial statements, not approved by the EU;
- IFRS 9 *Financial Instruments* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these financial statements, not approved by the EU;
- Amendments to IAS 12 *Income Tax Expense: Realisation of the deferred tax asset* – applicable to annual periods beginning on 1 January 2012 or later; by the date of the approval of these financial statements, not approved by the EU;
- Amendments resulting from the IFRS review (published in May 2010) – a part of the amendments is applicable to annual periods beginning on 1 July 2010 and a part to annual periods beginning on 1 January 2011; by the date of the approval of these financial statements, not approved by the EU.

Management Boards of the Group's companies do not predict that the introduction of the above standards and interpretations will materially affect the Group's accounting principles (policy), except for the amendments which will result from introducing IFRS 9. 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.

9.2. Consolidation of financial statements

These consolidated financial statements include the financial statements of Kredyt Bank S.A. and the financial statements of subsidiaries for the period of 12 months ended 31.12.2010. Financial statements of subsidiaries are prepared for the same reporting period as the financial statements of the parent company.

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

9.2.1. Subsidiaries

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

9.2.2. Associates

Associates are entities not controlled by the Group in terms of their financial or operational policies, but the Group exerts a significant influence upon them, which is often accompanied by 20%-50% stake in the total number of votes within their decision-making bodies. Investments in shares in associates are initially recognized in the balance sheet at cost and further on, they are measured with the equity method. Investments in shares in associates classified as held for sale are recognized in accordance with the IFRS 5.

9.3. Transactions in foreign currencies

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

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

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

	31.12.2010	**31.12.2009**
EUR	3.9603	4.1082
USD	2.9641	2.8503
CHF	3.1639	2.7661

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

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

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

9.5. Derecognition of financial assets from the balance sheet

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

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

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

9.6. Classification and measurement of financial assets and liabilities

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

This category includes:

- assets or liabilities held for trading, i.e. those acquired or contracted with the intention to sell or repurchase them in the nearest future. This category comprises portfolios of the financial assets and liabilities portfolios managed jointly in order to generate profits in a short time horizon. This category also includes derivatives;
- financial assets or liabilities designated by the Group's entities upon initial recognition as 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.

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

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

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

9.6.2. Held-to-maturity investments

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

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.

9.6.3. 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) are settled over time using the effective interest rate method and are recognized in interest income. The commission settled on a straight-line basis is recognized in fee and commission income. Impairment charge is recognized in the income statement in correspondence with accounts of provisions which adjust assets value.

9.6.4. Available-for-sale financial assets

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

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

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

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

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

9.6.5. Financial liabilities not held for trading

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

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

9.6.6. Hedge accounting

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

- upon the inception of hedge, the Group officially determines and documents hedging relations as well as the purpose of risk management and the strategy of hedge; the documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk and the method of the Group's assessment of hedging instrument effectiveness in offsetting the risk of changes in fair value of the hedged item or cash flows related to the hedged risk;
- the hedging is expected to be highly effective in achieving offsetting changes in fair value (or cash flows) attributable to the hedged risk, according to the initially documented risk management strategy related to a specific hedging relationship;
- in the case of the cash flow hedge, the planned hedged transaction must be highly probable and must be subject to the threat of changes in the cash flow which, as a result, may affect the income statement;

- the hedge effectiveness may be assessed reliably, i.e. fair value or cash flows attributable to the hedged item resulting from the hedged risk and the fair value of the hedging instrument may be measured reliably;
- the hedge is assessed on an ongoing basis and is found highly effective in all reporting periods in which the hedge was established.

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

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

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

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

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

9.6.7. Embedded derivatives

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

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

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

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

9.7. Finance lease receivables

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

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

9.8. Offsetting financial instruments

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

9.9. Sale and repurchase agreements

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

9.10. Property, plant and equipment

9.10.1. Non-current assets

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

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

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

9.10.2. Capital expenditure incurred in future period

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

9.10.3. Amortisation

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

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

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

The assets’ residual values and useful lives are reviewed on an annual basis. Moreover, the Group carries out an annual analysis of the evidence indicating impairment for particular classes of property, plant and equipment.

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

9.11. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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

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

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

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

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

9.11.1. Computer software

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

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

9.11.2. Other intangible assets

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

9.11.3. Amortisation

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

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

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

9.12. Investment properties

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

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

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

9.13.1. Measurement of recoverable amount

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

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

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

9.13.2. Reversal of impairment

In the case of assets held by the Group’s companies, except for equity instruments classified as available for sale, impairment losses may be reversed if evidence for impairment ceases to exist or the parameters taken into account in estimates of recoverable amount are changed.

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

9.14. Trade and other receivables

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

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

9.15. Assets taken over for debts

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

9.16. 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.

9.17. Deferred tax asset and liability

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

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

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

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

The Group's companies offset deferred tax asset against deferred tax liability.

9.18. Cash and cash equivalents

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

9.19. Provisions

The Group recognizes provisions in the balance sheet when:

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

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

9.19.1. Restructuring provision

Pursuant to IAS 37, the Group recognizes a restructuring provision in the balance sheet for evidenced costs of restructuring. The provision is made on the basis of a detailed, official and published restructuring plan. The provision does not include future operating expense.

9.19.2. Employee benefits

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

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

9.20. Equity

Equity comprises capitals and own funds established pursuant to the specific legal regulations, i.e. applicable laws and the Bank's Memorandum and Articles of Association.

9.20.1. Share capital

Registered share capital is recognized at nominal value according to the Bank's Memorandum and Articles of Association and the entry in the Court Register.

9.20.2. Supplementary capital

Supplementary capital is established pursuant to the Bank's Memorandum and Articles of Association from profit allowances and from issue premiums generated from the issue of shares, and is allocated to cover balance sheet losses that may result in relation to the Bank's operations, and from profit allowances obtained after the purchase date in the Group's companies.

9.20.3. Revaluation reserve

Revaluation reserve is established as a result of the valuation of financial instruments classified as 'available-for-sale' and of a non-effective portion of the valuation of financial instruments designated for cash flow hedge.

9.20.4. Reserves

Reserves comprise the general banking risk reserve established pursuant to the Banking Law of 29.08.1997 (Journal of Laws of 2002, No. 72, item 665, as amended) from profit after tax and are designated for unidentified risks of the Bank's operations.

Equity also comprises net profit/loss for the period and retained profit or loss from previous periods. In the case of subsidiaries, the Group's equity also comprises net profit/loss of such companies generated from the date of their acquisition by the parent company.

9.21. Granted off-balance sheet liabilities

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

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

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

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

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

9.22. Company Social Benefit Fund (CSBF)

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

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

9.23. Net interest income

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

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

- loans and 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 the effective interest rate method in the income statement.

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

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

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

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

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

9.24. Net fee and commission income

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

However, fees and commissions not amortised using the effective interest rate, but settled over time with the straight-line method or recognized one-off, are reported in ‘net fee and commission income’. Income settled over time with the straight-line method includes commissions on revolving loans, overdraft facilities, credit cards, guarantee lines, as well as letters of credit lines. All fees for the activities in which the Group acts as an agent or provides services related to the distribution of shares of investment funds and insurance products, transfers, and payments, etc. are recognized once.

9.25. Net trading income

Net trading income comprises gains or losses on the disposal or a change in the fair value of financial assets and liabilities measured at fair value through profit or loss. This item also includes result on foreign exchange and interest on swaps as well as valuation write-downs of active derivatives due to credit risk.

9.26. Dividend income

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

9.27. Other operating income and expenses

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

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

9.28. Taxation

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

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

Details on the method of calculating deferred tax are presented in Note 9.17.

9.29. Comparable data

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

Comparable data for previous reporting periods included in these financial statements comprise the presentation changes introduced in the financial statements prepared as at 31.12.2010. The description of adjustments concerning the presentation of comparable data is available in Note 11.

10. Accounting estimates

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

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

- 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;
- a value of deferred tax assets;
- provisions.

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 31.12.2009, except for:

- the modification, introduced in the third quarter of 2010, of the methodology of establishing provisions for mortgage loans, which involves the separation of more homogenous subportfolios; the negative impact of the change upon profit before tax in 2010 amounted to PLN 57 million;
- the change, introduced in the fourth quarter of 2010, in the estimates of the ratio defining the percentage of impairment losses which are the basis for the establishment of the deferred tax asset (the positive impact upon the net profit for 2010 amounted to PLN 4 million), having regard for other changes concerning the deferred tax asset).

10.1. Valuation of financial assets and liabilities at fair value

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

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

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

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

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

10.2.1. Evidence for impairment

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

The list of objective evidence includes:

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

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

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

d) high probability of the borrower's bankruptcy or their another financial reorganization;

e) in the case of cash loans, exceeding specific factors used in the credit risk assessment process of all customers.

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

10.2.2. Measurement of individual impairment

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

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

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

10.2.3. Measurement of collective impairment

A collective analysis is conducted in the following cases:

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

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

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

10.3. Impairment of financial assets available-for-sale

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

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

10.4. The values of deferred tax assets

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

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

11. Comparable data

Comparable data for previous reporting periods included in these financial statements comprise the presentation changes introduced in the financial statements prepared as at 31.12.2010.

Consolidated Income Statement

in PLN '000'	**Published data**	**Changes**	**Comparable data**
	01.01.2009 - 31.12.2009		**01.01.2009 - 31.12.2009**
General and administrative expenses	-1 023 304	-748	-1 024 052
Other operating expenses	-44 698	748	-43 950

Clarifications
- the reclassification of side costs (mainly sponsoring costs) to 'General and administrative expenses'.

Consolidated Balance Sheet

in PLN '000'	**Published data**	**Changes**	**Comparable data**
	31.12.2009		**31.12.2009**
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	1 335 349	-1 335 349	0
Financial assets designated upon initial recognition as at fair value through profit or loss	0	+155 400	155 400
Financial assets held for trading (excluding derivatives)	0	+1 179 949	1 179 949

Clarifications:

- a separate presentation in the balance sheet of Financial assets designated upon initial recognition as at fair value through profit or loss as well as of financial assets held for trading (excluding derivatives)

12. Segment reporting

Since 1.01.2009, in accordance with the assumptions of IFRS 8, the method of presenting disclosures concerning operating segments has changed. 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.

As compared to 2009, the Group's operations were resegmented. They were divided into three basic categories: retail, corporate, treasury. Due to the sale of the shares of Żagiel, the Consumer Finance Segment was combined with the Retail Segment.

Due to the changes described above, the Group accordingly restated the comparable data as of 2009.

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

Retail Segment

Retail Segment, in management terms, incorporates products targeted at individual customers, private banking, as well as Small and Medium-sized Enterprises (SME), whose annual sales revenue does not exceed PLN 1 million.

The offer entails a wide choice of deposit, credit and insurance (bancassurance) products offered in cooperation with TUnŻ WARTA S.A. and TUiR WARTA S.A., and investment products offered by KBC TFI S.A. This offer is addressed to customers through traditional channels of distribution via the Bank’s nationwide network of branches and offices as well as KB24 – an Internet network.

Corporate Segment

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

Beside the traditional products, such as loans, deposits, settlement services, derivatives, the customers from this segment are offered specific services. They are tailored to customers’ individual needs, e.g. organizing syndicates supporting investment projects, financing real estate transactions, financing foreign trade and bulk payments. The Bank’s offer in this segment is expanded by the products of Kredyt Lease, which offers a complete range of services for companies in respect of leasing of property, plant and equipment.

Treasury Segment

Treasury Segment, in management terms, comprises the result of the transactions performed by the Bank on its own account as an active participant of the money market (Treasury and NBP bills), bonds market (Treasury and commercial bonds), currency market and the 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 is responsible for the activities aiming to hedge the Banking Book position.

Other

Income and expenses not assigned to above segments have been presented as ‘Other' segment.

In addition, this category entails the results of the operations of Reliz 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 interest margin. In addition, particular segments entail the costs of financing the cash maintained in the Bank's branches.

Net commission income and other net income entails:

- commissions for the keeping of accounts and transactions;

- commissions related to credit, debit and other cards;

- commissions related to the distribution of the shares of the societies of investment funds and other services provided to societies of investment funds;

- commissions related to insurance products;

- commissions related to foreign transactions, i.e. export and import payment orders, transfers and guarantees, letters of credit, bill guarantees and cash collections;

- other net income entailing net income from other commissions and net income from other operating income and expenses (including the reversal of provisions due to the sale of debt).

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 repos, bonds, IRS and FX options.

Net income from treasury transactions is the aggregate of the following items from the financial statements:

- net trading income,

- 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 financial statements in net trading income).

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

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

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

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

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

Total equity and liabilities are presented in five lines:

Amounts due to customers – customers' deposits, except for interest liabilities.

Interbank deposits – amounts due to the National Bank of Poland, except for the lombard loan and repos as well as current and term amounts due to banks.

Borrowed loans and advances – the lombard loan and borrowed loans and advances.

Subordinated liabilities – subordinated liabilities, except for interest, both included in and excluded from own funds.

Other liabilities and total equity

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

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Interest income, including:	**695 032**	**282 202**	**202 397**	**-8 976**	**1 170 655**
- lending activities	574 145	187 582	0	-9 049	752 678
- depositing activities	130 571	102 331	0	73	232 975
- the cost of financing cash kept in the Bank's branches	-9 684	-7 711	17 395	0	0
Commission income and other income	**188 545**	**111 716**	**0**	**47 689**	**347 950**
- commissions related to the keeping of accounts and transactions	84 438	52 900	0	900	138 238
- commissions related to cards	82 319	4 645	0	-3 217	83 747
- commissions related to shares in investment funds societies	44 685	2 787	0	0	47 472
- commissions related to insurance products	-4 441	-172	0	0	-4 613
- commissions related to foreign transactions	91	15 624	0	454	16 169
- other	-18 547	35 932	0	49 552	66 937
Net income from treasury transactions	**47 017**	**47 678**	**7 432**	**-792**	**101 335**
- exchange transactions	46 934	45 720	18 642	74	111 370
- derivatives and securities	83	1 958	-11 210	-866	-10 035
Net gains from investment activities	**0**	**100**	**6 486**	**1 741**	**8 327**
Operating income before tax	**930 594**	**441 696**	**216 315**	**39 662**	**1 628 267**
Net impairment losses on financial assets, other assets and provisions	**-386 205**	**-58 838**	**0**	**-23 638**	**-468 681**
Group's general and administrative expenses, including:	**-687 242**	**-175 938**	**-40 764**	**-24 159**	**-928 103**
- the costs of the operation of business functions (direct costs)	-397 398	-115 720	-24 178	-289 853	-827 149
- allocated expenses	-212 433	-50 122	-12 588	275 143	0
- depreciation (direct costs)	-49 726	-3 564	-2 358	-45 306	-100 954
- depreciation (allocated costs)	-27 685	-6 532	-1 640	35 857	0
Net operating income	**-142 853**	**206 920**	**175 551**	**-8 135**	**231 483**
Share in profit (loss) of associates					3 224
Income tax expense					-48 771
Net profit/loss					**185 936**

Group's net profit for 2009 by business segments (breakdown according to management reporting) (comparable data)

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Interest income, including:	**810 474**	**288 107**	**17 715**	**-8 110**	**1 108 186**
- lending activities	706 092	181 365	0	-8 227	879 230
- depositing activities	114 016	114 250	0	117	228 383
- the cost of financing cash kept in the Bank's branches	-9 634	-7 508	17 142	0	0
Commission income and other income	**179 354**	**115 530**	**0**	**50 211**	**345 095**
- commissions related to the keeping of accounts and transactions	84 265	49 524	0	1 110	134 899
- commissions related to cards	61 326	4 647	0	0	65 973
- commissions related to shares in investment funds societies	28 898	2 187	0	0	31 085
- commissions related to insurance products	-19 876	-281	0	633	-19 524
- commissions related to foreign transactions	248	13 839	0	520	14 607
- other	24 493	45 614	0	47 948	118 055
Net income from treasury transactions	**24 563**	**49 916**	**83 770**	**16 817**	**175 066**
- exchange transactions	24 427	46 557	62 206	15 869	149 059
- derivatives and securities	136	3 359	21 564	948	26 007
Net gains from investment activities	**0**	**0**	**706**	**5 031**	**5 737**
Net gains from the sale of the shares of Żagiel	**0**	**0**	**0**	**268 274**	**268 274**
Operating income before tax	**1 014 391**	**453 553**	**102 191**	**332 223**	**1 902 358**
Net impairment losses on financial assets, other assets and provisions	**-614 657**	**-219 528**	**0**	**712**	**-833 473**
Group's general and administrative expenses, including:	**-825 781**	**-133 835**	**-41 244**	**-23 192**	**-1 024 052**
- the costs of the operation of business functions (direct costs)	-555 648	-94 205	-26 622	-233 076	-909 551
- allocated expenses	-177 766	-32 357	-10 764	220 887	0
- depreciation (direct costs)	-58 933	-2 846	-2 141	-50 581	-114 501
- depreciation (allocated costs)	-33 434	-4 427	-1 717	39 578	0
Net operating income	**-426 047**	**100 190**	**60 947**	**309 743**	**44 833**
Share in profit (loss) of associates					1 824
Income tax expense					-12 098
Net profit/loss					**34 559**

The allocation of assets by business segments as at 31.12.2010

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

The allocation of assets by business segments as at 31.12.2009 (comparable data)

in PLN '000'	**Retail Segment**	**Corporate Segment**	**Treasury Segment**	**Other**	**Total**
Loans and advances to customers	17 208 961	8 421 804	0	0	25 630 765
Loans and advances to banks	0	0	186 267	0	186 267
Securities	0	0	10 124 991	0	10 124 991
Other	0	0	571 410	2 563 165	3 134 575
Total	**17 208 961**	**8 421 804**	**10 882 668**	**2 563 165**	**39 076 598**

The allocation of liabilities by business segments as at 31.12.2010

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Amounts due to customers	15 749 960	9 846 688	0	0	25 596 648
Inter-bank deposits	0	0	6 498 969	0	6 498 969
Borrowed loans and advances	0	0	5 649 530	0	5 649 530
Subordinated liabilities	0	0	910 688	0	910 688
Other liabilities and total equity	0	0	1 131 078	3 587 333	4 718 411
Total	**15 749 960**	**9 846 688**	**14 190 265**	**3 587 333**	**43 374 246**

The allocation of liabilities by business segments as at 31.12.2009 (comparable data)

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Amounts due to customers	14 299 577	8 086 966	0	0	22 386 543
Inter-bank deposits	0	0	4 262 590	0	4 262 590
Borrowed loans and advances	0	0	6 809 296	0	6 809 296
Subordinated liabilities	0	0	805 380	0	805 380
Other liabilities and total equity	0	0	541 068	4 271 721	4 812 789
Total	**14 299 577**	**8 086 966**	**12 418 334**	**4 271 721**	**39 076 598**

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

in PLN '000'	**01.01.2010-31.12.2010**
Net interest income – management information	**1 170 655**
- commissions on loans	45 934
+ operating expenses (interest on finance lease)	-1 440
+ operating income (the collection of statutory interest)	12 492
+ commissions related to foreign transactions	377
- structured deposit – interest adjustment	8 384
Net interest income – financial statements	**1 127 766**
Net commission income and other net income – management information	**347 950**
+ commissions on loans	45 934
- operating expenses (interest on finance lease)	-1 440
- operating income (the collection of statutory interest)	12 492
- commissions related to foreign transactions	377
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	4 852
- net increase/decrease in provisions related to the sale of debt	4 581
Net commission income and other income – financial statements – presented as:	**373 022**
Net fee and commission income	329 873
Other operating income	100 930
Other operating expenses	-57 781
Net income from treasury transactions – management information	**101 335**
+ net increase/decrease in provisions for potential losses related to active derivatives	7 871
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	4 852
+ structured deposit – interest adjustment	8 384
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**122 442**
Net trading income	121 555
Net result on derivatives used as hedging instruments and hedged items	887
Net gains from investment activities – management information	**8 327**
Net gains from investment activities and dividend income – financial statements – presented as:	**8 327**
Net gains from investment activities	6 486
Dividend income	1 841
Operating income before tax – management information	**1 628 267**
+ net increase/decrease in provisions for potential losses related to active derivatives	7 871
- net increase/decrease in provisions related to the sale of debt	4 581
Operating income before tax – financial statements – presented as:	**1 631 557**
Total operating income	1 689 338
Other operating expenses	-57 781

Net impairment losses on financial assets, other assets and provisions – management information	**-468 681**
- net increase/decrease in provisions for potential losses related to active derivatives	7 871
+ net increase/decrease in provisions related to the sale of debt	4 581
Net impairment losses on financial assets, other assets and provisions – financial statements	**-471 971**

in PLN '000'	**01.01.2009-31.12.2009**
Net interest income – management information	**1 108 186**
- commissions on loans	54 524
+ operating expenses (interest on finance lease)	-2 237
+ operating income (the collection of statutory interest)	9 272
+ commissions related to foreign transactions	514
+ other	8
Net interest income – financial statements	**1 061 219**
Net commission income and other net income – management information	**345 095**
+ commissions on loans	54 524
- net increase/decrease in provisions related to the sale of debt	14 559
- operating expenses (interest on finance lease)	-2 237
- operating income (the collection of statutory interest)	9 272
- commissions related to foreign transactions	514
- other	8
Net commission income and other income – financial statements – presented as:	**377 503**
Net fee and commission income	304 107
Other operating income	117 346
Other operating expenses	-43 950
Net income from treasury transactions – management information	**175 066**
+ net increase/decrease in provisions for potential losses related to active derivatives	-15 682
Net trading income and net result on derivatives used as hedging instruments - financial statements – presented as:	**159 384**
Net trading income	159 359
Net result on derivatives used as hedging instruments and hedged items	25
Net gains from investment activities – management information	**5 737**
Net gains from investment activities and dividend income – financial statements – presented as:	**5 737**
Net gains from investment activities	4 108
Dividend income	1 629
Operating income before tax – management information	**1 902 358**
+ net increase/decrease in provisions for potential losses related to active derivatives	-15 682
- net increase/decrease in provisions related to the sale of debt	14 559
Operating income before tax – financial statements – presented as:	**1 872 117**
Total operating income	1 916 067
Other operating expenses	-43 950

Net impairment losses on financial assets, other assets and provisions – management information	**-833 473**
- net increase/decrease in provisions for potential losses related to active derivatives	-15 682
+ net increase/decrease in provisions related to the sale of debt	14 559
Net impairment losses on financial assets, other assets and provisions – financial statements	**-803 232**

in PLN '000'	**Management information**	**Interest**	**Financial statements**
31.12.2010			
Net loans and advances to customers	27 096 072	98 448	27 194 520
Net loans and advances to banks	1 463 279	710	1 463 989
31.12.2009 (comparable data)			
Net loans and advances to customers	25 630 765	91 093	25 721 858
Net loans and advances to banks	186 267	1 486	187 753

in PLN '000'	**31.12.2010**
Securities – management information	**11 187 085**
Securities – financial statements – presented as:	**11 187 085**
Financial assets designated upon initial recognition as at fair value through profit or loss	118 562
Financial assets held for trading (excluding derivatives)	1 601 283
Investment securities	9 467 240

	Comparable data **31.12.2009**
Securities – management information	**10 124 991**
Securities – financial statements – presented as:	**10 124 991**
Financial assets designated upon initial recognition as at fair value through profit or loss	155 400
Financial assets held for trading (excluding derivatives)	1 179 949
Investment securities	8 789 642

in PLN '000'	**Management information**	**Interest**	**Financial statements**
31.12.2010			
Amounts due to customers	25 596 648	64 110	25 660 758
Subordinated liabilities	910 688	412	911 100
31.12.2009 (comparable data)			
Amounts due to customers	22 386 543	82 611	22 469 154
Subordinated liabilities	805 380	436	805 816

in PLN '000'	**31.12.2010**
Inter-bank deposits – management information	**6 498 969**
Borrowed loans and advances – management information	**5 649 530**
+ interest	2 213
- other amounts due to the National Bank of Poland	6
Amounts due to banks – financial statements	**12 150 706**

	Comparable data

	31.12.2009
Inter-bank deposits – management information	**4 262 590**
Borrowed loans and advances – management information	**6 809 296**
+ interest	9 810
- other amounts due to the National Bank of Poland	6
Amounts due to banks – financial statements	**11 081 690**

13. Interest income

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
On account of:		
Loans and advances to banks	81 415	40 909
Loans and advances to customers, including:	1 465 507	1 675 466
- financial sector	12 217	31 633
- non-financial sector	1 442 641	1 628 800
- budgetary sector	10 649	15 033
Leasing fees	30 969	33 929
Securities:	528 538	448 541
- at fair value through profit or loss	5 446	11 428
- held for trading	53 869	66 924
- available-for-sale	322 198	251 260
- held-to-maturity	147 025	118 929
Receivables arising from repurchase transactions	4 332	130
Interest on hedging instruments	93 811	91 234
Total	**2 204 572**	**2 290 209**

Interest income comprises, e.g. cash interest and interest calculated on an accrual basis on receivables for which evidence for impairment was identified. Interest was calculated with the effective interest rate applied in discounting expected cash flows for the purpose of estimating the impairment loss on loan receivables. The amount of interest on receivables for which individual evidence for impairment was identified recognized in interest income for 2010 amounts to PLN 15,375 thousand as compared to PLN 11,634 thousand for 2009. Accrued interest was taken into consideration when estimating impairment losses on such receivables.

14. Interest expense

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
On account of:		
Amounts due to banks	89 262	223 409
Amounts due to customers	880 701	847 156
- financial sector	114 859	155 022
- non-financial sector	702 294	629 724
- budgetary sector	63 548	62 410
Liabilities arising from repurchase transactions	10 990	64 496
Other subordinated liabilities	34 584	22 692
Interest on hedging instruments	61 269	71 237
Total	**1 076 806**	**1 228 990**

Net interest income	**1 127 766**	**1 061 219**

15. Fee and commission income

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Fees and commissions on loans	40 003	46 993
Fees and commissions on deposit-related transactions with customers	138 166	134 796
Fees and commissions due for payment cards processing and ATMs maintenance	138 057	170 517
Fees and commissions on foreign clearing operations	15 638	16 312
Fees and commissions on guarantee commitments	18 899	19 093
Commissions on the distribution and management of combined investment and insurance products	65 754	37 025
Commissions on other custodian services	3 316	2 584
Other fees and commissions	7 056	6 397
Total	**426 889**	**433 717**

16. Fee and commission expense

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Brokerages	1 363	890
Fees and commissions due for payment cards processing and ATMs maintenance	54 718	89 975
Fees related to loan guarantees	21 379	20 399
Fees of credit reference agency	6 398	6 273
Other fees and commissions	13 158	12 073
Total	**97 016**	**129 610**

Net fee and commission income	**329 873**	**304 107**

17. Dividend income

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Equity instruments	1 841	1 629
Total	**1 841**	**1 629**

18. Net trading income

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Net trading income, including:		
- debt securities, including:	1 375	19 213
- held for trading	1 263	19 998
- at fair value through profit or loss	112	-785
- equity instruments	6 002	2 495
- derivatives	-623 661	-202 345
- foreign exchange	737 839	339 996
Total	**121 555**	**159 359**

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

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Result on cash flows hedge	**887**	**25**
- on hedging derivatives**	887	25
Total *	**887**	**25**

* result on derivatives used as hedging instruments also comprises amounts of transactions settled prior to the balance sheet date

** an ineffective part of profits and losses connected with hedging instruments

20. Net gains from investment activities

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Available-for-sale financial assets:	**3 674**	**3 969**
- equity instruments	30	3 402
- debt instruments	3 644	567
Held-to-maturity assets:	**2 812**	**139**
- debt instruments	2 812	139
Total	**6 486**	**4 108**

21. Result for particular categories of financial assets and liabilities

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
- designatedupon initial recognition as at fair value through profit or loss	11 560	13 138
- held for trading**	-575 187	-179 789
- hedging instruments	33 429	20 022
- available-for-sale	325 872	255 229
- held-to-maturity	149 837	119 068
- loans and advances to banks and to customers	1 603 885	1 794 264
- amounts due to banks and customers	-746 588	-862 554
- subordinated liabilities, issue of securities	-34 584	-22 692
- other	80 504	52 136
Total *	**848 728**	**1 188 822**

* Tthe item comprises net interest income, net fee and commission income, net trading income net of result on foreign exchange, result on derivatives used as hedging instruments and hedged items, net gains from investment activity.
**The item contains the result on derivatives, instruments held for sale and repurchase transactions.

22. Other operating income

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Sale or liquidation of property, plant and equipment and non-current assets held for sale	6 624	4 542
Recovered bad debts, including reimbursed debt recovery costs	21 803	37 880
Indemnities, penalties and fines received	3 923	3 273
Side income	6 862	2 530
Reversal of impairment losses on receivables from other debtors	1 571	7 959
Lease income	36 670	41 868
Other operating income	23 477	19 294
Total	**100 930**	**117 346**

23. General and administrative expenses

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Staff costs, including:	**416 688**	**456 864**
- remunerations	352 006	378 318
- deductions from salaries and wages	55 662	65 631
- other operating expenses	9 020	12 915
General expenses, including:	**410 461**	**452 687**
- costs of buildings lease	83 904	104 364
- IT and telecommunications fees	75 236	77 608
- costs of buildings maintenance and renovations	20 875	23 017
- energy costs	18 793	20 519
- advisory and specialist services costs	21 781	22 092
- postal fees	29 868	31 789
- transportation services	14 061	14 806
- property protection expenses	9 055	10 459
- taxes and fees	89 244	97 907
- promotion and advertising services	19 410	15 829
- purchase of other materials	3 519	6 786
- training expenses	3 249	2 988
- business trips	1 958	2 128
- other	19 508	22 395
Depreciation and amortisation, including:	**100 954**	**114 501**
- property, plant and equipment	74 323	81 905
- investment properties	9 690	10 634
- intangible assets	16 941	21 962
Total	**928 103**	**1 024 052**

<u>Operating lease rental</u>

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

Contracts of operating lease under which the parent company acts as the lessee are mainly related to the lease of real estate and real estate used by the parent company in the normal course of business. All contracts are executed on market terms, without any exceptional or non-standard terms or conditions.

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

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Leasing payments	90 224	92 349

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

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

	31.12.2010	Comparable data 31.12.2009
Future gross minimum lease payments (with VAT)		
- not later than one year	84 649	97 139
- later than 1 year and not later than 5 years	235 924	183 244
- over five years	11 032	13 613
Total	**331 605**	**293 996**

Under operating leasing contracts, the parent company operates two Head Office buildings, which, towards the end of 2004, were sold to companies not related to the Bank and are now leased from them. Sale transactions were executed on market terms; contracts of lease were also executed on market terms. The contracts do not meet the criteria of financial leasing and, therefore, are classified as operating leasing contracts.

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

Recognition of impairment on assets and provisions

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Recognition of impairment on assets		
Loans and advances	2 357 019	2 379 227
Non-current assets held for sale, property, plant and equipment, intangible assets and investment properties	8 953	4 008
Total impairment	**2 365 972**	**2 383 235**
Additions of provisions		
Provision for restructuring	0	8 700
Provisions for employee benefits	335	184
Provisions for liabilities	17 771	17 521
Provision for off-balance sheet liabilities	292 518	318 037
Total provisions	**310 624**	**344 442**
Total	**2 676 596**	**2 727 677**

Reversal of impairment for assets and provisions

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Reversal of impairment losses on assets		
Loans and advances	1 946 635	1 587 836
Non-current assets held for sale property, plant and equipment, intangible assets and investment properties	418	8 741
Other assets	0	1
Total impairment	**1 947 053**	**1 596 578**
Reversal of provisions		
Provision for restructuring	0	420
Provisions for employee benefits	6	15
Provisions for liabilities	3 524	15 446
Provision for off-balance sheet liabilities	254 042	311 986
Total provisions	**257 572**	**327 867**
Total	**2 204 625**	**1 924 445**

Net impairment losses on financial assets, other assets and provisions	**-471 971**	**-803 232**

25. Other operating expenses

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Writing-off receivables	1 770	1 228
Debt recovery expenses	40 702	26 025
Other impairment – loans and advances to various debtors	306	353
Disposal or liquidation of property, plant and equipment and intangible assets	8 037	4 499
Indemnities, penalties and fines paid	654	860
Other expenses	6 312	10 985
Total	**57 781**	**43 950**

26. Taxation

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Profit before tax	**234 707**	**46 657**
Share in profit (loss) of associates	**-3 224**	**-1 824**
Income tax expense at basic tax rate (19%)	**43 982**	**8 518**
Permanent differences, including:	**4 891**	**3 659**
- sale of receivables	270	2 260
- dividends received	-558	-613
- provisions and impairment losses	1 132	6 324
- the sale of the shares of Żagiel	0	-11 306
- thin capitalisation	4 728	8 493
- other permanent differences	-681	-1 499
Recognized asset surplus related to differences from previous periods	-102	-79
Actual deductions from (crediting to) net profit	**48 771**	**12 098**
Effective tax rate	**20.78%**	**25.93%**

Income tax expense (credit) in the income statement	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Current income tax	194 792	110 471
Net increase/decrease in deferred income tax	-146 021	-98 373
Deductions from net profit	**48 771**	**12 098**

Deferred tax on the valuation of available-for-sale securities, cash flow hedge instruments, charged to revaluation reserve	31.12.2010	Comparable data 31.12.2009
Debt instruments	9 117	-862
Cash flow hedge instruments	4 821	2 203
Total	**13 938**	**1 341**

	31.12.2010		31.12.2009		Impact upon the result/ equity for 2010
Deferred tax asset/liability	**Asset**	**Liability**	**Asset**	**Liability**	
Cash and balances with Central Bank	0	0	0	0	0
Gross loans and advances to banks	0	-3 624	0	-2 985	-639
Impairment losses on loans and advances to banks	418	0	395	0	23
Receivables arising from repurchase transactions	0	-7	0	-19	12
Financial assets designated upon initial recognition as at fair value through profit or loss	0	-6 456	0	-7 892	1 436
Financial assets held for trading (excluding derivatives)	0	-428	0	-438	10
Derivatives	0	-86 114	0	-108 273	22 159
Gross loans and advances to customers	0	-1 859	17 977	0	-19 836
Impairment losses on loans and advances to customers	196 764	0	165 855	0	30 909
Investment securities, including:	4 739	-18 026	8 465	-7 208	-14 544
- available-for-sale	4 088	-18 026	8 071	-7 208	-14 801
- held-to-maturity	651	0	394	0	257
Investments in subsidiaries, associates and jointly controlled entities	0	0	0	0	0
Property, plant and equipment	8 163	0	9 955	0	-1 792
Intangible assets	0	-4 475	0	-3 402	-1 073
Deferred tax assets	0	0	0	0	0
Non-current assets classified as held for sale	0	0	0	0	0
Other assets	5 915	0	2 898	0	3 017
Total assets	**215 999**	**-120 989**	**205 545**	**-130 217**	**19 682**

	31.12.2010		31.12.2009		Impact upon the result/equity for 2010
Deferred tax asset/liability	**Asset**	**Liability**	**Asset**	**Liability**	
Amounts due to Central Bank	0	0	2 051	0	-2 051
Amounts due to banks	2 914	0	4 454	-144	-1 396
Derivatives	218 464	0	103 905	0	114 559
Amounts due to customers	12 181	0	15 696	0	-3 515
Liabilities arising from repurchase transactions	8	0	0	0	8
Current tax liability	0	0	0	0	0
Financial liabilities held for trading (excluding derivatives)	0	-481	0	0	-481
Provisions	12 397	0	5 797	0	6 600
Other liabilities	9 025	0	10 804	0	-1 779
Subordinated liabilities	0	0	0	-1 797	1 797
Total liabilities	**254 989**	**-481**	**142 707**	**-1 941**	**113 742**
Total asset/liability	**470 988**	**-121 470**	**348 252**	**-132 158**	**133 424**
Asset/provison recognized with the income statement (in the period and in previous periods)	466 900	-103 444	339 355	-121 920	146 021
Asset/provison recognized in revaluation reserve (in the period and in previous periods)	4 088	-18 026	8 897	-10 238	-12 597

Presented as	**31.12.2010**	**31.12.2009**
Deferred tax asset	350 387	217 383
Deferred tax liability	869	1 289

27. Net profit attributable to the shareholders of the Bank

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Net profit of the parent company for 12 months	111 239	165 301
Net profit (loss) of subsidiaries for 12 months	5 440	-1 715
Consolidation adjustments	69 257	-129 027
Net profit attributable to the shareholders of the Bank	**185 936**	**34 559**

28. Earnings per share (EPS)

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Net profit	185 936	34 559
Weighted average number of ordinary shares	271 658 880	271 658 880
Net profit (loss) per share (in PLN)	**0.68**	**0.13**

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

29. Cash and balances with Central Bank

By types

	31.12.2010	Comparable data 31.12.2009
Cash in hand	625 339	702 501
Current account in the Central Bank	1 318 297	472 952
Total	**1 943 636**	**1 175 453**

30. Gross loans and advances to banks

By types

	31.12.2010	Comparable data 31.12.2009
Current accounts	19 704	8 756
Deposits in other banks	440 391	26 812
Loans and advances to banks	70 760	133 907
Purchased debt	15 762	11 151
Other	20 881	9 387
Total	**567 498**	**190 013**
Debt securities classified in the portfolio of loans and receivables	898 751	
Total	**1 466 249**	**190 013**

The presentation in the notes below does not include the receivables related to debt securities classified as loans and receivables. No impairment was identified for the non-listed bonds classified in this portfolio.

By maturity dates

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	480 260	31 188
- 1-3 months	2 454	7 146
- 3-6 months	10 081	20 326
- 6 months to 1 year	15 986	53 828
- 1-3 years	34 098	24 491
- 3-5 years	22 359	25 041
- 5-10 years	0	25 733
- past due	2 260	2 260
Total	**567 498**	**190 013**

Classification due to impairment

	31.12.2010	Comparable data 31.12.2009
Loans and advances with no evidence for impairment	565 238	187 749
Loans and advances with evidence for impairment	2 260	2 264
Total	**567 498**	**190 013**

31. Impairment losses on loans and advances to banks

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Impairment on loans and advances to banks at period beginning	2 260	2 261
a) increase	1	176
b) decrease	1	177
- reversal of impairment	1	177
c) utilization	0	0
Period end	**2 260**	**2 260**

32. Receivables arising from repurchase transactions

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	87 218	331 875
Total	**87 218**	**331 875**

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

	31.12.2010	Comparable data 31.12.2009
Treasury securities	26 903	61 716
- bonds	26 903	61 716
Other securities	31 149	30 385
- bonds	31 149	30 385
Shares in investment funds	19 713	18 564
Equity securities	40 797	44 735
Total	**118 562**	**155 400**

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

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

	31.12.2010	Comparable data 31.12.2009
Listed	**67 700**	**106 451**
- shares	40 797	44 735
- bonds	26 903	61 716
Non-listed	**50 862**	**48 949**
- shares in investment funds	19 713	18 564
- bonds	31 149	30 385
Total	**118 562**	**155 400**

By maturity dates

	31.12.2010	Comparable data 31.12.2009
- 1-3 months	0	35 312
- 1-3 years	58 052	30 385
- 3-5 years	0	26 404
- with unspecified maturity dates	60 510	63 299
Total	**118 562**	**155 400**

34. Financial assets held for trading (excluding derivatives)

	31.12.2010	Comparable data 31.12.2009
Treasury securities	1 151 591	730 321
- bonds	162 650	77 624
- bills	988 941	652 697
Central Bank securities	449 692	449 628
- bills	449 692	449 628
	1 601 283	**1 179 949**

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

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

	31.12.2010	Comparable data 31.12.2009
Listed	**1 601 283**	**1 179 949**
- bonds	162 650	77 624
- bills	1 438 633	1 102 325
Total	**1 601 283**	**1 179 949**

By maturity dates

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	450 510	449 628
- 1-3 months	250 480	5 691
- 3-6 months	345 012	48 989
- 6 months to 1 year	438 950	657 337
- 1-3 years	20 802	8 440
- 3-5 years	4 314	606
- 5-10 years	90 016	5 699
- 10-20 years	1 199	3 559
Total	**1 601 283**	**1 179 949**

35. Derivatives

Derivatives (by types)

	31.12.2010		Comparable data 31.12.2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate transactions	**387 869**	**925 995**	**476 102**	**427 120**
Options purchased	561	0	798	0
Options sold	0	549	0	358
IRS	373 157	920 077	433 840	378 678
FRA	14 151	5 369	41 464	48 084
Foreign exchange transactions	**75 290**	**199 194**	**95 308**	**112 952**
FX swap	52 667	76 872	49 858	73 473
CIRS	6 088	104 772	7 151	7 337
Forward	6 802	10 642	19 454	7 574
Options purchased	9 502	0	18 669	0
Options sold	0	6 604	0	24 347
Spot	231	304	176	221
Embedded instruments	**0**	**5 889**	**0**	**996**
Total	**463 159**	**1 131 078**	**571 410**	**541 068**

Derivatives (by maturity dates)

	31.12.2010		Comparable data 31.12.2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate transactions (fair value)	**387 869**	**925 995**	**476 102**	**427 120**
Interest rate transactions (nominal value)	**60 721 420**	**59 590 531**	**39 561 883**	**36 553 961**
- up to 1 month	5 164 318	3 382 015	3 091 525	1 725 000
- 1-3 months	7 743 851	5 655 000	5 729 609	2 317 102
- 3-6 months	30 258 617	30 581 076	10 543 963	11 086 162
- 6 months to 1 year	10 311 015	11 508 630	13 342 755	11 870 379
- 1-3 years	6 182 969	6 980 986	4 837 731	6 775 523
- 3-5 years	790 000	1 211 084	1 507 996	2 115 178
- 5-10 years	270 650	271 740	508 304	664 617
Foreign exchange transactions (fair value)	**75 290**	**199 194**	**95 308**	**112 952**
Foreign exchange transactions (nominal value)	**6 977 284**	**7 123 654**	**6 396 706**	**6 419 881**
- up to 1 month	2 784 696	2 861 667	3 483 299	3 494 182
- 1-3 months	1 537 591	1 569 532	796 630	819 519
- 3-6 months	1 090 342	1 093 911	741 302	738 319
- 6 months to 1 year	1 399 741	1 434 245	797 715	782 272
- 1-3 years	148 954	149 098	545 823	557 368
- 3-5 years	15 960	15 201	31 937	28 221
Total fair value *	**463 159**	**1 125 189**	**571 410**	**540 072**
Total nominal value **	**67 698 704**	**66 714 185**	**45 958 589**	**42 973 842**

* net of embedded derivatives

** the item ‘Liabilities related to the sale/purchase transactions’ in Note 4 also comprises current currency exchange transactions and transactions on securities.

36. Gross loans and advances to customers

By types

	31.12.2010	Comparable data 31.12.2009
Loans and advances	28 323 722	26 578 579
Purchased debt	133 911	148 986
Realised guarantees and sureties	2 665	6 904
Other receivables	580 690	563 275
- including leasing fees	533 130	518 448
Total	**29 040 988**	**27 297 744**
Debt securities classified in the portfolio of loans and receivables	67 532	
Total	**29 108 520**	**27 297 744**

The presentation in the notes below does not include the receivables related to debt securities classified as loans and receivables (except for the note presenting the quality ratios for receivables). No impairment was identified for the non-listed bonds classified in this portfolio.

Maturity dates

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	666 091	959 941
- 1-3 months	921 420	936 336
- 3-6 months	1 011 620	900 979
- 6 months to 1 year	2 870 410	2 621 214
- 1-3 years	4 010 702	3 605 961
- 3-5 years	2 470 133	2 306 614
- 5-10 years	3 926 722	3 756 451
- 10-20 years	6 152 841	5 247 392
- over 20 years	3 686 473	3 396 550
- past due	3 324 576	3 566 306
Total	**29 040 988**	**27 297 744**

Receivables by classes

	31.12.2010	Comparable data 31.12.2009
Individuals*	**22 171 091**	**19 461 874**
- overdraft facilities	860 214	793 184
- purchased debt	12 841	7 440
- term loans **	783 239	829 717
- cash loans, instalment loans and cards	4 298 157	4 118 645
- mortgages	16 183 199	13 685 315
- realised guarantees	1 340	1 519
- other receivables	32 101	26 054
Corporate customers and SME	**6 702 504**	**7 617 507**
- overdraft facilities	1 624 480	1 468 747
- term loans **	4 407 040	5 464 609
- purchased debt	121 070	141 546
- realised guarantees	1 325	5 384
- other receivables, including leasing fees	548 589	537 221
Budgetary sector	**167 393**	**218 363**
- overdraft facilities	2 735	1 828
- term loans **	164 658	216 535
Total	**29 040 988**	**27 297 744**

* The item contains: amounts due from private persons, individual entrepreneurs, individual farmers, and non-commercial institutions providing services to households.
** The item contains mainly: in the case of individuals – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary sector – investment 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 receivables with evidence for impairment	Non-impaired gross receivables by days of delay in payment						Impairment losses IBNR
				no delay	up to 30 days*	31 - 60 days*	61 - 90 days*	over 90 days*	Non-impaired gross receivables	
Individuals**	**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 loans, 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 SME	**6 702 504**	**874 435**	**437 427**	**5 714 159**	**103 414**	**9 902**	**593**	**1**	**5 828 069**	**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
- term loans***	4 407 040	547 269	261 269	3 826 563	28 501	4 707	0	0	3 859 771	9 481
- purchased debt	121 070	7 243	6 042	91 170	22 657	0	0	0	113 827	51
- 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
Budgetary sector	**167 393**	**1**	**1**	**163 749**	**3 643**	**0**	**0**	**0**	**167 392**	**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
Total	**29 040 988**	**2 821 984**	**1 793 562**	**24 674 045**	**1 307 358**	**192 227**	**45 127**	**247**	**26 219 004**	**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 to households.

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

Receivables in breakdown by classes and by impaired and non-impaired receivables as at 31.12.2009 (comparable data)

	Gross receivables	Impaired gross receivables	Impairment losses for receivables with evidence for impairment	Non-impaired gross receivables by days of delay in payment						Impairment losses IBNR
				no delay	up to 30 days*	31 - 60 days*	61 - 90 days*	over 90 days*	Non-impaired gross receivables	
Individuals**	**19 461 874**	**1 523 261**	**992 828**	**16 772 235**	**963 990**	**143 291**	**57 582**	**1 515**	**17 938 613**	**95 488**
- overdraft facilities	793 184	129 371	100 856	549 270	106 699	5 658	2 008	178	663 813	3 252
- purchased debt	7 440	1 908	1 908	5 511	21	0	0	0	5 532	6
- term loans***	829 717	74 180	55 571	709 235	43 312	2 640	343	7	755 537	1 289
- cash loans, instalment loans and cards	4 118 645	999 392	760 518	2 757 371	252 666	69 244	39 843	129	3 119 253	76 186
- mortgages	13 685 315	314 502	70 677	12 727 183	561 292	65 749	15 388	1 201	13 370 813	14 754
- realised guarantees	1 519	1 519	914	0	0	0	0	0	0	0
- other receivables	26 054	2 389	2 384	23 665	0	0	0	0	23 665	1
Corporate customers and SME	**7 617 507**	**854 961**	**443 001**	**6 621 284**	**138 637**	**2 235**	**365**	**25**	**6 762 546**	**44 447**
- overdraft facilities	1 468 747	125 550	92 621	1 267 800	74 246	786	365	0	1 343 197	8 821
- term loans***	5 464 609	626 444	294 885	4 777 891	59 514	735	0	25	4 838 165	34 656
- purchased debt	141 546	10 568	3 412	125 660	4 604	714	0	0	130 978	91
- realised guarantees	5 384	5 384	4 019	0	0	0	0	0	0	0
- other receivables, ncluding leasing fees	537 221	87 015	48 064	449 933	273	0	0	0	450 206	879
Budgetary sector	**218 363**	**0**	**0**	**215 014**	**3 349**	**0**	**0**	**0**	**218 363**	**122**
- overdraft facilities	1 828	0	0	1 828	0	0	0	0	1 828	1
- term loans***	216 535	0	0	213 186	3 349	0	0	0	216 535	121
Total	**27 297 744**	**2 378 222**	**1 435 829**	**23 608 533**	**1 105 976**	**145 526**	**57 947**	**1 540**	**24 919 522**	**140 057**

*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 individuals – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary sector – investment and working capital loans

As at 31.12.2010, 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 110,943 thousand, as at 31.12.2009 – PLN 171,942 thousand.

Receivables quality ratio

in PLN '000'	**31.12.2010**	**Comparable data 31.12.2009**
Loans and advances with no evidence for impairment, including interest	26 286 536	24 919 522
Loans and advances with evidence for impairment, including interest	2 821 984	2 378 222
Total gross loan and advances to customers	**29 108 520**	**27 297 744**
Impairment losses on loans and advances to customers	1 914 000	1 575 886
including: impairment losses on loans and advances with evidence for impairment	1 793 562	1 435 829
Total net loans and advances to customers	**27 194 520**	**25 721 858**
The share of loans and advances with evidence for impairment in total gross loans and advances	9.7%	8.7%
Coverage of loans and advances with evidence for impairment with impairment losses	63.6%	60.4%
Coverage of gross loans and advances to customers with corresponding impairment losses	6.6%	5.8%

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 31.12.2010 amounted to 9.7% and in 2010 deteriorated by 1.0 p.p.

The Group, when estimating credit risk for individual credit exposures and loan portfolios, follows the overriding prudence concept. As at 31.12.2010, the coverage of loans and advances with evidence for impairment with impairment losses was at the level of 63.6% and increased by 3.2 p.p. as compared to the balance as at 31.12.2009.

Receivables assessed individually

	31.12.2010	**Comparable data 31.12.2009**
Gross receivables	771 234	727 459
Impairment losses	381 424	381 470
Net receivables	389 810	345 989

Accepted loan collateral

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

	31.12.2010	Comparable data 31.12.2009
Value of accepted collateral for loans and advances assessed individually	238 280	228 997

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.

Carrying amount of restructured receivables

	31.12.2010	Comparable data 31.12.2009
Carrying amount	408 746	282 232

37. Impairment losses on loans and advances to customers

	Impairment 31.12.2009	Recognized	Reversed	Written off	Other changes	Impairment 31.12.2010
Individuals*	**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 loans, 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 SME	**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 individuals – investment loans and working capital loans for individual entrepreneurs and mortgage loans, and in the case of corporate and budgetary sector – investment and working capital loans

	Impairment 31.12.08	Recognized	Reversed	Written off	Other changes	Impairment 31.12.2009
Individuals*	**496 840**	**1 624 896**	**-972 749**	**-40 152**	**-20 519**	**1 088 316**
- overdraft facilities	70 293	132 827	-95 904	-2 102	-1 006	104 108
- purchased debt	6 345	81	-115	0	-4 397	1 914
- term loans **	75 787	36 222	-26 724	-24 863	-3 562	56 860
- cash loans, instalment loans and cards	290 504	1 248 754	-681 867	-10 484	-10 203	836 704
- mortgages	52 878	204 520	-167 915	-2 703	-1 349	85 431
- realised guarantees	1 032	4	-58	0	-64	914
- other receivables	1	2 488	-166	0	62	2 385
Corporate customers and SME	**430 247**	**753 850**	**-614 482**	**-77 133**	**-5 034**	**487 448**
- overdraft facilities	42 666	223 387	-159 845	-3 320	-1 446	101 442
- purchased debt	4 777	8 292	-7 708	-1 837	-21	3 503
- term loans **	345 829	430 991	-367 139	-69 634	-10 506	329 541
- realised guarantees	3 381	4 885	-4 089	0	-158	4 019
- other receivables, including leasing fees	33 594	86 295	-75 701	-2 342	7 097	48 943
Budgetary sector	**244**	**305**	**-428**	**0**	**1**	**122**
- overdraft facilities	4	91	-93	0	-1	1
- term loans **	240	214	-335	0	2	121
Total	**927 331**	**2 379 051**	**-1 587 659**	**-117 285**	**-25 552**	**1 575 886**

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

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

IBNR

Impairment losses on incurred but not reported (IBNR) credit losses for homogenous balance sheet and off-balance sheet receivables portfolios as at 31.12.2010 amounted to PLN 126,845 thousand, including PLN 6,407 thousand related to off-balance sheet liabilities; and as at 31.12.2009, amounted to PLN 143,625 thousand, including PLN 3,568 thousand related to off-balance sheet liabilities.

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

	31.12.2010	Comparable data 31.12.2009
Gross investments in finance lease	584 028	568 688
Unrealised future financial income	50 898	50 240
Present value of minimum leasing fees (gross carrying amount)	533 130	518 448
Gross investments in finance lease for each period	584 028	568 688
- up to one year	236 056	218 785
- later than 1 year and not later than 5 years	319 125	312 517
- over five years	28 847	37 386
Present value of minimum leasing fees for each period	533 130	518 448
- up to one year	210 682	194 683
- later than 1 year and not later than 5 years	293 967	286 471
- over five years	28 481	37 294

Impairment losses on lease receivables

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Period beginning	40 367	33 117
a) increase	17 095	38 980
- impairment losses on lease receivables	16 959	38 980
- other changes	136	0
b) reversal	13 905	29 387
- reversal of impairment losses on lease receivables	13 815	29 387
- other changes	90	0
c) utilization	5 315	2 343
- leasing fees written off in the period as bad debts	5 315	2 343
Period end	**38 242**	**40 367**

39. Investment securities

	31.12.2010	Comparable data 31.12.2009
Available-for-sale securities	**6 219 461**	**6 036 304**
Treasury securities	5 608 099	4 977 936
- bonds	5 608 099	4 684 356
- bills	0	293 580
Central Bank securities	299 765	749 307
- bills	299 765	749 307
Other securities	307 674	303 767
- bonds	307 674	303 767
Equity securities	3 923	5 294
Held-to-maturity securities	**3 247 779**	**2 753 338**
Treasury securities	3 247 779	2 165 443
- bonds	3 247 779	2 165 443
Other securities	0	587 895
- bonds	0	587 895
Total	**9 467 240**	**8 789 642**

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.

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

	31.12.2010	Comparable data 31.12.2009
Available-for-sale securities	**6 219 461**	**6 036 304**
Listed	**5 907 864**	**5 727 243**
- bonds	5 608 099	4 684 356
- bills	299 765	1 042 887
Non-listed	**311 597**	**309 061**
- shares	3 923	5 294
- bonds	307 674	303 767
Held-to-maturity securities	**3 247 779**	**2 753 338**
Listed	**3 247 779**	**2 165 443**
- bonds	3 247 779	2 165 443
Non-listed	**0**	**587 895**
- bonds	0	587 895
Total	**9 467 240**	**8 789 642**

Maturities of available-for-sale investment securities

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	299 764	749 307
- 1-3 months	33 379	233 781
- 3-6 months	580 507	0
- 6 months to 1 year	192 150	498 026
- 1-3 years	1 623 773	1 637 809
- 3-5 years	2 297 947	1 445 621
- 5-10 years	1 188 018	1 466 466
- with unspecified maturity dates	3 923	5 294
Total	**6 219 461**	**6 036 304**

Maturities of held-to-maturity investment securities

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	0	13 073
- 1-3 months	20 796	304 577
- 3-6 months	425 050	0
- 6 months to 1 year	0	482 391
- 1-3 years	1 195 114	442 947
- 3-5 years	1 225 146	934 430
- 5-10 years	381 673	575 920
Total	**3 247 779**	**2 753 338**

40. The hierarchy of financial instruments measured at fair value based on the method of fair value measurement

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

Assets measured at fair value	Level 1	Level 2	Level 3	Total 31.12.2010
Financial assets held for trading				
Debt securities	1 144 179	457 104		1 601 283
Derivatives		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 31.12.2010
Financial liabilities held for trading				
Derivatives		1 123 915	5 889	1 129 804
Hedging instruments				
Derivatives		1 274		1 274
Total		**1 125 189**	**5 889**	**1 131 078**

Assets measured at fair value	Level 1	Level 2	Level 3	Total 31.12.2009
Financial assets held for trading				
Debt securities	725 904	454 046		1 179 950
Derivatives		513 206	2 463	515 669
Financial assets designated upon initial recognition as at fair value through profit or loss				
Debt securities	61 716	30 385		92 101
Equity securities		44 735		44 735
Shares in investment funds		18 564		18 564
Available-for-sale financial assets*				
Debt securities	4 672 232	1 358 778		6 031 010
Hedging instruments				
Derivatives		55 741		55 741
Total	**5 459 852**	**2 475 455**	**2 463**	**7 937 770**

**except for equity securities measured at cost*

Liabilities measured at fair value	Level 1	Level 2	Level 3	Total 31.12.2009
Financial liabilities held for trading				
Derivatives		537 902		537 902
Hedging instruments				
Derivatives		3 166		3 166
Total		**541 068**		**541 068**

Change in financial assets at fair value – level 3

Assets measured at fair value	Level 3
Opening balance – as at 01.01.2010	**2 463**
Derivatives	-2 463
Closing balance – as at 31.12.2010	**0**

Assets measured at fair value	Level 3
Opening balance – as at 01.01.2009	**8 410**
Transfers to level 3	15 974
Total profit or loss recognized in the income statement, including:	-13 511
- established impairment losses	-13 757
- valuation	246
Transfer from the portfolio of financial assets at fair value	-8 410
Closing balance – as at 31.12.2009	**2 463**
Total profit or loss for the period recognized in the income statement for assets held at the end of the period	**-2 860**

41. Financial assets subject to hedge accounting

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

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

As at 31.12.2010 and 31.12.2009, the Group did not apply hedge accounting to hedge fair value of financial assets.

The rules of recognizing and measuring the effectiveness of the hedges for transactions subject to hedge accounting are described in Note 9.6.6 of these financial statements.

As at 31.12.2010

Financial assets subject to cash flow hedge accounting

- bonds

Hedged assets – available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment
80 000	25.01.2018	variable 3.99% (31.12.2010)	every 6 months

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (excluding interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
80 000	29.08.2011	fixed 5.66%	WIB 6M	annually	every 6 months	1 123	0
					Total	**1 123**	**0**

- loans portfolio

Hedged assets – mortgage loans of PLN 1,935,000 thousand.

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (excluding interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
100 000	09.07.2012	fixed 5.698%	WIB 3M	annually	every quarter	3 417	0
100 000	13.08.2012	fixed 5.615%	WIB 3M	annually	every quarter	3 124	0
50 000	13.08.2012	fixed 5.615%	WIB 3M	annually	every quarter	1 562	0
120 000	12.09.2011	fixed 5.65%	WIB 3M	annually	every quarter	2 913	0
20 000	12.09.2011	fixed 5.65%	WIB 3M	annually	every quarter	485	0
150 000	09.11.2012	fixed 5.75%	WIB 3M	annually	every quarter	3 046	0
30 000	17.12.2014	fixed 5.9%	WIB 3M	annually	every quarter	696	82
75 000	10.01.2013	fixed 5.94%	WIB 3M	annually	every quarter	5 312	142
100 000	07.02.2011	fixed 5.73%	WIB 3M	annually	every quarter	4 740	17
85 000	08.02.2013	fixed 5.63%	WIB 3M	annually	every quarter	5 153	0
85 000	20.02.2015	fixed 5.85%	WIB 3M	annually	every quarter	5 639	82
100 000	04.03.2013	fixed 6.01%	WIB 3M	annually	every quarter	7 078	87
70 000	05.03.2015	fixed 5.9%	WIB 3M	annually	every quarter	4 776	0
50 000	15.04.2013	fixed 5.92%	WIB 3M	annually	every quarter	2 814	85
50 000	17.04.2013	fixed 5.85%	WIB 3M	annually	every quarter	2 700	110
50 000	17.04.2012	fixed 5.92%	WIB 3M	annually	every quarter	2 536	93
30 000	08.05.2012	fixed 5.94%	WIB 3M	annually	every quarter	1 511	18
75 000	16.05.2013	fixed 6.01%	WIB 3M	annually	every quarter	4 295	155
60 000	02.10.2013	fixed 5.538%	WIB 3M	annually	every quarter	1 041	33
60 000	23.12.2013	fixed 4.3%	WIB 3M	annually	every quarter	-1 274	-328
75 000	08.10.2012	fixed 5.13%	WIB 3M	annually	every quarter	734	0
75 000	14.10.2011	fixed 4.9%	WIB 3M	annually	every quarter	489	0
50 000	05.11.2012	fixed 5.305%	WIB 3M	annually	every quarter	601	0
50 000	05.11.2012	fixed 5.3%	WIB 3M	annually	every quarter	596	0
75 000	07.11.2011	fixed 4.95%	WIB 3M	annually	every quarter	472	0
50 000	10.02.2014	fixed 5.35%	WIB 3M	annually	every quarter	2 465	0
100 000	10.03.2014	fixed 5.41%	WIB 3M	annually	every quarter	5 022	0
					Total	**71 943**	**576**

As at 31.12.2009 (comparable data)

Financial assets subject to cash flow hedge accounting

- bonds

Hedged assets – available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment
50 000	24.09.2011	variable 4.34% (31.12.2009)	every 6 months
50 000	25.01.2018	variable 4.40% (31.12.2009)	every 6 months
80 000	25.01.2018	variable 4.40% (31.12.2009)	every 6 months

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (excluding interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
50 000	25.07.2010	fixed 5.5075%	WIB 6M	annually	every 6 months	552	0
50 000	23.05.2011	fixed 4.76%	WIB 6M	annually	every 6 months	1 270	0
80 000	29.08.2011	fixed 5.66%	WIB 6M	annually	every 6 months	1 350	0
					Total	**3 172**	**0**

- loans portfolio

Hedged assets – mortgage loans of PLN 1,785,000 thousand.

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (excluding interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
100 000	09.07.2012	fixed 5.6975%	WIB 3M	annually	every quarter	2 781	0
100 000	13.08.2012	fixed 5.615%	WIB 3M	annually	every quarter	2 319	0
50 000	13.08.2012	fixed 5.615%	WIB 3M	annually	every quarter	1 160	0
120 000	10.09.2011	fixed 5.65%	WIB 3M	annually	every quarter	3 265	0
20 000	10.09.2011	fixed 5.65%	WIB 3M	annually	every quarter	544	0
150 000	09.11.2012	fixed 5.75%	WIB 3M	annually	every quarter	1 717	0
30 000	17.12.2014	fixed 5.90%	WIB 3M	annually	every quarter	191	-36
75 000	10.01.2013	fixed 5.94%	WIB 3M	annually	every quarter	4 652	-132
100 000	07.02.2011	fixed 5.73%	WIB 3M	annually	every quarter	5 782	-79
85 000	08.02.2013	fixed 5.63%	WIB 3M	annually	every quarter	4 140	0
85 000	20.02.2015	fixed 5.85%	WIB 3M	annually	every quarter	4 187	0
100 000	04.03.2013	fixed 6.01%	WIB 3M	annually	every quarter	6 145	-10
70 000	05.03.2015	fixed 5.9%	WIB 3M	annually	every quarter	3 610	0
50 000	15.04.2013	fixed 5.92%	WIB 3M	annually	every quarter	2 285	-69
50 000	17.04.2013	fixed 5.85%	WIB 3M	annually	every quarter	2 161	-91
50 000	17.04.2012	fixed 5.92%	WIB 3M	annually	every quarter	2 452	-96
30 000	08.05.2012	fixed 5.94%	WIB 3M	annually	every quarter	1 448	-19
75 000	16.05.2013	fixed 6.01%	WIB 3M	annually	every quarter	3 499	-121
60 000	02.10.2013	fixed 5.5375%	WIB 3M	annually	every quarter	28	164
60 000	22.12.2013	fixed 4.30%	WIB 3M	annually	every quarter	-2 863	328
75 000	07.10.2012	fixed 5.13%	WIB 3M	annually	every quarter	-252	240
75 000	14.10.2011	fixed 4.9%	WIB 3M	annually	every quarter	127	0
50 000	04.11.2012	fixed 5.305%	WIB 3M	annually	every quarter	-22	113
50 000	04.11.2012	fixed 5.3%	WIB 3M	annually	every quarter	-29	119
75 000	06.11.2011	fixed 4.95%	WIB 3M	annually	every quarter	76	0
					Total	**49 403**	**311**

In the case of cash flow hedge, the amount recognized in equity in 2010 was PLN 25,378 thousand, and the amount derecognized from equity and recognized in the income statement (ineffective part) amounted to PLN 576 thousand. The amount recognized in equity at the end of 2009 was PLN 11,286 thousand, and the amount derecognized from equity and recognized in the income statement (ineffective part) amounted to PLN 311 thousand.

Summary of valuations of hedging derivatives

	31.12.2010	Comparable data 31.12.2009
Total positive valuations (with interest)	74 340	55 741
Total negative valuations (with interest)	-1 274	-3 166

42. Investments in associates valued using the equity method

As at 31.12.2010 and as at 31.12.2009, the Group held shares in one associate measured with the equity method., i.e. KBC Towarzystwo Funduszy Inwestycyjnych S.A., which is involved in the management of investment funds.

	31.12.2010	Comparable data 31.12.2009
Carrying amount of shares	15 179	11 955
Entity's total assets	61 500	48 219
Entity's equity, including:	50 598	39 866
- share capital	25 258	25 258
- called up share capital not paid (negative value)	0	0
- supplementary capital	14 822	9 674
- other equity, including:	10 518	4 934
- retained earnings (loss)	0	0
- net profit (loss)	10 518	4 934
Entity's liabilities, including:	10 902	8 353
- short-term liabilities	10 902	8 353
- long-term liabilities	0	0
Entity's receivables, including:	24 585	8 187
- short-term receivables	24 585	8 187
- long-term receivables	0	0
Total income	67 961	50 310
% of capital held	30%	30%
Share in the total number of votes at the General Meeting of Shareholders	30%	30%

43. Property, plant and equipment

	31.12.2010	Comparable data 31.12.2009
Property, plant and equipment, including:	269 893	323 672
- land	11 036	11 724
- buildings and premises	131 123	154 780
- plant and machinery	77 170	89 205
- motor vehicles	434	734
- other property, plant and equipment	50 130	67 229
Construction in progress	20 551	29 862
Total	**290 444**	**353 534**

Movement on property, plant and equipment

For the period of 12 months ended 31.12.2010

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2010	12 816	237 384	436 944	2 089	183 126	29 862	902 221
b) increase	0	3 876	37 107	64	6 757	33 276	81 080
- purchase	0	0	4 519	0	755	33 211	38 485
- other increases*	0	3 876	32 588	64	6 002	65	42 595
c) decrease	690	22 414	59 439	585	11 115	42 587	136 830
- sale	0	4 460	1 070	199	372	0	6 101
- liquidation	0	3 654	49 244	0	7 895	0	60 793
- other decrease**	690	14 300	9 125	386	2 848	42 587	69 936
d) gross property, plant and equipment as at 31.12.2010	12 126	218 846	414 612	1 568	178 768	20 551	846 471
e) accumulated amortisation as at 01.01.2010	1 092	78 121	345 084	1 201	115 017	0	540 515
f) net property, plant and equipment as at 01.01.2010	11 724	154 780	89 205	734	67 229	29 862	353 534
g) changes in depreciation	-2	-2 191	-11 073	-221	12 912	0	-575
- amortisation	0	4 841	46 887	285	22 310	0	74 323
- sale	0	-1 297	-657	-120	-301	0	-2 375
- liquidation	0	-270	-48 222	0	-6 363	0	-54 855
- other changes	-2	-5 465	-9 081	-386	-2 734	0	-17 668
h) accumulated amortisation as at 31.12.2010	1 090	75 930	334 011	980	127 929	0	539 940
i) impairment as at 01.01.2010	0	4 483	2 655	154	880	0	8 172
- increases	0	7 564	1 457	0	79	0	9 100
- decreases	0	254	681	0	250	0	1 185
j) impairment as at 31.12.2010	0	11 793	3 431	154	709	0	16 087
Net property, plant and equipment as at 31.12.2010	**11 036**	**131 123**	**77 170**	**434**	**50 130**	**20 551**	**290 444**

*Other increases are related mainly to the taking over for use of property, plant and equipment previously presented in 'construction in progress'

**Other decreases are related mainly to the transfer to assets held for sale, the termination of leasing contracts as well as to the taking over for use of property, plant and equipment previously presented in 'construction in progress'

For the period of 12 months ended 31.12.2009 (comparable data)

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2009	18 751	282 872	454 076	3 894	169 517	57 053	986 163
b) increase	185	1 966	53 345	35	17 582	51 122	124 235
- purchase	1	0	7 809	0	903	45 105	53 818
- other increases*	184	1 966	45 536	35	16 679	6 017	70 417
c) decrease	6 120	47 454	70 477	1 840	3 973	78 313	208 177
- sale	62	1 274	727	1 072	0	0	3 135
- liquidation	0	77	44 978	32	3 429	3	48 519
- deconsolidation of Żagiel	246	11 856	23 505	645	328	2 866	39 446
- other decrease**	5 812	34 247	1 267	91	216	75 444	117 077
d) gross property, plant and equipment as at 31.12.2009	12 816	237 384	436 944	2 089	183 126	29 862	902 221
e) accumulated amortisation as at 01.01.2009	1 581	84 573	359 733	2 152	95 678	0	543 717
f) net property, plant and equipment as at 01.01.2009	14 135	185 392	91 257	1 579	72 611	56 892	421 866
g) changes in depreciation	-489	-6 452	-14 649	-951	19 339	0	-3 202
- amortisation	0	6 413	52 439	487	22 566	0	81 905
- sale	0	-121	-680	-797	2	0	-1 596
- liquidation	0	-10	-44 209	-8	-2 752	0	-46 979
- deconsolidation of Żagiel	0	-3 329	-20 990	-541	-263	0	-25 123
- other changes	-489	-9 405	-1 209	-92	-214	0	-11 409
h) accumulated amortisation as at 31.12.2009	1 092	78 121	345 084	1 201	115 017	0	540 515
i) impairment as at 01.01.2009	3 035	12 907	3 086	163	1 228	161	20 580
- increases	0	1 924	246	0	0	0	2 170
- decreases	3 035	10 348	677	9	348	161	14 578
j) impairment as at 31.12.2009	0	4 483	2 655	154	880	0	8 172
Net property, plant and equipment as at 31.12.2009	**11 724**	**154 780**	**89 205**	**734**	**67 229**	**29 862**	**353 534**

*Other increases are related mainly to the taking over for use of property, plant and equipment previously presented in ‘construction in progress’

** Other decreases are related mainly to the transfer to assets held for sale, the termination of leasing contracts and taking over for use of property, plant and equipment previously presented in ‘construction in progress’

44. Intangible assets

	31.12.2010	Comparable data 31.12.2009
Internally developed computer software	11	42
Acquired computer software	39 169	44 506
Other intangible assets, including capital expenditure	11 021	6 700
Total	**50 201**	**51 248**

Movement on intangible assets

For the period of 12 months ended 31.12.2010

	Internally developed computer software	Acquired computer software	Other intangible assets, including capital expenditure	Total intangible assets
a) gross intangible assets as at 01.01.2010	42	302 734	20 886	323 662
b) increase	0	12 442	14 749	27 191
- purchase	0	1 074	12 089	13 163
- other increases*	0	11 368	2 660	14 028
c) decrease	0	16 450	21 761	38 211
- sale	0	2	3	5
- liquidation	0	14 696	5 716	20 412
- other decrease**	0	1 752	16 042	17 794
d) gross intangible assets as at 31.12.2010	42	298 726	13 874	312 642
e) accumulated amortisation as at 01.01.2010	0	253 854	6 563	260 417
f) net intangible assets as at 01.01.2010	42	44 506	6 700	51 248
g) amortisation in the period	31	1 549	-6 222	-4 642
- amortisation	8	16 899	34	16 941
- sale	0	0	-2	-2
- liquidation	0	-14 265	-5 714	-19 979
- other changes	23	-1 085	-540	-1 602
h) accumulated amortisation as at 31.12.2010	31	255 403	341	255 775
i) impairment as at 01.01.2010	0	4 374	7 623	11 997
- increases	0	302	0	302
- decreases	0	522	5 111	5 633
j) impairment as at 31.12.2010	0	4 154	2 512	6 666
Net intangible assets as at 31.12.2010	**11**	**39 169**	**11 021**	**50 201**

*Other increases are related mainly to the taking over for use of intangible assets previously presented as capital expenditure.
**Other decreases are related mainly to the taking over for use of intangible assets previously presented as capital expenditure, and the termination of leasing contracts.

For the period of 12 months ended 31.12.2009 (comparable data)

	Internally developed computer software	Acquired computer software	Other intangible assets, including capital expenditure	Total intangible assets
a) gross intangible assets as at 01.01.2009	42	289 448	49 489	338 979
b) increase	0	26 601	15 683	42 284
- purchase	0	5 484	15 666	21 150
- other increases*	0	21 117	17	21 134
c) decrease	0	13 315	44 286	57 601
- sale	0	1 018	0	1 018
- liquidation	0	4 057	45	4 102
- deconsolidation of Żagiel	0	8 240	17 104	25 344
- other decrease**	0	0	27 137	27 137
d) gross intangible assets as at 31.12.2009	42	302 734	20 886	323 662
e) accumulated amortisation as at 01.01.2009	0	243 566	23 400	266 966
f) net intangible assets as at 01.01.2009	42	42 015	18 867	60 924
g) amortisation in the period	0	10 288	-16 837	-6 549
- amortisation	0	21 766	196	21 962
- sale	0	-697	0	-697
- liquidation	0	-3 826	-45	-3 871
- deconsolidation of Żagiel	0	-6 955	-16 988	-23 943
- other changes	0	0	0	0
h) accumulated amortisation as at 31.12.2009	0	253 854	6 563	260 417
i) impairment as at 01.01.2009	0	3 867	7 222	11 089
- increases	0	507	1 448	1 955
- decreases	0	0	1 047	1 047
j) impairment as at 31.12.2009	0	4 374	7 623	11 997
Net intangible assets as at 31.12.2009	**42**	**44 506**	**6 700**	**51 248**

*Other increases are related mainly to the taking over for use of intangible assets previously presented as capital expenditure.
**Other decreases are related mainly to the taking over for use of intangible assets previously presented as capital expenditure.

45. Non-current assets classified as held for sale

	31.12.2010	Comparable data 31.12.2009
Fixed assets classified as held for sale	**7 070**	**0**
Gross total	8 200	0
Impairment losses	1 130	0
Investments in associates held for sale	**0**	**0**
Gross investments in associates	3 707	0
Impairment losses	3 707	0
Total	**7 070**	**0**

Non-current assets classified as held for sale are available for immediate sale. They are actively marketed for sale on market terms, without any exceptional or non-standard conditions, at a sales price reasonable in relation to their present fair value. The Group expects that the sale will be recognized as sale made within one year from the date of the reclassification of such assets to the category of non-current assets held for sale.

46. Investment properties

The table below presents changes in investment properties in 2010 and in 2009:

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Gross value as at the beginning of the period	**306 514**	**268 825**
Increases	18 562	40 593
Decreases	4 143	2 904
Gross value as at the end of the period	**320 933**	**306 514**
Depreciation as at the beginning of the period	**79 392**	**58 958**
Changes in depreciation	**12 121**	**20 434**
Amortisation	9 690	10 634
Other increases	2 650	9 800
Decreases	219	0
Depreciation as at the end of the period	**91 513**	**79 392**
Impairment losses as at the beginning of the period	**4 882**	**0**
Increases	0	12 836
Decreases	1 130	7 954
Impairment losses as at the end of the period	**3 752**	**4 882**
Carrying amounts as at the end of the period	**225 668**	**222 240**

In 2010, income from rent related to the investment properties amounted to PLN 32,320 thousand. The direct operating expenses related to the investment properties and incurred in the period amounted to PLN 12,778 thousand.

In 2009, income from rent related to the investment properties amounted to PLN 36,750 thousand. The direct operating expenses related to the investment properties and incurred in the period amounted to PLN 11,768 thousand.

The investment properties comprise mainly buildings, which are depreciated on a straight-line basis (annual depreciation rate is from 2.5% to 5%). Other plant and machinery are depreciated at the rates of 7%, 10%, 14%, 18%, 20% and 30%.

47. Other assets

	31.12.2010	Comparable data 31.12.2009
Inventory	9	18
Various debtors*, including:	75 485	86 829
- gross various debtors	81 730	93 506
- impairment losses	-6 245	-6 677
Prepaid expenses	20 196	20 042
Other assets, including:	0	9
- gross assets taken over for debts	0	9
Total	**95 690**	**106 898**

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

48. Amounts due to Central Bank

By types

	31.12.2010	Comparable data 31.12.2009
Open market transactions	0	1 321 796
Liabilities	6	6
Total	**6**	**1 321 802**

By maturity dates

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	6	1 276 456
- 1-3 months	0	45 346
Total	**6**	**1 321 802**

49. Amounts due to banks

By types

	31.12.2010	Comparable data 31.12.2009
Current accounts	3 573 391	2 560 645
Term deposits	2 922 345	1 699 362
Borrowed loans and advances	5 650 993	6 818 610
Other amounts due	3 977	3 073
Total	**12 150 706**	**11 081 690**

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

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	6 009 725	4 236 842
- 1-3 months	489 787	26 238
- 3-6 months	0	796 099
- 6 months to 1 year	2 826 848	1 031 672
- 1-3 years	2 824 346	4 990 839
Total	**12 150 706**	**11 081 690**

50. Amounts due to customers

By types

	31.12.2010	Comparable data 31.12.2009
Current accounts	17 715 210	13 917 908
- including Savings Account:	9 850 124	7 626 000
Term deposits	7 622 618	8 458 114
Borrowed loans and advances	197 122	144
Other amounts due	125 808	92 988
Total	**25 660 758**	**22 469 154**

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

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	19 716 891	16 671 535
- 1-3 months	1 978 374	2 412 093
- 3-6 months	2 169 911	2 251 609
- 6 months to 1 year	1 044 007	418 747
- 1-3 years	535 003	608 810
- 3-5 years	17 585	101 277
- 5-10 years	198 242	4 216
- 10-20 years	745	867
Total	**25 660 758**	**22 469 154**

Liabilities by customer types

	31.12.2010	Comparable data 31.12.2009
Individuals*	**16 004 138**	**14 208 107**
- in current account (including Savings Account)	12 536 406	10 109 149
- term deposits	3 346 027	4 022 658
- other	121 705	76 300
Corporate customers and SME	**7 668 821**	**6 461 829**
- in current account	3 819 591	2 540 948
- term deposits	3 648 005	3 904 049
- loans and advances	197 122	144
- other	4 103	16 688
Budgetary sector	**1 987 799**	**1 799 218**
- in current account	1 359 213	1 267 811
- term deposits	628 586	531 407
Total	**25 660 758**	**22 469 154**

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

51. Liabilities arising from repurchase transactions

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	228 693	0
Total	**228 693**	**0**

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

52. Provisions

	31.12.2010	Comparable data 31.12.2009
Employee benefits provision	1 585	1 408
Provision for off-balance sheet items	49 877	11 429
Restructuring provision	0	2 279
Provision for litigations	40 699	36 877
Other	650	1 924
Total	**92 811**	**53 917**

The litigations with the highest value claims are described in Note 75 below.

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

Net increase/decrease in provisions

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Period beginning	**53 917**	**59 474**
- employee benefits provision	1 408	1 785
- provision for off-balance sheet items	11 429	14 899
- restructuring provision	2 279	419
- provision for litigations	36 877	42 371
- other	1 924	0
a) recognition	310 624	344 442
- employee benefits provision	335	184
- provision for off-balance sheet items	292 518	318 037
- restructuring provision	0	8 700
- provision for litigations	17 771	17 521
b) utilization	-13 118	-18 482
- employee benefits provision	-196	-480
- provision for off-balance sheet items	0	-9 464
- restructuring provision	-2 279	-6 420
- provision for litigations	-10 643	-2 118
c) reversal	-257 572	-327 867
- employee benefits provision	-6	-15
- provision for off-balance sheet items	-254 042	-311 986
- restructuring provision	0	-420
- provision for litigations	-3 524	-15 446
d) other changes	-1 040	-3 650
- employee benefits provision	44	-66
- provision for off-balance sheet items	-28	-57
- provision for litigations	218	-5 451
- other	-1 274	1 924
Period end (by items)	**92 811**	**53 917**
- employee benefits provision	1 585	1 408
- provision for off-balance sheet items	49 877	11 429
- restructuring provision	0	2 279
- provision for litigations	40 699	36 877
- other	650	1 924
Period end	**92 811**	**53 917**

53. Other liabilities

	31.12.2010	Comparable data 31.12.2009
Amounts due to the State Treasury	19 403	19 911
Various creditors	52 008	63 319
Expenses and income settled over time, including:	128 583	82 554
- income collected in advance	19 335	22 373
- expenses to be paid	42 376	41 655
- provision for bonuses	57 031	8 879
- provision for unused annual leaves	9 841	9 647
Inter-bank clearings	14 810	15 213
Total	**214 804**	**180 997**

54. Subordinated liabilities

	31.12.2010	Comparable data 31.12.2009
Amount of subordinated liabilities	911 100	805 816
Total	**911 100**	**805 816**

Balance sheet as at 31.12.2010

Entity	Loan value		Interest rate	Maturity date	Amount of subordinated liabi lities
	by currency	in '000			
KBC Bank NV O/Dublin	CHF	100 000	3M LIBOR+1,6p.p.	15.06.2018	315 616
KBC Bank NV O/Dublin	CHF	165 000	3M LIBOR+4,5p.p.	28.06.2019	520 541
KBC Bank NV O/Dublin	PLN	75 000	WIBOR+3,0p.p.	30.01.2019	74 943
Total					**911 100**

Balance sheet as at 31.12.2009 (comparable data)

Entity	Loan value		Interest rate	Maturity date	Amount of subordinated liabi lities
	by currency	in '000			
KBC Bank NV O/Dublin	CHF	100 000	3M LIBOR+1,6p.p.	15.06.2018	275 818
KBC Bank NV O/Dublin	CHF	165 000	3M LIBOR+4,5p.p.	28.06.2019	455 060
KBC Bank NV O/Dublin	PLN	75 000	WIBOR + 3,0p.p.	30.01.2019	74 938
Total					**805 816**

55. Equity

Share capital

As at 31.12.2010, the parent company's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares of nominal value of PLN 5.00 each. The parent company's shares are registered shares and bearer shares, but not preference shares. Each share entitles its holder to one vote at the parent company's General Meeting of Shareholders. The parent company's shares are admitted to public trading on the main market of the Warsaw Stock Exchange. The share capital did not change in 2010.

The analysis of registered shares and bearer shares presented below was prepared as at 31.12.2010.

Registered shares

The parent company's Shareholders hold 65,864 registered shares, which account for 0.02% of the share capital. Registered shares as at 31.12.2010:

Series	Number of shares
A	2 942
C	1 425
F	5 792
P	29 042
S1	26 663
Total	**65 864**

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

Bearer shares

The parent company's shareholders hold 271,593,016 bearer shares, which account for 99.98% of the share capital. Originally, the number of bearer shares amounted to 264,204,350. In addition, as a result of the conversion of registered shares into bearer shares, there are 7,388,666 bearer shares. Bearer shares as at 31.12.2010:

(Original) Bearer shares		Following the conversion of registered shares into bearer shares	
Series	**Number of shares**	**Series**	**Number of shares**
B	2 500 000	A	2 497 058
D	100 000	C	98 575
E	1 580 425	F	308 923
G	480 000	P	3 660 640
H	3 777 350	S1	823 470
I	5 600 000		
J	4 400 000		
K	2 278 814		
L	2 000 000		
M	10 000 000		
N	847 000		
O	25 000 000		
R	32 583 993		
T	49 301 056		
U	63 387 072		
W	60 368 640		
Total	**264 204 350**	**Total**	**7 388 666**
Total bearer shares			**271 593 016**

The table below presents the list of major shareholders of Kredyt Bank S.A. as at 31.12.2010.

Shareholder	Line of business	Number of shares and votes at GMS	Share in votes and in share capital (in %)
KBC Bank NV* – party of KBC Group*	Banking	217 327 103	80.00
KBC Securities NV* – subsidiary of KBC Bank NV **	Brokerage house	11 751 771	4.33
KBC Insurance NV* – party of KBC Group***	Insurance	7 860 918	2.89
Pioneer Fundusz Inwestycyjny Otwarty	Investment fund	20 040 203	7.38

** By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V. is entitled to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.*
*** Figures as at 09.09.2009 received from KBC Group NV and KBC Bank NV*
**** Figures received on 15.07.2010 from KBC Group NV*

On 15.04.2010, Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. ('PPIM') about the exceeding by Pioneer Fundusz Inwestycyjny Otwarty ('Pioneer FIO') of the threshold of 5% of votes at the General Meeting of Shareholders of Kredyt Bank S.A. PPIM, indicating the performance of the agreement on the provision of services related to the management of the investment portfolio of funds, informed, in the notification mentioned above, that, as at 9.04.2010, the portfolio of Pioneer FIO had comprised the total of 20,040,203 shares of Kredyt Bank S.A. accounting for 7.38% of the share capital and giving the right to 7.38% of the total number of votes at the General Meeting of Shareholders of Kredyt Bank S.A.

On 15.07.2010, a notification was received concerning the transaction made between entities in KBC Group. KBC Insurance purchased from KBL Private Bankers 7,860,918 shares of Kredyt Bank S.A. accounting for 2.89% in the capital and votes at the Bank's General Meeting of Shareholders.

On 8 and 15 February 2011, the Bank was notified of the decrease in the number of shares in the Bank's capital held to these dates by the entities of KBC Group NV by more than 1% of the total number of votes. The details of the transactions are described in Note 73.

Supplementary capital

	31.12.2010	Comparable data 31.12.2009
From the distribution of retained profit	889 340	784 039
Total supplementary capital	**889 340**	**784 039**

The Bank's net profit for 2009 amounting to PLN 165,300,922.87 was allocated to:

- reserves – PLN 60,000,000.00;
- the remaining amount, i.e. PLN 105,300,922.87 to supplementary capital.

Revaluation reserve

	31.12.2010	Comparable data 31.12.2009
Valuation of available-for-sale financial assets	47 981	-4 540
Valuation of derivatives designated for cash flow hedge	25 378	11 597
Deferred tax on items recognized in revaluation reserve	-13 938	-1 341
Total revaluation reserve	**59 421**	**5 716**

Reserves

	31.12.2010	Comparable data 31.12.2009
General banking risk reserve created from profit	400 942	340 942
Total reserves	**400 942**	**340 942**

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

56. Granted off-balance sheet liabilities

By types

	31.12.2010	Comparable data 31.12.2009
Financing	**3 958 357**	**4 008 224**
- undrawn credit lines	2 738 911	2 818 780
- undrawn overdraft facilities	636 999	632 284
- limits on credit cards	446 973	434 988
- opened import letters of credit	135 474	121 459
- term deposits to be released	0	713
Guarantees	**2 080 340**	**1 795 144**
- guarantees granted	2 079 880	1 793 780
- export letters of credit	460	1 364
Total	**6 038 697**	**5 803 368**

Financing by maturity dates

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	348 777	362 421
- 1-3 months	313 351	255 586
- 3-6 months	291 334	295 411
- 6 months to 1 year	1 470 460	1 572 538
- 1-3 years	437 070	287 770
- 3-5 years	214 972	655 978
- over five years	882 393	578 520
Total	**3 958 357**	**4 008 224**

Guarantees by maturity dates

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	35 594	69 577
- 1-3 months	86 333	79 191
- 3-6 months	52 915	82 497
- 6 months to 1 year	232 753	279 518
- 1-3 years	463 754	435 272
- 3-5 years	644 706	219 948
- over five years	564 285	629 141
Total	**2 080 340**	**1 795 144**

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

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

As at 31.12.2010, the estimated amount of provisions for the guarantees granted and unconditional financing liabilities amounted to PLN 49,877 thousand and as at 31.12.2009, to PLN 11,429 thousand. This amount is presented in Note 52 as ‘provision for off-balance sheet items’.

57. Capital adequacy ratio

	31.12.2010	Comparable data 31.12.2009
Capital requirement, including:	**2 278 833**	**2 238 980**
- credit risk	2 016 969	1 973 217
- market risk	32 749	26 532
- operational risk	229 115*	239 231**
Own funds and short-term capital	**3 562 209**	**3 309 476**
Basic capitals	**2 549 062**	**2 459 492**
- share capital	1 358 294	1 358 294
- supplementary capital	889 340	784 039
- revaluation reserve included in basic equity	-15 806	-34 555
- other reserves	400 942	340 942
- retained earnings (loss)	-65 709	65 033
- net profit included in the calculation of capital adequacy ratio	73 312	4 053
- dividends predicted	-33 728	0
- intangible assets	-50 201	-51 248
- shares in financial entities (50%)	-7 382	-7 066
Supplementary funds	**1 013 147**	**849 984**
- revaluation reserve included in supplementary equity	53 995	18 526
- subordinated liabilities included in equity	913 434	808 017
- shares in financial entities (50%)	-7 382	-7 066
- short-term capital	53 100	30 507
Capital adequacy ratio (%)	**12.51**	**11.82**
Ratio, including basic funds%	**8.95**	**8.79**

* estimated on the basis of the Standardized Approach
** estimated on the basis of the Basic Indicator Approach (BIA)

As at 31.12.2010 and 31.12.2009, the capital adequacy ratio was calculated as required by the regulations of the Polish Financial Supervision Authority.

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

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

	31.12.2010	Comparable data 31.12.2009
The amount of the capital requirement for credit risk*, including counterparty credit risk:	**2 016 969**	**1 973 217**
- central governments and central banks	0	0
- regional governments and local authorities	2 454	3 603
- administrative bodies and non-commercial undertakings	8 450	9 523
- multilateral development banks	0	0
- international organisations	0	0
- institutions – banks	71 045	78 971
- corporates	376 390	453 347
- retail	773 399	691 125
- secured by real estate property	694 970	643 981
- past due items	32 706	30 597
- exposures belonging to regulatory high-risk categories	6 865	6 951
- covered bonds	0	0
- securitisation positions	0	0
- exposures to banks and corporates with a short-term credit rating	0	0
- in collective investment undertakings	0	0
- other exposures	50 690	55 119

* estimated on the basis of the Standardized Approach

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

	31.12.2010	Comparable data 31.12.2009
The amount of the capital requirement for credit risk, including:	**32 749**	**26 532**
- currency risk	0	0
- commodity price risk	0	0
- equity securities price risk	0	0
- price risk of debt instruments	23	0
- general interest rate risk	32 726	26 532

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

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

	Year	2009
Result*	2007	1 442 179
Result*	2008	1 698 846
Result*	2009	1 643 589
Capital Charge	2007	216 327
Capital Charge	2008	254 827
Capital Charge	2009	246 538
Operational risk requirement**		**239 231**

* calculated according to Annex No. 14 to Resolution No. 380/2008 of the Polish Financial Supervision Authority of 17.12.2008
** estimated on the basis of the Basic Indicator Approach (BIA)

As at 31.12.2010 and 31.12.2009, the exposure concentration limit, the large exposure limit and the capital concentration threshold were not exceeded in Kredyt Bank S.A.

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.

58. Risk metrics underlying the calculations of the capital requirements for credit risk, including counterparty credit risk, set forth in the Banking Law

Balance sheet as at 31.12.2010

Balance sheet instruments

Instrument type	Carrying amount	Risk weighted value
Banking portfolio		
Cash	625 339	0
Receivables	**29 010 523**	**21 778 105**
Net loans and advances to banks (including Central Bank)	1 883 535	177 545
Net loans and advances to customers	27 126 988	21 600 560
Individuals*	**20 712 125**	**15 676 475**
- overdraft facilities	756 252	620 965
- purchased debt	10 944	10 899
- term loans	731 377	649 620
- cash loans, instalment loans and cards	3 231 394	2 456 926
- mortgages	15 958 687	11 914 594
- realised guarantees	423	423
- other receivables	23 048	23 048
Corporate customers and SME	**6 247 514**	**5 876 135**
- overdraft facilities	1 490 724	1 475 577
- term loans	4 136 290	3 798 416
- purchased debt	114 977	114 967
- realised guarantees	203	203
- other receivables, including leasing fees	505 320	486 972
Budgetary sector	**167 349**	**47 950**
- overdraft facilities	2 731	1 421
- term loans	164 618	46 529
Debt securities**	10 487 652	71 812
Other securities, shares and derivatives	175 030	152 372
Non-current assets	523 182	531 109
Intangible assets	50 201	0
Other	446 077	95 691
Total banking portfolio	**41 318 004**	**22 629 089**
Trading portfolio (counterparty risk)	**2 056 242**	**184 232**
Total balance sheet instruments	**43 374 246**	**22 813 321**

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

Off-balance-sheet instruments

Instrument	Nominal value	Balance sheet equivalent	Risk weighted value
Banking portfolio			
Interest rate derivatives	2 687 600	10 088	4 968
Currency derivatives	10 266	103	51
Credit lines	3 804 400	1 486 546	1 314 249
Guarantees granted	2 040 145	970 458	932 331
Letters of credit	135 928	67 964	67 758
Other	9 277	9 277	9 277
Total banking portfolio	**8 687 616**	**2 544 436**	**2 328 634**
Trading portfolio (counterparty risk)	**124 565 768**	**208 930**	**70 156**
Total off-balance-sheet instruments	**133 253 384**	**2 753 366**	**2 398 790**

	Risk weighted value	Capital requirement
Total exposure to credit risk, including counterparty credit risk	**25 212 111**	**2 016 969**

Balance sheet as at 31.12.2009

Balance sheet instruments

Instrument	Carrying amount	Risk weighted value
Banking portfolio		
Cash	702 501	0
Receivables	**26 382 563**	**20 663 681**
Net loans and advances to banks (including Central Bank)	660 705	133 371
Net loans and advances to customers	25 721 858	20 530 310
Individuals*	**18 373 558**	**13 883 109**
- overdraft facilities	689 076	572 483
- purchased debt	5 526	5 501
- term loans	772 856	678 821
- cash loans, instalment loans and cards	3 281 942	2 474 166
- mortgages	13 599 884	10 127 865
- realised guarantees	605	605
- other receivables	23 669	23 668
Corporate customers and SME	**7 130 059**	**6 591 112**
- overdraft facilities	1 367 305	1 346 339
- term loans	5 135 068	4 622 205
- purchased debt	138 043	138 045
- realised guarantees	1 365	1 865
- other receivables, including leasing fees	488 278	482 658
Budgetary sector	**218 241**	**56 089**
- overdraft facilities	1 827	919
- term loans	216 414	55 170
Debt securities**	9 008 410	67 833
Other securities, shares and derivatives	149 408	140 945
Non-current assets	575 774	578 843
Intangible assets	51 248	0
Other	324 281	106 898
Total banking portfolio	**37 194 185**	**21 558 200**
Trading portfolio (counterparty risk)	**1 882 413**	**279 956**
Total balance sheet instruments	**39 076 598**	**21 838 156**

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

Off-balance-sheet instruments

Instrument	Nominal value	Balance sheet equivalent	Risk weighted value
Banking portfolio			
Interest rate derivatives	2 547 600	13 988	6 919
Currency derivatives	2 890	29	29
Credit lines	3 887 365	1 711 405	1 505 488
Guarantees granted	1 782 285	1 206 662	1 165 946
Letters of credit	122 146	61 073	60 748
Other	12 767	12 767	12 197
Total banking portfolio	**8 355 053**	**3 005 924**	**2 751 327**
Trading portfolio (counterparty risk)	**79 560 654**	**233 972**	**75 729**
Total off-balance-sheet instruments	**87 915 707**	**3 239 896**	**2 827 056**

	Risk weighted value	Capital requirement
Total exposure to credit risk, including counterparty credit risk	**24 665 212**	**1 973 217**

59. Discontinued operations

The Group did not carry out operations which were discontinued in 2010 or in 2009.

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

The Group’s companies which meet the requirements of the Company Social Benefit Fund Act of 4 March 1994, as amended, establish the Company Social Benefit Fund and create periodical charges for this purpose. The Funds have no property, plant and equipment. The objective of the Funds is to subsidize the Company’s employee-related operations, loans borrowed to employees and other employee-related expenses.

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

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

	31.12.2010	Comparable data 31.12.2009
Employee cash loans	9 925	8 706
Cash on CSBF’s bank accounts	4 742	5 817
Fund-related payables	14 667	14 523
Charges to the Fund in the period	3 889	3 891

61. Employee benefits

61.1. Employee Stock Ownership Plan

No employee stock ownership plan is implemented in the Group.

61.2. Retirement benefits and other benefits after retirement

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

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Period beginning	1 408	1 785
Provision recognized	335	184
Paid benefits	-196	-480
Provision reversed	-6	-15
Other changes	44	-66
Total	**1 585**	**1 408**

61.3. Benefits related to the dissolution of employment

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Period beginning	2 279	0
Recognized	0	8 700
Reversed	0	0
Utilization	-2 279	-6 421
Period end	**0**	**2 279**

Furthermore, in 2009, the Group incurred the costs of terminating contracts of employment amounting to PLN 7,073 thousand; they were not subject to the restructuring provision.

62. Related party transactions

In 2010, no significant non-standard transactions had place with related parties whose nature and terms were not related to current operations. All transactions were executed on market terms, without any exceptional or non-standard terms or conditions.

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

Balance sheet as at 31.12.2010

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

* Including WARTA Group

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

* Including WARTA Group

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

Income	**Associates**	**Parent company - KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total for 2010**
Interest income**	0	17 076	496	17 572
Commission income	16 144	274	51 297	67 715
Other operating income	14	62	10 267	10 343
Total income	**16 158**	**17 412**	**62 060**	**95 630**

* Including WARTA Group
**commissions settled according to EIR

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2010
Interest expense	515	78 403	27 418	106 336
Commission expense	0	446	-19 888	-19 442
Net trading income	-138	200 816	53 884	254 562
General and administrative expenses, as well as other operating expenses	0	3 660	29 080	32 740
Total expenses	**377**	**283 325**	**90 494**	**374 196**

* Including WARTA Group

Balance sheet as at 31.12.2009

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	28 048	4 638	32 686
Derivatives	0	72 180	18 412	90 592
Loans and advances to customers	0	0	337 880	337 880
Other assets	1 842	5	7 130	8 977
Total assets	**1 842**	**100 233**	**368 060**	**470 135**

* Including WARTA Group

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2009
Amounts due to banks	0	7 530 172	3 436 903	10 967 075
Derivatives	0	126 884	15 552	142 436
Amounts due to customers	8 188	0	1 658 902	1 667 090
Subordinated liabilities	0	805 816	0	805 816
Other liabilities	0	1 435	12 048	13 483
Total liabilities	**8 188**	**8 464 307**	**5 123 405**	**13 595 900**

* Including WARTA Group

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2009
Granted financing liabilities	0	0	181 150	181 150
Guarantees granted	0	315 538	174 015	489 553
Received financing liabilities	0	1 042 486	0	1 042 486
Guarantees received	0	855 477	173 605	1 029 082
Derivatives	0	12 403 258	1 788 987	14 192 245
Total off-balance sheet items	**0**	**14 616 759**	**2 317 757**	**16 934 516**

* Including WARTA Group

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2009
Interest income**	0	32 564	102 886	135 450
Commission income	9 314	253	27 125	36 692
Other operating income	15	2 950	7 216	10 181
Net gains from the sale of the shares of Żagiel	0	268 274	0	268 274
Total income	**9 329**	**304 041**	**137 227**	**450 597**

* Including WARTA Group
**commissions settled according to EIR

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2009
Interest expense	125	108 298	168 331	276 754
Commission expense	0	405	-20 271	-19 866
Net trading income	0	159 725	-4 797	154 928
General and administrative expenses, as well as other operating expenses	0	4 362	24 233	28 595
Total expenses	**125**	**272 790**	**167 496**	**440 411**

* Including WARTA Group

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

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

Bank's Management Board	Term on the Board	01.01.2010-31.12.2010				
		Basic remuneration	Bonus	Other benefits	Severance pay	Total
Maciej Bardan	01.01.2010-31.12.2010	1 220	0	691	0	**1 911**
Lidia Jabłonowska - Luba	01.01.2010-14.03.2010	286	0	631	0	**917**
Gert Rammeloo	01.01.2010-31.12.2010	946	0	447	0	**1 393**
Krzysztof Kokot	01.01.2010-31.12.2010	1 027	0	76	0	**1 103**
Umberto Arts	01.01.2010-31.12.2010	1 587	0	498	0	**2 085**
Zbigniew Kudaś	26.04.2010-31.12.2010	828	0	35	0	**863**
Piotr Sztrauch	15.09.2010-31.12.2010	231	0	21	0	**252**
Total		**6 125**	**0**	**2 399**	**0**	**8 524**

Bank's Management Board	Term on the Board	01.01.2009-31.12.2009				
		Basic remuneration	Bonus**	Other benefits	Severance pay	Total
Maciej Bardan	01.01.2009-31.12.2009	1 215	453	371	0	**2 039**
Lidia Jabłonowska - Luba	01.01.2009-31.12.2009	1 215	370	367	0	**1 952**
Gert Rammeloo	01.06.2009-31.12.2009	473	0	288	0	**761**
Krzysztof Kokot	01.01.2009-31.12.2009	1 045	395	86	0	**1 526**
Umberto Arts	01.01.2009-31.12.2009	1 418	0	447	0	**1 865**
Michał Oziembło*	01.01.2009-15.12.2009	89	0	14	0	**103**
Total		**5 455**	**1 218**	**1 573**	**0**	**8 246**

* Mr. Michał Oziembło received the remuneration for the work on the position of the President of the Management Board of Żagiel S.A., which in 2009 amounted to PLN 553 thousand
**The bonus for 2008 was paid in 2009

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

Management Boards of Group's Companies	Gross remuneration in the period 01.01.2010-31.120.2010	Gross remuneration in the period 01.01.2009-31.120.2010
Reliz Sp. z o.o.	225	239
Żagiel S.A.	-	2 434
including Michał Oziembło	-	553
Kredyt Lease S.A.	1 108	1 181
Kredyt Trade Sp. z o.o.	473	271
BFI Sp. z o.o.	26	26
Net Fund Administration Sp. z o.o. (01.01.2010-31.03.2010)	60	20
Lizar Sp. z o.o.	0	0
Total	**1 892**	**4 171**

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

Bank's Supervisory Board	Term on the Board	01.01.2010-31.12.2010		
		Basic remuneration	Other benefits	Total
Andrzej Witkowski	01.01.2010-31.12.2010	350	14	**364**
Adam Noga	01.01.2010-31.12.2010	306	14	**320**
Ronny Delchambre	01.01.2010-31.12.2010	0	0	**0**
Dirk Mampaey	01.01.2010-31.12.2010	0	0	**0**
Francois Gillet	01.01.2010-23.02.2010	44	0	**44**
Marek Michałowski	01.01.2010-23.03.2010	66	0	**66**
John Hollows	01.01.2010-26.05.2010	0	0	**0**
Feliks Kulikowski	01.01.2010-26.05.2010	109	14	**123**
Krzysztof Trębaczkiewicz	01.01.2010-26.05.2010	109	14	**123**
Jarosław Parkot	26.05.2010-31.12.2010	0	0	**0**
Stefan Kawalec	26.05.2010-31.12.2010	158	0	**158**
Marko Voljc	26.05.2010-31.12.2010	0	0	**0**
Total		**1 142**	**56**	**1 198**

Bank's Supervisory Board	Term on the Board	01.01.2009-31.12.2009		
		Basic remuneration	Other benefits	Total
Andrzej Witkowski	01.01.2009-31.12.2009	328	14	**342**
Adam Noga	01.01.2009-31.12.2009	287	14	**301**
Francois Gillet	01.01.2009-31.12.2009	246	0	**246**
John Hollows	01.01.2009-31.12.2009	0	0	**0**
Feliks Kulikowski	01.01.2009-31.12.2009	246	14	**260**
Marek Michałowski	01.01.2009-31.12.2009	246	0	**246**
Luc Philips	01.01.2009-27.05.2009	0	0	**0**
Jan Vanhevel	01.01.2009-16.09.2009	0	0	**0**
Krzysztof Trębaczkiewicz	01.01.2009-31.12.2009	246	14	**260**
Delchambre Ronny	16.09.2009-31.12.2009	0	0	**0**
Mampaey Dirk	27.05.2009-31.12.2009	0	0	**0**
Total		**1 599**	**56**	**1 655**

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

Benefit	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Short-term employee benefits	9 706	9 901
Benefits paid after employment termination	16	0
Severance pays	0	0
Total	**9 722**	**9 901**

In 2010 and 2009, the Members of the Bank's Management Board and the Members of the Bank's Supervisory Board did not receive remuneration for performing their functions in subsidiaries (except for Michał Oziembło, Vice-President of the Management Board).

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

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

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

As at 31.12.2010, 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 31.12.2009, receivables due to loans and cash loans granted by the Bank amounted to:

- for Members of the Bank's Management Board – PLN 383 thousand;
- for Members of the Bank's Supervisory Board – PLN 628 thousand;
- for the Bank's employees – PLN 233,907 thousand.

As at 31.12.2010, past due debts of employees amount to PLN 66 thousand.

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

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

65. Employment structure

FTEs	**31.12.2010**	**Comparable data 31.12.2009**
Bank	4 747	4 809
- Head Office	2 113	2 035
- branches and affiliates	2 634	2 774
Companies	87	87
Total	**4 834**	**4 896**

66. Consolidated cash flow statement – additional information

a) Cash and cash equivalents	**31.12.2010**	**Comparable data 31.12.2009**
Cash and balances with Central Bank	1 943 636	1 175 453
Due from other banks (up to 3 months)	457 807	15 688
Cash and cash equivalents	**2 401 443**	**1 191 141**

In 'Cash and cash equivalents', the Bank presents its obligatory reserve held in line with the adequate regulations, on NBP account, presented as restricted cash, which, as at 31.12.2010 amounted to PLN 1,078,101 thousand, and as at 31.12.2009 – PLN 784,875 thousand.

b) Operating activities – unrealised gains (losses) on currency translation differences	**01.01.2010-31.12.2010**	**Comparable data 01.01.2009-31.12.2009**
Currency translation differences for investment securities	1 380	11 322
Currency translation differences from financial assets held for trading	-64 194	2 583
Currency translation differences from the assets designated upon initial recognition as at fair value through profit or loss	-1 138	-1 115
Currency translation differences on subordinated liabilities	104 664	-34 408
Total	**40 712**	**-21 618**

c) Operating activities - net increase/decrease in impairment	**01.01.2010-31.12.2010**	**Comparable data 01.01.2009-31.12.2009**
Net increase/decrease in impairment losses on loans and advances to banks	0	1
Net increase/decrease in impairment losses on loans and advances to customers	338 114	648 555
Deconsolidation of Żagiel	0	5 065
Net increase/decrease in impairment of property, plant and equipment, intangible assets and investment properties	1 454	-6 618
Total	**339 568**	**647 003**

d) Operating activities – interest	**01.01.2010-31.12.2010**	**Comparable data 01.01.2009-31.12.2009**
Interest on investment securities	-297 496	-315 217
Interest on borrowed loans	79 746	116 373
Interest on leasing	38	104
Interest on subordinated liabilities	34 584	22 692
Total	**-183 128**	**-176 048**

e) Operating activities – gains (losses) from the sale of investments	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Profit/loss on the sale of equity investments	-30	-313 948
Deconsolidation of Żagiel	0	45 663
Profit/loss on the sale of available-for-sale investment securities	-3 644	-4 564
Profit/loss on the sale of held-to-maturity investment securities	-2 812	-139
Profit/loss on sale of property, plant and equipment and intangible assets	1 398	-43
Total	**-5 088**	**-273 031**

f) Loans and advances to banks	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Net balance sheet change	-377 485	150 852
Deconsolidation of Żagiel	0	-7 408
Change in Nostro accounts – cash	12 548	-7 684
Change in term deposits up to 3 months – cash	429 571	-109 910
Debt securities classified in the portfolio of loans and receivables	-898 751	0
Impairment	0	-1
Total	**-834 117**	**25 849**

g) Financial assets held for trading and valuation of derivatives	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Balance sheet change in financial assets held for trading	-421 334	25 967
Balance sheet change in derivatives, excluding the change in derivatives used as hedging instruments in the form of assets	126 850	1 620 176
Currency translation differences in operating activities	65 332	-1 468
Total	**-229 152**	**1 644 675**

h) Operating activities – net increase/decrease in other assets	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Balance sheet change in other assets	11 208	28 472
Deconsolidation of Żagiel	0	-50 332
Net increase/decrease in property, plant and equipment held for sale	-7 070	0
Other net increase/decrease in investment properties	-12 630	-27 489
Debt securities classified in the portfolio of loans and receivables	965 146	0
Other net increase/decrease in property, plant and equipment and intangible assets	16 810	58 790
Other changes	-4 210	15 999
Total	**969 254**	**25 440**

i) Amounts due to banks

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Balance sheet change in amounts due to banks	1 069 016	-1 043 323
Proceeds from loans and advances	-129 069	-1 428 971
Repayment of borrowed loans/advances	1 825 104	1 200 000
Interest on borrowed loans in operating activities	-76 419	-116 373
Paid interest on borrowed loans – presentation in financing activities	61 161	146 551
Total	**2 749 793**	**-1 242 116**

j) Amounts due to customers

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Balance sheet change in amounts due to customers	3 191 604	2 193 788
Deconsolidation of Żagiel	0	-14 990
Proceeds from loans and advances	-196 695	0
Interest on borrowed loans in operating activities	-3 327	0
Paid interest on borrowed loans – presentation in financing activities	3 023	0
Total	**2 994 605**	**2 178 798**

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

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Balance sheet change in other liabilities	33 807	-99 025
Deconsolidation of Żagiel	0	22 002
Payment of leasing payables from financing activities	25	79
Valuation of derivatives used as hedging instruments	-1 892	1 458
Other changes	-407	1 761
Total	**31 533**	**-73 725**

l) Net increase/decrease in investment securities

	01.01.2010-31.12.2010	Comparable data 01.01.2009-31.12.2009
Balance sheet change in investment securities	-1 643 881	-2 551 631
Net increase/decrease in interest receivables in operating activities	297 496	315 217
Net increase/decrease in available-for-sale financial assets in operating activities	55 977	-12 133
Net increase/decrease in held-to-maturity investments in operating activities	3 949	139
Balance sheet change in equity investments classified as available-for-sale	-1 370	-1 324
Currency translation differences in operating activities	-1 380	-11 322
Total balance sheet change	**-1 289 209**	**-2 261 054**
Presented as:		
Acquisition in investment activity	-56 709 569	-10 489 849
Disposal in investment activity	55 205 555	7 961 693
Interest received in investment activity	214 805	267 102

m) Financing activities – other financial expenses	**01.01.2010-31.12.2010**	**Comparable data 01.01.2009-31.12.2009**
Interest repayment on loans received	-64 184	-146 551
Interest repayment on subordinated liabilities	-33 964	-22 227
Payment of leasing payables	-63	-183
Total	**-98 211**	**-168 961**

n) Subordinated liabilities	**01.01.2010-31.12.2010**	**Comparable data 01.01.2009-31.12.2009**
Repayment of interest on subordinated liabilities – presentation in financing activities	33 964	22 227
Accrued interest on subordinated liabilities – presentation in operating activities	-34 584	-22 692
Currency translation differences on subordinated liabilities – presentation in operating activities	-104 664	34 408
Balance sheet change in subordinated liabilities	105 284	526 173
Proceeds from a subordinated loan	**0**	**560 116**

67. Disposal of subordinated companies

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.).

Hence, 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.

In 2009, the Bank sold the shares of Żagiel S.A. Gross profit from this transaction amounted to PLN 268,274 thousand, and net profit, including the income tax deduction, amounted to PLN 228,608 thousand. The net gains from the transaction at the level of the Capital Group differs from the result at the Bank's level by the written off goodwill and other consolidation adjustments.

In the case of the sale of the shares of Żagiel by KBC to an outside entity for an amount lower than PLN 350 million, the Bank's risk is limited to 10% of the selling price (PLN 35 million). According to the best knowledge of the Bank's Management Board, the Bank does not envisage the necessity of incurring expenses by the Bank due to the above-mentioned condition in the agreement. As a result, the Bank failed to recognize the provision on this account.

According to the independent opinion prepared by a consulting company, KPMG Advisory, upon the order of the Management Board of Kredyt Bank S.A., the financial conditions of the sale of the shares of Żagiel S.A. were included in the fair value range for the shares of Żagiel S.A. estimated by KPMG Advisory (including the repositioning of Żagiel S.A. in December 2009) and, as a result, they were fair from the viewpoint of the interests of Kredyt Bank S.A.

Below, we present the calculation of the result at the Group level.

Sales revenue	350 000
Tax value of the shares of Żagiel	*141 231*
Taxable income	*208 769*
Company's net assets as at the date of the sale (expense)	45 674
Goodwill as at the date of the sale (expense)	36 052
Gross result on sale	**268 274**
Taxation	39 666
Net result on sale	**228 608**

68. Assets pledged as collateral

As at 31.12.2010, the following assets in the form of debt securities were collateral for the Group's own liabilities:

- Treasury bonds of the nominal value of PLN 130,000 thousand and of the carrying amount of PLN 130,600 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds of the nominal value of PLN 240,000 thousand and of the carrying amount of PLN 235,899 thousand as security for the loan extended by the European Investment Bank;
- Treasury bonds of the nominal value of PLN 190,000 thousand and of the carrying amount of PLN 198,767 thousand and Treasury bills with the nominal value of PLN 200,000 thousand and the carrying amount of PLN 209,032 thousand pledged in relation to IRS transactions hedging cash flow with the Ministry of Finance.

As at 31.12.2009, the following assets in the form of Treasury bonds were collateral for the Group's own liabilities:

- Treasury bonds of the nominal value of PLN 105,000 thousand and of the carrying amount of PLN 106,301 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds with the nominal value of PLN 1,400,000 thousand and with the carrying amount of PLN 1,424,872 thousand and Treasury bills with the nominal value of PLN 50,000 thousand and carrying amount of PLN 48,989 thousand pledged in relation to REPO transactions with the National Bank of Poland (NBP).

69. Changes in the Management Board and in the Supervisory Board of Kredyt Bank S.A. in 2010

On 14.03.2010, Ms. Lidia Jabłonowska-Luba resigned from the position of the Vice President of the Management Board and the membership in the Management Board of the Bank. The above resignation is related to Ms. Lidia Jabłonowska-Luba's acceptance of the job offer in the Head Office of KBC.

On 26.04.2010, the Bank's Supervisory Board appointed Mr. Zbigniew Kudaś as a Member and Vice President of the Bank's Management Board.

In relation to the decision of the Supervisory Board of the Bank that, since 15.09.2010, the Management Board of the Bank will be composed of six members, Mr. Piotr Sztrauch was appointed the Vice President of the Management Board.

As at 31.12.2010, the Management Board of Kredyt Bank S.A. was composed of:

Mr. Maciej Bardan	- President of the Management Board, CEO
Mr. Umberto Arts	- Vice President of the Management Board, Vice CEO
Mr. Krzysztof Kokot	- Vice President of the Management Board, Vice CEO
Zbigniew Kudaś	- Vice President of the Management Board, Vice CEO
Mr. Gert Rammeloo	- Vice President of the Management Board, Vice CEO
Piotr Sztrauch	- Vice President of the Management Board, Vice CEO

In 2010, the following persons resigned from the membership in the Bank's Supervisory Board: Mr. Francois Gillet from 23.02.2010 and Mr. Marek Michałowski from 23.02.2010.

Furthermore, on 26.05.2010, the Ordinary General Meeting of Shareholders of the Bank appointed the Supervisory Board with an altered composition. As a result, Mr. John Hollows, Mr. Feliks Kulikowski and Mr. Krzysztof Trębaczkiewicz terminated their work as Members of the Supervisory Board, and Mr. Jarosław Parkot, Mr. Marko Voljč and Mr. Stefan Kawalec were appointed as new Members of the Supervisory Board.

As at 31.12.2010, the Supervisory Board of Kredyt Bank S.A. was composed of:

Mr. Andrzej Witkowski	- Chairman of the Supervisory Board
Mr. Adam Noga	- Vice Chairman of the Supervisory Board
Mr. Ronny Delchambre	- Member of the Supervisory Board
Mr. Dirk Mampaey	- Member of the Supervisory Board
Jarosław Parkot	- Member of the Supervisory Board
Marko Voljc	- Member of the Supervisory Board
Stefan Kawalec	- Member of the Supervisory Board

70. Seasonality or cyclical nature of operations

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

71. Non-typical factors and events

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

Apart from the transaction presented in section 67 of the Notes, in 2009, no untypical events occurred in the Group (not related to operating activities) that would affect the structure of balance sheet items and the financial result to a large extent, and which were not presented in these financial statements.

72. Dividends paid and declared

The final conclusions concerning the payment and amount of dividend for 2010 or the decision not to pay dividend will be submitted to the Supervisory Board by the Bank's Management Board prior to the convening of the General Meeting of Shareholders which will approve the Bank's financial statements for 2010. Following their examination, the Supervisory Board will submit its opinion to the General Meeting of Shareholders. The Management Board's recommendation concerning the distribution of the Bank's result for 2010 will take into account both the Bank's current financial situation and its development plans for the future.

Pursuant to the Resolution of the 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 be paid.

73. Events after the reporting period

On 8 and 15 February 2011, the Bank was notified of the decrease in the number of shares in the Bank's capital held to these dates by the entities of KBC Group NV by more than 1% of the total number of votes. According to the received information, as a result of the sale of the shares of Kredyt Bank S.A., KBC Securities NV and KBC Insurance NV disposed of all the Bank's shares held by them. However, the number of the Bank's shares held by KBC Bank NV did not change. The details of the transactions are available in the Bank's current reports dated 8 and 16 February 2011.

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 9.02.2011.

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

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

74.1. Fair value

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

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

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

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

31.12.2010

	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	**1 943 636**	**1 943 636**
Net loans and advances to banks	**1 463 989**	**1 463 853**
Net loans and advances to customers	**27 126 988**	**25 090 361**
Individuals*	**20 712 125**	**18 713 044**
- overdraft facilities	756 252	744 510
- purchased debt	10 944	10 860
- term loans **	731 377	719 605
- cash loans, instalment loans and cards	3 231 394	3 099 182
- mortgages	15 958 687	14 115 382
- realised guarantees	423	352
- other receivables	23 048	23 153
Corporate customers and SME	**6 247 514**	**6 212 751**
- overdraft facilities	1 490 724	1 483 616
- term loans **	4 136 290	4 110 815
- purchased debt	114 977	112 677
- realised guarantees	203	241
- other receivables, including leasing fees	505 320	505 402
Budgetary sector	**167 349**	**164 566**
- overdraft facilities	2 731	2 731
- term loans **	164 618	161 835
Held-to-maturity investment securities	**3 247 779**	**3 238 283**

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

The significantly lower fair value as compared to the carrying amount of mortgages is an effect of changes in margins related to such types of loans. At the end of 2010, they were definitely higher than those related to the majority of the portfolio of mortgages (granted prior to 2009).

	Carrying amount	Fair value
Liabilities		
Amounts due to banks and Central Bank	12 150 712	12 151 055
Amounts due to customers	25 660 758	25 666 079
Other financial liabilities recognized in the balance sheet at amortised cost ***	911 100	911 100

*** The item contains: subordinated liabilities and liabilities arising from repurchase transactions.

31.12.2009 (comparable data)

	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	**1 175 453**	**1 175 453**
Net loans and advances to banks	**187 753**	**186 151**
Net loans and advances to customers	**25 721 858**	**22 865 454**
Individuals*	**18 373 558**	**15 574 883**
- overdraft facilities	689 076	684 310
- purchased debt	5 526	5 556
- term loans **	772 857	746 355
- cash loans, instalment loans and cards	3 281 941	3 257 960
- mortgages	13 599 884	10 856 459
- realised guarantees	605	553
- other receivables	23 669	23 690
Corporate customers and SME	**7 130 059**	**7 077 522**
- overdraft facilities	1 367 305	1 363 397
- term loans **	5 135 068	5 086 639
- purchased debt	138 043	137 853
- realised guarantees	1 365	1 355
- other receivables, including leasing fees	488 278	488 278
Budgetary sector	**218 241**	**213 049**
- overdraft facilities	1 827	1 866
- term loans **	216 414	211 183
Held-to-maturity investment securities	**2 753 338**	**2 750 885**

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

The significantly lower fair value as compared to the carrying amount of mortgages is an effect of changes in margins related to such types of loans. At the end of 2009, they were definitely higher than those related to the majority of the portfolio of mortgages (granted prior to 2009).

	Carrying amount	Fair value
Liabilities		
Amounts due to banks and Central Bank	12 403 492	12 403 621
Amounts due to customers	22 469 154	22 495 553
Other financial liabilities recognized in the balance sheet at amortised cost ***	805 816	805 816

*** The item contains: subordinated liabilities and liabilities arising from repurchase transactions.

74.2. Loans and advances to banks and to customers

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

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

74.3. Held-to-maturity investments and available-for-sale financial assets

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

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

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

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

74.5. Financial liabilities not held for trading

As stated in Note 49 and Note 50, the bulk of deposits made in banks and customer deposits are deposits on current accounts and term deposits with balance sheet maturities of less than three months.

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

In 2010, the companies of the Group were not a party to any proceedings before a court, an authority competent for arbitration proceedings or a public administration authority, where the amount(s) claimed would amount to at least 10% of the Bank's (issuer's) equity.

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

- Two court proceedings regarding a credit granted to Laboratorium Frakcjonowania Osocza Sp. z o.o. in Mielec ('LFO'). The Bank is the leader of the syndicate of five banks, which, under the agreement of 04.03.1997, granted a syndicated loan to LFO. The loan was secured by, among others, a registered pledge on the company's property, plant and equipment and the surety of the State Treasury up to 60% of the drawn amount of the loan and accrued interest. As the investment project for which the loan was extended had not been completed and the dates of the payment of commitments had not been met, the Bank, representing the syndicate, terminated the agreement under its terms and conditions and called LFO to pay claims.

- The State Treasury requested for determination whether the syndicated loan agreement concluded between LFO and the syndicate of five banks had expired on 28.02.1998 as a result of the occurrence of a contractual condition, and, as a result, the commitment of the State Treasury as the guarantor of the loan under the guarantor's agreement had expired as well. The State Treasury is represented by the General Public Prosecutor's Office of the State Treasury. Experts' opinions and auxiliary opinions were prepared and additional witnesses were questioned. In the first quarter of 2007, the State Treasury changed the lawsuit and claimed PLN 8,207 thousand including interest. 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.
- Claims of LFO for damages due to the termination of the loan agreement amounting to PLN 119,477 thousand. At present, after being heard by courts of all instances, the case was referred to the circuit court in Warsaw, which, as a result of LFO bankruptcy, stayed legal proceedings. Upon the request of LFO, the court called upon the trustee in bankruptcy of LFO to participate in the case. In the meantime, the parties submitted pleadings.

- A trustee in bankruptcy of a company operating in the real estate developing sector (the name of the company is subject to confidentiality application) claims for payment of indemnity of PLN 32,256 thousand by the reason of effecting by the Bank of financial orders from the company's account on the basis of bank transfers orders and checks bearing a forged signature of one of the persons authorized to represent the company in dealings with the Bank. At the hearing on 21.11.2006, the plaintiff limited its claim for interest. The total amount claimed by the plaintiff equals PLN 20,665 thousand. On 20.03.2007, the court announced its decision and claimed the whole disputed amount with interest from the Bank. Having received the justification of the judgment, the Bank lodged the appeal and requested to summon the member of the company's management board who had forged signatures. By the judgment of 8.04.2008, the appeal court overruled the judgment of the court of first instance (in the judgment, the court stated that the limitation of claims for damages by lapse of time had not been examined) and referred the case to the circuit court to be re-examined. The first hearing at which the positions of the parties were established was held on 25.07.2008. 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 judgment. The Bank replied to the appeal. On 09.11.2010, the District Court dismissed the appeal of the trustee, taking the decision in the case in favour of the Bank.
- On 17.01.2001, the President of the Office for Competition and Customer Protection, upon the request of the Polish Organization of Commerce and Distribution (POHiD), initiated proceedings concerning competition-restricting practices on the payment cards market by VISA and MasterCard as well as 20 banks, including Kredyt Bank S.A. On 29.12.2006, the President of the Office for Competition and Customer Protection issued the decision in which:
  - they imposed a fine on Kredyt Bank of PLN 12,158.4 thousand;

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

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

- In relation to a loan transaction to finance the construction of ‘Altus’ building in Katowice, the Bank and Reliz Sp. z o.o. (the building owner) are involved in certain disputesof legal nature. The Bank owns 100% shares of Reliz. The said disputes are related to claims of the guarantor of the loan to finance the building, i.e. Mostostal Zabrze Holding S.A. MZH), against the Bank and the building owner. The present dispute concerns fraudulent conveyance charge by Mostostal Zabrze Holding S.A. against Reliz Sp. z o.o. regarding the failure to recognize the agreement on the transfer of ownership title to ‘Altus’ building by Business Center 2000 Sp. z o.o. (‘BC 2000’) to Reliz Sp. z o.o. as effective. The value of the subject of litigation amounts to PLN 46 million. In the Bank’s opinion, a part of potential claims is prescribed. On 31.07.2009, the circuit court announced the judgment which ascertained the ineffectiveness, towards MZH, of the sale agreement concerning ‘Altus’ building concluded between BC 2000 and Reliz. On 12.03.2010, the court of appeal overruled the judgment of the circuit court 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 46 million. The Bank asked for the judgment with the justification. Having received the judgment with the justification, an appeal to the judgment was made. The date of the appeal proceedings was set by the court for 01.03.2011. In December 2010, the Bank was informed that MZH had filed two further lawsuits against BC 2000 concerning the claim, which would possibly be satisfied from the said real property.

- 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 made an appeal to this decision, and the Bank replied to it.

- 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 plaintiff's lawsuit. On 15.07.2010, the Bank received the plaintiff's appeal to which the Bank replied.
- On 23.12.2010, a plaintiff (a production company) 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 representatives prepared and filed an objection to the payment order. The filing of the objection will result in the re-examination of the case, within the normal procedure of fact-finding proceedings.

The Management Boards of the Group's companies are 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.

76. Custodian services

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

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

In 2010, income related to the maintenance of securities accounts and registers as well as the services of an issue sponsor and of the custodian bank amounted to PLN 5,661 thousand as compared to PLN 4,673 thousand in 2009.

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

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

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

In 2010, particular risks were dealt with directly management by specialised Committees:

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

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

All types of risk in Kredyt Bank are measured and monitored by the departments in the Risk and Capital Management Function, which is supervised by the Member of the Management Board accountable for the risk and capital management. The following departments operate in the Risk and Capital Management Function:

- Capital Management Department;
- Corporate and SME Loans Risk Department;
- Retail Loans Risk Department;
- Operational Risk Department;
- Market Risk Department.

These units monitor and report all risk-related aspects, at the same time being fully independent of the Bank's business units.

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

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

77.1. Credit risk

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

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

- risk identification,
- risk measurement (e.g. maximum approach, risk weighted assets, Exposure At Default – EAD, Expected Loss – EL, Unexpected Loss – UL),
- limits monitoring (e.g. exposures concentrations related to loans used to finance commercial properties, related to residential properties, industrial properties, professional properties and commercial properties),
- reporting,
- an analysis and formulation of recommendations,
- a decision-making process.

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

- Supervisory Board;
- Audit, Risk and Compliance Committee;
- Bank's Management Board,
- Credit Risk Committee,
- Retail Loans Risk Department,
- Corporate and SME Loans Risk Department,
- Business lines managers,
- Audit and Inspection Department.

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

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

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

- supporting the Management Board in:
  - the development and review of the risk management system, including the lending policy;
  - informing about the risk management system;
  - monitoring the implementation status of the risk management system;
  - establishing tolerance to risk (e.g. portfolio limits);
  - monitoring the implementation status of measures taken in response to observed risk;
- taking measures in response to observed risk;
- mathematical and operational aspects (such as the application of models, monitoring measures, etc.) of all credit risk models developed and/or applied in Kredyt Bank,
- taking decisions concerning credit risk related to the powers granted by the Management Board.

The Group's gross exposure towards 10 major corporate customers

31.12.2010		31.12.2009	
Company	**Share (%) in the portfolio**	**Company**	**Share (%) in the portfolio**
Customer 1	3.8	Customer 1	3.4
Customer 2	3.4	Customer 2	2.6
Customer 3	2.7	Customer 3	2.4
Customer 4	2.0	Customer 4	2.4
Customer 5	2.0	Customer 5	2.4
Customer 6	1.8	Customer 6	2.2
Customer 7	1.8	Customer 7	2.1
Customer 8	1.5	Customer 8	1.8
Customer 9	1.5	Customer 9	1.8
Customer 10	1.4	Customer 10	1.7
Total	**21.9**	**Total**	**22.8**

The Group's exposure in geographical segments

Province	Gross loans structure (%) 31.12.2010	Comparable data Gross loans structure (%) 31.12.2009
Mazowieckie	21.0	21.7
Lubelskie	11.8	13.3
Dolnośląskie	10.6	10.6
Wielkopolskie	8.9	8.7
Pomorskie	8.6	7.9
Małopolskie	7.3	7.2
Śląskie	6.4	6.3
Zachodniopomorskie	5.2	4.9
Łódzkie	4.3	4.0
Podlaskie	3.2	3.1
Kujawsko-pomorskie	3.1	3.0
Podkarpackie	2.7	2.7
Warmińsko-mazurskie	2.4	2.2
Lubuskie	2.0	1.8
Świętokrzyskie	1.2	1.3
Opolskie	1.2	1.1
Non-resident	0.1	0.2
Total	**100.0**	**100.0**

The Bank's debt in industrial segments (excluding individuals)

Industry	Exposure % 31.12.2010	Comparable data Exposure % 31.12.2009
Production activities	30.5	30.5
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	25.2	25.2
Real estate administration and lease	17.8	17.7
Financial intermediation	7.1	7.1
Construction	5.8	5.8
Transport, storing and communication	3.5	3.5
Agriculture, hunting and forestry	2.4	2.5
Public administration and national defence, legally guaranteed social care	2.0	2.0
Mining	1.7	1.7
Health care and social care	1.1	1.1
Supplies of electricity, gas and water	1.0	1.0
Hotels and restaurants	0.8	0.8
Other services for municipalities, social and individual services	0.8	0.8
Education	0.2	0.2
Fishing and fish culture	0.1	0.1
Total	**100.0**	**100.0**

As at 31.12.2010 and 31.12.2009, the limits of the concentration were not exceeded.

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

The Group's maximum exposure to credit risk

Balance sheet instruments	31.12.2010	31.12.2009
Debt securities and shares in investment funds:	**12 108 649**	**10 074 962**
- available-for-sale	6 215 539	6 031 010
- held-to-maturity*	4 214 062	2 753 338
- financial assets at fair value through profit or loss	1 679 048	1 290 614
Derivatives	**463 159**	**571 410**
Borrowed loans and granted deposits	**29 010 523**	**26 382 563**
- net loans and advances to banks* (including Central Bank)	**1 883 535**	**660 705**
- net loans and advances to customers*, including:	**27 126 988**	**25 721 858**
Individuals	**20 712 126**	**18 373 558**
- overdraft facilities	756 253	689 076
- purchased debt	10 944	5 526
- term loans	731 377	772 857
- cash loans, instalment loans and cards	3 231 394	3 281 941
- mortgages	15 958 687	13 599 884
- realised guarantees	424	605
- other receivables	23 047	23 669
Corporate customers and SME	**6 247 513**	**7 130 059**
- overdraft facilities	1 490 724	1 367 305
- term loans	4 136 290	5 135 068
- purchased debt	114 977	138 043
- realised guarantees	203	1 365
- other receivables, including leasing fees	505 319	488 278
Budgetary sector	**167 349**	**218 241**
- overdraft facilities	2 731	1 827
- term loans	164 618	216 414
Various debtors (receivables recognized in other assets)	**75 485**	**86 829**
Total	**41 657 816**	**37 115 764**

Granted off-balance sheet liabilities	31.12.2010	31.12.2009
Financial	3 958 357	4 008 224
Guarantees	2 080 340	1 795 144
Total liabilities granted	**6 038 697**	**5 803 368**
Total assets and off-balance sheet items	**47 696 513**	**42 919 132**

* Debt securities classified as loans and receivables are presented in 'held-to-maturity debt securities'.

Having regard for the existing macroeconomic situation, which is characterized by a high level of uncertainty as regards the future evolution and a relatively low rate of its improvement, the Bank focused on the monitoring of credit risk with the use of cyclical and provisional reports and analyses in order to response fast to disadvantageous trends in the quality of the loans portfolio. The Group established early warning signs within portfolio limits, the principles for their monitoring and procedure in the case they are exceeded. On the basis of the findings of the analyses, the Bank introduced changes in the credit policy aiming at improving the quality of the loans portfolio.

The main areas of changes in terms of credit policy include:

a) for the portfolio of retail customers:

- tightening the credit policy and requirements for the customers without any borrowings history or other product relation with the Bank;
- implementing 'T Recommendation';
- tightening up the credit verification of individual customers borrowing mortgage loans by centralizing the process of making credit decisions and a partial centralization of the decision-making process for the remaining loan products for individual customers;
- addressing the product offer mainly at existing customers with good behavioural assessments;
- introducing changes into the monitoring and debt recovery process for mortgage loans, which involve, inter alia, the expansion of the scope of the restructuring process for individual loans;

b) for the portfolio of corporate and SME customers:

- implementing new, more flexible financing conditions for hotels;
- implementing new principles of financing commercial real properties;
- continuing to limit the financing of more risky corporate customers (with lower PD ratings) and more risky industries;
- reviewing the parametrization of the products offered by the Bank to corporate and SME customers, e.g. the review of the investment loan, the working capital loan in a credit account and discount products.

Currency derivatives (net of embedded derivatives)

	31.12.2010		**Comparable data 31.12.2009**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Total balance sheet exposure, excluding banks	24 967	23 339	44 964	18 622
Net position aggregated at customer level, excluding banks	17 669	16 041	35 625	9 283

As at 31.12.2010, the Bank hedged concluded currency contracts by freezing cash on bank accounts in the total amount of PLN 9 million. The valuation of derivatives also entails credit risk. In 2010, the write–downs for active and mature derivatives of PLN 26 million, including PLN 8 million related to active transactions (presented in net trading income), and PLN 18 million related to mature transactions (presented in impairment losses), were reversed in the Bank's income statement.

As at 31.12.2009, the Bank hedged concluded currency contracts by freezing cash on bank accounts in the total amount of PLN 18 million. The valuation of derivatives also entails credit risk. In 2009, the write–down for active and mature derivatives of PLN 69 million, including PLN 16 million related to active transactions (presented in net trading income), and PLN 53 million – mature transactions (presented in impairment losses), was disclosed in the Bank's income statement.

77.2. Operational risk

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

To calculate the capital requirement for operational risk, the Group applies the Standardized Approach.

As a result, the Bank, inter alia:

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

Pursuant to the requirements concerning the application of the Standardized Approach, the Bank strengthened the operational risk assessment system. Risk self-assessment (RSA) is carried out systematically in particular business areas, action plans to reduce the risk are implemented and the level of risks is measured with the applications of key risk indicators (KRI).

Business units play a significant role in the implementation of operational risk management tools and techniques, as the direct responsibility for the operational risk management is on the managers of particular business lines.

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

77.3. Market risk and ALM

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

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

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

77.3.1. Trading Book

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

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

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

	Limit	31.12.2010	Data for 2010		
			Average	Minimum	Maximum
VaR	3 000.00	706.11	1 778.10	644.97	3 202.60

Comparable data as at 31.12.2009:

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

	Limit	31.12.2009	Data for 2009		
			Average	Minimum	Maximum
VaR	3 000.00	1 562.61	1 102.51	438.19	2 084.90

77.3.1.1 Interest rate risk

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

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

All above-mentioned limits concern the total Trading Book. The Trading Book Unit in the Cash Processing Department managing the Trading Book is divided into two sections (with the primary term of instruments/transactions made on the interbank market as the basic division criterion): Short Term Desk and Long Term Desk. The activities of the Trading Book in the area of interest rate risk are limited by an internal limit on VaR for the interest rate position and stop-loss limits (the maximum acceptable value of the loss). Interest rate risk VaR is calculated using the same parameters as Global VaR, i.e. the significance level of 99%, 10-day time horizon and 500-day observation horizon.

In the first half of 2010, the limit on interest rate HVaR was exceeded, which resulted from the maintenance of large positions in PLN. It should be noted that, for the same reason, in the first half of the year, we recorded incidental cases of exceeding the global HVaR limit in the Trading Book.

VaR for particular sections – in EUR '000'

	Limit	31.12.2010	Data for 2010		
			Average	Minimum	Maximum
Trading*	2 600.00	708.19	1 659.73	597.28	3 220.61
Short term Desk**	1 300.00	-	1 691.67	1 060.52	2 767.96
Long Term Desk**	1 300.00	-	671.56	224.92	1 317.28

* the limit has been valid since 24 March 2010 (the data presented in the table refer to the period 24.03.2010 – 31.12.2010)
** the limit abolished on 24 March 2010 (the data presented in the table refer to the period 1.01.2010 – 23.03.2010)

Comparable data as at 31.12.2009:

VaR for particular sections – in EUR '000'

	Limit	31.12.2009	Data for 2009		
			Average	Minimum	Maximum
Short term Desk	1 300.00	1 500.86	1 009.63	384.14	1 895.44
Long Term Desk	1 300.00	528.67	462.70	120.05	1 027.89

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

Interest rate options

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

77.3.1.2 Currency risk

Position in currencies

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

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

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

	31.12.2010	**Data for 2010**		
		Average	Minimum	Maximum
Trading	19.11	114.27	15.24	1 117.65

Comparable data as at 31.12.2009:

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

	31.12.2009	**Data for 2009**		
		Average	Minimum	Maximum
Trading	155.54	223.77	15.35	1 371.54

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

Currency options

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

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

Balance sheet as at 31.12.2010:

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Assets							
Cash and balances with Central Bank	3 079	45 405	6 187	19 227	1 862 169	7 569	1 943 636
Gross loans and advances to banks	24 320	387 007	2 951	37 230	994 625	20 116	1 466 249
Impairment losses on loans and advances to banks	0	0	0	0	-2 260	0	-2 260
Receivables arising from repurchase transactions	0	0	0	0	87 218	0	87 218
Financial assets designated upon initial recognition as at fair value through profit or loss	0	0	0	31 149	87 413	0	118 562
Financial assets held for trading (excluding derivatives)	0	7 030	0	1 581	1 592 672	0	1 601 283
Derivatives	2 319	38 000	138	4 612	418 035	55	463 159
Gross loans and advances to customers	10 294 388	2 295 813	19 122	328 414	16 170 117	666	29 108 520
Impairment losses on loans and advances to customers	-36 206	-49 894	-4	-9 152	-1 818 721	-23	-1 914 000
Investment securities:	0	353 883	0	0	9 113 357	0	9 467 240
- available-for-sale	0	312 444	0	0	5 907 017	0	6 219 461
- held-to-maturity	0	41 439	0	0	3 206 340	0	3 247 779
Investments in associates valued using the equity method	0	0	0	0	15 179	0	15 179
Property, plant and equipment	0	0	0	0	290 444	0	290 444
Intangible assets	0	0	0	0	50 201	0	50 201
Deferred tax assets	0	0	0	0	350 387	0	350 387
Non-current assets classified as held for sale	0	0	0	0	7 070	0	7 070
Investment properties	0	0	0	0	225 668	0	225 668
Other assets	271	7 615	20	116	87 632	36	95 690
Total assets	**10 288 171**	**3 084 859**	**28 414**	**413 177**	**29 531 206**	**28 419**	**43 374 246**

Balance sheet as at 31.12.2010 (cont.)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	6	0	6
Amounts due to banks	8 024 194	1 478 413	4 104	2 225 862	397 759	20 374	12 150 706
Derivatives	169	47 663	1 030	5 567	1 076 642	7	1 131 078
Amounts due to customers	9 143	1 885 733	83 942	688 276	22 985 939	7 725	25 660 758
Liabilities arising from repurchase transactions	0	0	0	0	228 693	0	228 693
Current tax liability	0	0	0	0	155 197	0	155 197
Provisions	54	25 365	0	1 013	66 379	0	92 811
Deferred tax liability	0	0	0	0	869	0	869
Other liabilities	80	7 055	86	648	206 909	26	214 804
Subordinated liabilities	836 156	0	0	0	74 944	0	911 100
Total liabilities	**8 869 796**	**3 444 229**	**89 162**	**2 921 366**	**25 193 337**	**28 132**	**40 546 022**

Off-balance-sheet items as at 31.12.2010

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Off-balance sheet items							
Liabilities granted:	**28 754**	**1 566 937**	**23 744**	**196 431**	**4 193 579**	**29 252**	**6 038 697**
- financial	28 754	666 003	368	168 823	3 094 409	0	3 958 357
- guarantees	0	900 934	23 376	27 608	1 099 170	29 252	2 080 340
Liabilities received:	**973 848**	**312 423**	**0**	**0**	**794 039**	**5 392**	**2 085 702**
- financial	973 848	0	0	0	28 101	5 392	1 007 341
- guarantees	0	312 423	0	0	765 938	0	1 078 361
Liabilities related to the sale/purchase transactions	**6 150 912**	**6 926 354**	**118 980**	**4 955 853**	**116 597 183**	**30 309**	**134 779 591**
Other:	**2 452 739**	**557 463**	**0**	**35 118**	**4 904 651**	**44**	**7 950 015**
- collateral received	2 452 739	557 463	0	35 118	4 904 651	44	7 950 015

Balance sheet as at 31.12.2009 (comparable data)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Assets							
Cash and balances with Central Bank	2 323	44 679	7 161	21 707	1 098 344	1 239	1 175 453
Gross loans and advances to banks	65 014	85 348	1 708	20 060	10 864	7 019	190 013
Impairment losses on loans and advances to banks	0	0	0	0	-2 260	0	-2 260
Receivables arising from repurchase transactions	0	0	0	0	331 875	0	331 875
Financial assets designated upon initial recognition as at fair value through profit or loss	0	0	0	30 385	125 015	0	155 400
Financial assets held for trading (excluding derivatives)	0	594	0	7 378	1 171 977	0	1 179 949
Derivatives	1 347	57 462	18	18 303	494 196	84	571 410
Gross loans and advances to customers	9 563 306	2 096 201	23 725	361 371	15 252 462	679	27 297 744
Impairment losses on loans and advances to customers	-18 656	-55 947	-11	-9 719	-1 491 529	-24	-1 575 886
Investment securities:	0	417 662	0	0	8 371 980	0	8 789 642
- available-for-sale	0	305 755	0	0	5 730 549	0	6 036 304
- held-to-maturity	0	111 907	0	0	2 641 431	0	2 753 338
Investments in associates valued using the equity method	0	0	0	0	11 955	0	11 955
Property, plant and equipment	0	0	0	0	353 534	0	353 534
Intangible assets	0	0	0	0	51 248	0	51 248
Deferred tax assets	0	0	0	0	217 383	0	217 383
Investment properties	0	0	0	0	222 240	0	222 240
Other assets	2	8 238	60	2 350	96 219	29	106 898
Total assets	**9 613 336**	**2 654 237**	**32 661**	**451 835**	**26 315 503**	**9 026**	**39 076 598**

Balance sheet as at 31.12.2009 (comparable data) (cont.)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	1 321 802	0	1 321 802
Amounts due to banks	7 162 205	2 455 292	368	814 062	639 830	9 933	11 081 690
Derivatives	16	59 295	22	14 877	466 770	88	541 068
Amounts due to customers	9 159	1 743 903	82 949	807 089	19 815 631	10 423	22 469 154
Current tax liability	0	0	0	0	32 282	0	32 282
Provisions	78	1 398	0	273	52 168	0	53 917
Deferred tax liability	0	0	0	0	1 289	0	1 289
Other liabilities	62	7 347	20	1 029	172 537	2	180 997
Subordinated liabilities	730 878	0	0	0	74 938	0	805 816
Total liabilities	**7 902 398**	**4 267 235**	**83 359**	**1 637 330**	**22 577 247**	**20 446**	**36 488 015**

Off-balance-sheet items as at 31.12.2009 (comparable data)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Off-balance sheet items							
Liabilities granted:	**53 589**	**971 362**	**21 059**	**257 858**	**4 469 454**	**30 046**	**5 803 368**
- financial	53 589	451 129	15 929	126 063	3 349 930	11 584	**4 008 224**
- guarantees	0	520 233	5 130	131 795	1 119 524	18 462	**1 795 144**
Liabilities received:	**1 163 422**	**378 960**	**0**	**74 652**	**791 817**	**772**	**2 409 623**
- financial	1 163 422	0	0	0	21 048	772	**1 185 242**
- guarantees	0	378 960	0	74 652	770 769	0	**1 224 381**
Liabilities related to the sale/purchase transactions	**4 819 012**	**5 816 530**	**53 743**	**3 295 340**	**75 926 195**	**24 917**	**89 935 737**
Other:	**2 371 920**	**369 790**	**0**	**53 093**	**4 345 786**	**44**	**7 140 633**
- collateral received	2 371 920	369 790	0	53 093	4 345 786	44	**7 140 633**

77.3.1.3 Capital market risk

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

77.3.1.4 Commodity price risk

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

77.3.1.5 Capital requirements

The capital requirements for the Trading Book as of 31.12.2010 and 31.12.2009 are as follows:

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

	31.12.2010	Comparable data 31.12.2009
Equity securities price risk	0	0
Specific risk of debt instruments	23	0
General interest rate risk	32 726	26 532
Settlement risk and counterparty risk	20 351	28 455
Currency risk (total for the Trading Book and the Banking Book)	0	0
Total capital requirement in the Trading Book	**53 100**	**54 987**

77.3.2. Banking Book

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

77.3.2.1. Interest rate risk

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

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

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

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

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

The following items are in the Banking Book:

- Hedging – the item resulting from the operation of branches (with hedging transactions) composed of:
  - benchmark portfolios of current accounts in PLN, EUR and USD,
  - a benchmark portfolio of savings accounts in PLN,
  - the branch position excluding the part of stable current and savings accounts.
- Transformation, composed of:
  - a benchmark portfolio of Free Capital,
  - the position with credit risk (Credit Book),
  - ALCO portfolio – the portfolio of tactical investments.

Interest rate risk analysis

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

- the stable part of current accounts in PLN and EUR is cyclically invested for the period of:
  1. 8 years for PLN;
  2. 5 years for EUR;
- due to the noticeable many-year downward trend for current accounts in USD and a low total balance, a decision was made in May 2009 to gradually eliminate the benchmark of current accounts in USD by not extending the maturing benchmark structure and assets in the portfolio (so far, based on the 2-year investment horizon) – the benchmark of current accounts in USD will finally expire on 1.08.2011;
- the stable portion of savings accounts in PLN is invested cyclically (every month) for the period of 5 years;
- unstable parts of current accounts in PLN, EUR and USD, and current accounts in other currencies are classified in the shortest time horizon;
- the unstable part of savings accounts in PLN is invested in terms from 1 to 3 months (cyclically every month) and O/N; savings accounts in other currencies are classified in the shortest time horizon;
- free capital approved for the whole year is still invested cyclically for the period of 10 years (with 1/120th of the free capital invested monthly), an excess or shortage compared to an actual amount of free capital is classified in the shortest time horizon, and the passive portion of the free capital portfolio is deemed as insensitive to changes in interest rates;
- a benchmark is applied to items of loans classified by the Capital Management Department as non-performing (40% - ON, 30% - 1M, 30% - 3M);
- loans are recognized in net terms;
- loans are presented according to repayment schedules;
- the gap report, apart from for nominal flows, also presents known future interest flows;
- each flow is divided proportionally into two parts which are classified in adjoining nodes of the curve;
- a cumulative gap is calculated from the longest to the shortest term periods.

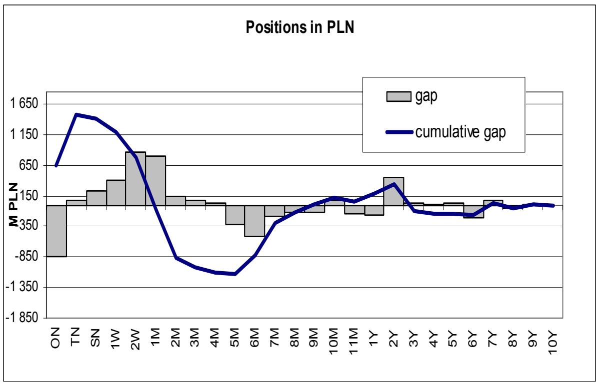
The interest rate gaps diagrams for the position resulting from the operation of branches (including derivatives used as hedging instruments) based on an internal system of transfer rates in particular currencies: PLN, EUR, USD, CHF and GBP, are presented below.

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

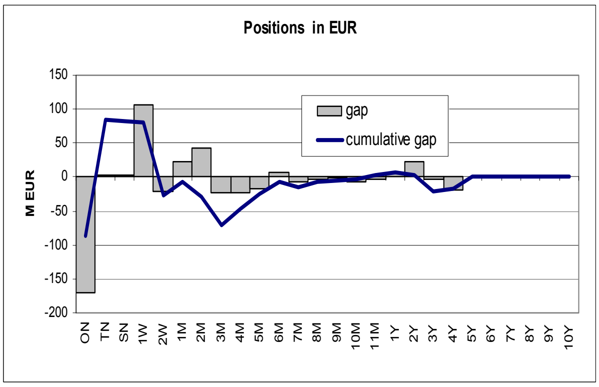
The Bank actively mitigates the risk resulting from the mismatch between balance sheet assets and liabilities, closing the positions with derivatives and applying hedge accounting.

Data for the Bank as at 31.12.2010:

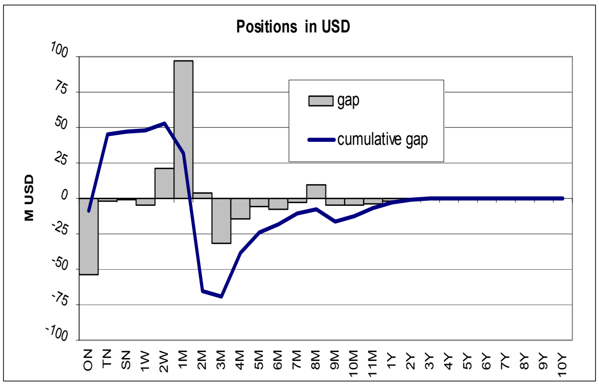
PLN



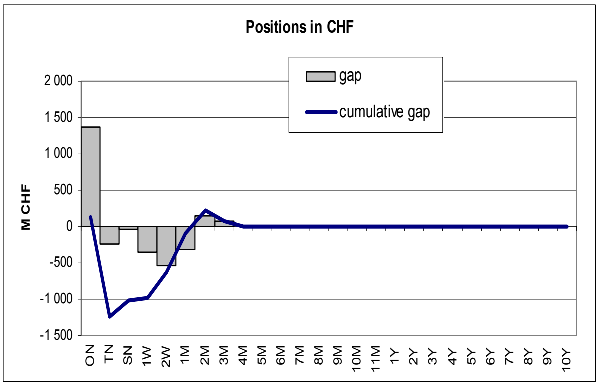
EUR



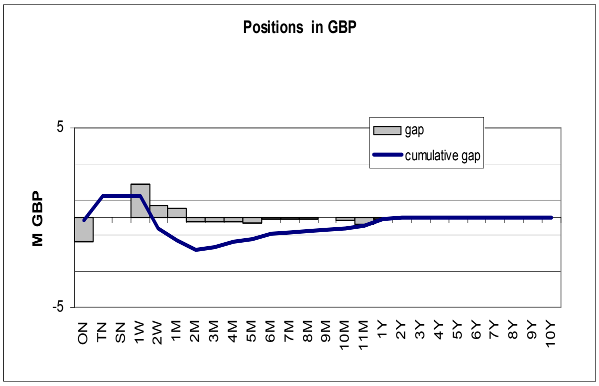
USD



CHF

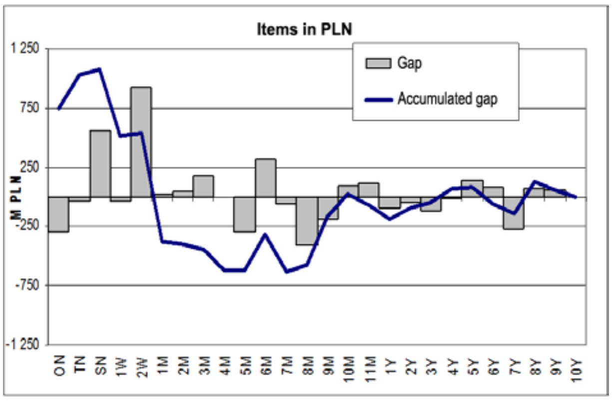


GBP

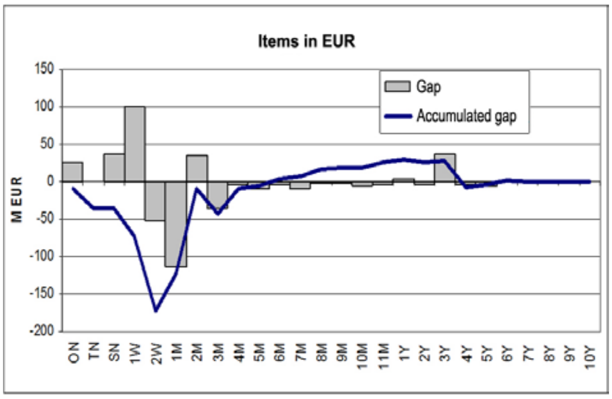


Comparable data for the Bank as at 31.12.2009:

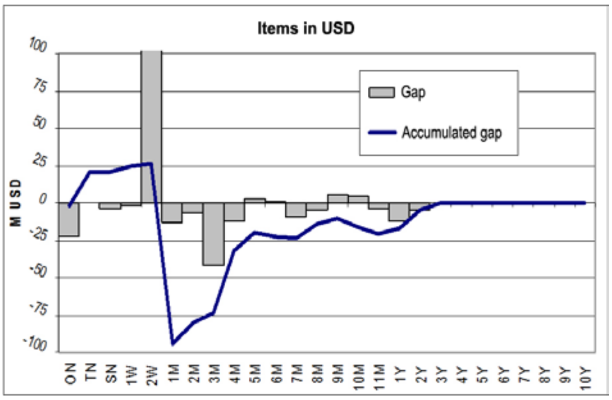
PLN



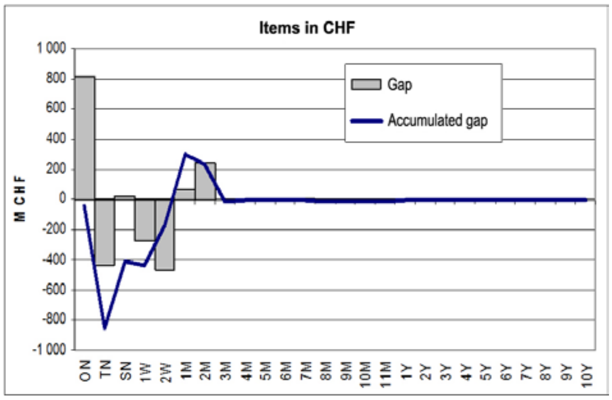
EUR



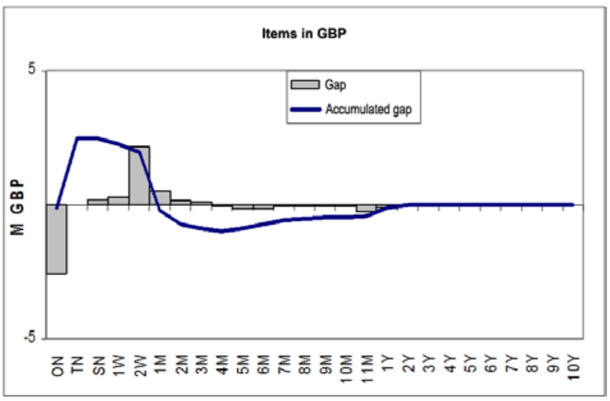
USD



CHF



GBP



The Bank analyses BPV of the Bank, with the simultaneous upward shift of interest rates by 10 b.p. in breakdown into particular currencies.

The total BPV for the Banking Book is presented below. It is calculated as the aggregate BPV for particular currencies and portfolios. According to the methodology of calculating BPV for limits, the liabilities side of the Free Capital portfolio, as insensitive to changes in interest rates, is not included in calculations.

	31.12.2010	Comparable data 31.12.2009
BPV in millions of EUR (calculation to limit)	-2.134	-1.888

77.3.2.2. Hedge accounting

Fair value hedging accounting

In 2010 and 2009, the Bank did not apply hedge accounting for fair value hedge for asset swaps.

Hedge accounting of cash flows

In 2010, as in 2009, the Bank continued to apply hedge accounting of cash flows for asset swaps which consists in hedging cash flows resulting from floating interest rate bonds (which involves the conclusion of an IRS in which the Bank receives fixed and pays floating interest flows).

In 2010, as in 2009, the Bank continued to apply hedge accounting for the part of the mortgage loans portfolio based on 3-month WIBOR rate, which involves the conclusion of an IRS in which the Bank receives fixed and pays floating interest rates. Interest rate risk resulting from a change in the 3-month interest rate is the hedged risk in this case.

77.3.2.3. Currency risk

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

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

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

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

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

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

In May 2010, the Bank eliminated from its offer mortgages denominated in CHF, focusing on the development of the offer in PLN and EUR.

77.3.3. Liquidity risk

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

The Bank hedges the liquidity risk by:

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

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

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

Amounts due to customers as at 31.12.2010 and at 31.12.2009 – contractual flows (interest flows according to the methodology of Financial Services Authority are recognized up to 6 months); the stable part of savings and current accounts is recognized in the shortest term range.

Liquidity gap report

Data for the Bank (in millions of PLN) as at 31.12.2010

Assets	up to 1M	1 - 3M	3 - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	Over 5Y	Total
Cash in hand	625	0	0	0	0	0	0	0	**625**
NOSTRO	1 346	0	0	0	0	0	0	0	**1 346**
Liabilities granted:	966	1 114	1 585	2 054	2 950	2 143	2 656	13 937	**27 405**
Loans and receivables	96	0	0	0	0	0	0	0	**96**
Liquid bonds, money and Treasury bills	304	52	677	190	441	922	2 672	1 383	**6 641**
Non-liquid bonds/to become mature	0	22	493	0	1 209	378	1 189	387	**3 678**
Liquid bonds in the Trading Book	1 694	0	0	0	0	0	0	0	**1 694**
Reverse repos/BSB	87	0	0	0	0	0	0	0	**87**
Equity investments	0	0	0	0	0	107	0	0	**107**
Other	0	44	0	0	2	0	0	0	**46**
Derivatives – cash flows to be received									
FX derivatives	2 547	2 176	2 538	1 111	138	0	0	0	**8 510**
IR derivatives	117	546	462	0	0	0	0	0	**1 125**
CIRS – cash flows to be received	402	3	13	454	0	20	24	0	**916**
Total	**8 184**	**3 957**	**5 768**	**3 809**	**4 740**	**3 570**	**6 541**	**15 707**	**52 276**

Liabilities	up to 1M	1 - 3M	3 - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	Over 5Y	Total
Current accounts	4 005	5	6	0	0	0	0	0	**4 016**
Deposits/savings accounts	14 109	1 792	1 972	743	429	4	1	1	**19 051**
Deposits of the budgetary sector	1 571	101	53	10	20	0	0	0	**1 755**
Inter-bank deposits	6 012	651	518	17	4	0	0	0	**7 202**
Perpetual bonds and cash loans	5	19	25	2 827	2 445	81	14	1 110	**6 526**
LORO	25	0	0	0	0	0	0	0	**25**
REPO	229	0	0	0	0	0	0	0	**229**
Free capital*	0	0	0	0	0	0	0	2 341	**2 341**
Other	0	78	0	834	28	0	0	0	**940**
Derivatives – cash flows to be paid									
FX derivatives	2 548	2 241	2 548	1 125	140	0	0	0	**8 602**
IR derivatives	147	349	1 097	0	0	0	0	0	**1 593**
CIRS - cash flows to be paid	475	2	10	483	0	17	22	0	**1 009**
Total	**29 126**	**5 238**	**6 229**	**6 039**	**3 066**	**102**	**37**	**3 452**	**53 289**

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

Comparable data for the Bank (in millions of PLN) as at 31.12.2009

Assets	**up to 1M**	**1 - 3M**	**3 - 6M**	**6M - 1Y**	**1Y - 2Y**	**2Y - 3Y**	**3Y - 5Y**	**Over 5Y**	**Total**
Cash in hand	702	0	0	0	0	0	0	0	**702**
NOSTRO	513	0	0	0	0	0	0	0	**513**
Liabilities granted:	1 157	1 391	1 654	2 651	2 457	1 997	2 632	12 716	**26 655**
Loans and receivables	9	0	16	0	0	0	0	0	**25**
Liquid bonds, money and Treasury bills	0	284	82	500	788	694	1 433	1 490	**5 271**
Non-liquid bonds/to become mature	12	309	58	485	437	328	907	569	**3 105**
Liquid bonds in the Trading Book	1 180	0	0	0	0	0	0	0	**1 180**
Reverse repos/BSB	332	0	0	0	0	0	0	0	**332**
DBI positions	0	0	0	0	0	112	0	0	**112**
Other	0	41	0	0	2	0	0	0	**43**
Derivatives – cash flows to be received									
FX derivatives	2 261	531	460	622	123	12	0	0	**4 009**
IR derivatives	147	330	361	2	0	0	0	0	**840**
CIRS – cash flows to be received	0	1	149	3	432	0	45	10	**640**
Total	**6 313**	**2 887**	**2 780**	**4 263**	**4 239**	**3 143**	**5 017**	**14 785**	**43 427**

Liabilities	up to 1M	1 - 3M	3 - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	Over 5Y	Total
Current accounts	3 211	1	1	0	0	0	0	0	**3 213**
Deposits/savings accounts	11 711	2 350	2 350	362	369	200	0	1	**17 343**
Deposits of the budgetary sector	1 630	115	43	9	16	0	0	0	**1 813**
Inter-bank deposits	4 271	117	0	0	19	4	0	0	**4 411**
Perpetual bonds and cash loans	8	20	820	1 031	2 600	2 137	95	808	**7 519**
LORO	43	0	0	0	0	0	0	0	**43**
REPO	1 278	46	0	0	0	0	0	0	**1 324**
Free capital*	0	0	0	0	0	0	0	2 089	**2 089**
Other	0	76	0	552	7	0	0	0	**635**
Derivatives – cash flows to be paid									
FX derivatives	2 272	554	458	607	127	13	0	0	**4 031**
IR derivatives	145	323	281	2	0	0	0	0	**751**
CIRS - cash flows to be paid	0	1	146	2	436	0	40	9	**634**
Total	**24 569**	**3 603**	**4 099**	**2 565**	**3 574**	**2 354**	**135**	**2 907**	**43 806**

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

The liquidity gap presented above was prepared on the basis of contractual maturities for particular balance sheet items. Liabilities without a defined maturity (current accounts and savings accounts) are recognized in the shortest term range, although the actual/made real maturity for such instruments occurs in further tenors.

At the end of 2010, as compared to the end of 2009, the following changes in the structure of the Bank's financial liabilities can be noticed:

- an increase in the balance of customers' deposits by PLN 2,452 million;
- the amount of accepted inter-bank deposits increased by PLN 2,790 million;
- a decrease in the balance of loans on the wholesale market by PLN 993 million;
- a decrease in the balance of repos by PLN 1,095 million.

The Bank's financial liquidity is also monitored on the basis of a system of ratios reflecting the structure of liabilities and receivables for time ranges from 7 days to 10 years.

- the ratio of the coverage of the 5- and 30-day liquidity gap with liquid assets – Short Term Liquidity Surplus (STLS) – short-term liquidity ratio (to 5 and 30 working days respectively);
- Liquidity Mismatch Ratio (LMR) – medium-term liquidity ratio (up to 3, 6 months);
- Coverage Ratio (CR) – liquidity ratio which informs about a degree of financing long-term assets with long-term liabilities (1, 2, 3, 5 and 10 years).

The Bank's liquidity is also monitored through the set of regulatory liquidity ratios pursuant to the requirements of Resolution No. 386/2008 of the Polish Financial Supervision Authority.

77.3.3.1. Regulatory liquidity ratios

Within the liquidity management process, the Bank has been required to maintain the ratios listed in the Resolution of the Polish Financial Supervision Authority No. 386/2008 above the established minimum limit.

Data as at 31.12.2010:

	Assets	**in PLN '000'**
A1	Basic liquidity reserve	11 826 102
A2	Supplementary liquidity reserve	3 027 888
A3	Other transactions on the wholesale financial market	10 347 994
A4	Limited liquidity assets	27 201 586
A5	Non-liquid assets	673 934
	Other liabilities and total equity	**in PLN '000'**
B1	Own funds less total capital requirements related to market risk, and to settlement risk and counterparty risk	3 453 781
B2	Stable external financing	28 803 751
B3	Other liabilities on the wholesale financial market	9 867 395
B4	Other liabilities	297 089
B5	Unstable external financing	12 531 790

	Liquidity ratios	Minimum value	Value
M1	Short-term liquidity gap: ((A1+A2)-B5)	0.00	2 322 200.49
M2	Short-term liquidity ratio:((A1+A2)/B5)	1.00	1.19
M3	Own funds to non-liquid assets: (B1/A5)	1.00	5.12
M4	Own funds and stable external financing to non-liquid assets and limited liquidity assets:((B1+B2)/(A5+A4))	1.00	1.16

Data as at 31.12.2009:

	Assets	in PLN '000'
A1	Basic liquidity reserve	9 254 558
A2	Supplementary liquidity reserve	3 804 992
A3	Other transactions on the wholesale financial market	5 768 352
A4	Limited liquidity assets	25 999 611
A5	Non-liquid assets	596 544
	Other liabilities and total equity	**in PLN '000'**
B1	Own funds less total capital requirements related to market risk, and to settlement risk and counterparty risk	3 142 164
B2	Stable external financing	27 560 036
B3	Other liabilities on the wholesale financial market	5 392 406
B4	Other liabilities	219 798
B5	Unstable external financing	10 391 773

	Liquidity ratios	Minimum value	Value
M1	Short-term liquidity gap: ((A1+A2)-B5)	0.00	2 667 776.79
M2	Short-term liquidity ratio:((A1+A2)/B5)	1.00	1.26
M3	Own funds to non-liquid assets: (B1/A5)	1.00	5.27
M4	Own funds and stable external financing to non-liquid assets and limited liquidity assets:((B1+B2)/(A5+A4))	1.00	1.15

77.3.3.2. Stability of financing sources

in PLN '000'	31.12.2010	Comparable data 31.12.2009
Loans and advances from KBC Group	5 650 993	6 818 610
- including loans and advances in foreign currencies	*5 340 993*	*6 216 705*
Term deposits	2 922 345	1 699 362
- including term deposits from KBC Group	*2 909 169*	*1 696 985*
Current accounts	3 573 391	2 560 645
Other amounts due	3 977	3 073
Total amounts due to banks	**12 150 706**	**11 081 690**
Subordinated liabilities (from KBC Group)	911 100	805 816
Total	**13 061 806**	**11 887 506**

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

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

The structure of customers' deposits was presented in Note 50.

The change in the structure by type of the deposit base reflects mainly the Bank's policy regarding the products offered to individual customers (an increase in the balance of savings accounts). The structure of term deposits (except for interbank term deposits and negotiable term deposits) is advantageous from the point of view of an initial maturity date.

Signatures of all Management Board Members

date	25.02.2011	Maciej Bardan	President of the Management Board	....
date	25.02.2011	Piotr Sztrauch	Vice President of the Management Board	....
date	25.02.2011	Umberto Arts	Vice President of the Management Board	....
date	25.02.2011	Krzysztof Kokot	Vice President of the Management Board	....
date	25.02.2011	Zbigniew Kudaś	Vice President of the Management Board	....
date	25.02.2011	Gert Rammeloo	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	25.02.2011	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....

CAPITAL GROUP
KREDYT BANK S.A.

LONG-FORM AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

I. GENERAL NOTES

1. Background

The holding company of the Kredyt Bank S.A. Group (hereinafter 'the Group' or 'the Capital Group') is Kredyt Bank S.A. ('the holding company', 'the Bank').
The holding company was incorporated on the basis of a Notarial Deed dated 4 September 1990. The holding company's registered office is located in Warsaw at Kasprzaka 2/8.

The holding company is an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards (EC Official Journal L243 dated 11 September 2002, page 1, polish special edition chapter 13, title 29 page 609) and, based on the article 55.5 of the Accounting Act dated 29 September 1994 (2009 2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'), prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the European Union.

The holding company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000019597 on 12 June 2001.

The holding company was issued with tax identification number (NIP) 527-02-04-057 on 14 June 1993 and statistical number (REGON) 006228968 on 15 December 1999.

The holding company is part of the KBC Bank N.V. Capital Group.

The principal activities of the holding company are as follows:

- accepting call (demand) or term deposits and keeping deposit accounts,
- keeping other types of bank accounts,
- extending loans,
- extending and confirming bank guaranties, letters of credit and securities,
- issuing bank securities, including in non material form,
- performing bank settlements,
- operations including cheques and bills of exchange, as well as operations warrants,
- issuing payment cards and performing operations using such cards,
- performing forward financial operations,
- purchasing and disposing of debt,
- storing valuable items and securities and renting safe deposit box,
- purchasing and selling of foreign exchange,
- intermediation in money transfers and settlements in foreign exchange trade,
- performing commissioned services relating to issuance of securities,
- extending cash loans,

- issuing electronic money instruments,
- acting as a bank – representative of bond holders,
- taking over or purchasing shares and rights arising from banks' shares and other rights from shares from other legal entities or participation units in investment funds,
- purchasing securities on own account or third parties, dealing with those securities, keeping securities accounts and intermediation in the conclusion and execution of securities accounts agreements,
- performing brokerage activities,
- incurring liabialities relating to the issuance of securities,
- acting as a trustee in dealing with securities, realizing commissioned services relating to the management of securities and other financial instruments, exercising rights arising from these securities on behalf of Banks' clients and on their request,
- performing lease operations, factoring, underwriting and forfeiting, as well as acting as an intermediary in this areas,
- managing investments and pension funds, serving as intermediary for investment funds, acting as depositary for investment and pension funds, keeping accounting books and members registers for funds, serving as payment agent for foreign investment funds,
- insurance agency activities for individuals and corporations,
- acquisition for open pension funds,
- performing, in accordance with agreement with debtors, conversion of liabilities to parts of debtor assets in line with the Banking Law,
- acquiring and disposing of real estate,
- financial consulting and advisory services,
- intermediation in performing banking services for other banks and financial services for other banks, credit and financial institutions.

The scope of activities of the Group's subsidiaries, jointly controlled entities and associates are similar to this of the holding company.

- Kredyt Lease S.A. – lease services, renting and leasing of intangibles and tangibles assets, real estate trading and acting as an intermediary in selling goods and services;
- Kredyt Trade Sp. z o.o. – providing developer services, substitute investments, brokerage services relating to real estate, managing and administrating a real estate and technical objects, advisory services and economic and financial expertises, preparing business plans, performing due diligence, organizing and performing trainings;
- Reliz Sp. z o.o. – financial and developer advisory services, market research and valuations, managing of commercial real estates, an intermediation in renting of commercial areas and sale of flats on the primary market. Moreover, Reliz manages an office building called ALTUS.

As at 31 December 2010, the Bank's issued share capital amounted to 1,358,294 thousand zlotys and it comprised of 271,658,880 shares with the nominal amount of 5 zlotys each. The equity as at that date amounted to 2,828,224 thousand zlotys.

In accordance with excerpt from the Bank's Shares Register of 12 January 2011, the ownership structure of the Bank's issued share capital as at 31 December 2010 was as follows:

	Number of shares	Number of votes	Par value of shares (in zlotys thousand)	% of issued share capital
KBC Bank NV* (Brussels)	217,327,103	217,327,103	1,086,636	80.00%
KBC Securities NV* (Brussels)– affiliated entity KBC Bank NV	11,751,771	11,751,771	58,759	4.33%
KBC Insurance NV* - affiliated entity KBC Group	7,860,918	7,860,918	39,305	2.89%
Pioneer Fundusz Inwestycyjny Otwarty	20,040,203	20,040,203	100,201	7.38%
Others	14,678,885	14,678,885	73,393	5.40%
TOTAL	271,658,880	271,658,880	1,358,294	100.00%

* 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 Shareholders ' Meeting of Kredyt Bank S.A.

According to information included in the holding company's Share Register as at 25 February 2011, the following changes took place in the ownership structure of the holding company's issued share capital during the financial year and between the balance sheet date and the date of the opinion:

- On 15 April 2010, the Management Board of Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. ("PPIM") that on 9 April 2010 Pioneer Fundusz Inwestycyjny Otwarty („Pioneer FIO") exceed the 5% level of votes at the General Shareholders' Meeting of Kredyt Bank S.A. relating to portfolio of Pioneer FIO created by Pioneer Peako Investment Management S.A.
- On 15 July 2010, information was received concerning the transaction made between entities in KBC Group: KBC Insurance acquired from KBL Private Bankers 7,860,918

(in thousand zlotys)

shares of Kredyt Bank S.A. accounting for 2.89% in the capital and votes at the Bank's General Meeting of Shareholders.

- On 8 and 15 February 2011the Bank was informed about a reduction of the interest in the Bank total shareholding held yet by affiliated entities of KBC Group NV by over 1% of total shareholding. According to received information, as a result of the disposal of interest in the Kredyt Bank S.A., KBC Securities NV and KBC Insurance NV sold all held shares of the Bank. After the transaction number of the Bank's shares hold by KBC Bank NV has not changed.

There were no movements in the Bank's share capital in the reporting period and from the balance sheet date to the date of this report.

As at 25 February 2010, the holding company's Management Board was composed of:

Maciej Bardan	- President of the Management Board
Umberto Arts	- Vice-President of the Management Board
Krzysztof Kokot	- Vice-President of the Management Board
Zbigniew Kudaś	- Vice-President of the Management Board
Gert Rammeloo	- Vice-President of the Management Board
Piotr Sztrauch	- Vice-President of the Management Board

On 14 March 2010, Mrs Lidia Jabłońska-Luba resigned from the function of the Vice-President and a member of the Bank's Management Board.

On 26 April 2010 the Supervisory Board of the Bank appointed Mr Zbogniew Kudaś for the position of the Management Board's Vice-President.

As a result of the decision of the Supervisory Board of the Bank stating that from 15 September 2010 the Management Board of the Bank is acting in a team consisting of 6 members, Mr. Piotr Sztrauch was appointed for the position of the Management Board's Vice President.

There were no changes in the composition of the Management Board from the balance sheet date to the date of this report.

(in thousand zlotys)

2. Group Structure

As at 31 December 2010, the Kredyt Bank S.A. Capital Group consisted of the following subsidiaries consolidated with a full method:

Entity name	Consolidation method	Type of opinion	Name of authorised entity that audited financial statements	Balance sheet date
Kredyt Lease S.A.	full	in progress	Ernst & Young Audit sp. z o.o.	31.12.2010
Kredyt Trade Sp. z o.o.	full	in progress	Ernst & Young Audit sp. z o.o.	31.12.2010
Reliz Sp. z o.o.	full	in progress	A.M. Jesiołowscy – Finanse sp. z o.o.	31.12.2010

As at 31 December 2010 shares in the following associates (direct and indirect) were recognised in the Group's consolidated financial statements using the equity method:

Name and registered office	Type of activity
KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Investments funds management

There were no changes to the list of consolidated companies when compared to the prior year.

3. Consolidated Financial Statements

3.1 Auditors' opinion and audit of consolidated financial statements

Ernst & Young Audit sp. z o.o. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audit sp. z o.o. was appointed by the Supervisory Board of the Capital Group on 26 April 2010 to audit the Group's consolidated financial statements.

Ernst & Young Audit sp. z o.o. and the key certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649).

Under the contract executed on 14 June 2010 with the holding company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2010.

Our responsibility was to express an opinion on the consolidated financial statements based on our audit. The auditing procedures applied to the consolidated financial statements were designed to enable us to express an opinion on the consolidated financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the consolidated financial statements taken as a whole.

Based on our audit, we issued an auditors' unqualified opinion dated 25 February 2010, stating the following:

"To the Supervisory Board of Kredyt Bank S.A.

1. We have audited the attached consolidated financial statements of Kredyt Bank S.A. Group ('the Group'), for which the holding company is Kredyt Bank S.A. ('the Bank') located in Warsaw at Kasprzaka 2/8, for the year ended 31 December 2010 containing the consolidated income statement for the period from 1 January 2010 to 31 December 2010, the consolidated statement of comprehensive income for the period from 1 January 2010 to 31 December 2010, the consolidated balance sheet as at 31 December 2010, the statement of changes in consolidated equity for the period from 1 January 2010 to 31 December 2010, the consolidated cash flow statement for the period from 1 January 2010 to 31 December 2010, and the summary of significant accounting policies and other explanatory notes ('the attached consolidated financial statements').
2. The truth and fairness[1] of the attached consolidated financial statements, the preparation of the attached consolidated financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation are the responsibility of the Bank's Management Board. In addition, the Bank's Management Board and Members of the Supervisory Board are required to ensure that the attached consolidated financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached consolidated financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies and whether they truly and fairly[2] reflect, in all material respects, the financial position and results of the operations of the Group.
3. We conducted our audit of the attached consolidated financial statements in accordance with:
   - chapter 7 of the Accounting Act,
   - national auditing standards issued by the National Council of Statutory Auditors,

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

[1] Translation of the following expression in Polish: '*rzetelność i jasność*'
[2] Translation of the following expression in Polish: '*rzetelne i jasne*'

financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.

4. In our opinion, the attached consolidated financial statements, in all material respects:
   - present truly and fairly all information material for the assessment of the results of the Group's operations for the period from 1 January 2010 to 31 December 2010, as well as its financial position[3] as at 31 December 2010;
   - have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
   - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.
5. We have read the Management Board's report on the operations of Kredyt Bank S.A. Capital Group for the year ended 31 December 2010and the rules of preparation of annual statements ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, 2009, item 259)."

We conducted the audit of the consolidated financial statements during the period from 25 October 2010 to 25 February 2010. We were present at the holding company's head office from 2 November 2010 to 15 December 2010 and from 3 January 2011 to 25 February 2011.

3.2 Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness[4] of the consolidated financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and the correctness of consolidation documentation. The Board stated that it provided us with all financial statements of the Group companies included in the consolidated financial statements, consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 25 February 2010, from the Management Board of the holding company confirming that:

- the information included in the consolidation documentation was complete,
- all contingent liabilities had been disclosed in the consolidated financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the consolidated financial statements,

and confirmed that the information provided to us was true and fair to the best of the holding company Management Board's knowledge and belief, and included all events that could have had an effect on the consolidated financial statements.

[3] Translation of the following expression in Polish: '*sytuacja majątkowa i finansowa*'
[4] Translation of the following expression in Polish: "*rzetelność i jasność*"

(in thousand zlotys)

3.3 Consolidated financial statements for prior financial year

The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by Dorota Snarska-Kuman, key certified auditor no. 9667, acting on behalf of Ernst & Young Audit sp. z o.o. located in Warsaw at Rondo ONZ 1. The key certified auditor issued an unqualified opinion on the consolidated financial statements for the year ended 31 December 2009 dated 26 February 2010. The consolidated financial statements for the year ended 31 December 2009 were approved by the General Shareholders' Meeting on 26 May 2010.

The consolidated financial statements of the Group for the financial year ended 31 December 2009, together with the auditors' opinion, a copy of the resolution approving the consolidated financial statements and the Directors' Report, were filed on 11 June 2010 with the National Court Register.

The introduction to the consolidated financial statements, the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated balance sheet as at 31 December 2009, the statement of changes in consolidated equity and the consolidated cash flow statement for the year ended 31 December 2009 together with the auditors' opinion and a copy of the resolution approving the consolidated financial statements were published on 2 August 2010 in Monitor Polski B No. 1263.

4. Analytical Review

4.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Capital Group for the years 2008 – 2010. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2009 and 31 December 2010.

	2010	2009	2008
Total assets	43,374,246	39,076,598	38,730,676
Shareholders' equity	2,828,224	2,588,583	2,645,513
Net profit	185,936	34,559	324,917
Capital adequacy ratio according to NBP metodology	12.51%	11.82%	8.81%
Profitability ratio	25.29%	4.56%	38.11%

$$\frac{\text{profit before tax}}{\text{general and administrative expenses}}$$

(in thousand zlotys)

Cost to income ratio	56.88%	54.68%	67.52%
general and administrative expenses / total operating income less other operating expenses			
Return on equity (ROE)	6.87%	1.32%	13.20%
net profit / average shareholders' equity			
Return on assets	0.45%	0.09%	0.99%
net profit / average asetss			
Rate of inflation:			
yearly average	2.6%	3.5%	4.2%
December to December	3.1%	3.5%	3.3%

4.2 Comments

The following trends may be observed based on the above financial ratios:

- Net profit of the Group for 2010 amounted to 185,936 thousand zloty in comparison to the net profit of 34,559 thousand zlotys in 2009 and 324,917 thousand zlotys in 2008.
- Compared to 2009 and 2008, there was an increase in total assets of the Group in 2010. The total assets as at 31 December 2010 amounted to 43,374,246 thousand zloty.
- The profitability ratio decreased from 38.11% in 2008 to 4.56% in 2009 and subsequently increased to 25.29% in 2010.
- Cost to income ratio decreased from 67.52% in 2008 to 54.68% in 2009 and subsequently increased to 56.88% in 2010.
- Return on equity ratio decreased from 13.20% in 2008 to 1.32% in 2009 and subsequently increased to 6.87% in 2010.
- Return on assets ratio decreased from 0.99% in 2008 to 0.09% in 2009 and subsequently increased to 0.45% in 2010.
- The Bank's solvency ratio calculated in accordance with NBP methodology amounted 12.51% as at 31 December 2010 as compared to 11.82% at the end of 2009 and 8.81% at the end of 2008.

4.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the holding company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2010 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 8.2 of the additional notes and explanations to the audited consolidated financial statements for the year ended 31 December 2010. the Management Board of the holding company has stated that the financial statements of the Group entities included in the consolidated financial statements were prepared on the assumption that these entities will continue as a going concern for a period of at least 12 months subsequent to 31 December 2010 and that there are no circumstances that would indicate a threat to its continued activity.

4.4 Application of regulation mitigating banking risk

As at 31 December 2010, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland and Resolution of the Polish Financial Supervision Committee ('KNF') envisaged banking regulatory norms in relation to following items:

- level of currency positions,
- concentration of credit risk,
- concentration of investments in shares,
- classification of loans and issued guarantees and suretyships to risk categories, recognition of provisions related to banking operations,
- solvency,
- level of obligatory reserve,
- capital adequacy.

During the 2010 audit we have not identified any facts indicating that during the period from 1 January 2010 to 31 December 2010 the Bank did not comply with the above regulations. In addition, we have received written representation from the Bank's Management Board that during the financial year the banking regulatory norms were not breached.

4.5 Correctness of calculation of solvency ratio

During our audit we have not identified any significant irregularities in relation to the calculation of the capital adequacy ratio as of 31 December 2010 in accordance with Resolution No. 76/2010 of the Polish Financial Supervision Committee of 10 March 2010 on the scope and detailed principles of the capital requirements against particular risks (Official Journal of the Polish Financial Supervision Committee No. 2, dated 9 April 2010 with further amendments).

II. DETAILED REPORT

1. Completeness and accuracy of consolidation documentation

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements. and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

2. Accounting policies for the valuation of assets and liabilities

The Group's accounting policies and rules for the presentation of data are detailed in note 9 of the additional notes and explanations to the Group's audited consolidated financial statements for the year ended 31 December 2010.

3. Structure of assets, liabilities and equity

The structure of the Group's assets, equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2010.

The data disclosed in the audited consolidated financial statements reconcile with the consolidation documentation.

3.1 Shareholders' funds including non-controlling interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. There was no non-controlling interest as at 31 December 2010.

Information on shareholders' funds has been presented in note 55 of the additional notes and explanations to the audited consolidated financial statements.

3.2 Financial year

The financial statements of all Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2010 and include the financial data for the period from 1 January 2010 to 31 December 2010.

4. Consolidation adjustments

4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities.

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

5. Disposal of all or part of shares in a subordinated entity

Under the contract executed on 1 April 2010 with PTE Warta S.A. and KBC TFI S.A., Kredyt Bank S.A. sold 1,868 shares and 970 shares respectively of Net Fund Administration Sp. z o.o. As a result of the transaction, the Bank sold all held shares in Net Fund Administration Sp. z o. o.. Details of the transaction are included in note 67 of summary of significant accounting policies and other explanatory notes of the audited consolidated financial statements.

6. Items which have an impact on the Group's result for the year

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2010.

7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the European Union

During the process of preparation of the consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting

8. Issues specific for the audit of the Bank

We have addressed the issue of complying by Bank with the obligatory norms mitigating banking risks and the issue of correctness of calculation of capital adequacy ratio in our report dated 25 February 2010, supplementing the independent auditors' opinion on the financial statements of the Bank for the year ended 31 December 2010.

9. Additional Notes and Explanations to the Consolidated Financial Statements

The additional notes and explanations to the consolidated financial statements for the year ended 31 December 2010 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

10. Directors' Report

We have read the Management Board's report on the operations of Kredyt Bank S.A. Capital Group for the year ended 31 December 2010 and the rules of preparation of annual statements ('the Directors' Report') and concluded that the information derived from the audited consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33 2009, item 259).

11. Materiality level

When determining the materiality level, professional judgement was applied taking into account the specific characteristic relating to the Group. This included consideration of quantitative and qualitative aspects.

12. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board of the holding company confirming that no laws, regulations or provisions of the Group entities' Articles of Association were breached during the financial year.

13. Work of Experts

During our audit we have taken into account the results of the work of the following independent experts:

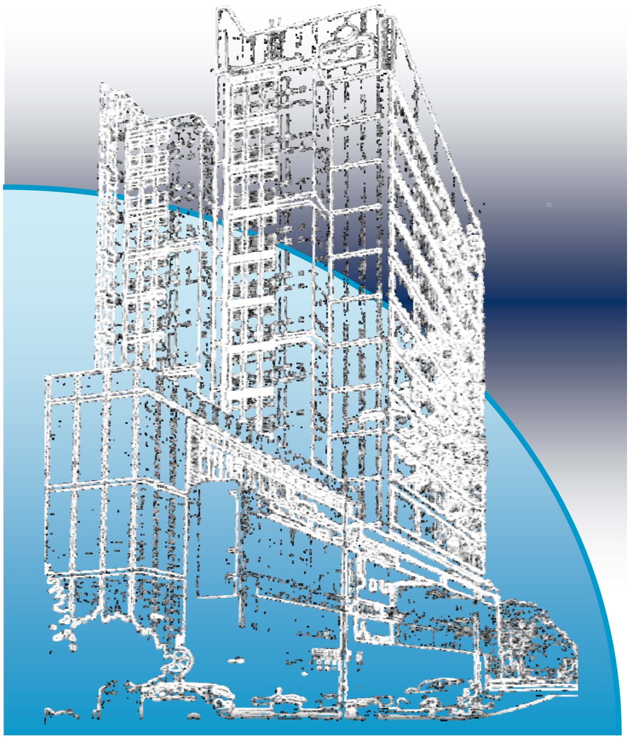
- real estate experts – in calculation regarding the level of loan impairment we took into consideration the valuations of collateral, prepared by property appraisers, that were engaged by the Bank;
- actuary – actuarial calculation of provision for retirement benefits performed on the Bank's request.

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

Key Certified Auditor

Dorota Snarska-Kuman
certified auditor
no. 9667

Warsaw, 25 February 2011



THE MANAGEMENT BOARD'S REPORT ON THE OPERATIONS OF KREDYT BANK S.A. CAPITAL GROUP FOR 2010

Kredyt Bank

2010

CONTENTS

1. Factors affecting the results of Kredyt Bank S.A. Capital Group in 2010

In 2010, Kredyt Bank S.A. Group generated PLN 703,454 thousand of operating profit (understood as profit before tax less net impairment losses and the share in profits of associates). It was higher by 21.3% than the operating profit generated in 2009, excluding a one-off result generated in December 2009 on the sale of the shares of Żagiel (the impact of this transaction amounted to PLN 268,274 thousand). In nominal terms, the operating profit generated in 2010 was lower than the operating profit generated in 2009 by 17.1%.
Net profit in 2010 amounted to PLN 185,936 thousand (more by 438.0% than in the previous year). The results allowed for the generation of ROE at the level of 6.9%.

Selected financial ratios and figures	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Net loans and advances to customers	27 194 520	25 721 858	26 733 316	16 621 857	11 556 381
Amounts due to customers	25 660 758	22 469 154	20 275 366	17 088 638	15 807 263
Net operating income	1 631 557	1 872 117	1 635 881	1 390 104	1 220 367
Profit before tax	234 707	46 657	421 055	501 957	460 595
Operating profit	703 454	848 065	531 300	415 482	290 125
Net profit	185 936	34 559	324 917	390 539	468 090
ROE	6.9%	1.3%	13.2%	17.9%	24.8%
ROA	0.5%	0.1%	1.0%	1.6%	2.2%
CIR	56.9%	54.7%	67.5%	70.1%	76.2%
Capital adequacy ratio	12.5%	11.8%	8.8%	9.7%	13.7%
Loans and advances with evidence for impairment/total gross loans and advances	9.7%	8.7%	4.9%	6.6%	13.5%

The two most important elements that affected the financial result of Kredyt Bank S.A. Group in 2010:

- maintaining a strict cost discipline and reducing the Group's general and administrative expenses by 9.4% to PLN 928,103 thousand (in 2009, general and administrative expenses amounted to PLN 1,024,052 thousand);
- reducing the costs of credit risk and smaller deduction of net impairment losses on financial assets, other assets and provisions from profit before tax; in 2010, they amounted to PLN -471,971 thousand, i.e. less by 41.2% than in the previous year (PLN -803,232 thousand).

Other factors that affected the level and the structure of results in 2010 to a large extent were as follows:

- an increase in the value of the loans portfolio and simultaneous structural changes. At the end of 2010, gross loans and advances to customers amounted to PLN 29,108,520 thousand, i.e. more by 6.6% than at the end of 2009. We observed two opposite trends within the loans portfolio. The value of the retail customers portfolio rose due to the increase in the sales of mortgages (PLN 2,393 million in 2010 against PLN 1,320 million in 2009), and, at the end of 2010, it amounted to PLN 22,171,091 thousand (an increase by 13.9%). In the case of the enterprises portfolio, jointly with loans and advances to the budgetary sector, we continued the policy of limiting large exposures which are characterized by low return. As a result, the value of the loans portfolio at the end of 2010 amounted to PLN 6,869,897 thousand, i.e. less by 12.3% than at the end of 2009. At the same time, the net operating income of the segment decreased only slightly (-2.6%) and amounted to PLN 441,696 thousand;
- an increase in the acquisition of customer deposits with a simultaneous increase in the demand for investment and insurance products. The total value of amounts due to customers from KB S.A.

Group increased as compared to the end of 2009 by 14.2%, i.e. by PLN 3,191,604 thousand to PLN 25,660,758 thousand;

- an increase in net interest income (an increase by 6.3% as compared to 2009). It improved due to the increase in the loans and deposits portfolio against an only slight decrease in loan and deposit margins. It was a result of pursuing a flexible pricing policy in the area of deposit products of individual customers and of the review of the pricing policy and the restructuring of the loans portfolio in the segment of enterprises. An improvement in the structure of the financing of the Group's operations through an increase in the share of financing in the form of amounts due related to customer deposits also positively affected net interest income.
- an increase in selling activities in the area of the distribution of investment funds and insurance products resulting from the improved business conditions at the Warsaw Stock Exchange and the review and enhancement of the offer of insurance products distributed with banking products. Furthermore, the policy of expanding cooperation with existing customers brought about the first results; it resulted in the increase in income related to bank accounts maintenance and to transactions in such accounts. As a result, we recorded an increase in net fee and commission income by 8.5% as compared to 2009;
- a decrease in net trading income resulting mainly from limited foreign exchange income.

The most important events for the Group's operations in 2010 are as follows:

- the stabilisation and the improvement of business conditions in 2010, reflected in a better economic situation of customers from the enterprises segment and an increase in the liquidity of the financial sector;
- the development and the launch of the 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 business lines and changes in business models in order to better align the offer and processes to market and customer requirements;
- the continuation of the costs optimisation programme, including the costs of the network of outlets, and the maintenance of the cost discipline, which resulted in a permanent limitation and change in the structure of the costs base;
- persisting low demand for the investment loan in the enterprises segment caused by the uncertainty as regards the durability and depth of good business conditions and postponing investment decisions;
- persisting high cost of risk in the retail segment which affects net impairment losses on financial assets, other assets and provisions;
- changes in the exchange rate 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 the banking sector in 2010

Overall situation in 2010

The year 2010 brought about an improvement of sentiments and macroeconomic forecasts. The trends observed in the global economy point to the continuation of the economic revival which occurred after a deep crisis in the years 2008 – 2009. In the first three quarters of 2010, the majority of developed countries enjoyed economic growth. Moreover, the macroeconomic data confirm the continuation of advantageous business conditions in Germany, which is the main business partner for Poland. However, the economic growth in the majority of these countries is still limited. They face the necessity of reforming their public finances due to the high deficits in the public sector resulting from the recession, monetary expansion in order to support the economic revival and the need to support financial institutions with public funds. Uncertainty regarding economic growth perspectives is related chiefly to the countries of the euro area. The implementation of the European Stabilisation Mechanism reduced the concerns about the long-term solvency of these countries; however, there is still the risk of increased volatility on financial markets. For a few quarters now, the world prices of raw materials, including crude oil and food, have also been on the rise, which may contribute to the increase in the inflation in multiple countries.

As in 2009, Poland's economic situation was good at the background of European countries. The data concerning the Polish economy, including strong growth of industrial production, building and assembly production and retail sales in October and November of 2010, and positive indicators of business conditions in enterprises allow us to expect the maintenance of the GDP growth rate at the level comparable to the third quarter of 2010. According to the forecast of the Ministry of Economy, the economic growth rate in the fourth quarter of the previous year amounted to 4.3% y/y following the growth in the third quarter by 4.2%. Also, the Polish Central Statistical Office announced the preliminary GDP estimate for 2010, which shows that the growth rate in the previous year was at the level of 3.8%. According to the estimates of the Ministry of Economy, internal demand in the fourth quarter increased by 5.2% following an increase in the third quarter by 4.2%. Individual consumption grew by 4.1% against 3.5% in the third quarter. And, investments grew by 0.9% as compared to the increase by 0.4% in the third quarter.

The economic growth rate lower than in previous years resulted in the maintenance of the unemployment rate at a level higher than in 2007 – 2008 (9.5% and 9.1% respectively). The real growth rate of salaries and wages is also lower. In 2010, the registered unemployment rate, following an increase at the end of March to 12.9%, in June fell to 11.6%. As announced by the Polish Central Statistical Office, in December 2010 it amounted to 12.3% as compared to 12.1% the year before. It means an increase by 1.7% as compared to the corresponding period in 2009. Significant increases in the registered unemployment rate in winter months are a cyclically observed seasonal effect and are explained by the termination of futures or forward contracts, the absence of works typical for the summer season and autumn season and the redundancies announced by employers in previous months.

The annual inflation rate was declining gradually from 3.5% in December 2009, through 2.6% in March 2010 to 2.3% at the end of June 2010. In December 2010, the annual CPI inflation increased to 3.1%, remaining above the inflation target of the National Bank of Poland of 2.5%. The rise in the inflation rate resulted mainly from the increase in prices of fuels related to the growing prices of energy-generating raw materials on global markets. The increase in inflation was also accompanied by higher inflation anticipations.
In the opinion of the Monetary Policy Council, the acceleration of the economic growth in Poland supporting the improvement on the labour market may lead to the gradual increase in the medium-term wage and inflation pressure. At the same time, the strong growth of the prices of raw materials on global markets brings about, in the context of the economic revival, the risk of the consolidation of higher inflation anticipations. To mitigate the risk of the inflation above the inflation target in the medium term, the Monetary Policy Council, at its meeting on 18-19 January 2011, decided to increase the interest rates of the National Bank of Poland by 0.25 p.p. to the following level: the reference rate - 3.75%, the lombard rate - 5.25%, the deposit rate – 2.25%, and the rediscount rate – 4.00% p.a. The Council also stressed that the situation of public finances strongly affected the monetary policy. The permanent decrease in public finances deficit and halting the growth of the public debt is necessary for macroeconomic stability and further growth of the economy.

Following the period of the appreciation of the Polish zloty from January to April, in May and June the Polish zloty depreciated abruptly against EUR and CHF and, from August to December, the exchange rate stabilized within the range of PLN 3.90 - 4.00 per one euro. Solid economic foundations in Poland and the relatively stable PLN exchange rate in the second half of the year contributed to the inflow of foreign investors to the internal capital market.

Banking sector in 2010

In 2010, we observed improved business conditions as compared to 2009, in which we faced a significant slowdown in the banking sector.

The situation on the internal money market improved. We witnessed an increase in the turnover on the interbank deposits market and a decrease in the premium for credit risk. Furthermore, the turnover on the internal currency swaps market increased. However, excess liquidity is concentrated in a small group of banks, and its redistribution through the interbank market is still limited.

The results of the banking sector after the first three quarters of 2010 improved significantly as compared to the previous year. Net profit of the sector was higher by ca. 25% than in 2009. The increase in results was limited mainly by the growth of the credit risk costs caused by the rise in the value of impaired loans. It was associated chiefly with the portfolio of consumer loans due to the slower economic growth and a too lenient credit policy in the periods of a strong increase in the sales in previous years. However, the persisting relatively high level of the risk costs is lower than in 2009. As a result of savings programmes implemented as early as in 2009, the level of costs was relatively low and it does not seem that it will grow significantly in the future without earlier noticeable growth in income lines.

Total receivables in this sector in the period from December 2009 to December 2010 increased by 13.7% as compared to the increase by 8.5% in 2009. The improved growth rate was recorded both in the households segment and in the enterprises segment. Mortgages were the category of loans for which the growth rate was the most stable. The demand for them was steady despite higher loan margins than in 2007-2008 (by 1.5% on average). The majority of mortgages granted in 2010 were in the Polish zloty, although the share of loans in foreign currencies (mainly in euro) stabilized at the level of ca. 30% following a period of a decline related to the difficulties in the area of financing and uncertainty regarding the scope of regulatory restrictions. The total increase in the value of loans for households in 2010 amounted to 16.4% as compared to 11.7% in 2009.
For the segment of enterprises (jointly with budgetary units), the volume of loans increased in 2010 by 9.6% against an increase by 4.1% recorded in 2009. Against expectations, the year 2010 did not bring about an increase in the demand for investment loans. Enterprises continued to try to curb bank debt, and finance any possible investment projects with their own funds. It is noticeable when we compare the increase in the volume of loans of enterprises, except for the central government and local government units. In such terms, the increase in 2010 amounted to only 4.8% as compared to the decrease by 3.6% in 2009.

Total liabilities in this sector in the period from December 2009 to December 2010 increased by 12.7% as compared to the increase by 10.7% in 2009. In the segment of households, the increase was smaller than in 2009 (by 13.5% and 14.9% respectively). In the segment of enterprises, it amounted to 12.4% (as compared to 7.0% in 2009), and in the sector of central government and local government units by 7.9% as compared to the decline in 2009 by 1.5%. Total amounts due to the segment of enterprises and the central government and local government units increased by 11.5% against the increase by 5.2% in 2009. The scale of the competition between banks for customer deposits was smaller as compared to 2009. The average interest rate for new deposits maintained below the rates of the interbank market; however, at the level higher than in the pre-crisis period.

Finding new capital by banks through the issue of shares and the allocation of generated profits to the increase in the capital as well as a relatively small increase in the lending activities contributed to the preservation 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 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 factors which may positively affect the results of the sector include the faster growth of the GDP and the swifter improvement of business conditions leading to an increase in the demand for loans in the segment of enterprises; the faster improvement of the quality of loans portfolios; and the improvement of business conditions on capital markets.

3. 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. Kredyt Bank S.A. Group prefers the business model which involves the organic development.

Overall strategic objectives for 2010-2012

- a fundamental increase in the quality of customer service;
- promoting 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 at the level 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:

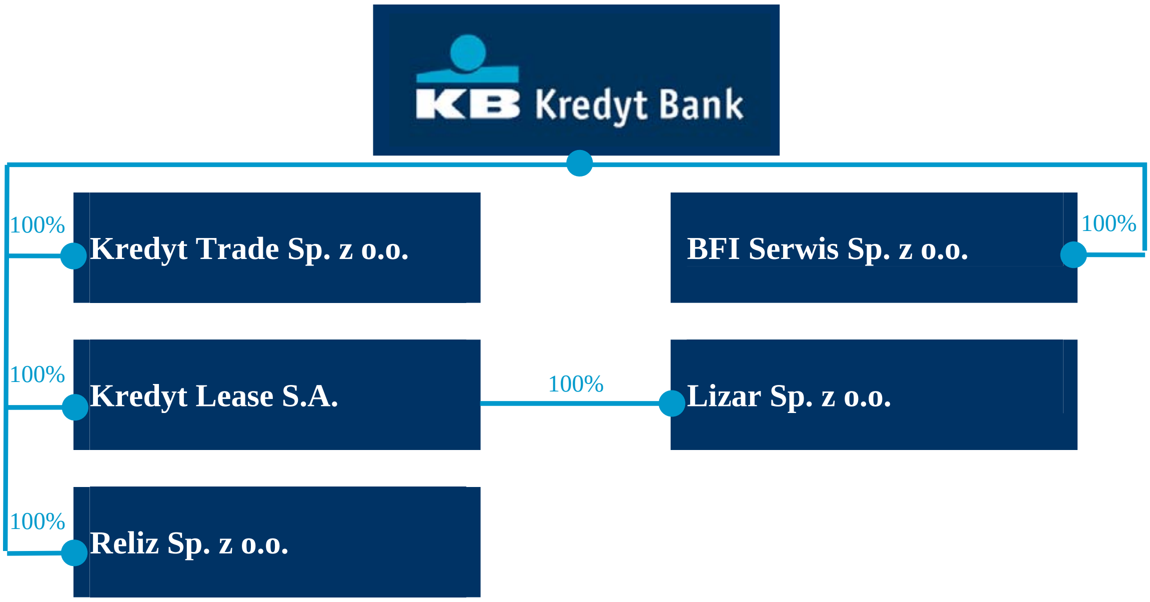
- the banking model based on the development and the expansion of customer relations on the basis of selected products and services; focusing on the accomplishment of the leading position in the case of selected banking products and services;
- an independent and integrated risk management function, while preserving the full liability of business lines for the financial result, including the risk costs; limiting credit risk through prudent credit policy, focusing on the cooperation with reliable, tested customers and close monitoring of the customers' standing;
- changes in the area of infrastructure; optimising IT systems aiming at increasing the integrity and coherence of applied IT solutions; a new electronic banking platform;
- organisational changes aiming at the centralization and the improvement of the processes of management, the development of products, 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; decreasing the level of fixed costs, increasing 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, focusing on the growth of the share in the individual customer deposits market and in the market of the sales of investment funds; continuing the growth of the base of deposits in order to ensure the acquisition of customers, the conversion of sourced deposits to the investment offer;
- recovering and maintaining the position on the market of mortgages – the market share at 6%; The development of the bancassurance offer sold together with the mortgage. In the case of cash loans - focusing on customers with lower credit risk: the Bank's present customers;
- in the corporate segment, focusing on the diversification of the loans portfolio – an increase in the number of customers faster than the growth in the value of the portfolio. The reduction of the financing of large transactions related to the financing of real property and syndicated loans; the expansion of the cooperation with the present customers;
- sourcing new customers and an increase in income from the SME segment (including the growth in commission income from transactional banking and foreign exchange);
- an increase in the share of commission income in total income from business operations of the corporate segment (including income from foreign exchange, trade finance and from transactional banking);
- implementing and improving a comprehensive staff management system: from recruitment, through development and appraisal, to the aspects of the incentive system and the payroll structure;
- close cooperation with entities of KBC Group in Poland to provide the customers with a complete, professional and modern offer of financial services with limited costs of its development; Particularly, further implementation of the bancassurance model in cooperation with WARTA Group on the basis of the major shareholder's experience. Further cooperation regarding the distribution of banking and insurance products.

4. 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 31.12.2010 was as follows:



As of 31.12.2010, 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

One of the objectives of the Group's strategy is to increase the share in the financial services market. It may be accomplished through equity investments in entities from the financial sector. In each such potential case, undertaken measures are lawful and analysed in terms of economic and organizational conditions. According to the Group's development strategy which provides for the incorporation of a universal banking and insurance group, the Bank will focus on operations other than investment banking.
As at 31.12.2010, 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 31.12.2010, their share in the Group's balance sheet was immaterial.

Related party transactions

Apart from the transactions described in section 4.4 'Events and contracts material for the Group's operations in 2010', in the said period, no significant non-standard transactions had place with related parties whose nature and terms were not related to current operations. Transactions volumes and related income and expenses are presented in Note 62 to the consolidated financial statements of Kredyt Bank S.A. Capital Group for the year ended 31.12.2010.

4.2. Shareholding structure of the Group's parent company

As at 31.12.2010, the Bank's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares with the nominal value of PLN 5.00 each. The Bank's shares are registered shares and bearer shares; they are not preference shares and each share entitles its holder to one vote at the Bank's General Meeting of Shareholders. All the Bank's shares are admitted to public trading on the regulated market. In comparison with share capital as at 31.12.2010, 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 31.12.2010.

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
KBC Securities* – an entity from KBC Bank NV Group**	Brokerage house	11 751 771	4.33
KBC Insurance NV *** - an entity from KBC Group*	Insurance	7 860 918	2.89
Pioneer Fundusz Inwestycyjny Otwarty	Investment fund	20 040 203	7.38

* By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V. is entitled to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.
** Figures as at 09.09.2009 received from KBC Group NV and KBC Bank NV
*** Figures received on 15.07.2010 from KBC Group NV

On 15.04.2010, Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. ('PPIM') about the exceeding by Pioneer Fundusz Inwestycyjny Otwarty ('Pioneer FIO') of the threshold of 5% of votes at the General Meeting of Shareholders of Kredyt Bank S.A. PPIM, indicating the performance of the agreement on the provision of services related to the management of the portfolio of investment funds, informed, in the notification mentioned above, that, as at 9.04.2010, the portfolio of Pioneer FIO had comprised the total of 20,040,203 shares of Kredyt Bank S.A. accounting for 7.38% of the share capital and giving the right to 7.38% of the total number of votes at the General Meeting of Shareholders of Kredyt Bank S.A.
On 15.07.2010, a notification was received concerning the transaction made between entities in KBC Group. KBC Insurance purchased from KBL Private Bankers 7,860,918 shares of Kredyt Bank S.A. accounting for 2.89% in the capital and votes at the Bank's General Meeting of Shareholders.

On 8 and 15 February 2011, the Bank was notified of the decrease in the number of shares in the Bank's capital held to these dates by the entities of KBC Group NV by more than 1% of the total number of votes. According to the received information, as a result of the sale of the shares of Kredyt Bank S.A., KBC Securities NV and KBC Insurance NV sold all the Bank's shares held by them. However, the number of the Bank's shares held by KBC Bank NV did not change. The details of the transactions are available in the Bank's current reports dated 8 and 16 February 2011.

The quotations of shares of Kredyt Bank S.A. at the Warsaw Stock Exchange in 2010

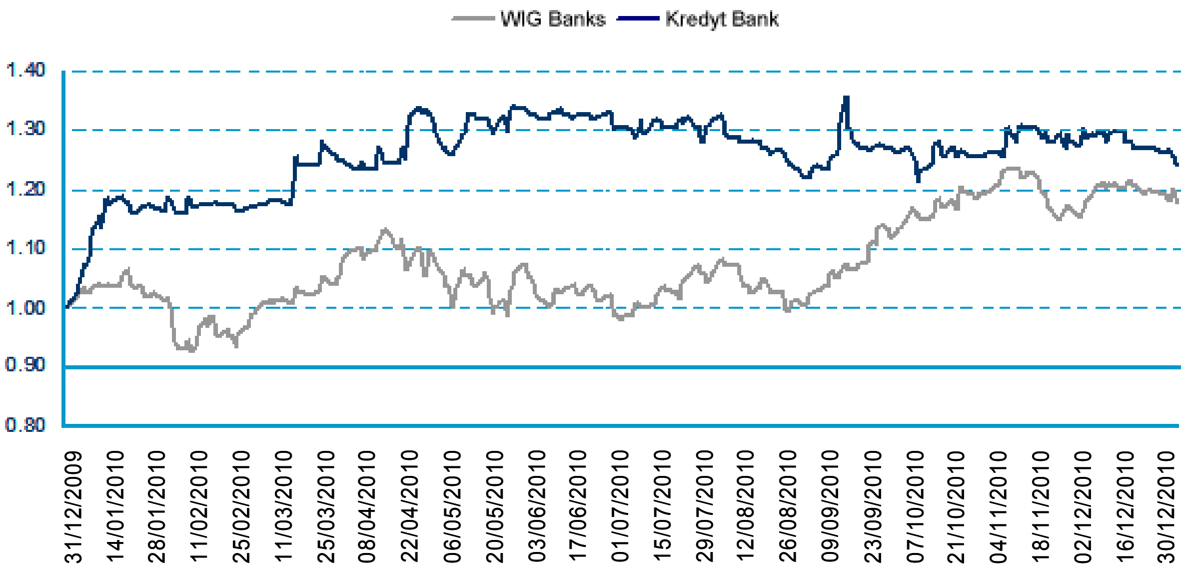
In the first two weeks of January, the price of the shares of Kredyt Bank S.A. was rising swiftly; as a result, on 18 January 2010, the Bank's share price was at the level of PLN 14.10 (an increase by 19% from the beginning of the year).
Subsequently, by mid-March 2010, the price of the Bank's share remained in the sideways trend. Another upward trend had place in mid-March; as a result, the price of the Bank's share reached

local peaks on 25 March and 28 April amounting to, respectively, PLN 15.24 and PLN 15.85. Following a temporary drop in the share price at the beginning of May to PLN 14.89, until the end of July 2010, the price of the Bank's share remained in the sideways trend, oscillating at ca. PLN 15.50 per share. In August, the price of the Bank's share remained in a short, but relatively strong, downward trend. As a result, at the end of the above-mentioned month, the price of the Bank's share decreased to PLN 14.47. At the beginning of September, the price of the Bank's share returned to the sideways trend at the level of PLN 15.00 – 15.50 per share, which, in the middle of December, transformed into a short-term downward trend, when the price of the Bank's share dropped during the last session in 2010 to PLN 14.71.
During the last sideways trend, on 13 September, we faced a local, one-day quotations maximum at the level of PLN 16.09, and on 7 October, we observed the local quotations minimum at the level of PLN 14.37.
The market value of the Bank at the closing price at the last stock exchange session in 2010 (31 December) amounted to PLN 3,996.10 million, and the P/BV was at the level of 1.42. For comparison purposes, at the last session in June 2009, the Bank's shares were valued at the total of PLN 3,219.2 million at P/BV of 1.25. The market value of KB S.A. increased then by ca. 24% p.a. For comparison purposes, WIG index was close to 19% above the quotations from the end of 2009, and WIG Banks index gained in this period almost 18%.

	31.12.2010	31.12.2009	Change (%)
KB S.A. share price (PLN)	14.71	11.85	24.1%
WIG	47 490	39 986	18.8%
WIG Banks	6 921	5 869	17.9%
Earnings per share* in PLN	0.68	0.13	423.1%
Book value per share* in PLN	10.41	9.53	9.2%

* computed on the basis of consolidated figures

The volatility of the share price of Kredyt Bank against WIG Banks index in 2010



4.3. 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 March 2010, the Bank's Management Board was notified of the resignation, submitted to the Chairman of the Bank's Supervisory Board, by Ms. Lidia Jabłonowska-Luba from the position of the Vice President of the Management Board of Kredyt Bank S.A. and the membership in the Management Board of Kredyt Bank S.A., as from 14 March 2010.

The Supervisory Board of Kredyt Bank S.A., at its meeting held on 26 April 2010, appointed, since 26 April 2010, Mr. Zbigniew Kudaś as a Member and Vice President of the Management Board, who, as the Chief Operating Officer, would be liable, among other things, for the supervision, management and coordination of activities in the areas of product development, banking transactions and the IT function.

On 15 September 2010, the Supervisory Board appointed, from 15 September 2010, Mr. Piotr Sztrauch as a Member and Vice President of the Management Board; he will be liable for the management and supervision of the finances function.
From 15 September 2010, the Management Board of Kredyt Bank S.A. will be composed of six members.

As at 31.12.2010, the Management Board of Kredyt Bank S.A. was composed of:

Name	Position
Maciej Bardan	President of the Management Board
Umberto Arts	Vice President of the Management Board
Zbigniew Kudaś	Vice President of the Management Board
Krzysztof Kokot	Vice President of the Management Board
Gert Rammeloo	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 of the General Meeting of Shareholders; selection, upon the request of the Management Board, of an independent auditor; supervising the implementation of the internal audit system; determining the policy of borrowing and extending loans; and approving Bank's long-term development plans and annual financial plans. The Supervisory Board is elected by the General Meeting of Shareholders.

On 22 February 2010, 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. Francois Gillet from the membership in the Supervisory Board, as from 23 February 2010.

On 23 March 2010, 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. Marek Michałowski from the membership in the Supervisory Board, as from 23 March 2010.

On 26 May 2010, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted Resolution No. 26/2010 concerning the election of the Supervisory Board of Kredyt Bank S.A. composed of the following members: Ronny Delchambre, Stefan Kawalec, Dirk Mampaey, Adam Noga, Jarosław Parkot, Marko Voljč, Andrzej Witkowski.

As a result, as at 31.12.2010, the Supervisory Board of Kredyt Bank S.A. was composed of:

Name	Position
Andrzej Witkowski	Chairman of the Supervisory Board
Adam Noga	Vice Chairman of the Supervisory Board
Marko Voljč	Member of the Supervisory Board
Ronny Delchambre	Member of the Supervisory Board
Dirk Mampaey	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 and the Supervisory Board Members

As at the publication date of this report, i.e. 25.02.2011, 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 2009, the number of the Bank's shares held by members of the Bank's Management Board did not change.

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

Details of remunerations of persons managing and supervising the Group's parent company are presented in Note 63 to the consolidated financial statements of Kredyt Bank S.A. Capital Group for the year ended 31.12.2010.

The contracts of employment concluded with the five members of the Management Board comprise the following terms and conditions:

- the commitment not to carry out competitive activities during the employment in the Bank and for six months following the termination of the employment in the Bank (in the case of one of the contracts, there is an option to introduce a non-competition provision for the period of up to 12 months);
- in the period of the ban on carrying out competitive activities following the date of terminating the employment in the Bank, a Member of the Management Board will be entitled to a monthly compensation amounting to 100% of the average monthly remuneration comprising the contractual remuneration, the remuneration for the participation in the Management Board and the annual bonus.

The non-competition provision will not apply when a Member of the Management Board is employed in a position in another entity of KBC Group.

In the contract of employment concluded with one of the Members of the Management Board:

- in the case of terminating the contract of employment due to the dismissal from the Bank's Management Board, the Member of the Management Board will be entitled to a one-off compensation amounting to:
  - 24-fold average monthly remuneration – if the period to the end of the term of office of the Bank's Management Board is 24 months or more;
  - the product of average monthly remuneration and of the number of months remaining to the end of the term of office of the Bank's Management Board, however, not less than 12-fold average monthly remuneration – if the period to the end of the term of office of the Bank's Management Board is less than 24 months; however, the compensation will not be paid,

when the Member of the Management Board is dismissed from the Management Board as a result of:
- acting to the Bank's detriment;
- committing a felony which is obvious or is confirmed by a valid court judgment;
- causing a material damage to the Bank's assets;
- infringing the non-competition agreement;
- disclosing a business secret;
- a serious violation of the Bank's internal regulations or resolutions of the Bank's authorities;

- in the case of the failure to enter into a new contract of employment as a result of the failure to be appointed as a member of the Bank's Management Board for the next term of office, the Member of the Management Board is entitled to an one-off compensation amounting to 12-fold average remuneration comprising the contractual remuneration, the remuneration for the participation in the Management Board and the annual bonus.

4.4. Events and contracts material for the Group's activity in 2010

The following events were material for the Group's operations in 2010:

- On 30 March 2010, the Bank's Management Board approved of the proposed distribution of net profit for 2009 and recommended that it should be examined by the Supervisory Board of Kredyt Bank S.A. The above proposal did not foresee the payment of dividend.
- On 26 April 2010, the Supervisory Board of Kredyt Bank S.A., appointed the certified auditor, Ernst & Young Audit Sp. z o.o., with its registered office in Warsaw, ul. Rondo ONZ 1, registry No. 130, to perform an independent review and audit of financial statements of Kredyt Bank S.A. and of consolidated financial statements of Kredyt Bank S.A. Capital Group as of 30 June 2010 and 31 December 2010.
  Kredyt Bank S.A. employed Ernst & Young Audit sp. z o.o. to audit financial statements for 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009. The change in the partner supervising the audits of financial statements took place in 2005.
- On 26 May 2010, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted, among other things, the resolution concerning the distribution of profit for 2009, providing for its allocation to the write-down for general risk reserve (PLN 60,000,000) and to the Bank's supplementary capital (PLN 105,300,923).

In 2010, the Bank did not enter into any material agreements with the central bank or the regulatory authorities.

Events after the reporting period

Kredyt Bank S.A. obtained from the European Investment Bank based in Luxembourg the confirmation of signing, on 3 February 2011, two agreements under which the Bank 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 10 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 will be secured by 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 will be allocated for 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 will be allocated for the financing of institutional entities implementing investment

projects, inter alia, in the following areas: infrastructure, renewable energy, environmental protection.

Contracts entered into by the Issuer with an entity authorized to audit financial statements
On 14 June 2010, the Bank entered into an agreement with the entity authorized to audit financial statements, Ernst&Young Audit Sp. z o.o. in Warsaw, concerning the review of the semi-annual standalone and consolidated financial statements of the Bank and of the Group along with the semi-annual reporting package for the first half of 2010, and the audit of the standalone and consolidated financial statements of the Bank and of the Group along with the annual reporting package for 2010, as well as the procedures regarding correct calculations of capital requirements related to credit risk and operational risk as at 31 December 2010. The net remuneration under this agreement amounted to, respectively: PLN 750 thousand, PLN 962 thousand and PLN 36 thousand (in 2009: PLN 725 thousand, PLN 930 thousand and PLN 35 thousand, the agreement as of 15.05.2009 with a further annex).
In addition, on 16 February 2010, the Bank entered into an agreement with the entity authorized to audit financial statements to carry out agreed procedures as regards the reports concerning the assessment of the area of internal audit and risk management by the Company ('Self assessment report'; net contract value: PLN 30 thousand; in 2009, also PLN 30 thousand; the agreement of 12 March 2009).

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. At the end of 2010, the Bank operated the network of 381 units, including 100 branches, 275 affiliates, 4 banking points and 2 agencies. Financial brokers were the distribution channel supporting the sales of mortgages. At the end of December, the Bank cooperated with nine major Polish financial intermediaries, offering its services throughout Poland, and 247 local intermediaries. The Bank also cooperated with the network of 299 agents of TUiR Warta S.A. KB24, an electronic banking system and Call Center supplement the traditional distribution channels. Owing to them, our customers have access to products and services 24 hours a day, 7 days a week.
As at the end of 2010, Kredyt Bank S.A. (except for the customers sourced via Żagiel S.A.) provided services to 1,095 thousand individual customers and micro- and small enterprises, which means an increase by 34 thousand as compared to the end of 2009.

in PLN '000'	31.12.2010	31.12.2009
Individual customers	1 032	1 020
Micro- and small enterprises	63	41
Total customers	**1 095**	**1 061**

At the end of 2010, the number of KB24 users amounted to 402 thousand as compared to 356 thousand at the end of 2009 (an increase by 46 thousand). The number of bank transfers made in the Internet banking system increased substantially and amounted to 18,223 thousand as compared to 16,959 thousand in 2009 (an increase by 7.5%). The numbers confirm the fact that customers are more and more willing to take advantage of alternative cheaper access channels.

in '000'	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Number of KB24 users	402	356	334	278
Number of transfers via KB24 in the year	18 223	16 959	14 932	12 000

As mentioned above, 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 2010, works were underway to change the product offer dedicated to these customers. A new business model based on selected portfolio advisors providing services to the most profitable customers was implemented.
In 2010, the segment's gross operating result (including micro- and small companies) amounted to PLN 930,594 thousand and was lower than the result generated in 2009 by PLN 83,797 thousand, i.e. 8.3%. 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. in 2010, was the main reason behind the decrease in the said result.

Payments and cards

In the Payments and Cards area, the key products include savings and settlement accounts, credit cards and credit limits. In 2010, 77,694 new savings and settlement accounts were opened (a decrease by 8% as compared to 2009), 35,850 credit cards were sold (a decrease by 16%), and 41,078 credit limits were granted (an increase by 41%). New customers were sourced mainly through deposit- and mortgage-related campaigns. In the case of the limits, the sales plan was exceeded mainly due to the direct marketing campaigns and the sales in the pre-approved formula. The decrease in the sales of credit cards was related to the change in the mechanisms of the credit risk assessment which aim at the improvement of the portfolio quality.

In the first half of 2010, the activities were focused on the improvement of the process of concluding agreements and offer development. The frame agreement introduced in May is a market benchmark. In a single agreement, the customer has access to the deposit offer (ROR accounts, term deposits, Savings Accounts), credit offer (a limit in a ROR account), cards offer (debit and credit cards) and KB24 electronic banking system. The time needed to open an account and obtain related services is shorter, and the number of documents is reduced. The change in the template of the frame agreement was accompanied by the simplification and the shortening of the process of delivering a card and PIN to the debit and credit card holder. The modern and customer-friendly 'Smart PIN' system was introduced. The PIN for the card is sent as an SMS to the customer's mobile phone.
In the third quarter, the branches in Wrocław launched the piloting phase of a new innovative offer for individual customers in the form of banking services packages. New and existing customers can take advantage of four Profiles which satisfy various product and transactional needs. The Profiles support the acquisition and retaining of active customers, inter alia, through cross-selling with other products included the package. The offer was implemented in the Bank's whole network on 2 November.

ROR current accounts	31.12.2010	31.12.2009	31.12.2008	31.12.2007
No. of ROR accounts (in '000')	634	612	588	561
Carrying amount (in PLN '000')	1 156 413	1 123 428	1 216 932	1 218 247

Credit cards (in '000')	31.12.2010	31.12.2009
No. of credit cards sold in the Bank's network and via Żagiel S.A. (in '000')	205	228

Savings and Investments

The increase in the deposit base in the segment of individual customers was supported by marketing campaigns with the use of broad-range media, including mainly TV (campaigns in summer and autumn) and an innovative approach to the deposit offer. The Bank focused its activities on the development of the Savings Accounts offer. The holders of the basic savings account in PLN had an opportunity to participate in two loyalty promotions during which new funds were subject to promotional interest rates. In December, the Bank introduced a new 'Maximus' savings account for affluent customers with a bonus for maintaining funds at the level declared by the customer. 'Lokata Swobodna' Savings Account with interest accrued on a daily basis was also very popular among customers; it had a significant impact upon the sales of ROR accounts.

Savings accounts	31.12.2010	31.12.2009	31.12.2008	31.12.2007
No. of savings accounts (in '000')	617	496	370	311
Carrying amount (in PLN '000')	9 850 124	7 626 000	4 245 387	4 385 666

In June, the Bank added 'eConstans' term deposits to its offer. The interest on the deposit is accrued on a daily basis. The term deposits are dedicated to holders of ROR accounts from KB24. By the end of the year, the sales of such accounts exceeded 70 thousand accounts.
The offer of structured term deposits was also growing fast; within eleven subscriptions, the Bank obtained over PLN 510 million. In the case of five out of seven terminated term deposits, the Bank recorded profit of over 8%.
The offer of term deposits supporting the sales of investment products was expanded with the so called 'silver' term deposit for 3 months (the minimum deposit of PLN 1,000) available to the customers from the segments of mass customers and average income customers who so far have had no access to 'Porozmawiajmy' term deposit (the minimum deposit of PLN 20 thousand).

In 2010, in subscription periods, the Bank offered the following investment products:
- KBC TFI Closed-end Investment Funds (seven subscriptions), in which, by the end of December, the customers deposited nearly PLN 390 million. Three 'Jumper'-type (auto-call) funds generated the highest sales: KBC Kupon Jumper 1, KBC Poland Jumper 2 and KBC Kupon Jumper 3.
- Global Partners capital guaranteed foreign funds which, apart from attractive interest rates, ensure tax optimisation to investors. The Bank offered the total of eight products in which it collected over PLN 310 million, including five 'Fix Upside Coupon'-type products, in which it collected PLN 235 million.
- Investment Programmes of TUnŻ Warta, which, apart from attractive investment opportunities, provide an additional insurance cover to customers, collected over PLN 120 million in six subscriptions.

The Open-end Investment Funds still on offer continue to be dominated by the sales of money market funds.

The Bank recorded high sales of the Profit Plan, supported by a campaign in the mass media (the press, the Internet) and with subsequent editions of the sales contest for advisors. In 2010, the Bank collected the total amount of PLN 530 million, which means that the plan was accomplished in 883%. Throughout the year, the product was key for the implementation of the volume plan with TUnŻ Warta.

Investment funds	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Net assets of funds (excluding non-registered funds) sold via the Bank's distribution network (in PLN '000')	4 491 634	3 390 735	2 789 563	3 572 284

In 2011, the Bank intends to continue to develop the investment and savings offer by implementing:
- further investment products of KBC TFI and TUnŻ Warta with complete and partial capital guarantee;
- new KBC TFI Open-end Investment Funds based on global markets;
- structured deposits;
- innovative investment products dedicated to affluent and private banking customers.

Mortgages

Following the period of a slowdown in 2009, in 2010, the lending activities on the mortgages market were growing rapidly. In 2010, Kredyt Bank sold mortgages for individual customers amounting to almost PLN 2.4 billion, reaching the market share of 5.5%. The year-to-year sales growth rate amounted to 181%. Loans in PLN constituted over 70% of the sales – by analogy to market trends. The value of the mortgages portfolio of Kredyt Bank increased by 18% and amounted to PLN 16.2 billion (the market share in terms of debt exceeded 6%).
The accomplishment of such a result is an effect of an advantageous offer and marketing campaigns: the advertising campaign carried out from April to June and the autumn promotional campaign based on the advertisement in the Internet and direct marketing activities.

The strategy of the sales of mortgages was based on the development of relations with existing customers and on sourcing new customers who buy additional products of the Bank due to an attractive cross-selling offer. New interest rate establishment principles were introduced in June. A lower margin may be offered if a customer takes advantage of other products offered by the Bank. Customers usually chose a personal account, a credit card and life insurance.

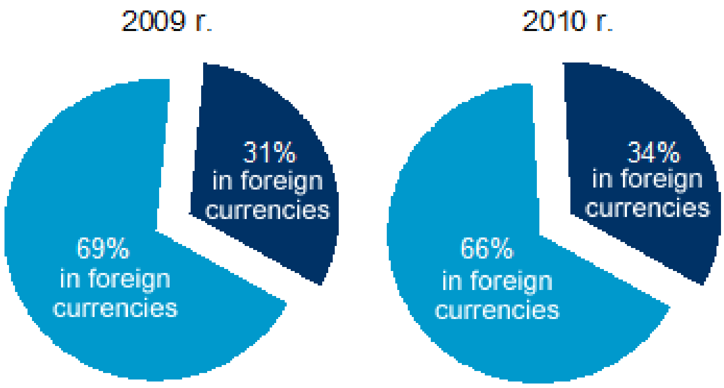
In the third quarter of 2010, the Bank made a strategic decision concerning the implementation of a new operational model based on the Mortgage Factory concept, fully liable for the financial result in the area of mortgage banking and an end-to-end centralized management of the whole mortgage business. The implemented strategy is dictated by the present scale of the Bank's activities in the area of mortgage banking, i.e. the size of generated volumes and of the portfolio, which result in the necessity for focusing all aspects associated with the management of the mortgage business in one accountability center. The new unit is accountable for the quality of the generated loans portfolio and, in cooperation with the Bank's Risk Area, for the determination and implementation of transparent and safe principles of extending loans and for their further monitoring. The Mortgage Factory integrates, in one area, the functions connected with the development of alternative distribution channels, sales support, management information, marketing, product management and process management, starting from the process of issuing credit decisions, through the service and administration of the mortgage portfolio and ending with the debt recovery area.

Implementing the adopted strategy, in the second half of 2010, the Bank focused on the improvement of the quality of granted loans. In September, the Bank introduced a piloting programme titled 'A New Process of Extending Mortgage Loans; the Centralization of Credit Decisions'.
The key tasks for 2011 related to the building of the Mortgage Factory:

- the complete separation of sales functions from risk functions – the centralization of the decision-making process in the area of loans;
- optimising and standardizing lending processes;
- focusing on the quality of the Customer service and Customer satisfaction process – positioning the Bank towards the mass-affluent customers segment;
- an active sales model – intensive training for the network as regards the product and selling skills – mortgage specialization, the role of the Customer adviser;
- the development of the mortgage products offer, including the introduction of a new 'Rodzina na swoim' product;
- the development of the bancassurance offer – ensuring higher security of the new portfolio and of the proper level of the Bank's profitability.

Mortgages (in PLN '000')	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Gross value of the portfolio at the end of the period	16 183 199	13 685 315	12 854 847	5 876 171
No. of loans extended in the year (in '000')	11.6	7.0	38.5	25.4
No. of loans extended in the year*	2 393 361	1 319 869	6 000 699	3 890 578

* new loans



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 (in '000')	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Gross value of the portfolio at the end of the period, including:	**4 298 157**	**4 118 645**	**3 827 727**	**2 063 331**
Loans extended via Żagiel*:				
Gross value of the portfolio at the end of the period	2 451 907	2 579 558	2 811 786	1 655 475
No. of loans extended in the year (in '000')	676	752	1 205	1 031
No. of loans extended in the year**	1 428 831	1 728 572	3 234 233	3 096 445

* 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 2010 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.

Four marketing campaigns to promote cash loans were carried out: two-week campaigns in March, June and September, and a four-week campaign at the end of November and the beginning of December. The campaign aimed at increasing the sales of cash loans and insurance policies offered with loans. During all the campaigns, we extended over 31 thousand loans with the total value of PLN 386.6 million, which accounts for 36% of the sales in 2010.

In the second half of the year, in order to increase the attractiveness of the offer and improve the profitability of the loan, the Bank implemented a new pricing policy (a lower interest rate and margin for loans combined with life insurance) and changing the non-financial parameters of the loan. As a result, the sales of insurance-linked loans was growing steadily. In December, the share of insurance-linked loans amounted to 55% (in terms of volume) against 19% recorded in January. In the fourth quarter, the offer of insurance policies linked with loans was expanded with property insurance: medical assistance and unemployment insurance.

The Bank undertook active direct marketing measures addressed at its customers in order to encourage them to take cash loans. In 2010, 23% of the sales was generated through direct marketing addressed at the centrally prepared base of 330 thousand customers who were offered the cash loan.

Cash loans are also sold via Żagiel S.A. This company plays a role of a credit 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;
- Multiagencies – they 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. The analysis of their behaviour is an element of the examination of creditworthiness.

5.2. Enterprises Banking

At the beginning of 2010, Kredyt Bank implemented new principles concerning the segmentation of the enterprises which are the Bank's customers. The new segmentation confirmed the earlier approach towards the SME segment as being an independent business line separated from the retail segment, and established the following division criteria:

- 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.

As a result of the adopted segmentation and of the approach to the management of the SME Customer line and the Corporate Customer line, the essential organisational alterations have been introduced. The Enterprises Banking Department has been established in the Corporate Banking Function. It manages business lines of the SME Customers and of the Corporate Customers, and comprises the product support service for both business lines (product manager teams in Warsaw) along with the transactional support and after-sales service (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.

Net operating income of the segment in 2010 was higher as compared to the corresponding period in the previous year and amounted to PLN 206,920 thousand as compared to PLN 100,190 thousand. It resulted, to a large extent, from the decrease in the deduction of net impairment losses on financial assets, other assets and provisions from the result (they amounted to –PLN 58,838 thousand vs. –PLN 219,528 thousand of provisions created in 2009). Despite the significant decrease in the value of the segment's assets, the gross operating result of the Enterprises Segment was lower by only 2.6% than the figure recorded in the previous year and amounted to PLN 441,696 thousand.

SME Segment

The services to SME customers are provided by 10 SME Macroregions. Mobile SME Consultants, who acquire new customers and handle the portfolio of their current customers, is a novelty in the sales model. SME consultants, located in nearly 50 towns and cities, have a direct contact with their customers in the whole country. Cash services are provided in branches and retail affiliates of KB S.A. throughout Poland. In 2010, the Bank implemented a new centralized model of transactional and after-sales service, in which SME customers are provided services by the Business Service Center located in Lublin. In the event of specialist 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 2010:

- implementation of a centralized process model and after-sales service for SME customers, i.e. the Business Service Center located in Lublin;
- implementation of a multi-product frame agreement for selected banking products and services, under which customers may take advantage, under a single agreement, of services related to the maintenance of accounts and term deposits, electronic banking and payment cards; new simpler application forms and product terms and conditions (e.g. the frame agreement for cash processing products or cash handling processes);
- implementation of 'Szybki Kredyt' product and process which, in specific cases, allows for making a credit decision in only 24 hours;
- centralization of the decision-making process in the area of loans;
- implementation of KBautodealing platform which enables customers to execute online foreign exchange transactions and track ongoing changes in exchange rates;
- implementation of a modern KB-eNvoice platform for debt financing products. The platform is a state-of-the-art tool in which customers can file receivables financing applications in an electronic form and gain access to reports;
- active acquisition and sourcing of over 2,000 new SME customers;
- an increase in the deposits volume by PLN 562.4 thousand (27.3%). The result was accomplished due to the greater activity of the distribution network and the introduction, since March 2010, of new term deposit products, as well as due to the launch, in April and August 2010, of the loyalty promotion programme for the deposit account;

- implementation of systemic solutions allowing for the flexibility in the application of various rates of banking commissions and fees accompanied by the discipline regarding the collection of such charges – introducing fees and commissions packages;
- launch of the cooperation with VISA under the programme titled 'You can pay with Visa card everywhere' and the implementation of devices allowing for the acceptance of payments made with cards;
- participation of Kredyt Bank, as a strategic partner, in the 10th edition of 'Gazele Biznesu' contest for the fastest growing SMEs in particular provinces; extended to further editions of the contest (2011-2013);
- an advertising campaign concerning loans for companies carried out in selected radio stations and in the Internet in June 2010;
- launch of a long-term project called 'An Entrepreneur's Academy' with the aim to strengthen the local position of Kredyt Bank Group and KBC. The first phase of the project will comprise a series of 50 conferences concerning the development and sourcing of the capital for the development of enterprises, organised in all former capitals of provinces, in the cooperation with external partners (including the Warsaw Stock Exchange, the Polish Chamber of Commerce, the National Debt Register and the National Chamber of Statutory Auditors), and internal partners: Warta, KBC TFI, KBC Securities, Kredyt Lease, KBC Autolease. In further stages, the Bank plans to hold regular local meetings with entrepreneurs and invited experts.

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

- further acquisition and activation of customers, the application of optimised processes and documents for active cross-selling of products;
- greater focus on receivables discount areas (factoring), leasing, and treasury products;
- sourcing new deposits and, at the same time, continuing to focus on an increase in margins on deposits;
- introduction of the credit card for SMEs.

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 (2 Centers) and in Wrocław. The Centers covering the largest 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 management of the whole cooperation is performed by Customer Assistants. In the event of specialist 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 addition, in the case of investment banking, corporate customers are served in cooperation with KBC Securities S.A. and KBC Private Equity 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 2010:

- implementation of KBautodealing platform which enables customers to execute online foreign exchange transactions and track ongoing changes in exchange rates;
- implementation of a modern KB-eNvoice platform for debt financing products. The platform is a state-of-the-art tool in which customers can file receivables financing applications in an electronic form and gain access to reports;
- implementation of centralized processes of opening accounts and maintaining term deposits in the Business Service Center in Lublin; the complete after-sales service (except for required cash services) for Corporate Customers;
- implementation of an electronic customer file (in cooperation with the outsourcer); the 'de-location' of cash services (customers can be served in any outlet of KB S.A.) – the introduction of the centralized base of signature specimens cards and authorization forms;
- implementation of a multi-product frame agreement for selected banking products and services, under which customers may take advantage, under a single agreement, of services related to the maintenance of accounts and term deposits, electronic banking and payment cards. New, simpler templates of applications and product terms and conditions (e.g. the frame agreement for the cash processing products or cash handling processes);
- active acquisition – the Bank acquired 500 new customers from the Corporate Segment;
- an increase in the deposits volume by PLN 905.6 thousand (16.5%). The result was accomplished due to greater activity of the sales network and the introduction of new products in March 2010 (short-term term deposits for 10 and 25 days and 'Biznes Progres' term deposit). Towards the end of the year, the Bank implemented another new product for corporate customers, i.e. the Deposit Account, for companies seeking attractive interest rates on deposits and, at the same time, appreciating the liquidity of funds;
- continuing the strategy which involves the drive to increase the rate of return on transactions with customers and to decrease the exposures in the event of too high risk. The decisions on financing were made as a derivative of the credit rating and of the rate of return on assets. New activity concerning the financing of real properties and structured transactions was limited, and the focus was on the cases in which the profitability and the cross-selling of non-loan products were satisfactory. It should be noted that, despite the significant reduction of the loans balance (-16%), the result on the income lines from interest on loans was maintained at the same level as in 2009.

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

- focusing on the segment of mid-cap enterprises to increase the rate of return on assets and to diversify income and the loans portfolio to a greater extent;
- putting a lot of emphasis on the sourcing of new customers and the activation of the customers sourced so far;
- the application of amended processes and documents for active cross-selling of products;
- sourcing new deposits through the introduction of new products and periodical promotions;
- continuing the strict discipline in the loans portfolio management; the development of new credit exposures mainly in the area of short-term loans;
- taking advantage of the synergy in KBC Group through offering, to customers via the companies from the Group, investment banking services, such as: advisory services concerning mergers and acquisitions, capital restructuring, acquisition of capital (stock exchanges, investors, financial partners), transactions on capital markets (primary and secondary market, bonds, capital increase, public calls, buyouts), mezzanine finance, equity finance, MBO, LBO, MBI.

5.3. Treasury Segment and cooperation with international financial institutions

The Bank performs transactions on the inter-bank market, both domestic and international, on its 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 exercise of options hedging the market risk for customers.
Kredyt Bank S.A. established active relations with domestic and foreign banks providing FX/MM, Custody, Trade Finance and payments services. They are supplemented by cooperation agreements with global foreign institutions, e.g. the European Investment Bank, 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 31.12.2010, Kredyt Bank maintained 13 LORO accounts in foreign currencies and 30 LORO accounts in PLN for 32 correspondent banks (27 foreign banks and 5 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 31 December 2010, 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 31 December 2010, the share capital of the company amounted to PLN 64,179 thousand. Kredyt Trade provides services complementary to the Bank's administrative services, mainly concerning the service and lease of properties and equipment.

Reliz Sp. z o.o.

As at 31 December 2010, the share capital of Reliz amounted to PLN 50 thousand. ALTUS multi-purpose building in Katowice is Tte 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 2010

6.1. Assets structure

The Group's total assets as at 31.12.2010 amounted to PLN 43,374,246 thousand against PLN 39,076,598 thousand as at 31.12.2009 and were higher by 11.0%. Net loans and advances to customers and investment securities generated the greatest shares in assets structure; as at the end of 2010, they accounted for 84.5% of total assets. The major changes in assets structure as compared to the end of 2009 were as follows:

- a decrease in the share of net loans and advances to customers from 65.8% to 62.7%. It resulted mainly from the decrease in the value of the loans portfolio for customers from the segment of enterprises and lower sales of consumer loans;
- an increase in the share of gross loans and advances to banks from 0.5% to 3.4%, with a simultaneous slight decrease in the share of investment securities in total assets from 22.5% to 21.8%. An increase in the value of loans and advances to banks resulted from the improved liquidity of the Group. The volume of the securities portfolio is related to the Group's policy, which involves a safe investment of customers' funds from savings account and current accounts.

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 affected the increase in the carrying amount in 2010 as compared to 2009. At the end of 2010, the EUR exchange rate was PLN 3.96, and CHF exchange rate was PLN 3.16 (PLN 4.11 and PLN 2.77 at the end of 2009). At the end of 2010, 23.7% of assets were net loans and advances to customers in CHF, and 5.2% - loans and advances to customers in EUR.

in PLN '000'	31.12.2010	31.12.2009	Change (%)
Cash and balances with Central Bank	1 943 636	1 175 453	65.4%
Gross loans and advances to banks	1 466 249	190 013	671.7%
Impairment losses on loans and advances to banks	-2 260	-2 260	0.0%
Receivables arising from repurchase transactions	87 218	331 875	-73.7%
Financial assets designated upon initial recognition as at fair value through profit or loss	118 562	155 400	-23.7%
Held-for-trading financial assets (excluding derivatives)	1 601 283	1 179 949	35.7%
Derivatives including:	463 159	571 410	-18.9%
- derivatives used as hedging instruments	74 340	55 741	33.4%
Gross loans and advances to customers	29 108 520	27 297 744	6.6%
Impairment losses on loans and advances to customers	-1 914 000	-1 575 886	21.5%
Investment securities	9 467 240	8 789 642	7.7%
- available-for-sale	6 219 461	6 036 304	3.0%
- held-to-maturity	3 247 779	2 753 338	18.0%
Investments in associates valued using the equity method	15 179	11 955	27.0%
Property, plant and equipment	290 444	353 534	-17.8%
Intangible assets	50 201	51 248	-2.0%
Deferred tax asset	350 387	217 383	61.2%
Non-current assets classified as held for sale	7 070	0	-
Investment properties	225 668	222 240	1.5%
Other assets	95 690	106 898	-10.5%
Total assets	**43 374 246**	**39 076 598**	**11.0%**

Credit portfolio quality

At the end of 2010, 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 9.7%, i.e. by 1.0 p.p. more than at the end of 2009. In the analysed period, the value of non-performing receivables, i.e. those for which evidence for impairment was identified increased by 18.7%. The increase was recorded mainly for the receivables related to mortgages and consumer loans.

The Group, when estimating credit risk for individual credit exposures and loan portfolios, follows the overriding prudence concept. As at 31.12.2010, the coverage of loans and advances with evidence for impairment with impairment losses was at the level of 63.6% and increased by 3.2 p.p. as compared to 31.12.2009.

The value of loans and advances with evidence for impairment and basic ratios describing the quality of the loans portfolio in 2010 and 2009 are presented in the table below:

in PLN '000'	31.12.2010	31.12.2009	Change (%)
Loans and advances with no evidence for impairment, including interest	26 286 536	24 919 522	5.5%
Loans and advances with evidence for impairment, including interest	2 821 984	2 378 222	18.7%
Total gross loan and advances to customers (including interest)	**29 108 520**	**27 297 744**	**6.6%**
Impairment losses on loans and advances to customers	1 914 000	1 575 886	21.5%
including: impairment losses on loans and advances with evidence for impairment	1 793 562	1 435 829	24.9%
Total net loans and advances to customers	**27 194 520**	**25 721 858**	**5.7%**
The share of loans and advances with evidence for impairment in total gross loans and advances	**9.7%**	**8.7%**	**1.0 p.p.**
Coverage of loans and advances with evidence for impairment with impairment losses	**63.6%**	**60.4%**	**3.2 p.p.**

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

In 2010, in the course of debt collection measures aimed at recovering debts from non-paying customers, the Bank issued 139,095 banking executory titles for the total amount of PLN 1,028.0 million. In 2009, the Bank issued 26,765 banking executory titles for the total amount of PLN 383.4 million.

In the case of receivables assessed individually, the total fair value of collateral approved by the Group considered in estimated future cash flows, as at 31.12.2010 amounted to PLN 238,280 thousand. As at 31.12.2009, this value was equal to PLN 228,997 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

The most important change in the structure of the Group's loan portfolio, as assumed in the strategy, is the further increase in the share of loans and advances to individuals in total loans and advances to customer. As of 31.12.2010, the share was at the level of 76.3% (an increase by 5.0 p.p.).

	31.12.2010	31.12.2009	Change in p.p.
Individuals*	**76.3%**	**71.3%**	**5.0**
- overdraft facilities	3.9%	4.1%	-0.2
- purchased debt	0.1%	0.0%	0.1
- term loans**	3.5%	4.3%	-0.8
- cash and instalment loans	19.4%	21.2%	-1.8
- mortgages	73.0%	70.3%	2.7
- realised guarantees	0.0%	0.0%	0.0
- other receivables	0.1%	0.1%	0.0
Corporate customers	**23.1%**	**27.9%**	**-4.8**
- overdraft facilities	24.2%	19.3%	4.9
- term loans**	65.8%	71.7%	-5.9
- purchased debt	1.8%	1.9%	-0.1
- realised guarantees	0.0%	0.1%	-0.1
-other receivables	8.2%	7.1%	1.1
Budget	**0.6%**	**0.8%**	**-0.2**
- overdraft facilities	1.6%	0.8%	0.8
- term loans**	98.4%	99.2%	-0.8
Total	**100.0%**	**100.0%**	**0.0**

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

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

6.2. The structure of liabilities and equity

At the end of 2010, as in the previous year, amounts due to customers were the main category of liabilities. Over last 12 months, their value increased by 14.2%. The share of amounts due to customers in total liabilities and equity amounted at the end of 2010 to 59.2% (an increase by 1.7 p.p.).

As a consequence of good results of the acquisition of customers' funds, the share of amounts due to banks (including the Central Bank) in total liabilities and equity declined. At the end of 2010, it was at the level of 28.0% against 31.7% at the end of 2009. The majority of them were funds sourced from KBC Group's entities. At the end of 2010, the value of loans and advances obtained from entities of KBC Group amounted (with subordinated liabilities) to PLN 6,562,093 thousand, which accounted for 15.1% of total liabilities and equity. In addition, at the end of 2010, KB S.A. Group obtained, from entities of KBC Group, interbank deposits amounting to PLN 2,909,169 thousand (6.7% of total liabilities and equity). Borrowed loans and advances as well as interbank deposits will be renewed at their maturities, which enables the Bank to treat them as a stable source of financing.

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

	31.12.2010	31.12.2009	Change (%)
Amounts due to Central Bank	6	1 321 802	-100.0%
Amounts due to banks	12 150 706	11 081 690	9.6%
Liabilities arising from repurchase transactions	228 693	0	-
Derivatives including:	1 131 078	541 068	109.0%
- derivatives used as hedging instruments	1 274	3 166	-59.8%
Amounts due to customers	25 660 758	22 469 154	14.2%
Current tax liability	155 197	32 282	380.8%
Provisions	92 811	53 917	72.1%
Deferred tax liability	869	1 289	-32.6%
Other liabilities	214 804	180 997	18.7%
Subordinated liabilities	911 100	805 816	13.1%
Total equity	2 828 224	2 588 583	9.3%
Total liabilities and equity	**43 374 246**	**39 076 598**	**11.0%**

Amounts due to customers – structure by items and types

In 2010, 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 31.12.2010, they amounted to PLN 706,509 thousand (2.8% of total amounts due to customers).

Amounts due to the Group's customers	31.12.2010	31.12.2009	Change in p.p.
Individuals*	**62.4%**	**63.2%**	**-0.8**
- in current account	78.3%	71.2%	7.1
- term deposits	20.9%	28.3%	-7.4
- other	0.8%	0.5%	0.3
Corporate customers	**29.9%**	**28.8%**	**1.1**
- in current account	49.8%	39.3%	10.5
- term deposits	47.6%	60.4%	-12.8
- loans and advances	2.6%	0.0%	2.6
- other	0.1%	0.3%	-0.2
Budget	**7.7%**	**8.0%**	**-0.3**
- in current account	68.4%	70.5%	-2.1
- term deposits	31.6%	29.5%	2.1
Total	**100.0%**	**100.0%**	**0.0**

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

6.3. Off-balance sheet items

The value of particular off-balance sheet items is presented in section 4 of the consolidated financial statements of Kredyt Bank S.A. Capital Group for 2010.

Guarantees and sureties issued, including those granted to the Issuer's related parties
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. The above guarantees were granted on market terms. The Bank's remuneration for the issuance of guarantees was also determined on market terms.
As of 31.12.2009, neither the Bank nor its subsidiaries issued guarantees with the total value of at least 10% of the Bank's equity, to one company or entities of one capital group.

6.4. Income statement structure

The Group's net profit in 2010 amounted to PLN 185,936 thousand and was higher by 438.0% in comparison to 2009. The most important factor which had an impact on the differences between the compared periods was the deduction of net impairment losses on financial assets, other assets and provisions from the result for 2010 with an amount lower than in 2009 (- PLN 471,971 thousand and – PLN 803,232 thousand respectively).

In 2010, the operating profit (understood as profit before tax less net impairment losses and the share in profit of associates) amounted to PLN 703,454 thousand and was lower than the operating profit for 2009 by 17.1% (PLN 848,065 thousand). The sale of the shares of Żagiel S.A. to KBC Bank N.V. in December 2009 was the main factor affecting the results in 2009. The impact of the transaction upon operating profit of KB S.A. Group amounted to PLN 268,274 thousand. Excluding the impact of a single transaction, the operating profit for 2010 would be higher than the operating profit in the previous year by 21.3%. It improved due to:

- an increase in total income resulting from improved basic income (net interest and commission income), with a simultaneous decrease in net trading income and other operating income and expenses. The increase in basic income was possible due to a flexible pricing policy, amplified sales activities in the area of investment and insurance products, and the acquisition of new, and expanding relations with existing customers in the segment of enterprises;
- a decrease in the level of general and administrative expenses related to the deconsolidation of Żagiel and the strict control of expenses.

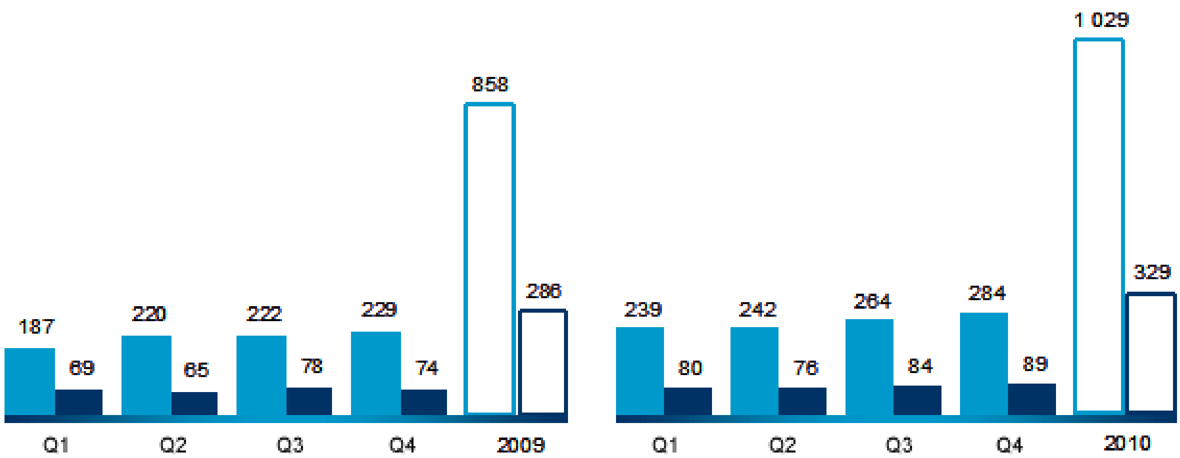
The main items of the Group's income statement are presented below.

in PLN '000'	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009	Change (%)
Net interest income	1 127 766	1 061 219	6.3%
Net commission income	329 873	304 107	8.5%
Net gains from trading and investing activities (including dividend income and net result on derivatives used as hedging instruments and hedged items)	130 765	165 121	-20.8%
Net gains from the sale of Żagiel	-	268 274	
Net gains from other operating income/expenses	43 149	73 396	-41.2%
Total income	**1 631 557**	**1 872 117**	**-12.8%**
General and administrative expenses, and depreciation	-928 103	-1 024 052	-9.4%
Net impairment losses on financial assets, other assets and provisions	-471 971	-803 232	-41.2%
Share in profit (loss) of associates	3 224	1 824	76.8%
Profit before tax	**234 707**	**46 657**	**403.0%**
Income tax expense	-48 771	-12 098	303.1%
Net profit (attributable to the shareholders of the Bank)	**185 936**	**34 559**	**438.0%**

Net interest income and net fee and commission income generated by the Group in 2010 amounted to PLN 1,457,639 thousand and was higher by 6.8% than the figure in 2009 (PLN 1,365,326 thousand). The decrease in financing costs related to certain weakening of the competition on the market of customer deposits, and improved business conditions and an increase in the sales of investment and insurance products had a positive impact upon the basic income. In the segment of enterprises, especially in the second half of the year, increased acquisition of new customers and improved profitability of the cooperation with existing customers brought about good outcomes. The reduction of the sales of loans affecting the commission income was a negative factor.

Net interest income increased as compared to 2009 by 6.3%. It resulted mainly from the increase in the volumes of gross loans (by 6.6%) and customer deposits (by 14.2%), at the same time preserving the loan margin, and with only a slight decrease in the deposit margin. As compared to 2009, the level of the competition on the market of customer deposits declined, which allowed for the introduction of a more flexible pricing policy.

Net fee and commission incomes in 2009 and 2010, in millions of PLN, are presented in the graph below:



Net fee and commission income was higher as compared to figures recorded in 2009 by 8.5%. The increase was a result of expanded sales activities mainly in the area of investment and insurance products (an increase in related income by 77.6%), an increase in the income related to the maintenance of current accounts, transactions made through current accounts, payment cards and ATMs, and related to custodian services.
The persisting low demand for loan products in the segment of enterprises and the restructuring of the existing portfolio of customers contributed to lower income from loan-related commissions and guarantees. The income was partially substituted by an increase in transactional fees resulting from a greater scope of the cooperation with existing and new customers.

The table below presents the structure of commission income in 2009 and 2010.

	01.01.2010 - 31.12.2010	Structure %	01.01.2009 - 31.12.2009	Structure %
Fees and commissions on deposit-related transactions with customers	138 166	32.4%	134 796	31.1%
Fees and commissions due for payment cards processing and ATMs maintenance	138 057	32.3%	170 517	39.3%
Commissions on distribution and management of combined investment and insurance products	65 754	15.4%	37 025	8.5%
Fees and commissions related to lending activities	40 003	9.4%	46 993	10.8%
Commissions on guarantee commitments	18 899	4.4%	19 093	4.4%
Commissions on foreign clearing operations	15 638	3.7%	16 312	3.8%
Other fees and commissions	7 056	1.7%	6 397	1.5%
Commissions on other custodian services	3 316	0.8%	2 584	0.6%
Total	**426 889**	**100.0%**	**433 717**	**100.0%**

Net gains from trading and investing activities (including dividend income and net result on derivatives used as hedging instruments and hedged items) in 2010 amounted to PLN 130,769 thousand and was lower by 20.8% than the result accomplished in 2009 (PLN 165,121 thousand). Net trading income decreased by 23.7% and amounted to PLN 121,555 thousand (as compared to PLN 159,359 thousand in 2009). It resulted from a decrease by PLN 37,746 thousand in the income from foreign exchange.

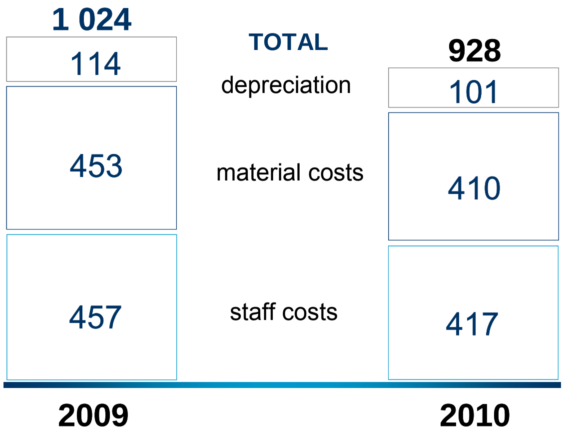
Net gains from the sale of the shares of Żagiel S.A. In 2009, the Bank sold 100% of the shares of Żagiel S.A. held by Kredyt Bank S.A. The selling price was PLN 350 million. In the case of the sale of Żagiel by KBC to an outside entity for an amount higher than PLN 350 million, in addition, Kredyt Bank will receive from KBC the amount of the surplus less applicable taxes and fees. In the case of the sale of the shares of Żagiel for an amount lower than PLN 350 million, the risk of Kredyt Bank is limited to 10% of the proposed selling price. According to their best knowledge, the Bank's Management Board does not envisage the necessity for incurring expenses due to the above-mentioned provision in the agreement. As a result, the Bank did not recognize any related liability. The one-off impact of the transaction upon the operating profit of KB S.A. Group amounted in 2009 to PLN 268,274 thousand, and the impact upon the net profit in 2009 was PLN 228,608 thousand.

Net gains from other operating income/expenses in 2010 amounted to PLN thousand, i.e. by 41.2% (by PLN thousand) less than in 2009. In 2010, as compared to 2009, the income from recovered receivables in the sector of enterprises (previously written off the balance sheet) was lower by PLN 16,077 thousand and the debt recovery expenses in the retail segment were higher by PLN 14,677 thousand.

The Group's general and administrative expenses in 2010 amounted to PLN 928,103 thousand and, as compared to 2009, decreased by 9.4% (PLN 1,024,052 thousand). The decrease resulted mainly from a decrease in the level of staff costs. In 2010, staff costs amounted to PLN 416,688 thousand, what means a decrease as compared to 2009 by PLN 40,176 thousand (8.8%). It is mainly a result of the decrease in the employment in the Group (including the sale and deconsolidation of Żagiel) and was partially balanced with higher costs of provisions for bonuses for the employees of the support function (the Group did not pay any bonuses in this area for 2009).
In 2010, the Group's general expenses, excluding staff costs, amounted to PLN 410,461 thousand and, as compared to 2009, were lower by PLN 42,226 thousand (by 9.3%). As in the case of staff

costs, it was related, inter alia, to the sale and deconsolidation of Żagiel S.A. The following expenses were lower: the costs of buildings lease (by PLN 20,460 thousand), the costs of taxes and fees (by PLN 8,663 thousand), the costs of the purchase of other materials (by PLN 3,267 thousand), other general expenses (by PLN 2,887 thousand) and IT and telecommunications costs (by PLN 2,372 thousand). The decreases were partially compensated for by an increase in promotions and advertising services costs (by PLN 3,581 thousand).

General and administrative expenses, and depreciation costs, in 2009 and 2010, are presented in the graph below (in millions of PLN):



In 2010, the cost/income ratio (CIR) amounted to 56.9% and was higher by 2.2 p.p. than in 2009. Excluding the impact of the sale of Żagiel S.A. upon the results for 2009, we would face the improvement in the ratio by 6.9 p.p. (in 2009, it would amount to 63.8%).

In 2010, net impairment losses on financial assets, other assets and provisions were negative and amounted to - PLN 471,971 thousand as compared to –PLN 803,232 thousand in 2009.
The biggest improvement of the result was related to the consumer finance portfolio, in which, following the problems associated with the 're-mortgage' of customers, which took place in the banking sector in 2009, the cost of risk stabilized at the natural level for this type of products. As compared to 2009, the level of established provisions in the retail segment increased (excluding consumer finance). In the third quarter of 2010, the Bank introduced a one-off modification of the methodology of establishing impairment losses for the portfolio of mortgage loans, which involves the separation of more homogenous subportfolios. The modification resulted in the necessity for a one-off establishment of additional provisions of – PLN 57 million.

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'	2010	2009	Change in PLN '000'	Change (%)
Retail Segment	-230 119	-121 083	-109 036	90.1%
Consumer Finance Segment	-156 708	-496 705	339 997	-68.5%
Corporate Segment	-62 362	-171 923	109 561	-63.7%
Other provisions	-22 782	-13 521	-9 261	68.5%
Total	**-471 971**	**-803 232**	**331 261**	**-41.2%**

Income tax expense: the deduction due to the income tax in the Group in 2010 amounted to PLN 48,771 thousand, as compared to the deduction from the Group's net profit in 2009 of PLN 12,098 thousand. The effective tax rate in 2010 amounted to 20.8% as compared to 25.9% for 2009.

7. Risk management

The Bank's supervisory bodies, explicitly the Management Board and the Supervisory Board, play the most important role in the risk management process. The Supervisory Board, through the Audit, Risk and Compliance Committee, is informed about the most vital decisions and gives opinions about the actions of the Management Board in this respect.
In 2010, particular types of risk were dealt with directly by specialised committees:

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

Members of the Management Board supervise works of the above committees; there are at least two Board Members in each committee. All types of risk in Kredyt Bank are measured and monitored by the departments in the Risk and Capital Management Function, which is supervised by the Member of the Management Board accountable for the risk and capital management. The following departments operate within the Risk and Capital Management Function:

- Capital Management Department;
- Corporate and SME Loans Risk Department;
- Retail Loans Risk Department;
- Operational Risk Department;
- Market Risk Department.

These units monitor and report all risk-related aspects, at the same time being fully independent of the Bank's business units. In the process of the identification, measurement and the risk management, the Bank applies techniques relevant to a given type of risk. The overriding objectives of risk management policy concerning mainly the observance of internal and external limits and optimising and mitigating risk in the process of ongoing monitoring are being systematically implemented. The risk management process is strictly related to the capital management process. The main objective of capital management in the Bank is to optimise it and, at the same time, to meet external capital requirements. To achieve this goal, in the first half of 2008, the Bank implemented ICAAP (Internal Capital Adequacy Assessment Process). Details of the risk management system and applied risk metrics are presented in Note 77 to the consolidated financial statements of Kredyt Bank S.A. Capital Group for the year ended 31.12.2010.

7.1. Credit risk

Credit policy and credit risk management process

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

Kredyt Bank S.A. Capital Group follows a prudent credit risk policy. The main objective is to prevent impairment of loans portfolio and minimize the share of receivables for which premises of impairment were identified in total loan receivables. The primary assumptions of the credit policy are as follows:

- clear-cut division between sales and credit risk management functions;
- ongoing monitoring and early identification of hazards;
- centralization of decision-making powers in the credit process and in the process of the management of impaired loans portfolio;
- risk diversification and limited financing of higher-risk business activities.

Having regard for the existing uncertain macroeconomic situation, the Group focused on the monitoring of credit risk with the use of cyclical and provisional reports and analyses in order to response fast to disadvantageous trends in the quality of the loans portfolio. The Group established early warning signs within portfolio limits, the principles for their monitoring and procedure in the case they are exceeded. On the basis of the findings of analyses, the Group introduced changes in the credit policy aimed at improving the quality of the loans portfolio. The main areas of changes in terms of the credit policy include:

- the tightening of the credit policy and requirements towards the customers without any borrowings history or other product relation with the Bank;
- the implementation of 'T Recommendation';
- addressing the product offer mainly at existing customers with a good behavioural assessment;
- the tightening up of the credit verification of individual customers borrowing mortgage loans by centralizing the process of credit decision making and a partial centralization of the decision-making process for the remaining loan products for individual customers;
- changes in the monitoring and debt recovery process for mortgage loans, which involve, inter alia, the expansion of the scope of the restructuring of individual loans;
- the implementation of new, more restrictive financing conditions for commercial real properties;
- further limitation of the financing of more risky corporate customers (with lower PD ratings) and more risky industries.

Apart from standard loan collateral specified in loan agreements which are in line with the practices applied in the industry (mortgage, transfers of ownership to secure a loan, registered pledges, sureties, guarantees and transfers of receivables), the Bank does not apply any other loan collateral, e.g. credit derivatives. The Bank monitors established legal securities of loan transactions by evaluation of the value of approved collateral on the basis of documents lodged by the borrower (including valuations of appraisers) and internal databases including historic data about the recoverability of collateral.

As at 31.12.2010, the concentration limits were not exceeded.

The Group's exposure towards 10 major corporate customers

31.12.2010		31.12.2009	
Company	**Share (%) in the portfolio**	**Company**	**Share (%) in the portfolio**
Customer 1	3.8	Customer 1	3.4
Customer 2	3.4	Customer 2	2.6
Customer 3	2.7	Customer 3	2.4
Customer 4	2.0	Customer 4	2.4
Customer 5	2.0	Customer 5	2.4
Customer 6	1.8	Customer 6	2.2
Customer 7	1.8	Customer 7	2.1
Customer 8	1.5	Customer 8	1.8
Customer 9	1.5	Customer 9	1.8
Customer 10	1.4	Customer 10	1.7
Total	**21.9**	**Total**	**22.8**

The Bank's exposure in industrial segments (excluding individuals)

Industry	Exposure % 31.12.2010	Comparable data Exposure % 31.12.2009
Production activities	30.1	30.5
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	26.5	25.2
Real estate administration and lease	16.9	17.7
Construction	8.0	5.8
Transport, storing and communication	4.2	3.5
Agriculture, hunting and forestry	3.6	2.5
Mining	2.8	1.7
Financial intermediation	2.2	7.1
Health care and social care	1.5	1.1
Public administration and national defence, legally guaranteed social care	1.4	2.0
Hotels and restaurants	1.1	0.8
Other services for municipalities, social and individual services	1.0	0.8
Education	0.4	0.2
Supplies of electricity, gas and water	0.2	1.0
Fishing and fish culture	0.1	0.1
Total	**100.0**	**100.0**

The Group's geographical exposure

Province	Gross loans structure (%) 31.12.2010	Comparable data Gross loans structure (%) 31.12.2009
Mazowieckie	21.0	21.7
Lubelskie	11.8	13.3
Dolnośląskie	10.6	10.6
Wielkopolskie	8.9	8.7
Pomorskie	8.6	7.9
Małopolskie	7.3	7.2
Śląskie	6.4	6.3
Zachodniopomorskie	5.2	4.9
Łódzkie	4.3	4.0
Podlaskie	3.2	3.1
Kujawsko-pomorskie	3.1	3.0
Podkarpackie	2.7	2.7
Warmińsko-mazurskie	2.4	2.2
Lubuskie	2.0	1.8
Świętokrzyskie	1.2	1.3
Opolskie	1.2	1.1
Non-resident	0.1	0.2
Total	**100.0**	**100.0**

7.2. Liquidity risk

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

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

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

continues works on the methodology of making a liquidity gap report real. The process of making the gap real is aimed at presenting a true picture of liquidity. The Bank models customers' behaviour (the quantity of revolving term deposits, amounts of extended but still undrawn loans) and takes into account results of those analyses in the picture of the Bank's liquidity.
The Bank's financial liquidity is also monitored on the basis of a system of ratios reflecting the structure of liabilities and receivables for time ranges from 7 days to 10 years and through a set of regulatory liquidity measures. Details concerning these ratios are presented in Note 77 to the consolidated financial statements of Kredyt Bank S.A. Capital Group for the year ended 31.12.2010.

The Group finances the lending activities (especially loans in foreign currencies) with deposits base and, to a large extent, with financing made available by KBC, the Bank's main shareholder. Borrowed loans and advances as well as received deposits will be renewed at their maturities, which enables the Bank to treat them as long-term financing.

Stability of financing sources

in PLN '000'	31.12.2010	Comparable data 31.12.2009
Loans and advances from KBC Group	5 650 993	6 818 610
- including loans and advances in foreign currencies	5 340 993	6 216 705
Term deposits	2 922 345	1 699 362
- including term deposits from KBC Group	2 909 169	1 696 985
Current accounts	3 573 391	2 560 645
Other liabilities	3 977	3 073
Total amounts due to banks	**12 150 706**	**11 081 690**
Subordinated liabilities (from KBC Group)	911 100	805 816
Total	**13 061 806**	**11 887 506**

The structure of term deposits (except for interbank term deposits and negotiable term deposits) is advantageous from the point of view of an initial maturity date. As at 31.12.2010 and 31.12.2009, it was as follows:

Amounts due to customers by maturity dates

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	19 716 891	16 671 535
- 1-3 months	1 978 374	2 412 093
- 3-6 months	2 169 911	2 251 609
- 6 months to 1 year	1 044 007	418 747
- 1-3 years	535 003	608 810
- 3-5 years	17 585	101 277
- 5-0 years	198 242	4 216
- 10-20 years	745	867
Total	**25 660 758**	**22 469 154**

Gross loans and advances to customers by maturity dates

	31.12.2010	Comparable data 31.12.2009
- up to 1 month	666 091	959 941
- 1-3 months	921 420	936 336
- 3-6 months	1 011 620	900 979
- 6 months to 1 year	2 870 410	2 621 214
- 1- 3 years	4 010 702	3 605 961
- 3-5 years	2 470 133	2 306 614
- 5-0 years	3 926 722	3 756 451
- 10-20 years	6 152 841	5 247 392
- over 20 years	3 686 473	3 396 550
- past due	3 324 576	3 566 306
Total	**29 040 988**	**27 297 744**

7.3. Market risk

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

The Bank does not trade on the stock market (investments in shares are long-term investments or investments in strategic subsidiaries). The Bank does not trade on the commodity markets. In the Bank, among all types of market risks, we deal with interest rate risk and currency risk. The Bank's activity is divided into two parts: Trading Book and Banking Book. Due to different nature of opened positions, the risk is monitored in each book separately.

Trading Book

The Trading Book is a separated part of the Bank's portfolio, where the Bank intends to generate income resulting from short-term changes in prices, interest rates, exchange rates or other market parameters. The main activity of the Trading Book is associated with financial instruments in PLN, and, to a lesser extent, also in USD and EUR.
Value at Risk (VaR) is the basic metric of risk in the trading portfolio. Value at Risk means such an amount that the probability of the Bank's loss exceeding this value amounts to 1% (with assumed 99% level of significance). Value at Risk (VaR) in the Bank is calculated by a historical method in the time horizon of 10 days, taking into account market figures for the previous 500 days. VaR limit for the Trading Book overlaps Global VaR, which includes both the currency risk and the interest rate risk.

The Bank does not maintain interest rate options or currency options for its own account, i.e. it does not pursue speculative activities. Therefore, the market risk in the portfolio of option transactions does not exist.

Trading Book – interest rate risk

Interest rate risk reflects a degree of a hazard to the Bank's financial standing as a result of adverse changes in market interest rates.
The level of interest rate risk is monitored and limited (by establishment of limits) against BPV (basis point value – price sensitivity to parallel shifts in interest rates on the yield curve).
All above-mentioned limits concern the total Trading Book. The activities of the Trading Book in the area of interest rate risk is limited by an internal limit on VaR for the interest rate position and stop-loss limits (the maximum acceptable value of the loss). Interest rate risk VaR is calculated using the same parameters as Global VaR, i.e. the significance level of 99%, 10-day time horizon and 500-day observation horizon. The interest rate risk analysis is supplemented by stress-testing which is the amount of possible loss due to extremely adverse (critical) changes in interest rates.

Trading Book – currency risk

Currency risk is a degree of the risk for the Bank's financial standing resulting from adverse changes in exchange rates on the market. This risk covers income on foreign exchange transactions and measurement of open position in currencies resulting from the difference between the value of assets and liabilities in a given currency. The Bank's position in currencies is managed for the Trading Book and the Banking Book jointly. The Bank's position in currencies is managed in the Trading Book.
The daily analysis of the sensitivity of the total Trading Book position to currency risk is performed through the calculation of currency risk VaR (with the same parameters as Global VaR, i.e. the significance level of 99%, 10-day time horizon and 500-day observation horizon). In the event of the currency risk, the 'value at risk' method is supplemented daily by stress-testing which is the amount of possible loss due to extremely adverse (critical) changes in exchange rates.

Banking Book

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

Banking Book – interest rate risk

The Bank actively manages the interest rate risk for 5 main currencies of the balance sheet: PLN, EUR, USD, CHF, GBP.
An interest rate gap prepared separately for each currency is the basic measurement and risk-limiting tool in the banking portfolio. The following risk metrics are calculated on that basis:

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

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

Average interest rates in Kredyt Bank S.A. in 2010

Average interest rates of customers' deposits, calculated as the ratio of interest expenses to the average deposits volume in the year, for major currencies, were as follows:

	31.12.2010	31.12.2009
PLN	3.8	4.3
EUR	0.7	1.3
USD	0.6	1.0
CHF	0.2	0.3

The average interest rates of customers' loans, calculated as the ratio of interest income from performing loans to the average volume of loans and advances in the year, for major currencies, were as follows:

	31.12.2010	31.12.2009
PLN	8.0	7.8
EUR	2.5	3.0
USD	2.0	2.1
CHF	1.6	2.0

Banking Book – currency risk

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

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

- determines the value of the highest monthly interest and principal repayment instalment for the applied loan with the assumption that the principal of the applied loan is 20% higher;
- Bank calculates the maximum level of LtV (Loan To Value) ratio on a lower level than for loans in PLN (LtV ratio should be understood as the loan value/collateral value ratio);
- additionally, the applicant is informed about the foreign exchange risk.

In May 2010, the Bank eliminated from its offer mortgages denominated in CHF, focusing on the development of the offer in PLN and EUR.

Details of the values of particular risk metrics and the application of hedge accounting for the Trading Book and the Banking Book are presented in Note 77 to the consolidated financial statements of Kredyt Bank S.A. Capital Group for the year ended 31.12.2010.

7.4. Operational risk

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

To calculate the capital requirement for operational risk, the Group applies the Standardized Approach. As a result, the Group, inter alia:

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

As per the requirements concerning the application of the Standardized Approach, the Bank strengthened the operational risk assessment system. Risk self-assessment (RSA) is carried out systematically in particular business areas, action plans to reduce the risk are implemented and the level of risks is measured with the applications of key risk indicators (KRI).
Business units play a significant role in the implementation of operational risk management tools and techniques, as the direct accountability for operational risk management is on the supervisors of particular business lines.
The infrastructure of management and methodology are coherent within the Bank and its subsidiaries. Identification and operational risk rating tools are identical. The whole process is supervised by the Operational Risk Committee and the Bank's Management Board.

8. Financial ratings for the Group's parent company

As at 31 December 2010, Kredyt Bank S.A. did not have financial ratings prepared on the basis of its order.

On 11 March 2009, Kredyt Bank S.A. notified of the termination of the agreement on the provision of rating services concluded by Kredyt Bank S.A. and Moody's Investors Service. The above decision was made as a result of the fact that, in the nearest future, the Bank does not intend to obtain long-term financing from external sources, which would justify the assignment of ratings.
According to the information submitted on 11 March 2009 by Moody's Investors Service, the withdrawal of KB S.A. ratings did not mean the change in the assessment of the Bank's credit rating.

In turn, on 30 March 2009, the Bank terminated the agreement on the provision of rating services concluded between Kredyt Bank S.A. and Fitch Ratings. The above decision was made as a result of the fact that, in the nearest future, the Bank does not intend to obtain long-term financing from external sources, which would justify the assignment of ratings.
The Management Board of Kredyt Bank S.A. also informed that on 30 March 2009, Fitch Ratings confirmed the above ratings of the Bank: Long-term Issuer Default Rating (IDR) at A (with negative outlook), Short-term Issuer Default Rating (IDR) at F1 and the Support Rating at 1.
At the same time, the agency decreased the individual rating of Kredyt Bank S.A. from 'C/D' to 'D'. The agency justified that the above decision reflects the deterioration in economic conditions in Poland, which may result in lower income and higher costs of risk for Polish banks. In this context, according to Fitch, Kredyt Bank's capital base ensures only a limited hedging in the case of the negative scenario.

9. Corporate governance and social commitment

Corporate Governance rules

Since the implementation of Corporate Governance principles (for the first time, they were incorporated by the authorities of the Warsaw Stock Exchange in 2002), Kredyt Bank S.A. declared its adherence to them and made every effort to apply recommendations and corporate governance principles to the largest possible extent.
On 1 January 2008, Corporate Governance rules enlisted in "The 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 of the new rules on 28 May 2008 under Resolution No. 25/2008 of 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 the 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 the 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 financing 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 the 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 an 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

In 2010, Kredyt Bank implemented various community involvement projects which refer to Kredyt Bank's mission: 'To fulfil dreams safely'.

The Employee Volunteering Programme of Kredyt Bank and WARTA called 'TAK od serca' ('YES straight from the heart') is becoming more and more popular among employees. In 2010, over 550 volunteers participated in community projects. They cooperated with local NGOs or public institutions (children's homes, nursing homes, residential homes, hospices, etc.). The Company facilitates such a commitment (each employee may designate one working day in a year to carry out volunteer actions) and helps finance specific needs of volunteers related to their initiatives.
The activities of the volunteers were appreciated by Centrum Wolontariatu ('Voluntary Centre' Association). In 2010, as many as three employees were honoured with 'The Volunteer of the Month' title in the contest held by Centrum Wolontariatu. In 2009 and 2010, this title was awarded to as many as five employees.

Blood donation campaigns with the participation of employees organized cyclically in the Company's registered office have become a permanent element of the Company's social activities. In 2010, two such campaigns were held in the Bank's Head Office, during which 63 employees donated almost 30 litres of blood.

In 2010, preparations were launched to implement the social and educational project titled 'Kabecjanie dają radę' ('The Kabecjans can make it'). It will be addressed at ca. 20,000 pupils, classes 1-3, of 105 primary schools from three provinces: Śląskie, Łódzkie and Dolnośląskie.

Social projects were also undertaken by 'Razem Możemy Więcej' ('Together We Can Do More') Foundation of WARTA and Kredyt Bank, which, in 2010, handed over 60 donations for the total amount of over PLN 724,000 to support culture and sports, the development of education and science, health promotion and protection, social aid, charity and care-related activities. The Foundation actively developed 'Chcę pomagać!' ('I want to help!') grants programme to support employee volunteers. Due to the commitment and enthusiasm of our employees, as many as 36 local institutions acting for the benefit of the sick, the poorest and the disabled, but mainly children, were granted support amounting to PLN 187,600. Thanks to volunteers, we organised psychological and therapeutical workshops in Wałbrzych for people with cancer; theatrical performances in the library of the Special Schools Complex in Sosnowiec within the project titled 'Books and reading – a form of the therapy for mentally disabled children'; and the musical and theatrical show 'The Music of the World' for children from children's homes in Wałbrzych. Furthermore, the major repairs and modernization of rooms in the children's home in Konstancin Jeziorna were co-financed and the rooms in the District Kindergarten in Siennica were renovated.

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 2010, the Company was mainly involved in local projects. Cooperating with the Museum of the History of Katowice, for the second time the Bank supported, inter alia, 'The Night in a Museum' event in Katowice. The Bank was also a sponsor of 'Belgian Days', which are held each year in Warsaw. The Bank participated as the Chief Sponsor in European Laser Class Championships - Puck 2010. In addition, it supported the organisation of the 20th anniversary of the Lower Silesian Chamber of Commerce.

Celebrating the 20th anniversary of Kredyt Bank

In 2010, Kredyt Bank celebrated its 20th anniversary of its market presence. To celebrate it, the Bank prepared multiple promotions, contests and a special concert for customers.

'The Concert of Dreams' was organised jointly with WARTA, which celebrated its 90th anniversary. Almost 2,000 customers, employees and business partners from the whole Poland took part in it. Maestro Ennio Morricone, renowned as one of the most eminent composers of our times, an Oscar winner, performed for the guests. On stage, he was accompanied by an Italian orchestra Roma Sinfonietta and Suzanna Riggacci, a distinguished soprano.

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 change in the main macroeconomic trends, the situation of financial institutions and the condition of the public finances sector became greater. At the beginning of the crisis, concerns about the solvency of the most important financial institutions for the system resulted in the necessity for supporting them with public funds. At the same time, in response to the recession, the fiscal policy underwent changes, which resulted in its halt for the price of a significant increase in the deficit of public finances in certain counties. In the middle of the year, the concerns about the long-term solvency of certain euro area countries caused tension on financial markets. The concerns were mitigated by the implementation of the European Stabilization Mechanism and the introduction of budgetary savings and public finances improvement programmes.

The recent months show that the economic revival in developed countries may be slower due to the need to reduce the imbalance of public finances and implement fiscal consolidation programmes and structural reforms in the economy. By reducing the external demand, increasing aversion to risk resulting in a rise in the costs of foreign debt servicing and the required tightening of the fiscal policy, such a scenario could also lead to the slower economic growth in Poland.

The Polish economy, at the background of European economies, appears to be in a good shape, nevertheless such phenomena as the persisting trend of growing unemployment, 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. Limited access to financing on the interbank market and a noticeable balance sheet imbalance between loans and deposits resulted in a significant increase in the cost of financing activities. The issue of replacing long-term financing obtained in the context of much lower margins in the years 2006-2008 may become a problem for banks.
The development of the lending activities in 2010 was not much faster due to the postponement of investment decisions by enterprises. According to a part of economic forecasts, it should take place in 2011. Concerns related to the actual economic situation of customers and the potential increase in the costs of credit risk affecting the credit policy of banks remain a limitation. This element will be still crucial in 2011 for the results of the whole banking sector.

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

- only a moderate increase in the economic growth rate, causing the risk of no significant improvement of the situation on the labour market and, hence, of the internal demand;
- a persisting upward trend concerning the prices of raw materials, which may have a negative impact upon the economic and financial situation of a part of institutional customers;
- limited investment activity in the sector of enterprises, which means a limited demand for investment loans and limited opportunities for the growth and the improvement of the quality of loans portfolio; lower activity and reduced tendency to use banking products by institutional customers;

- an impact of the implementation of new recommendations/regulations of the Polish Financial Supervision Authority upon the profitability and the growth rate of the retail loans portfolio (especially in the case of mortgages);
- currency risk; on the one hand, a significant depreciation of PLN resulting from the increase in the aversion to risk on financial markets, which may result in lower quality of mortgages; 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;
- persisting high costs of long-term liquidity both in the Polish zloty and in foreign currencies;
- lower costs of sourcing and maintaining deposits.

Internal drivers

The increase in income, with simultaneous reduction of risk costs and the maintenance of the control of general and administrative expenses will be vital for the implementation of strategic objectives of Kredyt Bank S.A. Group in 2011.

A more complete use of the existing distribution network will be an important factor. 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. Works are underway within strategic projects aiming at the reconstruction of the existing electronic banking system. A greater role of alternative distribution channels in the acquisition and maintenance of new customers is assumed.

As part of the new strategy, the Group initiated a number of projects, which aim at better adjustment of institutions to market requirements, improving the efficiency of processes and better use of existing human and material resources. Further centralization of operational functions and a change in the business model are planned. 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 enhancement of 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 segment of enterprises, 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 consolidated financial statements of Kredyt Bank S.A. Capital Group for the year ended 31.12.2010 along with the comparable data, were prepared according to the accounting principles effective in the Group and present a true and fair view of the financial standing and assets of Kredyt Bank S.A. Capital Group as well as of its financial result. In addition, the Management Board of Kredyt Bank S.A. hereby declares that the annual Management Board's report presents a true picture of the development and accomplishments, as well as the situation (including the description of basic risks and threats) of Kredyt Bank S.A. Capital Group in 2010.

11.2. Appointment of the certified auditor for financial statements

The Management Board of Kredyt Bank S.A. hereby declares that the certified auditor to audit the consolidated financial statements of Kredyt Bank S.A. Capital Group for the year ended 31.12.2010 was appointed as required by law. This entity and certified auditors performing the audit complied with the conditions on the issue of impartial and independent audit report, as required by the Polish law.

Signatures of all Management Board Members

date	25.02.2011	Maciej Bardan	President of the Management Board	....
date	25.02.2011	Piotr Sztrauch	Vice President of the Management Board	....
date	25.02.2011	Umberto Arts	Vice President of the Management Board	....
date	25.02.2011	Krzysztof Kokot	Vice President of the Management Board	....
date	25.02.2011	Zbigniew Kudaś	Vice President of the Management Board	....
date	25.02.2011	Gert Rammeloo	Vice President of the Management Board	....

Report Corporate Governance – 2010

(statement on complying with the corporate governance principles)

This Report was prepared pursuant to § 29 section 5 of the Warsaw Stock Exchange Regulations and pursuant to the Resolutions 12/1170/2007of the Warsaw Stock Exchange Supervisory Board of July 4, 2007, the Resolution 17/1249/10 of May 19, 2010 of the Warsaw Stock Exchange Supervisory Board, as well as the resolutions 1013/2007 and 1014/2007 of December 11, 2007, 718/2009 of December 16, 2009 of the Warsaw Stock Exchange Management Board and pursuant to § 91 section 5 point 4 of the Regulation of the Minister of Finance on current and periodical information of February 19, 2009, (Journal of laws of 2009 No. 33 item 259)

Contents of the report:

1. The principles of the corporate governance

The Management Board of Kredyt Bank S.A. has been declaring adherence to the principles of corporate governance from the moment of their entering into force and has expended every effort so the recommendations and corporate governance principles would be applied to the broadest extent.

On December 23, 2002 the Management Board of Kredyt Bank declared, for the first time, an intention to implement corporate governance principles, included in the document „Good practices in the publicly quoted companies in 2002", which were adopted by the authorities of the Warsaw Stock Exchange.

Starting from 2003 the Bank's Management Board has been submitting statements on complying with the corporate governance principles. Good practices were adopted and approved for application by the Extraordinary General Assembly in the resolution 5/2003 of June 25, 2003.

After two years the principles had been in effect, the Stock Exchange updated the corporate governance provisions, introducing the document „Good practices in the publicly quoted companies in 2005". On April 25, 2005 the document in a form of a declaration was approved by the resolution no. 25/2005 by the Ordinary General Assembly.

On July 4, 2007 the Supervisory Board of the Warsaw Stock Exchange by its resolution no. 12/1170/2007 adopted new principles of corporate governance included in the document "Good Practices of the Companies Quoted on the WSE" – and they became effective as of January 1, 2008.

The Bank's Management Board – in accordance with the new principles – prepared "2007 Corporate Governance Report". The above-mentioned report included the provisions that envisaged by the resolution no. 1013/2007 of December 11, 2007 passed by the Warsaw Stock Exchange, and also concerned the principles that were in force in 2007 (i.e. "Good practices in the publicly quoted companies in 2005").

The "Report Corporate Governance 2007" was attached to the Bank's "2007 Annual Report" and made public on February 29, 2008 as well as published on the Bank's internet website.

On May 28, 2008 the Ordinary General Assembly of Kredyt Bank S.A. by its resolution no. 25/2008 approved the application in the Bank's activity of the document "Good Practices of the Companies Quoted on the WSE"

The "2008 Corporate Governance Report" was attached to the Bank's "2008 Annual Report" and made public on February 19, 2009 as well as published on the Bank's internet website.

Report Corporate Governance 2009 includes the provisions envisaged by the Regulation on information obligations and in the Resolutions of the Warsaw Stock Exchange no. 718/2009 of December 16, 2009 on transferring, by the publicly quoted companies, of the reports concerning the application of corporate governance principles.

After the revisions to the Regulation on information obligations entered into force on March 15, 2009, and revisions to the Code of Commercial Partnerships and Companies on August 3, 2009, some of the provisions concerning the principles were included into the provisions of the absolutely binding law. It was then necessary to update the "Good Practices of the Companies Quoted on the WSE", which was conducted by the Warsaw Stock Exchange Management Board by adoption of the Resolution 17/1/249/2010 in force since July 1, 2010.

The content of the Report Corporate Governance 2010 constitutes a separate document attached to the 2010 Annual Report. It takes into consideration the principles stemming from the Resolutions of the Warsaw Stock Exchange 12/1170/2007 which had been in force until June 31, 2010 and 17/1/249/2010 in force since July 1, 2010.

All the information concerning the corporate governance principles in the Bank is available on the Bank's website in Polish language version:

http://www.kredytbank.pl/o_banku/Relacje_z_inwestorami/Corporate_Governance/

in English language version:

http://www.kredytbank.pl/About_the_Bank/Investor_Relations/Corporate_Govertance/

2. Application of Corporate Governance Principles by Kredyt Bank S.A.

In accordance with the preamble to the "Good Practices of the Companies Quoted on the WSE" that entered into force as of January 1, 2008, the compliance with principles specified in parts I – IV is the subject of annual reports. Since July 1, 2010, the revised corporate governance principles have been in force introduced by the Resolution 17/1/249/2010 of May 19, 2010.

2.1. Recommendations concerning good practices of the quoted companies

Kredyt Bank S.A. conducts a transparent and reliable information policy and respects the law and good practices in its activity. In its activity, Kredyt Bank is headed by the clients' fair interests.

The Bank's information policy is directed to:

- mass media through the press conferences, press information, and contact with the press spokesman as well as the information on the www websites,
- employees through an internal magazine and mailing,
- the public by publishing information on the internet website.

The Bank prepares and makes publicly known the current and periodical reports by publishing them on www websites. Moreover, on its internet website the Bank publishes also the schedule and quarterly presentations of the Bank's financial results as well as other information about the Bank's activity both in Polish and English languages.

The Bank expends every effort so that the communication with the financial market participants would be based on the principle of equal access to information and its truthfulness and that each person or institution interested in obtaining information is treated with care and commitment.

The basic principle of providing information is ensuring the equal access to precise, reliable and current information about the Bank and the Capital Group in accordance with the principles and regulations applicable to the publicly quoted companies. The text of the Information Policy is available on the Bank's internet website.

The Bank prepares quarterly presentations of its financial results and arranges the meetings with the analysts and investors, securing in this way a broad access to information as well as the opportunity of a direct meeting of the Bank's management with the active investors.

In order to secure an effective information policy in a crisis situation, the Physical and Technical Safety Policy as well as the Business Continuity Plans have been implemented by the Bank.

Kredyt Bank has a remuneration policy in place, which is addressed to all employees.

Moreover, Kredyt Bank has established principles of remunerating the members of the Management Board, which envisage that:

- the remuneration of the members of the Management Board constitutes a derivative of a position evaluation (reflecting, in particular, the area of Bank's activity supervised by a given member of the Management Board),
- the remuneration of the members of the Management Board remains in a reasonable proportion to the financial results of the Bank,
- payment of the major part of the bonus for a given calendar year is deferred in time,

Kredyt Bank S.A. strictly adheres to the provisions of the Labour Code concerning the equal treatment in employment. Due to the structure of employment in Kredyt Bank, in reference to gender and the number of women employed on managerial positions, women have a significant influence on the Bank's functioning and taking material decisions.

2.2. Good practices followed by the management boards of quoted companies

Kredyt Bank S.A. maintains a corporate internet website in two language versions: Polish and English at the address: www.kredytbank.pl. The binding language version is the Polish language version thereof.

The internet website includes basic corporate documents of the Bank: the By-laws of the Bank, Regulations of the General Assembly, Regulations of the Supervisory Board, Regulations of the Audit, Risk and Compliance Committee, Regulations of the Remuneration Committee, Regulations of the Management Board (/About_the_Bank/Corporate Governance/)

The website also includes the curricula vitae of the Management Board Members and Supervisory Board Members. Curricula vitae of the newly appointed members of the supervisory and managing bodies are promptly published on the internet website (/About_the_Bank/Bank_Management_Board/, (About_the_Bank/Supervisory_Board/):

On April 26, 2010, the Supervisory Board appointed to the Management Board's composition to perform a function of the Deputy President of the Management Board, Mr. Zbigniew Kudaś. Mr. Kudaś's curriculum vitae was made public in the current report no. 9/2010 of April 26, 2010 as well as published on the Bank's website.

On May 26, 2010 the Ordinary General Assembly of Kredyt Bank S.A. appointed the new composition of the Supervisory Board for the next term in office. Curricula vitae of the newly appointed members of the Supervisory Board were made public in the current report no. 14/2010 of 26 May, 2010 as well as published on the Bank's website.

On September 15, 2010, the Supervisory Board appointed to the Management Board's composition to perform a function of the Deputy President of the Management Board, Mr. Piotr Sztrauch. Mr. Sztrauch's curriculum vitae was made public in the current report no. 17/2010 of April 26, 2010 as well as published on the Bank's website.

The current and periodical reports in the Polish language version together with their translations into English are published on the Bank's website (/Investor_Relations/Current_Reports/ and /Investor_Relations/Periodic_Reports/).

The information about the date and place of the Bank's General Assembly were made public on the Bank's website and sent in the current reports (/Investor_Relations/Corporate_Govertance/General_Meeting):

On April 29, 2010 the Bank made public the "The Announcement on convening of the Ordinary General Assembly of Kredyt Bank S.A. to take place on May 26, 2010 including the draft resolutions together with attachments and justifications" in the current report no. 12/2010.

On May 26, 2010 the Bank made public "The resolutions passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 26, 2010" including the justifications of the resolutions in the current report no. 13/2010.

The candidatures to the composition of the Supervisory Board Members were proposed during the Ordinary General Assembly on May 26, 2010. The curricula vitae of the newly appointed members were published in the current report no. 14/2010 on May 26, 2010.

The Supervisory Board during its meeting on April 26, 2010 approved the report on its activities for 2009. Pursuant to the binding corporate governance principles the report included the evaluation of activities of the Supervisory Board, internal audit system, risk management system together with the information on the company's condition. It embraced the information concerning the activities of the Audit Committee and the Remuneration Committee. The report was subjected to examination by the Ordinary General Assembly and subsequently approved by the Resolution no. 3/2010 on May 26, 2010. (/Investor_Relations/Corporate_Govertance/).

The following information concerning the dividend was made public and published on the website (/About_the_Bank/Investor_Relations/Corporate_Govertance/General_Meeting):

On March 30, 2010 the current report no. 7/2010 was published informing on the approval of the proposal concerning the division of profit for 2009 by the Management Board and submission thereof for examination by the Supervisory Board of Kredyt Bank S.A. The above-mentioned proposal for 2009 did not envisage the payment of dividend.

On April 26, 2010 the current report no. 10/2010 was published concerning the approval by the Supervisory Board of the draft Resolution on the division of profit for 2009 for the General Assembly of Kredyt Bank S.A. The above-mentioned draft Resolution on the division of profit for 2009 envisaged the designation of the total net profit for the fiscal year 2009 for the increase of the own funds of the Bank.

On May 26, 2009 the current report no. 15/2010 was published concerning the decision on the division of profit. In accordance with the Resolution no. 4/2010 of the Ordinary General Assembly of Kredyt Bank S.A. on the division of profit for 2009 passed on May 26, 2010, the dividend for 2009 was not paid.

The statements of the Members of the Supervisory Board presented to the Management Board on the links with the shareholders holding shares representing not less than 5% of the overall number of votes at a General Assembly are available in the form of a table on the Bank's website. (/Investor_Relations/Corporate_Govertance/).

The report on application of principles together with the 2009 Annual Report was published on February 26, 2010 as well as announced on the Bank's website (/Investor_Relations/Periodic_Reports/ and /Investor_Relations/Corporate_Govertance/).

In accordance with the Regulation of the Management Board in case of conflict of interest the Members of the Management Board are obliged to inform the Management Board about the existing conflict and refrain from participating in the deciding about the matters where the conflicts exists.

During the Ordinary General Assembly of May 26, 2010 and the Members of the Supervisory Board as well as the Members of the Management Board participated. The representative of the chartered public accountant was present during the Ordinary General Assembly.

The information concerning the principle of change of an entity authorized to examine financial statements was made available on Bank's internet website as of the day when it came into effect (i.e. July 1, 2010).

2.3. Good practices applied by the supervisory boards members.

Supervisory Board and the Management Board Regulations as well as the Regulations of the Bank's General Assembly are in force at the Bank. The Supervisory Board members are adequately educated and have a long-standing experience in the business management. The Bank's Supervisory Board, in accordance with its competences, examines and gives its opinions on all the issues to be further dealt with by the General Assembly.

The Supervisory Board at its meeting held on April 26, 2010 examined the materials and documents to be submitted to the Ordinary General Assembly convened on May 26, 2010. The announcement, draft resolutions along with their justifications and attachments were made available in a form of current reports as well as on the internet website:

› on April 29, 2010 - current report no. 12/2010 – announcement together with draft resolutions,

› on May 26, 2010 - current report no. 13/2010 – resolutions passed.

The Supervisory Board of Kredyt Bank S.A. prepared the 2009 report on its activity together with the report on the activity of the Audit Committee as well as the Remuneration Committee. Other items were also included in the report and these were as follows:

- assessment of the Supervisory Board's activity,
- brief assessment of the Bank's situation,
- assessment of the internal audit system,
- assessment of the system of managing the risk crucial for the company.

The report on Supervisory Board's activity for 2009 together with the materials for the General Assembly were approved by the Supervisory Board at its meeting on April 26, 2010 and were submitted to the Ordinary General Assembly on May 26, 2010.

The Supervisory Board Members once every quarter submit to the Bank's Management Board their declarations on the links with the shareholders, representing not less than 5% of the overall number of votes at the General Assembly.

The Supervisory Board members participated in the General Assembly in the composition that allowed to give specific answers in case any questions were asked. The attendance of the Supervisory Board members at the General Assembly is determined by the Regulation of the General Assembly.

Due to the passing of a Resolution no. 3/2009 by the Extraordinary General Assembly of December 16, 2009, the number of Supervisory Board Members was ascertained at 7 from the moment of registration of the amendments to the By-laws by the Court

During 2010 the following persons resigned from being a Member of the Supervisory Board:

- as from February 23, 2010, Mr. Francois Gillet (current report no. 2/2010 of February 22, 2010),
- as from March 23, 2010, Mr. Marek Michałowski (current report no. 6/2010 of March 23, 2010),

On May 26, 2010 the Ordinary General Assembly of Kredyt Bank S.A. appointed the new Members of the Supervisory Board for its VIII term of office (current report no. 13/2010 of May 26, 2010).

There are two committees that function within the structure of the Supervisory Board: the Audit, Risk and Compliance Committee and the Remuneration Committee. In the case of a need the Supervisory Board may also establish other committees, defining the scope and manner of their functioning. The Audit, Risk and Compliance Committee supervises the activity of the Bank's organizational units responsible for the internal audit, risk management and compliance function. The tasks of the Remuneration Committee include: the supervision of the employees' issues and the salaries, in particular those of the Management Board members.

The independent members also have seats on the Bank's Supervisory Board as well as the Audit, Risk and Compliance Committee and the Remuneration Committee.

The By-laws of Kredyt Bank S.A., the Regulation of the Supervisory Board of Kredyt Bank S.A. as well as the Regulation of the Audit, Risk and Compliance Committee and Regulation of the Remuneration Committee determine the principles of activity of the Bank's Supervisory Board Members.

2.4. Good practices applied by the shareholders

Pursuant to the Regulations of the Bank's General Assembly the mass media have a possibility to stay in the hall where the General Assembly is being held. The Regulation that approved by the Extraordinary General Assembly on December 16, 2009 came into effect as from the subsequent General Assembly (i.e. May 26, 2010).

The process of determining and paying out a dividend as well as determining the shareholders' rights stemming from the corporate events, takes place pursuant to the binding provisions of law, and the necessary time intervals are kept.

The Ordinary General Assembly decided not to pay out the dividend for 2009.

The Bank complies with the principle of the shareholders' equal treatment regarding the transactions and agreements concluded by the Bank with the shareholders or the parties related to them.

The proposal of the Bank's Management Board, concerning the selection of an entity entitled to audit the financial statements is examined by the Supervisory Board after the recommendations of the Audit Committee are presented.

As applied for by the Bank's Management Board on April 26, 2010 the Supervisory Board selected the chartered public accountant Ernst & Young Audit Limited Liability Company with its seat in Warsaw, 1 Rondo ONZ, registration no. 130 to carry out an independent review and audit of the financial statements of Kredyt Bank S.A. and the consolidated financial statements of the Capital Group of Kredyt Bank S.A. prepared as of June 30, 2010 and December 31, 2010.

Kredyt Bank S.A. made use of services provided by Ernst & Young Audit Sp. z o.o. related to auditing of the Bank's financial statements for the years 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009. The change of the partner supervising the examination of the financial statements took place in 2005. (current report no. 11/2010 of April 26, 2010).

3. Description of the basic features of the internal audit and risk management systems applied in the Bank

The internal audit system functioning at Kredyt Bank is of vital importance for the Bank's safe activity and is a crucial element of the operational risk management. The Management Board and the management supervise the individual areas of activity, processes or products, are responsible for the creation, implementation, operating and monitoring of an effective and efficient internal audit system as well as the identification and adequate control of the risk incurred. The Audit and Inspection Department independently appraises the internal audit system and informs the Management Board and Audit, Risk and Compliance Committee about its reliability, effectiveness and efficiency.

3.1. Appraisal of the internal audit system

The appraisal of the internal audit system functioning in Kredyt Bank S.A. as well as the entities of the Group of Kredyt Bank S.A. is performed on a regular basis by the Audit and Inspection Department. The appraisal of the internal audit system is presented to the members of the Audit, Risk and Compliance Committee, while the Chairman of the Audit, Risk and Compliance Committee informs other members of the Supervisory Board about the appraisal's outcome.

The appraisal is performed on the basis of audits and inspections performed, including the monitoring of already issued recommendations of the Audit and Inspection Department, the recommendations of the external auditor and post-audit recommendations of the regulatory bodies. In the appraisal process the standpoint of the processes' owners is also taken into account in relation to the actions undertaken, aimed at the efficient functioning of the internal audit system.

In 2010, 23 business processes at the Bank and 6 processes in the subsidiaries were appraised. The key processes that exert a significant impact on the functioning of the internal audit systems were as follows:

- Crediting,
- Value, risk and capital management,
- Electronic banking,
- Payments,
- ICT issues.

3.2. Appraisal of risk management system

There is a multi-level risk management system at the Bank. The Bank's governing bodies, i.e. the Management Board and the Supervisory Board, play the most important part in this system.

The Chairman of the Audit, Risk and Compliance Committee presents to the Supervisory Board the appraisal of the risk management process as well as the opinion on the actions taken by the Bank's Management Board in this area.

The following, individual committees, headed by the Management Board members, directly manage the specific risks:

- Credit Risk Committees – supervise the process of credit risk management,
- Assets and Liabilities Management Committee – responsible for supervision of the market risk management and the Bank's liquidity risk management,
- Operational Risk Committee along with sub-committees – supervises the process of operational risk management.

The measurement and monitoring of all types of risks at the Bank, maintaining absolute independence from the business units, is tackled by the departments comprised in the Risk and Capital Management Division.

In the process of risk identification, measurement and management the Bank applies the techniques adequate for a given type of risk. The techniques and principles were elaborated in co-operation with the Majority Shareholder and were subject to independent reviews carried out by the Audit and Inspection Department.

In 2010 major changes took place in the structure of units responsible for risk management in the Bank. The Risk Management Department supervised by the Member of the Management Board responsible for finance and risk, was substituted the Risk and Capital Management Division which is supervised by the Member of the Management Board responsible for risk and capital management. Within the division the following departments exist:

› Capital Management Department,

› Corporate and SME Credits Risk Department,

› Retail Credits Risk Department,

› Operational Risk Department,

› Market Risk Department, Department.

In Kredyt Bank there are policies and procedures in place ensuring the framework for effective risk and capital management. The documents of primary importance are the following:

› Risk Management System in the Capital Group of Kredyt Bank S.A., and

› Capital Policy of the Capital Group of Kredyt Bank S.A.

Within the Capital Group of Kredyt Bank S.A. the primary goals of risk management policy are consequently being pursued, concerning, in the first place, the observance of the external and internal limits and also optimizing and mitigating the risk in the form of continuous monitoring process. The risk management process is closely related to the process of managing the capital. The most important goal to achieve in the process of managing the capital in the Bank is its optimizing with the simultaneous meeting of the external capital requirements.

4. Shareholder and information about shares of Kredyt Bank S.A.

4.1. Shareholders holding over 5% of shares

Shareholders of Kredyt Bank S.A. as of December 31, 2010.

Shareholder	Line of business	Number of shares and votes at GSM	Share in votes and in share capital (in %)
KBC Bank NV – an entity of the KBC Group*	Banking	217 327 103	80,00
KBC Securities* – an affiliated entity KBC Bank NV **	Brokerage house	11 751 771	4,32
KBC Insurance NV*** - an entity of the KBC Group **	Private banking	7 860 918	2,89
Pioneer Open Investment Fund	Investment fund	20 040 203	7,38

*/ By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V. is entitled to exercise no more than 75% of votes at the General Assembly of Kredyt Bank S.A.
**/ Data as of September 9, 2009 obtained from KBC Group NV and KBC Bank NV.
***/ Data received on July 15, 2010 from KBC Group NV

On April 15, 2010, the Bank received a notice from the Pioneer Pekao Investment Management S.A. (hereinafter referred to as “PPIM”) concerning the exceeding by the Pioneer Open Investment Fund(hereinafter referred to as “FIO”) of the 5% threshold of votes at the General Assembly of Kredyt Bank. PPIM, referring to the performance of an agreement for providing investment portfolio management services, in the above-mentioned notice informed, that as of April 9, 2010, in the portfolio of Pioneer FIO there were as may as 20 040 203 shares of Kredyt Bank S.A., which amounted to 7,38% of the share capital and would give the right to 7,38% of the overall number of votes at the General Assembly of Kredyt Bank S.A.

On July 15, 2010 the Bank was served with an information about a transaction conducted between entities within the KBC Group. KBC Insurance purchased from KBL Private Bankers 7 860 918 shares of Kredyt Bank S.A. amounting to 2,89% of share capital and votes at the General Assembly of the Bank.

In accordance with the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V. is entitled to exercise no more than 75% of votes at the General Assembly of Kredyt Bank S.A. Pursuant to the Banking Law Act the purchase or possession of stock by a subsidiary shall be deemed a purchase or possession by the dominant entity.

4.2. Information on shares

A conversion of registered shares into bearer shares may be accomplished upon the approval of the Supervisory Board in accordance with the By-laws of the Bank. Alienation and establishing a pledge of the registered shares is subject to the Bank’s approval. The approval to alienate the registered shares is granted by the Management Board.

Registered shares

The Bank's Shareholders hold 65,864 of registered shares, which amount to 0.02% of the share capital. The following table presents the registered shares as of December 31, 2010.

Series	Number of shares
A	2 942
C	1 425
F	5 792
P	29 042
S1	26 663
Total	**65 864**

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

Bearer shares

The Bank's dominant entity's Shareholders hold 271,593,016 bearer shares, which amount to 99.98% of the share capital. Originally, the number of bearer shares amounted to 264,204,350. In addition, as a result of the conversion of registered shares into bearer shares, there are 7,388,666 bearer shares. Bearer shares as of December 31, 2010:

(Original) bearer shares		Following the conversion of registered shares into bearer shares	
Series	**Number of shares**	**Series**	**Number of shares**
B	2 500 000	A	2 497 058
D	100 000	C	98 575
E	1 580 425	F	308 923
G	480 000	P	3 660 640
H	3 777 350	S1	823 470
I	5 600 000		
J	4 400 000		
K	2 278 814		
L	2 000 000		
M	10 000 000		
N	847 000		
O	25 000 000		
R	32 583 993		
T	49 301 056		
U	63 387 072		
W	60 368 640		
Total	**264 204 350**	**Total**	**7 388 666**
Total bearer shares			**271 593 016**

5. Principles of appointing and dismissing and the composition of the Governing and Supervisory Bodies of Kredyt Bank S.A.

5.1. Principles of appointing and dismissing, the composition and principles of activity of the Management Board of Kredyt Bank S.A. in 2010

Appointment and dismissal of the President of the Management Board of Kredyt Bank S.A., and, upon his motion or upon his approval the Deputy Presidents of the Bank's Management Board with the adherence to the requirements provided for by the Banking Law Act, is vested in the Supervisory Board.

The Management Board of Kredyt Bank S.A. acts pursuant to:

- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, October 2009 including the amendments envisaged by the Resolutions 22 and 23 passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 27, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/029552/09/592 of October 19, 2009 and WA.XII.NS-REJ.KRS/026174/09/419 of October 20, 2009, in force since October 19, 2009 (i.e. after the Resolution no. 22 of the Ordinary General Assembly of May 27, 2009) and in force since October 20, 2009 (i.e. after the Resolution no. 23 of the Ordinary General Assembly of May 27, 2009) until March 22, 2010.
- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, March 2010 including the amendments envisaged by the Resolutions by the Extraordinary General Assembly of Kredyt Bank S.A. on December 16, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/4473/10/139 of February 26, 2010 in force since March 23, 2010.
- The Regulation of the Management Board of Kredyt Bank S.A. – the Resolution of the Supervisory Board of November 6, 2009 in force between November 6, 2009 and April 25, 2010.
- The Regulation of the Management Board of Kredyt Bank S.A. – the Resolution of the Supervisory Board of April 26, 2010 in force since April 26, 2010.

Members of the Bank's Management Board are appointed by the Supervisory Board upon the motion of the President of the Management Board.

The composition of the Management Board is dependent upon thee organisational structure and the risk borne.

As of January 1, 2010 the composition of the Bank's Management Board was as follows:

Mr. Maciej Bardan	- President of the Management Board, General Director of the Bank,
Mr. Umberto Arts	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mrs. Lidia Jabłonowska-Luba	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr. Krzysztof Kokot	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr. Gert Rammeloo	- Deputy President of the Management Board, Deputy General Director of the Bank.

On March 4, 2010, Mrs. Lidia Jabłonowska-Luba, Deputy President of the Management Board of Kredyt Bank S.A. resigned as of March 14, 2010 from the function of the Deputy President of the Management Board of Kredyt Bank S.A. and membership on the Management Board of Kredyt Bank S.A. (current report no. 4/2010 of March 4, 2010).

The Supervisory Board during its meeting on April 26, 2010 appointed to the composition of the Management Board of Kredyt Bank S.A. to perform the function of the Deputy President of the Management Board Mr. Zbigniew Kudaś (current report no. 9/2010 of April 26, 2010).

The Supervisory Board during its meeting on September 15, 2010 appointed to the composition of the Management Board of Kredyt Bank S.A. to perform the function of the Deputy President of the Management Board Mr. Piotr Sztrauch (current report no. 15/2010 of September 15, 2010).

The Management Board of Kredyt Bank S.A. is composed of six persons and acts in such composition.

As of December 31, 2010 the composition of the Bank's Management Board was as follows:

Mr. Maciej Bardan	- President of the Management Board, General Director of the Bank,
Mr. Umberto Arts	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr. Krzysztof Kokot	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr. Zbigniew Kudaś	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr. Gert Rammeloo	- Deputy President of the Management Board, Deputy General Director of the Bank.
Mr. Piotr Sztrauch	- Deputy President of the Management Board, Deputy General Director of the Bank,

5.2. Principles of appointing and dismissing, the composition and principles of activity of the Supervisory Board of Kredyt Bank S.A. in 2010

Appointment and dismissal of the Members of the Supervisory Board is vested in the General Assembly.

The Supervisory Board of Kredyt Bank S.A. acts pursuant to:

- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, October 2009 including the amendments envisaged by the Resolutions 22 and 23 passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 27, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/029552/09/592 of October 19, 2009 and WA.XII.NS-REJ.KRS/026174/09/419 of October 20, 2009, in force since October 19, 2009 (i.e. after the Resolution no. 22 of the Ordinary General Assembly of May 27, 2009) and in force since October 20, 2009 (i.e. after the Resolution no. 23 of the Ordinary General Assembly of May 27, 2009) until March 22, 2010.
- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, March 2010 including the amendments envisaged by the Resolutions by the Extraordinary General Assembly of Kredyt Bank S.A. on December 16, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/4473/10/139 of February 26, 2010 in force since March 23, 2010.
- Regulation of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. of May 28, 2008, in force until May 26, 2010;
- Regulation of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 25/2010 of the Ordinary General Assembly of Kredyt Bank S.A. of May 26, 2010, in force since May 26, 2010;

Members of the Supervisory Board are appointed and dismissed by the General Assembly. The number of Members of the Supervisory Board is ascertained by the General Assembly.

On December 16, 2009, the Extraordinary General Assembly of Kredyt Bank S.A. ascertained that the Supervisory Board would be composed of seven persons passing the Resolution no. 3/2009. Until the date of registration of the amendments to the By-laws by the National Court Register, the Supervisory Board acted in the nine-person composition in accordance with Resolution no. 4/2004 of the Extraordinary General Assembly of Kredyt Bank S.A. of December 6, 2004.

As of January 1, 2010 the nine-person composition of the Bank's Supervisory Board was as follows:

Mr. Andrzej Witkowski	- Chairman of the Supervisory Board,
Mr. Adam Noga	- Deputy Chairman of the Supervisory Board,
Mr. Ronny Delchambre	- Member of the Supervisory Board,
Mr. Francois Gillet	- Member of the Supervisory Board,
Mr. John Hollows	- Member of the Supervisory Board,
Mr. Feliks Kulikowski	- Member of the Supervisory Board,
Mr. Dirk Mampaey	- Member of the Supervisory Board,
Mr. Marek Michałowski	- Member of the Supervisory Board,
Mr. Krzysztof Trębaczkiewicz	- Member of the Supervisory Board.

During 2010 the following persons resigned from performance of the function of a Member of the Supervisory Board:

› - as from February 23, 2010, Mr. Francois Gillet (current report no. 2/2010 of February 22, 2010),

› - as from March 23, 2010, Mr. Marek Michałowski (current report no. 6/2010 of March 23, 2010),

The resignations from membership on the Supervisory Board did not pose difficulties in acting of the Supervisory Board.

Since March 23, 2010, the Supervisory Board has acted in the seven-person composition.

As of the day of holding the Annual Genral Assembly, the mandates of the Members of the Supervisory Board expired.

The Ordinary General Assembly appointed as of May 26, 2010 Members of the Supervisory Board for the VIII term of office (current report no. 13/2010 of May 26, 2010) with the following composition:

Mr. Andrzej Witkowski	- Chairman of the Supervisory Board,
Mr. Adam Noga	- Deputy Chairman of the Supervisory Board,
Mr. Ronny Delchambre	- Member of the Supervisory Board,
Mr. Stefan Kawalec	- Member of the Supervisory Board,
Mr. Dirk Mampaey	- Member of the Supervisory Board,
Mr. Jarosław Parkot	- Member of the Supervisory Board,
Mr. Marco Voljc	- Member of the Supervisory Board,

As of December 31, 2010 the Bank's Supervisory Board acted in the non-modified seven-person composition which was as follows.

5.2.1 Composition and principles of activity of the Audit, Risk and Compliance Committee of Kredyt Bank S.A. in 2010

The Audit, Risk and Compliance Committee of Kredyt Bank S.A. acts pursuant to:

- Regulation of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. of May 28, 2008, in force until May 25, 2010;
- Regulation of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 25/2010 of the Ordinary General Assembly of Kredyt Bank S.A. of May 26, 2010, in force since May 26, 2010;
- Regulation of the Audit Committee of Kredyt Bank S.A. of April 18, 2007, in force until November 24, 2010;
- Regulation of the Audit, Risk and Compliance Committee of Kredyt Bank S.A. of November 25, 2010;

As of January 1, 2010 the composition of the Audit Committee of Kredyt Bank S.A. was as follows:

Mr. Dirk Mampaey	- Chairman of the Audit Committee
Mr. John Hollows	- Member of the Audit Committee
Mr. Adam Noga	- Member of the Audit Committee.

The Ordinary General Assembly appointed as of May 26, 2010 Members of the Supervisory Board for the VIII term of office (current report no. 13/2010 of May 26, 2010).

Thus it was necessary to appoint a new composition of the Audit Committee. The Supervisory Board during its meeting of May 26, 2010, appointed Mr. Dirk Mampaey, Mr. Marco Voljč and Mr. Adam Noga as members of the Committee.

The name of the Audit Committee was changed on 25 November 2010 into the Audit, Risk and Compliance Committee.

As of December 31, 2010 the composition of the Audit Committee of Kredyt Bank S.A. was as follows:

Mr. Dirk Mampaey	- Chairman of the Audit Committee
Mr. Marco Voljč	- Member of the Audit Committee
Mr. Adam Noga	- Member of the Audit Committee.

The Audit, Risk and Compliance Committee support the activities of the Bank's Supervisory Board. In order to achieve that the Audit Committee, in the name of the Supervisory Board exerts supervision over the consistency, effectiveness and efficiency of the internal audit system, compliance function and also the risk management connected with the Bank's activity, drawing special attention to the financial reporting. The Audit, Risk and Compliance Committee supervises the processes carried out at the Bank from a point of view of their conformity with the binding laws as well as the Bank's internal regulations. In 2010 Members of the Audit, Risk and Compliance Committee conducted a self-assessment of its activities.

5.2.2 Composition and principles of activity of the Remuneration Committee of Kredyt Bank S.A. in 2010

The Remuneration Committee of Kredyt Bank S.A. acts pursuant to:

- Regulation of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. of May 28, 2008, in force until May 26, 2010;
- Regulation of the Remuneration Committee of Kredyt Bank S.A of May 25, 2010;

As of January 1, 2010 the composition of the Remuneration Committee of Kredyt Bank S.A. was as follows:

Mr. John Hollows	- Chairman of the Remuneration Committee,
Mr. Andrzej Witkowski	- Member of the Remuneration Committee,
Mr. Dirk Mampaey	- Member of the Remuneration Committee.

The Ordinary General Assembly appointed as of May 26, 2010 Members of the Supervisory Board for the VIII term of office (current report no. 13/2010 of May 26, 2010).

Thus it was necessary to appoint a new composition of the Remuneration Committee. The Supervisory Board during its meeting of May 26, 2010, appointed Mr. Marco Voljč, Mr. Dirk Mampaey and Mr. Andrzej Witkowski as members of the Committee.

As of December 31, 2010 the composition of the Remuneration Committee of Kredyt Bank S.A. was as follows:

Mr. Marco Voljč	-Chairman of the Remuneration Committee,
Mr. Andrzej Witkowski	- Member of the Remuneration Committee,
Mr. Dirk Mampaey	- Member of the Remuneration Committee.

The tasks of the Remuneration Committee include: the supervision of the employees' issues and the salaries, in particular those of the Management Board members.

The By-laws, the Management Board Regulations and the Supervisory Board Regulations are available on the internet page of Kredyt Bank S.A. in the "Corporate Governance" bookmark.

6. Principles of amending the By-laws of Kredyt Bank S.A.

The By-laws of the Bank are created in accordance with the provisions of the Code of Commercial Partnerships and Companies and the Banking Law Act. The right to introduce the amendments to the By-laws is vested in the General Assembly of the Bank. The amendment to the By-laws requires the permission of the Financial Supervision Commission in the events provided for by the Banking Law Act.

In 2010 two wordings of By-laws were in force:

- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, October 2009 including the amendments envisaged by the Resolutions 22 and 23 passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 27, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/029552/09/592 of October 19, 2009 and WA.XII.NS-REJ.KRS/026174/09/419 of October 20, 2009, in force since October 19, 2009 (i.e. after the Resolution no. 22 of the Ordinary General Assembly of May 27, 2009) and in force since October 20, 2009 (i.e. after the Resolution no. 23 of the Ordinary General Assembly of May 27, 2009) until March 22, 2010.
- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, March 2010 including the amendments envisaged by the Resolutions by the Extraordinary General Assembly of Kredyt Bank S.A. on December 16, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/4473/10/139 of February 26, 2010 in force since March 23, 2010.

The amendments introduced into the By-laws were passed by the Extraordinary General Assembly of the Bank on December 16, 2009 by the means of the Resolution 1/2009.

Resolution no. 1/2009 of December 16, 2009 concerned:

The amendment to § 18 of the Bank's By-laws concerning the ascertaining of the Supervisory Board's composition at seven-persons or nine-persons composition appointed and dismissed by the General Assembly.

Repealing § 20 of the Bank's By-laws.

The amendment to § 22 of the Bank's By-laws concerning the activities of the Supervisory Board.

7. Principles of activity of General Assembly of Kredyt Bank S.A.

The General Assembly of Kredyt Bank S.A. acts pursuant to:

- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, October 2009 including the amendments envisaged by the Resolutions 22 and 23 passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 27, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/029552/09/592 of October 19, 2009 and WA.XII.NS-REJ.KRS/026174/09/419 of October 20, 2009, in force since October 19, 2009 (i.e. after the Resolution no. 22 of the Ordinary General Assembly of May 27, 2009) and in force since October 20, 2009 (i.e. after the Resolution no. 23 of the Ordinary General Assembly of May 27, 2009) until March 22, 2010.
- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, March 2010 including the amendments envisaged by the Resolutions by the Extraordinary General Assembly of Kredyt Bank S.A. on December 16, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/4473/10/139 of February 26, 2010 in force since March 23, 2010.
- Regulation of the General Assembly– Resolution no. 4/2009 of the Extraordinary General Assembly of Kredyt Bank of December 16, 2009 – in force from the subsequent General Assembly (i.e. May 26, 2010) with the inclusion of the amendment introduced by the Resolution no.24/2010 of the Ordinary General Assembly of May 26, 2010 – uniform wording;

The amendment to the Regulation of the General Assembly took place during the Extraordinary General Assembly on December 16, 2009. The Regulation that had been in force since 2003 was updated due to the entering into fore of the amendment to the Code of Commercial Partnerships and Companies within the scope of organising and holding the general assemblies which was the consequence of the implementation of the Directive on the Shareholder's Rights (2007/36/EC) into the Polish law.

On May 26, 2010, the Ordinary General Assembly passed the resolution on repealing § 11 section 4 of the Regulations of the Bank's General Assembly. The amendment resulted from the need of adjusting the Regulations to the art. 421 § 2 of to the Code of Commercial Partnerships and Companies.

The Regulations of the Bank's General Assembly specifies the detailed principles of conducting the assembly and passing resolutions. Among others, the Regulation defines the principles of shareholders' participation in the General Assembly

The text of the Regulation is available on the internet website of Kredyt Bank S.A. in the bookmark „Corporate Governance".

The General Assemblies of Kredyt Bank S.A. was convened on May 26, 2010.

All the documents related to the Assembly were made publicly known and were inserted on the internet page in the bookmark "Corporate Governance/General Assemblies".

The Ordinary General Assembly convened on May 26, 2010 was announced on the internet website of the Bank, in accordance with the revised Code of Commercial Partnerships and Companies and made public by the current report no. 12/2010 of April 29, 2010. The announcement together with determination of the date, place, hour and agenda of the assembly as well as information necessary to participate in the assembly were published on the internet website of the Bank.

Together with the announcement on convening of the Extraordinary General Assembly the draft resolutions, justifications to the draft resolutions, attachment to the draft resolution were made public. The announcement included:

- Description of procedures relating to participation in general assembly and exercising the voting rights, in particular:
  - Shareholder's right to demand inclusion of certain issues into the agenda for a general meeting.
  - Shareholder's right to submit draft resolutions concerning the issues introduced to the agenda for the general assembly or the issues which are to be introduced to the agenda before the date of the general assembly.
  - Shareholder's right to submit draft resolutions concerning the matters introduced into the agenda of such an assembly.
  - The way of exercising the voting rights by the attorney, particularly by the use of forms applied during voting by the attorney and the way of informing the company with the use of means of electronic communication on the granting of power of attorney.
  - The possibility of participation in the a general assembly with the use of means of electronic communication.
  - The way of expression with the use of means of electronic communication during a general assembly.
  - The way of exercising the voting rights by the means of correspondence or with the use of the means of electronic communication.
- The record date mentioned in the article 406^1 of the Code of Commercial Partnerships and Companies,
- Information that only the persons being shareholders as of the record date may participate in the General Assembly,
- Indication where and in what way an entitled person to participate in the general assembly could obtain the full text of documentation to be presented to the general assembly as well as the draft resolutions or, in case a passing of a resolution was not envisaged, management board's or the supervisory board's remarks about the issues introduced into the agenda for the general assembly or issues to be introduced into the agenda prior to the general assembly.

- Determination of the internet website where the information concerning the general assembly is available.
- A draft power of attorney.
- A form concerning the exercising of voting rights by an attorney.
- Information on the overall number of shares and the number of votes on such shares.

The Ordinary General Assembly dealt primarily with:

- Approval of Financial Statements of Kredyt Bank for the year 2009 and Consolidated Financial Statements of Kredyt Bank Capital Group for the year 2009,
- The approval of distribution of profit for the year 2009 and non-payment of dividend,
- Approval of the Management Board report and the Bank's Supervisory Board report for the year 2009,
- Approval of the performance of duties by the Members of the Management and Supervisory Board,
- Approval of the amendments to the Regulations of the Bank's General Assembly,
- Approval of the amendments to the Regulations of the Bank's Supervisory Board,
- Election of the Supervisory Board of Kredyt Bank S.A.

The Bank's financial statements examined by the Ordinary General Assembly, i.e. 2009 Annual Report of Kredyt Bank S.A., 2009 Consolidated Annual Report of the Capital Group of Kredyt Bank S.A. were published in a form of periodical reports on February 26, 2010 and were made available on the Bank's internet page in the bookmark “”Investor's relations/periodical reports”.

The Supervisory Board of Kredyt Bank S.A. prepared its 2009 activity report including parts concerning the activity of its committees, i.e. the Audit Committee and the Remuneration Committee. The said report included also the items concerning the assessment of activity of the Supervisory Board, assessment of the Bank's situation as well as the assessment of the internal audit system and the system of managing the risk crucial for the Bank.

The General Assembly which was audio recorded together with the translation into English as well as audio-video recorded in Polish, was made available on the Bank's website in the bookmark „Corporate Governance/ Walne Zgromadzenie”.

The General Assembly was audio recorded together with the translation into English as well as the audio-video recorded in Polish.

The Forms making it possible to ask questions are permanently available on the internet website in the Polish and accordingly English Language versions. There were no questions concerning the General Assemblies asked with the use of the Forms.

Management Board of
the Bank