Interim Consolidated Financial Statements

of Kredyt Bank S.A. Capital Group

for the Fourth Quarter of 2010 Prepared in Accordance with

the International Financial Reporting Standard

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

1. Consolidated Income Statement

in PLN '000	4th quarter of 2010 01.10.2010-31.12.2010	Four quarters of 2010 1.01.2010-31.12.2010	4th quarter of 2009 01.10.2009-31.12.2009	Four quarters of 2009 1.01.2009-31.12.2009
Interest income	560 343	2 204 572	547 473	2 290 209
Interest expense	-263 378	-1 076 806	-273 115	-1 228 990
Net interest income	**296 965**	**1 127 766**	**274 358**	**1 061 219**
Fee and commission income	114 218	426 889	115 561	433 717
Fee and commission expense	-25 018	-97 016	-39 427	-129 610
Net fee and commission income	**89 200**	**329 873**	**76 134**	**304 107**
Dividend income	0	1 841	0	1 629
Net trading income	21 020	121 555	31 735	159 359
Net result on derivatives used as hedging instruments and hedged items	422	887	-532	25
Net gains from investment activities	79	6 486	278	4 108
Net result on disposal of Zagiel's shares	0	0	268 274	268 274
Other operating income	24 093	100 930	25 907	117 346
Total operating income	**431 779**	**1 689 338**	**676 154**	**1 916 067**
General and administrative expenses	-241 415	-928 103	-260 091	-1 024 052
Other operating expenses	-19 986	-57 781	-14 195	-43 950
Total operating expenses	**-261 401**	**-985 884**	**-274 286**	**-1 068 002**
Net impairment losses on financial assets, other assets and provisions	-111 424	-471 971	-373 531	-803 232
Net operating income	**58 954**	**231 483**	**28 337**	**44 833**
Share in profit of associates	1 081	3 224	319	1 824
Profit before tax	**60 035**	**234 707**	**28 656**	**46 657**
Income tax expense	-2 938	-48 771	-8 519	-12 098
Net profit from continued operations	**57 097**	**185 936**	**20 137**	**34 559**
Net profit from discontinued operations	0	0	0	0
Net profit	**57 097**	**185 936**	**20 137**	**34 559**
Including:				
Attributable to the Shareholders of the Bank	**57 097**	**185 936**	**20 137**	**34 559**
Attributable to non-controlling interests	0	0	0	0
Weighted average number of ordinary shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)	0,21	0,68	0,07	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	4th quarter of 2010 01.10.2010-31.12.2010	Four quarters of 2010 1.01.2010-31.12.2010	4th quarter of 2009 01.10.2009-31.12.2009	Four quarters of 2009 1.01.2009-31.12.2009
Net profit for the period	**57 097**	**185 936**	**20 137**	**34 559**
Valuation of financial assets available-for-sale	-34 997	42 542	-3 094	-13 677
- including deferred tax	8 209	-9 979	726	3 208
Effects of valuation of derivatives designated for cash flow hedge	-10 158	11 163	-7 869	-78 545
- including deferred tax	2 383	-2 618	1 846	18 424
Other comprehensive income (loss) recognized directly in equity	**-45 155**	**53 705**	**-10 963**	**-92 222**
Total comprehensive income (loss) for the period	**11 942**	**239 641**	**9 174**	**-57 663**
Including:				
Attributable to the Shareholders of the Bank	**11 942**	**239 641**	**9 174**	**-57 663**
Attributable to non-controlling interests	0	0	0	0

3. Consolidated Balance Sheet

in PLN '000	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Assets				
Cash and balances with Central Bank	1 943 636	1 114 487	1 175 453	894 261
Gross loans and advances to banks	1 466 249	1 328 016	190 013	222 506
Impairment losses on loans and advances to banks	-2 260	-2 260	-2 260	-2 260
Receivables arising from repurchase transactions	87 218	410 900	331 875	10 076
Financial assets designated upon initial recognition as at fair value through profit or loss	118 562	127 097	155 400	111 942
Financial assets held for trading (excluding derivatives)	1 601 283	1 986 818	1 179 949	1 551 675
Derivatives, including:	463 159	486 001	571 410	739 419
- derivatives used as hedging instruments	74 340	90 505	55 741	57 538
Gross loans and advances to customers	29 108 520	28 606 727	27 297 744	27 802 979
Impairment losses on loans and advances to customers	-1 914 000	-1 851 543	-1 575 886	-1 229 719
Investment securities:	9 467 240	9 954 132	8 789 642	7 647 640
- available-for-sale	6 219 461	6 665 451	6 036 304	5 493 769
- held-to-maturity	3 247 779	3 288 681	2 753 338	2 153 871
Investments in associates valued using the equity method	15 179	14 098	11 955	11 636
Property, plant and equipment	290 444	309 749	353 534	393 802
Intangible assets	50 201	44 581	51 248	57 278
Goodwill on subordinated companies	0	0	0	36 052
Deferred tax asset	350 387	239 957	217 383	187 085
Non-current assets held for sale	7 070	0	0	0
Investment properties	225 668	230 134	222 240	202 565
Other assets	95 690	96 394	106 898	118 183
Total assets	**43 374 246**	**43 095 288**	**39 076 598**	**38 755 120**

in PLN '000	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Liabilities				
Amounts due to Central Bank	6	6	1 321 802	1 568 301
Amounts due to banks	12 150 706	11 747 582	11 081 690	10 871 655
Liabilities arising from repurchase transactions	228 693	678 323	0	0
Financial liabilities held for trading (excluding derivatives)	0	34 982	0	0
Derivatives, including:	1 131 078	773 527	541 068	695 271
- derivatives used as hedging instruments	1 274	0	3 166	482
Amounts due to customers	25 660 758	25 758 006	22 469 154	21 984 555
Current tax liability	155 197	63 878	32 282	20 314
Provisions	92 811	71 308	53 917	59 334
Deferred tax liability	869	1 006	1 289	1 485
Other liabilities	214 804	283 912	180 997	160 762
Subordinated liabilities	911 100	866 476	805 816	814 034
Total liabilities	**40 546 022**	**40 279 006**	**36 488 015**	**36 175 711**

in PLN '000	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Equity				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	889 340	889 340	784 039	806 038
Revaluation reserve	59 421	104 576	5 716	16 679
Reserves	400 942	400 942	340 942	340 942
Retained earnings (loss)	-65 709	-65 709	65 033	43 034
Current net profit (loss) attributable to the Shareholders of the Bank	185 936	128 839	34 559	14 422
Total equity attributable to the Shareholders of the Bank	**2 828 224**	**2 816 282**	**2 588 583**	**2 579 409**
Attributable to non-controlling interests	0	0	0	0
Total equity	**2 828 224**	**2 816 282**	**2 588 583**	**2 579 409**
Total equity and liabilities	**43 374 246**	**43 095 288**	**39 076 598**	**38 755 120**

Capital adequacy ratio (%)	12,51	12,34	11,82	11,36
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	10,41	10,37	9,53	9,50

4. Consolidated Off-Balance Sheet Items

in PLN '000	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Liabilities granted and received				
Liabilities granted:	6 038 697	5 627 895	5 803 368	5 771 440
- financial	3 958 357	4 026 659	4 008 224	3 950 748
- guarantees	2 080 340	1 601 236	1 795 144	1 820 692
Liabilities received:	2 085 702	1 506 673	2 409 623	2 329 511
- financial	1 007 341	407 483	1 185 242	930 422
- guarantees	1 078 361	1 099 190	1 224 381	1 399 089
Liabilities related to the sale / purchase transactions	**134 779 591**	**168 126 775**	**89 935 737**	**109 208 879**
Other:	**7 950 015**	**7 918 315**	**7 140 633**	**6 918 031**
- collateral received	7 950 015	7 918 315	7 140 633	6 916 487
- other	0	0	0	1 544

5. Statement of Changes in Consolidated Equity

Changes in the period from 1 January to 31 December 2010

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

Changes in the period from 1 January to 31 December 2009

in PLN '000	Share capital	Supplemen-tary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies	Retained earnings (losses)	Net profit for the period	Total equity attributable to Shareholders of the Bank	Total 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			-16 885					-16 885		-16 885
Effects of valuation of derivatives designated for cash flow hedge			-96 969					-96 969		-96 969
Deferred tax on items recognized in equity			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		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	4th quarter of 2010 01.10.2010-31.12.2010	Four quarters of 2010 1.01.2010-31.12.2010	4th quarter of 2009 01.10.2009-31.12.2009	Four quarters of 2009 1.01.2009-31.12.2009
Cash flow from operating activities				
Net profit (loss)	**57 097**	**185 936**	**20 137**	**34 559**
Adjustments to net profit (loss) and net cash from operating activities:	**395 724**	**3 955 162**	**1 106 298**	**1 558 130**
Current and deferred tax recognized in financial result	2 938	48 771	8 519	12 098
Non-realised profit (loss) from currency translation differences	86 257	40 712	5 795	-21 618
Depreciation	24 498	100 954	28 270	114 501
Share in profit (loss) of associates	-1 081	-3 224	-319	-1 824
Net increase/decrease in impairment	69 129	339 568	348 813	647 003
Dividends	0	-1 841	0	-1 629
Interest	-46 113	-183 128	27 178	-176 048
Net increase/decrease in provisions	21 503	38 894	-5 417	-5 557
Profit (loss) on disposal of investments	334	-5 088	-224 473	-273 031
Net increase/decrease in operating assets (excluding cash)	**198 117**	**-1 695 186**	**618 489**	**1 552 353**
Net increase/decrease in loans and advances to banks	31 389	-834 117	-9 295	25 849
Net increase/decrease in financial assets designated upon initial recognition as at fair value through profit or loss	8 535	36 838	-43 458	-43 552
Net increase/ decrease in financial assets held for trading and derivatives	392 705	-229 152	537 452	1 644 675
Net increase/decrease in receivables arising from repurchase transactions	323 682	244 657	-321 799	-331 875
Net increase/decrease in gross loans and advances to customers	-501 793	-1 810 776	505 235	362 903
Paid/received income tax	-11 362	-71 890	-25 775	-131 087
Net increase/decrease in other assets	-45 039	969 254	-23 871	25 440
Net increase/decrease in operating liabilities	**40 142**	**5 274 730**	**299 443**	**-288 118**
Net increase/decrease in amounts due to Central Bank	0	-1 321 796	-246 499	208 527
Net increase/decrease in amounts due to banks	333 944	2 749 793	190 910	-1 242 116
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)	356 277	591 902	-156 887	-1 350 611
Net increase/decrease in liabilities held for trading (excluding derivatives)	-34 982	0	0	0
Net increase/decrease in amounts due to customers	-97 264	2 994 605	469 609	2 178 798
Net increase/decrease in liabilities arising from repurchase transactions	-449 630	228 693	0	-8 991
Net increase/decrease in other liabilities	-68 203	31 533	42 310	-73 725
Net cash flow from operating activities	**452 821**	**4 141 098**	**1 126 435**	**1 592 689**

in PLN '000	4th quarter of 2010 01.10.2010-31.12.2010	Four quarters of 2010 1.01.2010-31.12.2010	4th quarter of 2009 01.10.2009-31.12.2009	Four quarters of 2009 1.01.2009-31.12.2009
Cash flow from investing activities				
Inflows	**12 532 092**	**55 428 362**	**3 436 755**	**8 582 290**
Disposal of property, plant and equipment, intangible assets and investment properties	4 542	4 711	-2 080	1 861
Disposal of interests in equity investments classified as available-for-sale	0	1 450	350 005	350 005
Disposal of investment securities	12 391 215	55 205 555	3 051 936	7 961 693
Dividends	0	1 841	0	1 629
Interest received	136 335	214 805	36 894	267 102
Outflows	**-12 025 780**	**-56 761 607**	**-4 311 514**	**-10 565 217**
Acquisition of property, plant and equipment, intangible assets and investment properties	-15 194	-51 988	-20 601	-75 368
Acquisition of interests in equity investments classified as available-for-sale	-50	-50	0	0
Acquisition of investment securities	-12 010 536	-56 709 569	-4 290 913	-10 489 849
Net cash flows from investing activities	**506 312**	**-1 333 245**	**-874 759**	**-1 982 927**
Cash flow from financing activities				
Inflows	**64 104**	**325 764**	**20 000**	**1 989 087**
Proceeds from a subordinated loan	0	0	0	560 116
Proceeds from loans and advances	64 104	325 764	20 000	1 428 971
Outflows	**-24 466**	**-1 923 315**	**-25 493**	**-1 368 961**
Repayment of loans and advances	0	-1 825 104	0	-1 200 000
Other financial outflows	-24 466	-98 211	-25 493	-168 961
Net cash flow from financing activities	**39 638**	**-1 597 551**	**-5 493**	**620 126**
Net increase/decrease in cash	**998 771**	**1 210 302**	**246 183**	**229 888**
Cash at the beginning of the period	**1 402 672**	**1 191 141**	**944 958**	**961 253**
Cash at the end of the period, including:	**2 401 443**	**2 401 443**	**1 191 141**	**1 191 141**
Restricted cash	1 078 101	1 078 101	784 875	784 875

7. Basis of preparation

Pursuant to Article 55 Clause 5 of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2009, No. 152, item 1223 with further amendments) ('the Act'), effectively from 01.01.2005, consolidated financial statements of Kredyt Bank S.A. Capital Group ('the Group') have been prepared in compliance with the International Accounting Standards ('IAS') and the International Financial Reporting Standards ('IFRS') that were approved by the European Commission.

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

The interim consolidated financial report for the fourth quarter of 2010 has been prepared in line with the IAS/IFRS as in force at the date of this report. Specifically, this report has been prepared in accordance with IAS 34 Interim Financial Reporting, and matters not governed by the IAS/IFRS must comply with the Act and the provisions of the Ordinance by the Minister of Finance dated 19 February 2009 on current and interim information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2009, No. 33, item 259).

8. The Group's financial standing at the end of the fourth quarter of 2010

8.1. Income Statement

The Group's net profit/loss

In 2010, the Group generated net profit amounting to PLN 185,936 thousand, while net profit generated in 2009 amounted to PLN 34,559 thousand. The significant difference between the net profit generated in 2010 as compared to 2009 results mainly from:

- the increase in net interest income by PLN 66,547 thousand;
- the decrease in general and administrative expenses by PLN 95,949 thousand;
- the decrease in net impairment losses on financial assets, other assets and provisions by PLN 331,261 thousand;

all of which have been partially set off with:

- the decrease in net gains from trading and investment activities by PLN 34,352 thousand, including net result on derivatives used as hedging instruments and hedged items;
- the decrease in net gains from other operating income/expenses by PLN 30,247 thousand;
- the recognition in 2009 of net gains from the sale of the shares of Żagiel amounting to PLN 268,274 thousand in gross terms (PLN 228,608 thousand after the tax deduction).

The Group's net operating income (less other operating expenses) in the period being analysed decreased by 12.8%, which resulted from the recognition in 2009 of net gains from the sale of the shares of Żagiel.

Excluding net gains from the sale of the shares of Żagiel, the Group's net operating income (less other operating expenses) in the periods being analysed increased by 1.7%.

In the fourth quarter of 2010, the Group generated net profit amounting to PLN 57,097 thousand, while net profit generated in the fourth quarter of 2009 amounted to PLN 20,137 thousand. The significant difference between the net profit generated in the fourth quarter of 2010 as compared to the fourth quarter of 2009 results mainly from:

- the increase in net interest income by PLN 22,607 thousand;
- the decrease in general and administrative expenses by PLN 18,676 thousand;
- the decrease in net impairment losses on financial assets, other assets and provisions by PLN 262,107 thousand

partially set off with:

- the recognition in 2009 of net gains from the sale of the shares of Żagiel amounting to PLN 268,274 thousand in gross terms (PLN 228,608 thousand after the tax deduction).

The Group's net operating income (less other operating expenses) in the period being analysed decreased by 37.8%, which resulted from the recognition in 2009 of net gains from the sale of the shares of Żagiel.

Excluding net gains from the sale of the shares of Żagiel, the Group's net operating income (less other operating expenses) increased by 4.6% in the fourth quarter of 2010, as compared to the fourth quarter of 2009.

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

in PLN '000'	4th quarter of 2010	4th quarter of 2009	Change (%)	Four quarters of 2010	Four quarters of 2009	Change (%)
Net interest income	296 965	274 358	8.2%	1 127 766	1 061 219	6.3%
Net fee and commission income	89 200	76 134	17.2%	329 873	304 107	8.5%
Net gains from trading and investment activities*	21 521	31 481	-31.6%	130 769	165 121	-20.8%
Net gains from other operating income/expenses	4 107	11 712	-64.9%	43 149	73 396	-41.2%
Total	**411 793**	**393 685**	**4.6%**	**1 631 557**	**1 603 843**	**1.7%**
Net gains from the sale of the shares of Żagiel	0	268 274	-100.0%	0	268 274	-100.0%
Total	**411 793**	**661 959**	**-37.8%**	**1 631 557**	**1 872 117**	**-12.8%**
General and administrative expenses	-241 415	-260 091	-7.2%	-928 103	-1 024 052	-9.4%
Net impairment losses on financial assets, other assets and provisions	-111 424	-373 531	-70.2%	-471 971	-803 232	-41.2%
Total	**-352 839**	**-633 622**	**-44.3%**	**-1 400 074**	**-1 827 284**	**-23.4%**
Share in profit (loss) of associates	1 081	319	238.9%	3 224	1 824	76.8%
Gross profit (loss)	**60 035**	**28 656**	**109.5%**	**234 707**	**46 657**	**403.0%**
Income tax expense	-2 938	-8 519	-65.5%	-48 771	-12 098	303.1%
Net profit (loss)	**57 097**	**20 137**	**183.5%**	**185 936**	**34 559**	**438.0%**

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

Net interest, fee and commission income

Net interest income generated by the Group in 2010 amounted to PLN 1,127,766 thousand and was higher by 6.3% than the corresponding figure in 2009. The decrease in market interest rates resulted in the decrease in both income (by PLN 85,637 thousand) and expenses (by PLN 152,184 thousand). The substantially lower interest expense is also an effect of the improved structure of financing the Group's operations through a rise in the financing in the form of liabilities related to customer deposits.

Net interest income generated by the Group in the fourth quarter of 2010 amounted to PLN 296,965 thousand and was higher by 8.2% than the corresponding figure in the fourth quarter of 2009, mainly due to the change in the financial structure described above.

Net fee and commission income in 2010 amounted to PLN 329,873 thousand and was higher, by PLN 25,766 thousand (by 8.5%), than net income generated in 2009, mainly due to the increase in income from the distribution and management of combined investment and insurance products by PLN 28,729 thousand.

Net fee and commission income in the fourth quarter of 2010 amounted to PLN 89,200 thousand and was higher, by PLN 13,066 thousand (by 17.2%), than net income generated in the fourth quarter of 2009, mainly due to the increase in net gains from deposit transactions with customers by PLN 8,212 thousand and an increase by PLN 9,945 thousand in the income related to payment cards processing and ATMs maintenance set off by a decrease by PLN 5,168 thousand in the income related to credit cards.

Net gains from trading and investment activities

In 2010, net gains from trading and investment activities, including net result on derivatives used as hedging instruments and hedged items as well as dividend income, amounted to PLN 130,769 thousand as compared to PLN 165,121 thousand recorded in 2009. The lower result in this category as compared to the corresponding period of the previous year was mainly an effect of the decrease in the result on foreign exchange by PLN 37,746 thousand.

In the fourth quarter of 2010, net gains from trading and investment activities, including net result on derivatives used as hedging instruments and hedged items as well as dividend income, amounted to PLN 21,521 thousand as compared to PLN 31,481 thousand recorded in the fourth quarter of 2009. The lower result in this category as compared to the corresponding period of the previous year was mainly an effect of a lower result on the transactions on securities classified as 'Financial assets at fair value through profit or loss' by PLN 5,140 thousand and a lower result on derivatives by PLN 4,961 thousand.

Net gains from other operating income/expenses

Net gains from other operating activities in 2010 amounted to PLN 43,149 thousand and were lower by 41.2% than the figure in 2009. In 2010, as compared to 2009, the Group recorded lower (by PLN 16,077 thousand) proceeds related to recovered receivables in the enterprises sector (previously written off the balance sheet) and higher (by PLN 14,677 thousand) debt recovery expenses in the retail segment.

Net gains from other operating activities in the fourth quarter of 2010 amounted to PLN 4,107 thousand and were lower by 64.9% than the figure in the fourth quarter of 2009. Higher debt recovery expenses in the retail segment (by PLN 6,734 thousand) are the main reason for the decrease in the result in this category in the compared periods.

*General and administrative expenses**

	4th quarter of 2010	4th quarter of 2009	Change (%)	Four quarters of 2010	Four quarters of 2009	Change (%)
Staff costs	**108 557**	**115 622**	**-6.1%**	**416 688**	**456 864**	**-8.8%**
General expenses, including:	**108 360**	**116 198**	**-6.7%**	**410 461**	**452 687**	**-9.3%**
- costs of buildings lease	21 326	25 940	-17.8%	83 904	104 364	-19.6%
- IT and telecommunications fees	20 514	21 372	-4.0%	75 236	77 608	-3.1%
- costs of buildings maintenance and renovations	6 133	6 798	-9.8%	20 875	23 017	-9.3%
- energy costs	4 519	4 954	-8.8%	18 793	20 519	-8.4%
- advisory and specialist services costs	5 745	5 174	11.0%	21 781	22 092	-1.4%
- postal fees	7 409	6 464	14.6%	29 868	31 789	-6.0%
- transportation services	3 627	2 921	24.2%	14 061	14 806	-5.0%
- property protection expenses	2 194	2 474	-11.3%	9 055	10 459	-13.4%
- taxes and fees	21 734	24 480	-11.2%	89 244	97 907	-8.8%
- promotion and advertising services	8 152	5 274	54.6%	19 410	15 829	22.6%
- purchase of other materials	940	1 942	-51.6%	3 519	6 786	-48.1%
- training expenses	1 385	631	119.5%	3 249	2 988	8.7%
- business trips	724	733	-1.2%	1 958	2 128	-8.0%
- other	3 958	7 041	-43.8%	19 508	22 395	-12.9%
Depreciation	**24 498**	**28 271**	**-13.3%**	**100 954**	**114 501**	**-11.8%**
Total	**241 415**	**260 091**	**-7.2%**	**928 103**	**1 024 052**	**-9.4%**

**Due to the standardization of definitions and the presentation of costs within KBC Group, since 2010 the division of general and administrative expenses into particular categories, and also assigning particular cost items to categories, have changed, e.g. the costs of business training trips were separated from ‘other’ category and assigned to training expenses. Comparable data for the fourth quarter of 2009 presented in these financial statements were properly restated.*

Employment*	31.12.2010	31.12.2009	Change	Change (%)
KB	4 747	4 809	-62	-1%
Other companies	87	87	0	-
Total	**4 834**	**4 896**	**-62**	**-1%**

** Figures in FTEs.*

In 2010, staff costs amounted to PLN 416,688 thousand, which means a decrease as compared to 2009 by PLN 40,176 thousand (8.8%). In the fourth quarter of 2010, staff costs amounted to PLN 108,557 thousand, which means a decrease as compared to the fourth quarter of 2009 by PLN 7,065 thousand (6.1%). The decrease in staff costs both in 2010 and in the fourth quarter of 2010 as compared to the corresponding periods in 2009 results mainly from the drop in the employment in the Group and from the sale and deconsolidation of Żagiel, and was partially set off with higher costs of provisions for bonuses for support departments (for 2009, the Bank did not enter into the books or paid the bonuses for these departments).

In 2010 the Group's general expenses, except for staff costs, amounted to PLN thousand and, as compared to 2009, were lower by PLN 42,226 thousand (by 9.3%). It was mainly due to the decrease in:

- costs of buildings lease (PLN 20,460 thousand);
- costs of taxes and fees (PLN 8,663 thousand);
- the purchase of other materials (PLN 3,267 thousand);
- other general expenses (PLN 2,887 thousand);
- IT and telecommunications fees (2,372 thousand);

set off with an increase in:

- promotion and advertising services costs (PLN 3,581 thousand).

In the fourth quarter of 2010, the Group's general expenses, except for staff costs, amounted to PLN 108,360 thousand and, as compared to the fourth quarter of 2009, they were lower by PLN 7,838 thousand (by 6.7%), which was mainly due to the decrease in:

- costs of buildings lease (PLN 4,614 thousand);
- other general expenses (3,083 thousand);
- costs of taxes and fees (2,746 thousand);

set off with an increase in:

- promotion and advertising services costs (PLN 2,878 thousand).

The sale and deconsolidation of Żagiel S.A. in December 2009 is one of the main reasons for the decrease in expenses both in 2010 and in the fourth quarter of 2010, as compared to the corresponding periods of 2009.

Cost/income ratio (CIR)

The cost/income ratio (excluding net gains from the sale of Żagiel) both in the fourth quarter of 2010 and in the whole 2010 improved greatly as compared to corresponding periods in the previous year. The ratio decreased from 66.1% to 58.6% (for the fourth quarter of 2009 and 2010 respectively) and from 63.8% to 56.9% (for four quarters of 2009 and 2010 respectively). Its improvement results mainly from a significant decrease in general expenses referred to above against a slight increase in income.

Net impairment losses on financial assets, other assets and provisions

	4th quarter of 2010	4th quarter of 2009	Four quarters of 2010	Four quarters of 2009
Retail Segment*	-73 833	-310 484	-386 827	-617 788
Corporate Segment*	-30 316	-54 145	-62 362	-171 923
Other provisions*	-7 275	-8 902	-22 782	-13 521
Result on provisions	**-111 424**	**-373 531**	**-471 971**	**-803 232**

** Due to the differences in the segmentation and the recognition of net impairment losses on financial assets, other assets and provisions between the financial reporting and the management information, the above note does not reconcile directly with the note concerning operating segments. The explanation for the differences has been presented in Note I.8.7 of this report.*

In 2010, the Group recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 471,971 thousand, as compared to the negative balance in 2009 amounting to PLN 803,232 thousand.

The balance of impairment losses for the Corporate Segment in 2009 includes impairment losses on receivables related to mature currency derivatives not paid by customers in the total amount of PLN 53,366 thousand.

In the fourth quarter of 2010, the Group recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 111,424 thousand, as compared to the negative balance in the fourth quarter of 2009 amounting to PLN 373,531 thousand. A material level of net impairment losses in the fourth quarter of 2009 resulted from the following factors:

- in relation to the completed verification of the creditworthiness of customers in Biuro Informacji Kredytowej [Credit Information Bureau] ('BIK'), on the basis of the data received from BIK, the Group separated the portfolio of higher risk cash loans. The loans, due to their nature, were classified in the category of loans with evidence for impairment. As a result, the impairment losses for the above-mentioned portfolio were calculated on the basis of the methodology applied in the case of such loans. As a result, the level of impairment losses in the fourth quarter of 2009 for such loans increased by PLN 101.5 million.
- the verification of the level of provisions for other loans (i.e. other than higher risk cash loans) in the form of a back test, which involves the comparison of estimated, according to the methodology applied by the Group, recoveries in the given period with actual recoveries in this period. As a result of the above-mentioned back test, an amount of PLN 77.4 million of write-downs was additionally recognized.

Apart from the events described above, the decrease in impairment losses both in the retail segment and in the enterprises segment is also due to the improvement in the business environment and the implementation of new debt recovery and pre-recovery procedures in 2010.

The balance of other provisions in 2010 comprises mainly the amount of provisions for potential litigations in subsidiaries amounting to PLN 9,662 thousand (which were utilised in the fourth quarter of 2010) and impairment losses for property, plant and equipment amounting to PLN 7,321 thousand).

Corporate income tax

The debit 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. In the fourth quarter of 2010, the deduction amounted to PLN 2,938 thousand as compared to the deduction in the fourth quarter of 2009 amounting to PLN 8,519 thousand. The effective tax rate in 2010 was at the level of 20.78% as compared to 4.89% in the fourth quarter of 2010, and was distorted due to the recognition in December 2010 of an additional deferred tax asset amounting to PLN 4,002 thousand, e.g. due to the revaluation of the ratio defining the value of the impairment losses for loans/cash loans which is the basis for the establishment of this asset, and due to the change in the classification of a certain group of non-activated expenses from the category of 'non-deductible expenses' to the category of 'deductible expenses' (amounting to PLN 3,058 thousand).

8.2. Assets and liabilities

Gross loans and advances to customers

The value of gross loans and advances to customers at the end of 2010 increased by PLN 1.8 billion (6.6%) as compared to the corresponding period in the previous year.

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

Investment securities portfolio

The increase in the carrying amount of debt securities at the end of 2010, as compared to the end of 2009, resulted mainly from the increase in the value of the Bank's long-term amounts due to customers, which, according to the methodology applied in KBC Group, are reinvested in debt securities for 1-5 years.

Amounts due to banks and subordinated liabilities

in PLN '000'	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Loans and advances from KBC Group	5 650 993	5 352 999	6 818 610	6 893 537
- including loans and advances in foreign currencies	*5 340 993*	*5 037 818*	*6 216 705*	*6 311 717*
Term deposits	2 922 345	2 965 537	1 699 362	2 262 816
- including term deposits from KBC Group	*2 909 169*	*2 713 344*	*1 696 985*	*2 185 451*
Current accounts	3 573 391	3 422 733	2 560 645	1 709 670
Other liabilities	3 977	6 313	3 073	5 632
Total amounts due to banks	**12 150 706**	**11 747 582**	**11 081 690**	**10 871 655**
Subordinated liabilities (from KBC Group)	911 100	866 476	805 816	814 034
Total	**13 061 806**	**12 614 058**	**11 887 506**	**11 685 689**

The Bank finances its lending activities not only with deposits but also, to a large extent, with financing made available by KBC Group, the Bank's main shareholder. The loans in foreign currencies granted by Kredyt Bank's Capital Group are fully financed with loans in foreign currencies received from KBC Group, deposits in foreign currencies made by entities from KBC Group and customer deposits in foreign currencies. Deposits and loans obtained from KBC Group are renewed at their maturities in the amount necessary to ensure the financing of the Bank's lending activities.

Customers' deposits portfolio

Customers' deposits portfolio at the end of 2010 was at a similar level (a decrease by 0.4%) as at the end of the third quarter of 2010, but it increased by 14.2% as compared to the end of 2009. In the last 12 months, the largest increase in deposits was recorded in the portfolio of current accounts by ca. PLN 3.8 billion (Savings Account).

Details concerning the deposits portfolio have been presented in sections I.8.2.1 and 8I..2.2 below.

8.2.1.Corporate and SME banking

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

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

in PLN '000'	31.12.2010	30.09.2010	31.12.2009	30.09.2009
Corporate and SME customers				
- overdraft facilities	1 624 480	1 650 440	1 468 747	1 609 012
- term loans*	4 407 040	4 537 684	5 464 609	5 852 197
- purchased debt	121 070	177 785	141 546	97 602
- realised guarantees	1 325	1 777	5 384	5 985
- other receivables (including leasing fees)	548 589	519 919	537 221	542 548
Total**	**6 702 504**	**6 887 605**	**7 617 507**	**8 107 344**

in PLN '000'	31.12.2010	30.09.2010	31.12.2009	30.09.2009
Budgetary Sector				
- overdraft facilities	2 735	25 696	1 828	2 212
- term loans*	164 658	154 737	216 535	227 528
Total**	**167 393**	**180 433**	**218 363**	**229 740**

** mainly investment loans and working capital loans*
*** gross amounts (excluding debt securities classified as loans and receivables amounting to PLN 67,532 thousand as at 31.12.2010 and amounting to PLN 68,035 thousand as at 30.09.2010).*

The lower balance of the loans of corporate customers and SMEs at the end of 2010 as compared to the end of the third quarter of 2010 and to the end of 2009 results mainly from the strategy of a disciplined use of the capital adopted in 2009 and continued in 2010, with special attention paid to the level of the risk and realized margins in the case of new exposures in the sectors of corporate customers and SMEs.

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

in PLN '000'	31.12.2010	30.09.2010	31.12.2009	30.09.2009
Corporate and SME customers				
- current accounts	3 819 591	3 879 076	2 540 948	2 349 507
- term deposits	3 648 005	4 177 018	3 904 049	3 924 723
- including 'Warta Gwarancja' product	*706 509*	*696 858*	*968 857*	*936 190*
- loans and advances	197 122	197 101	144	145
- other	4 103	6 536	16 688	6 473
Total	**7 668 821**	**8 259 731**	**6 461 829**	**6 280 848**

in PLN '000'	31.12.2010	30.09.2010	31.12.2009	30.09.2009
Budgetary Sector				
- current accounts	1 359 213	1 364 531	1 267 811	1 340 471
- term deposits	628 586	597 833	531 407	654 548
- other	0	0	0	15
Total	**1 987 799**	**1 962 364**	**1 799 218**	**1 995 034**

The value of the portfolio of term deposits of corporate and SME customers at the end of the fourth quarter of 2010 as compared to the third quarter of 2010 decreased by PLN 0.5 billion, which results from the termination of a portion of term deposits established in the first half of 2010 on extremely competitive terms.

The value of the portfolio of current accounts of corporate and SME customers, at the end of the fourth quarter of 2010 as compared to the fourth quarter of 2009, increased by PLN 1.3 billion, which was an effect of competitive interest rate terms offered by the Bank for such products (savings accounts) and intensive customer acquisition campaigns especially in the first half of 2010.

8.2.2. Retail banking

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

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

in PLN '000'	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
- overdraft facilities	860 214	881 366	793 184	816 904
- purchased debt	12 841	16 882	7 440	17 120
- term loans*	783 239	780 458	829 717	865 151
- installment loans, cash loans, and cards	4 298 157	4 280 885	4 118 645	4 091 047
- mortgages	16 183 199	15 470 851	13 685 315	13 648 970
- realised guarantees	1 340	1 519	1 519	1 519
- other receivables	32 101	38 693	26 054	25 184
Total**	**22 171 091**	**21 470 654**	**19 461 874**	**19 465 895**

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

The balance of retail customers' loans at the end of 2010 as compared to the end of the third quarter of 2010, increased by PLN 0.7 billion (3.3%), and as compared to the end of 2009, the balance increased by PLN 2 billion (13.9%). The change results mainly from the increase in the balance of mortgages as at the end of 2010 by PLN 0.7 billion as compared to the end of the third quarter of 2010 and by PLN 2.5 billion as compared to the end of 2009.

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

in PLN '000'	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
- current accounts	12 536 406	11 759 570	10 109 149	10 074 976
- term deposits	3 346 027	3 701 837	4 022 658	3 519 441
- other	121 705	74 504	76 300	114 256
Total	**16 004 138**	**15 535 911**	**14 208 107**	**13 708 673**

The value of the portfolio of the deposits of retail customers as at 31.12.2010 as compared to 30.09.2010 increased by PLN 0.5 billion (3.0%) and, as compared to 31.12.2009, increased by PLN 1.8 billion (12.6%), which resulted from competitive interest rates offered by the Bank for the Savings Account (presented in the current accounts).

The cash acquired by the Bank from TunŻ Warta S.A. from the sales of 'Warta Gwarancja' product offered by the insurer to retail customers is recognized in these financial statements in the corporate segment and SMEs.

Instalment and cash loans, and credit cards

Cash loans are offered in the network of the Bank's outlets as well as via Żagiel, irrespective of the sale of 100% of shares of this company in the fourth quarter of 2009. Credit cards are offered only in the network of the Bank's outlets, and instalment loans used to purchase goods and services are offered only via Żagiel.

In the case of cash loans, in 2010 the lending principles were stricter than in 2009. In the fourth quarter of 2010, pursuant to the requirements of T Recommendation, the Bank introduced changes in the principles and the process of making credit decisions, concerning the assessment of the creditworthiness of customers applying for Consumer Finance products. The restrictions concerning the availability of products are related mainly to new customers who are subject to a much higher risk.

in PLN '000'	**4th quarter of 2010**	**3rd quarter of 2010**	**4th quarter of 2009**	**3rd quarter of 2009**
Installment and cash loans, and cards				
Gross value of the portfolio at the end of the quarter, including:	4 298 157	4 280 885	4 118 645	4 091 047
Loans granted via Żagiel				
Gross value of the portfolio at the end of the quarter*	2 451 907	2 456 943	2 579 558	2 667 854
Number of loans granted in the quarter (in '000')**	179	185	170	176
Value of loans granted in the quarter:**	389 970	397 998	346 746	365 796
- installment loans	365 437	380 206	345 478	364 396
- cash loans	24 533	17 792	1 268	1 400

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

in thousands	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Credit cards (aggregate for KB and Żagiel S.A.)	205	210	228	244

With regard to the analysis, the Bank decided to change the presentation of the number of credit cards. Since the first quarter of 2010, the Bank has presented only the cards actually used by the customers. The figures for the previous reporting periods presented in these financial statements have been properly reinstated.

Mortgages

In December 2009, the Bank restored to its offer mortgages denominated in foreign currencies for customers with the lowest risk level.

The value of mortgages granted in the fourth quarter of 2010 as compared to the third quarter of 2010 decreased by 44.2% and, as compared to the corresponding period in the previous year, it increased by 21.9%. In the second and third quarters of 2010, the Bank carried out an intensive promotional campaign concerning mortgages.

in PLN '000'	**4th quarter of 2010**	**3rd quarter of 2010**	**4th quarter of 2009**	**3rd quarter of 2009**
Mortgages				
Gross value of the portfolio at the end of the quarter	16 183 199	15 470 851	13 685 315	13 648 970
Number of loans granted in the quarter (in '000')	2.0	3.4	1.7	1.7
Value of loans granted in the quarter*	400 144	716 978	328 224	306 583

* new loans

Current accounts for individual clients

in PLN '000'	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Current accounts				
Carrying amount at quarter end	12 536 406	11 759 570	10 109 149	10 074 976
Including ROR accounts *				
Number (in '000')	634	637	612	599
Carrying amount	1 156 413	1 151 717	1 123 428	1 164 492
Including Savings Account *				
Number (in '000')	617	593	496	442
Carrying amount	9 850 124	9 151 465	7 626 000	7 647 098

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

As at 31.12.2010, the number of current-savings accounts (ROR) decreased by 0.5% as compared to figures at 30.09.10 and was higher by 3.6% as compared to figures at 31.12.2009. The carrying amount of cash on ROR accounts for individual customers at the end of the fourth quarter of 2010 was at a similar level (a decrease by 0.4%) as at the end of the third quarter of 2010 and it increased by 2.9% as compared to the end of the fourth quarter of 2009.

At the end of the fourth quarter of 2010, the number of savings accounts increased by 4.0% as compared to the end of the third quarter of 2010, and by 24.4% as compared to the end of the fourth quarter of 2009. At the end of the fourth quarter of 2010, the value of deposited cash increased by 7.6% as compared to figures at the end of the third quarter of 2010 and by 29.2% as compared to the end of the fourth quarter of 2009. The increase in the value of cash in the savings account in the last 12 months is an effect of Kredyt Bank's offer of competitive interest rates for this product.

Number of outlets

Due to the sale of the shares of Żagiel, since 16 December 2009, 'Kredyt Punkt' outlets have ceased to be a part of the distribution network of Kredyt Bank Group.

During the process of the Network restructuring in 2010, a decision was made to combine certain units to streamline the costs and achieve the synergy effect.

in units	31.12.2010	30.09.2010	31.12.2009	30.09.2009
Bank's outlets	381	383	402	407
Outlets of Żagiel S.A. ('Kredyt Punkt' outlets)	0	0	0	200

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

Total net assets of KBC TFI funds (excluding non-registered funds) sold as at 31.12.2010 via the Bank's distribution network amounted to PLN 4,491,634 thousand. As compared to the value at 30.09.2010, they increased by 17.4%, and by 32.5% as compared to the value at 31.12.2009.

in PLN '000'	31.12.2010	30.09.2010	31.12.2009	30.09.2009
Net assets of KBC TFI funds (excluding non-registered funds) sold via the Bank's distribution network	4 491 634	3 827 357	3 390 735	3 336 491
The share of net assets of funds sold via the Bank's distribution network in net assets of investment funds managed by KBC TFI S.A.	79.4%	72.4%	75.1%	75.6%

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

In the fourth quarter of 2010 and in the fourth quarter of 2009, the Group's companies did not issue, redeem or repay any equity securities issued by the Group's companies.

8.5. The quality of loans and advances portfolio

As at 31.12.2010, 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', amounted to 9.7% and deteriorated slightly in the fourth quarter of 2010 (by 0.1 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 1.0 percentage point as compared to 30.09.2009 as well as by 3.2 percentage point as compared to 31.12.2009.

in PLN '000'	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Loans and advances with no evidence for impairment	26 286 536	25 849 749	24 919 522	25 942 815
Loans and advances with evidence for impairment	2 821 984	2 756 978	2 378 222	1 860 164
Total gross loan and advances to customers	**29 108 520**	**28 606 727**	**27 297 744**	**27 802 979**
Impairment losses on loans and advances to customers	1 914 000	1 851 543	1 575 886	1 229 719
including: impairment on loans and advances with evidence for impairment	1 793 562	1 725 279	1 435 829	1 105 124
Total net loans and advances to customers	**27 194 520**	**26 755 184**	**25 721 858**	**26 573 260**
The share of loans and advances with evidence for impairment in total gross loans and advances	9.7%	9.6%	8.7%	6.7%
Coverage of loans and advances with evidence for impairment with corresponding impairment	63.6%	62.6%	60.4%	59.4%
Coverage of gross loans and advances to customers with corresponding impairment	6.6%	6.5%	5.8%	4.4%

8.6. Capital adequacy ratio

The Group's capital adequacy ratio was calculated in compliance with the regulations of the Polish Financial Supervision Authority in force and, as of 31.12.2010, amounted to 12.51% as compared to 11.82% recorded as of 31.12.2009. The Group applies the standardized approach to credit risk calculation.

As at 31.12.10, as compared to 30.09.10, the capital adequacy ratio increased from 12.34% by 0.17 percentage points.

The ratio calculated only with the use of own basic capitals amounted to 8.95% as at 31.12.2010, to 9.01% as at 30.09.2010, and to 8.79% as at 31.12.2009.

8.7. Income and results by operating segments

Since 1.01.2009, in accordance with the assumptions of IFRS 8, the presentation method of disclosures concerning operating segments has changed. The criterion for separating a segment now includes 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 Polish 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 consists of a wide choice of deposit, credit and insurance (bancassurance) products offered in cooperation with TUnŻ WARTA S.A. and TUiR WARTA S.A., and investment products offered by KBC TFI S.A. This offer is addressed to customers through traditional channels of distribution via the Bank's nationwide network of branches and affiliates 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 interbank market. The result of the segment also includes net income on derivative instruments transactions: forward, FX swap, IRS, CIRS, FRA, interest rate and currency options, except for write-downs for credit risk. Besides the trading activities carried by the Bank on its own account, the segment includes the activities aiming to hedge the Banking Book position.

Other

Income and expenses not assigned to the above segments have been presented as 'Other' segment. This category also includes 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 financing lending activities and interest income from the sales of deposit funds in internal transactions and result from the application of an internal price (transfer rate) established 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 the interest margin. The Bank's Management Board, when making operating decisions, bases them mainly on the interest margin. In addition, particular segments include the costs of financing cash maintained in the Bank's branches.

Net commission income and other net income entails:

- commissions for keeping accounts and transactions;

- commissions related to credit, debit and other cards;

- commissions related to the distribution of the shares of investment funds and other services provided for the benefit 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 including 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 repurchase transactions, bonds, IRS and FX options.

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

- net trading income, (including: net increase/decrease in the provisions for potential losses related to open/active derivatives and the valuation of embedded instruments related to the enterprises function) and

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

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

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

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

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**163 600**	**76 545**	**67 423**	**-3 718**	**303 850**
- lending activities	132 355	51 404	0	-3 736	180 023
- depositing activities	33 682	27 057	0	18	60 757
- the cost of financing cash kept in the Bank's branches	-2 437	-1 916	4 353	0	0
Net commission income and other net income	**46 035**	**31 893**	**0**	**13 060**	**90 988**
- commissions related to keeping accounts and transactions	20 679	15 257	0	160	36 096
- commissions related to cards	20 165	1 212	0	462	21 839
- commissions related to shares in investment funds societies	11 962	698	0	0	12 660
- commissions related to insurance products	1 709	55	0	0	1 764
- commissions related to foreign transactions	10	4 163	0	115	4 288
- other	-8 490	10 508	0	12 323	14 341
Net income from treasury transactions	**11 629**	**12 807**	**-5 797**	**-894**	**17 745**
- exchange transactions	11 622	12 430	544	-788	23 808
- derivatives and securities	7	377	-6 341	-106	-6 063
Net gains from investment activities	**0**	**0**	**79**	**0**	**79**
Operating income before tax	**221 264**	**121 245**	**61 705**	**8 448**	**412 662**
Net impairment losses on financial assets, other assets and provisions	**-73 593**	**-31 352**	**0**	**-7 348**	**-112 293**
Group's general and administrative expenses, including:	**-178 226**	**-47 638**	**-9 350**	**-6 201**	**-241 415**
- the costs of the operation of business functions (direct costs)	-102 360	-31 337	-5 307	-77 913	-216 917
- allocated expenses	-57 156	-13 706	-3 005	73 867	0
- depreciation (direct costs)	-11 644	-899	-670	-11 285	-24 498
- depreciation (allocated costs)	-7 066	-1 696	-368	9 130	0
Net operating income	**-30 555**	**42 255**	**52 355**	**-5 101**	**58 954**
Share in profit (loss) of associates					1 081
Income tax expense					-2 938
Net profit/loss					**57 097**

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
Net 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
Net commission income and other net income	**188 545**	**111 716**	**0**	**47 689**	**347 950**
- commissions related to keeping 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 the fourth quarter of 2009 by business segments (breakdown according to management reporting) (comparable data)

in PLN '000'	Retail Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**190 921**	**72 959**	**23 670**	**-1 302**	**286 248**
- lending activities	161 788	47 888	0	-1 325	208 351
- depositing activities	31 429	26 990	0	23	58 442
- the cost of financing cash kept in the Bank's branches	-2 296	-1 919	4 215	0	0
Net commission income and other net income	**45 500**	**28 946**	**0**	**4 384**	**78 830**
- commissions related to keeping accounts and transactions	21 584	13 492	0	302	35 378
- commissions related to cards	14 691	1 176	0	0	15 867
- commissions related to shares in investment funds societies	7 946	756	0	0	8 702
- commissions related to insurance products	-4 288	-88	0	633	-3 743
- commissions related to foreign transactions	6	3 579	0	140	3 725
- other	5 561	10 031	0	3 309	18 901
Net income from treasury transactions	**-6 396**	**11 804**	**5 999**	**15 909**	**27 316**
- exchange transactions	-6 426	11 562	4 548	14 689	24 373
- derivatives and securities	30	242	1 451	1 220	2 943
Net gains from investment activities	**0**	**0**	**278**	**0**	**278**
Net gains from the sale of the shares of Żagiel	**0**	**0**	**0**	**268 274**	**268 274**
Operating income before tax	**230 025**	**113 709**	**29 947**	**287 265**	**660 946**
Net impairment losses on financial assets, other assets and provisions	**-309 615**	**-57 552**	**0**	**-5 351**	**-372 518**
Group's general and administrative expenses, including:	**-208 556**	**-36 987**	**-8 950**	**-5 598**	**-260 091**
- the costs of the operation of business functions (direct costs)	-134 237	-24 911	-5 487	-67 185	-231 820
- allocated expenses	-50 281	-10 769	-2 922	63 972	0
- depreciation (direct costs)	-14 951	-826	-399	-12 095	-28 271
- depreciation (allocated costs)	-9 087	-481	-142	9 710	0
Net operating income	**-288 146**	**19 170**	**20 997**	**276 316**	**28 337**
Share in profit (loss) of associates					319
Income tax expense					-8 519
Net profit/loss					**20 137**

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
Net 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
Net commission income and other net income	**179 354**	**115 530**	**0**	**50 211**	**345 095**
- commissions related to keeping 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**

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

in PLN '000'	**01.10.2010-31.12.2010**
Net interest income – management information	**303 850**
- commissions on loans	11 209
+ operating expenses (interest on finance lease)	-279
+ operating income (the collection of statutory interest)	5 326
+ commissions related to foreign transactions	87
- structured deposit – interest adjustment	808
+ other	-2
Net interest income – financial statements	**296 965**
Net commission income and other net income – management information	**90 988**
+ commissions on loans	11 209
- operating expenses (interest on finance lease)	-279
- operating income (the collection of statutory interest)	5 326
- commissions related to foreign transactions	87
- the valuation of shares and of an embedded instrument related to the operations of the enterprises function	1 300
- net increase/decrease in provisions related to the sale of debt	2 458
- other	-2
Net commission income and other income – financial statements – presented as:	**93 307**
Net fee and commission income	89 200
Other operating income	24 093
Other operating expenses	-19 986
Net income from treasury transactions – management information	**17 745**
+ net increase/decrease in provisions for potential losses related to active derivatives	1 589
+ the valuation of shares and of an embedded instrument related to the operations of the enterprises function	1 300
+ structured deposit – interest adjustment	808
Net trading income and net result on derivatives used as hedging instruments - financial statements – presented as:	**21 442**
Net trading income	21 020
Net result on derivatives used as hedging instruments and hedged items	422
Net gains from investment activities – management information	**79**
Net gains from investment activities and dividend income - financial statements – presented as:	**79**
Net gains from investment activities	79
Dividend income	0
Operating income before tax – management information	**412 662**
+ net increase/decrease in provisions for potential losses related to active derivatives	1 589
- net increase/decrease in provisions related to the sale of debt	2 458
Operating income before tax – financial statements – presented as:	**411 793**
Total operating income	431 779
Other operating expenses	-19 986

Net impairment losses on financial assets, other assets and provisions – management information	**-112 293**
- net increase/decrease in provisions for potential losses related to active derivatives	1 589
+ net increase/decrease in provisions related to the sale of debt	2 458
Net impairment losses on financial assets, other assets and provisions – financial statements	**-111 424**

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'	**01.10.2009-31.12.2009**
Net interest income – management information	**286 248**
- commissions on loans	12 880
+ operating expenses (interest on finance lease)	-489
+ operating income (the collection of statutory interest)	1 405
+ commissions related to foreign transactions	76
+ other	-2
Net interest income – financial statements	**274 358**
Net commission income and other net income – management information	**78 830**
+ commissions on loans	12 880
- net increase/decrease in provisions related to the sale of debt	2 874
- operating expenses (interest on finance lease)	-489
- operating income (the collection of statutory interest)	1 405
- commissions related to foreign transactions	76
- other	-2
Net commission income and other income – financial statements – presented as:	**87 846**
Net fee and commission income	76 134
Other operating income	25 907
Other operating expenses	-14 195
Net income from treasury transactions – management information	**27 316**
+ net increase/decrease in provisions for potential losses related to active derivatives	3 887
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**31 203**
Net trading income	31 735
Net result on derivatives used as hedging instruments and hedged items	-532
Net gains from investment activities – management information	**278**
Net gains from investment activities and dividend income – financial statements – presented as:	**278**
Net gains from investment activities	278
Dividend income	0

Operating income before tax – management information	**660 946**
+ net increase/decrease in provisions for potential losses related to active derivatives	3 887
- net increase/decrease in provisions related to the sale of debt	2 874
Operating income before tax – financial statements – presented as:	**661 959**
Total operating income	676 154
Other operating expenses	-14 195
Net impairment losses on financial assets, other assets and provisions – management information	**-372 518**
- net increase/decrease in provisions for potential losses related to active derivatives	3 887
+ net increase/decrease in provisions related to the sale of debt	2 874
Net impairment losses on financial assets, other assets and provisions – financial statements	**-373 531**

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 which, at the time of initial recognition, were designated as measured at fair value through profit or loss	118 562
Held-for-trading financial assets (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 which, at the time of initial recognition, were designated as measured at fair value through profit or loss	155 400
Held-for-trading financial assets (excluding derivatives)	1 179 949
Investment securities	8 789 642

9. Information on dividend

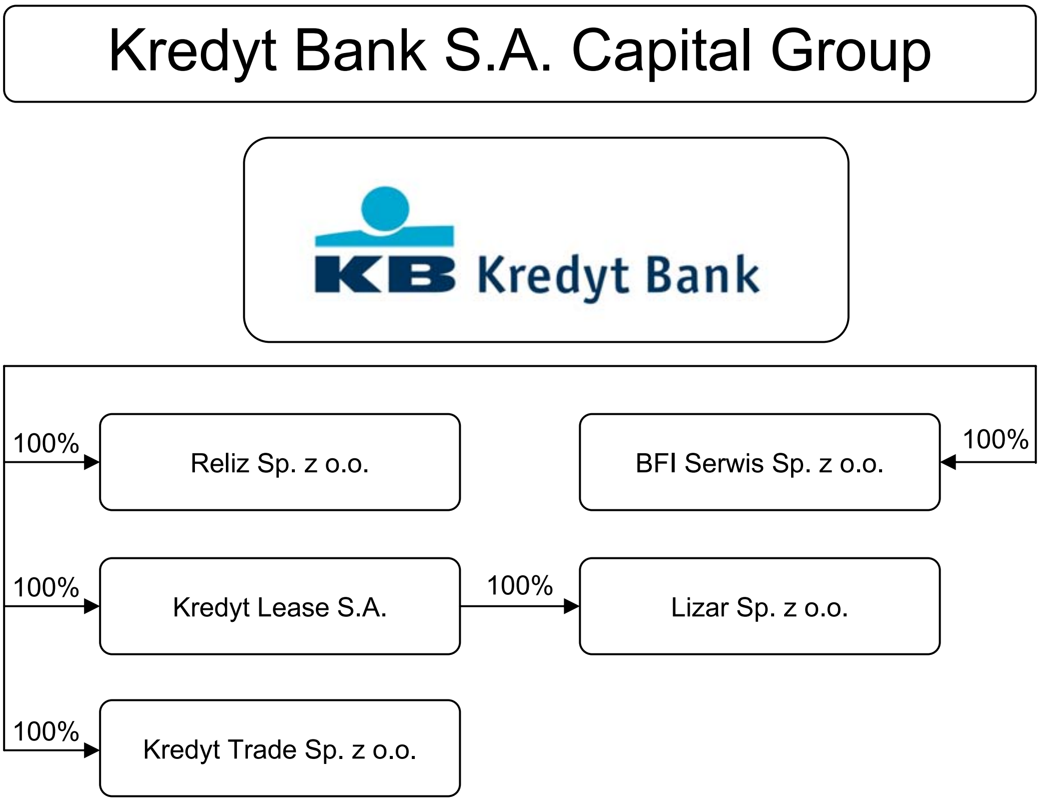
The final conclusions concerning the payment and the amount of dividend for 2010 or the decision not to pay dividend will be submitted to the Supervisory Board by the Bank's Management Board prior to the convening of the General Meeting of Shareholders which will approve the Bank's financial statements 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.

10. Group's structure

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

Below, we present the composition and ownership structure of the Group as of 31.12.2010.



As of 31.12.10, the following companies were consolidated with the full method: Kredyt Lease S.A., Kredyt Trade Sp. z o.o. and Reliz Sp. z o.o.

As at 31.12.2010, as compared to 31.12.2009, due to the sale of the shares of Net Fund Administration Sp. z o.o. in the second quarter of 2010, the composition of the Capital Group changed.

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

11. Comparable data

Comparable data included in this financial report for previous reporting periods take into account presentation changes introduced to the financial statements as of 31.12.2010.

Consolidated Income Statement

in PLN '000'	**Published data**	**Change**	**Comparable data**
	The period 01.10.2009 – 31.12.2009		**The period 01.10.2009 – 31.12.2009**
General and administrative expenses	-259 945	-146	-260 091
Other operating expenses	-14 341	146	-14 195
	The period 01.01.2009 – 31.12.2009		**The period 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' due to the change in the presentation described under the table in section I.8.1.

Consolidated Balance Sheet

in PLN '000'	**Published data**	**Change**	**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 which, at the time of initial recognition, were designated as measured at fair value through profit or loss	0	+155 400	155 400
Held-for-trading financial assets (excluding derivatives)	0	+1 179 949	1 179 949

Clarifications:

- a separate presentation in the balance sheet of financial assets which, at the time of initial recognition, were designated as measured at fair value through profit or loss as well as of held-for-trading financial assets (excluding derivatives).

12. Description of applied accounting principles and material accounting estimates

The Group did not introduce any material changes in the applied accounting principles and methods of performing accounting estimates as compared to the principles and methods described in the Group's published consolidated financial statements as of 31.12.2009, 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 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 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:

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

12.1. Classification and measurement of financial assets and liabilities

The description of accounting principles and accounting estimates applied in the Group is presented in the consolidated financial statements of the Group as at 31.12.2009. Below, we only present the details concerning the most important items in the Group's financial statements.

Financial assets and liabilities at fair value through profit or loss

This category includes:

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

Fair value is determined on the basis of quotations on active markets, including prices of the latest transactions and generally adopted measurement models based on variables that can be observed in the market environment.

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.

Outflows 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 includes credit risk; the respective charges are recognized in the income statement.

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

Held-to-maturity investments

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

- designated by an entity upon initial recognition as at fair value through profit or loss;
- designated by an entity as available-for-sale and
- 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 the settled discount or premium is recognized in net interest income.

Loans and receivables

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

- 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;
- financial assets that the company upon initial recognition designates as available-for-sale, or

- 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 commissions (commissions received less commissions paid) are settled over time with the use of 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.

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 with the use of the effective interest rate method.

If fair value cannot be determined, assets are recognized at cost less impairment charge. The 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.

Outflows from assets disposal are calculated with the FIFO method.

Financial liabilities not held for trading

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

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

Hedge accounting

Hedge accounting recognizes the effects of compensating for changes in fair value of the hedging instrument and the hedged item, which exert an impact on the income statement. According to adopted hedge accounting principles, the Group designates certain derivatives to hedge fair value and future cash flow 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 flow related to the hedged risk;
- the hedging is expected to be highly effective in achieving offsetting changes in fair value (or cash flow) 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 flow hedge, which meets hedge accounting conditions, is recognized by the Group as follows:

- a portion of gains or losses associated with the hedging instrument, which constitutes an effective hedge, is 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.

Effective interest rate method

The Group has been amortising, into income statement, fee and commission income and expenses as well as certain external expenses connected with the measured financial assets and liabilities in accordance with the stipulations provided in IAS 39.

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

- loans and advances granted as well as other own receivables not held for trading;
- held-to-maturity investments;
- financial liabilities not held for trading;
- financial assets for which fair value cannot be determined reliably, except for available-for-sale financial assets carried at cost, having regard for impairment losses.

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

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

And 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 major 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 risk of impairment was identified, interest income is charged to the income statement on the basis of net investment defined as the difference between the gross exposure value (having regard for unsettled commissions) and the impairment charge.

12.2. Value of deferred tax assets

The Group's subsidiaries recognize a deferred tax liability for all temporary differences whereas the deferred tax asset is recognized to the amount which is justified by financial projections approved by the Management Boards of the Group's companies concerning the possibility of realizing this asset.

12.3. Investment properties

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

12.4. Available-for-sale financial assets

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.

13. After balance sheet events

In February 2011, the Bank signed two credit line 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. The details of the signed agreements are available in the current report of 09.02.2011.

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, apart from that described in section I.14.

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

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* – a subsidiary of KBC Group*	Banking	217 327 103	80.00
KBC Securities NV* – a subsidiary of KBC Bank NV **	Brokerage house	11 751 771	4.33
KBC Insurance NV* – a subsidiary 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 7 and 8 February 2011, the Bank was notified by KBC Group NV of the decrease in the number of shares of KBC Group NV in the Bank’s capital by more than 1% of the total number of votes. The details of the transactions are available in the current report of 09.02.2011.

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

As of 31.12.2010, other Members of the Bank’s Management Board and of the Bank’s Supervisory Board did not hold any Bank’s shares or shares in the Bank’s subsidiaries and associates.

As at 31.12.2009, Mr. Marek Michałowski, a Member of the Bank’s Supervisory Board, held 1,000 shares of Kredyt Bank S.A. with the nominal value of PLN 5 thousand. Other Members of the Bank’s Management Board and of the Bank’s Supervisory Board did not hold any Bank’s shares or shares in the Bank’s subsidiaries and associates.

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

In the fourth quarter of 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 company of the Group is the defendant and in which the amounts claimed are the highest.

- 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. Upon the request of LFO, the court called upon the trustee in bankruptcy of LFO to participate in the case. In the meantime, the parties submitted pleadings. In the fourth quarter of 2010, there were no developments as regards the said proceedings.
- A trustee in bankruptcy of a company operating in the real estate developing sector (the name of the company is subject to confidentiality application) claims for payment of indemnity of PLN 32,256 thousand by the reason of effecting by the Bank of financial orders from the company's account on the basis of bank transfers orders and checks bearing a forged signature of one of the persons authorized to represent the company in dealings with the Bank. At the hearing on 21.11.2006, the plaintiff limited its claim for interest. The total amount claimed by the plaintiff equals PLN 20,665 thousand. On 20.03.2007, the court announced its decision and claimed the whole disputed amount with interest from the Bank. Having received the justification of the judgment, the Bank lodged the appeal and requested to summon the member of the company's management board who had forged signatures. By the judgment of 8.04.2008, the appeal court overruled the judgment of the court of first instance (in the judgment, the court stated that the limitation of claims for damages by lapse of time had not been examined) and referred the case to the circuit court to be re-examined. The first hearing at which the positions of the parties

were established was held on 25.07.2008. At the hearing on 3.07.2009, the court continued the examination of the facts concerning the original bank transfer orders. At the hearing held on 30.12.2009, the court dismissed the lawsuit of the trustee in bankruptcy, adjudging for the Bank the reimbursement of the costs of the proceedings, including the costs of legal representation. The trustee in bankruptcy appealed against the 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 the fourth quarter of 2010, there were no developments as regards the said proceedings.

- In relation to a loan transaction to finance the construction of ‘Altus’ building in Katowice, the Bank and Reliz Sp. z o.o. (the building owner) are involved in certain disputes of legal nature. The Bank owns 100% shares of Reliz. The said disputes are related to claims of 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. In the fourth quarter of 2010, there were no developments as regards the said proceedings.
- 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 Bank's Management Board is of the opinion that any risks related to the proceedings before courts or public administration authorities are properly secured by the provisions established by the Bank.

17. Related party transactions

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

In the fourth quarter of 2009, there were no related party transactions concluded by the Bank or its subsidiaries, which were not concluded on market terms, except for the transaction described below.

On 16.12.2009, Kredyt Bank S.A. entered into a sale agreement for the benefit of KBC Bank N.V. concerning 479,281 shares of the subsidiary Żagiel S.A. with the nominal value of PLN 50 each, representing 100% of the share capital of Żagiel S.A. and entitling their holder to exercise 100% of votes at the General Meeting of Shareholders of Żagiel S.A.

The selling price for 100% of shares of Żagiel S.A. amounted to 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 by KBC to an outside entity for an amount lower than PLN 350 million, the risk of Kredyt Bank is limited to 10% of the selling price.

According to the independent opinion prepared by KPMG Advisory, a consulting company, 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.

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

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.

19. Seasonality or cyclical nature of operations

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

20. Non-typical factors and events

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

Apart from the transaction presented in section I.17, in the fourth quarter of 2009, no other untypical events occurred in the Group (not related to operating activities) that would affect the structure of balance sheet items and the financial result to a large extent, and which were not presented in this report.

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

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

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

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

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

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

- only a moderate acceleration of the economic growth rate resulting in the risk of no significant improvement of the situation on the labour market and, as a result, of the internal demand, which limits the chances of an increase in the loans portfolio and the improvement of its quality as well as in the development of institutional customers;
- 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;
- the impact of the implementation of new recommendations/regulations of the Polish Financial Supervision Authority upon the growth rate of the portfolio of retail loans (with special attention paid to mortgage loans);
- currency risk – on the one hand, significant depreciation of PLN resulting from greater risk aversion on financial markets, which may result in the deterioration of the quality of mortgage loans; on the other hand, significant appreciation of PLN which results in the deterioration of the situation of exporters and, as a result, in the possible deterioration of the quality of the loans portfolio of institutional customers;
- persisting high costs of long-term liquidity both in PLN and in foreign currencies;
- lower costs of sourcing and maintaining deposits.

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

1. Income Statement

in PLN '000	4th quarter of 2010 01.10.2010-31.12.2010	Four quarters of 2010 1.01.2010-31.12.2010	4th quarter of 2009 01.10.2009-31.12.2009	Four quarters of 2009 1.01.2009-31.12.2009
Interest income	546 090	2 097 924	501 001	2 085 727
Interest expense	-261 255	-1 068 926	-271 642	-1 228 080
Net interest income	**284 835**	**1 028 998**	**229 359**	**857 647**
Fee and commission income	113 970	426 084	113 037	415 251
Fee and commission expense	-25 014	-96 993	-39 419	-129 573
Net fee and commission income	**88 956**	**329 091**	**73 618**	**285 678**
Dividend income	0	6 886	0	120 792
Net trading income	20 808	120 466	31 406	157 242
Net result on derivatives used as hedging instruments and hedged items	422	887	-532	25
Net gains from investment activities	79	6 486	278	4 704
Net result on disposal of Zagiel's shares	0	0	350 000	350 000
Other operating income	9 791	54 783	9 896	62 662
Total operating income	**404 891**	**1 547 597**	**694 025**	**1 838 750**
General and administrative expenses	-231 218	-891 022	-220 136	-860 709
Other operating expenses	-16 347	-49 028	-12 229	-37 146
Total operating expenses	**-247 565**	**-940 050**	**-232 365**	**-897 855**
Net impairment losses on financial assets, other assets and provisions	-119 681	-464 578	-359 169	-784 291
Net operating income	**37 645**	**142 969**	**102 491**	**156 604**
Profit (loss) before tax	**37 645**	**142 969**	**102 491**	**156 604**
Income tax expense	-749	-31 730	-3 012	8 697
Net profit (loss) from continued operations	**36 896**	**111 239**	**99 479**	**165 301**
Net profit from discontinued operations	0	0	0	0
Net profit (loss)	**36 896**	**111 239**	**99 479**	**165 301**
Weighted average number of ordinary shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)	0,14	0,41	0,37	0,61

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

2. Statement of Comprehensive Income

in PLN '000	**4th quarter of 2010 01.10.2010-31.12.2010**	**Four quarters of 2010 1.01.2010-31.12.2010**	**4th quarter of 2009 01.10.2009-31.12.2009**	**Four quarters of 2009 1.01.2009-31.12.2009**
Net profit (loss) for the period	**36 896**	**111 239**	**99 479**	**165 301**
Valuation of financial assets available-for-sale	-34 997	42 542	-3 094	-13 677
- including deferred tax	8 209	-9 979	726	3 208
Effects of valuation of derivatives designated for cash flow hedge	-10 158	11 163	-7 869	-78 545
- including deferred tax	2 383	-2 618	1 846	18 424
Other comprehensive income (loss) recognized directly in equity	**-45 155**	**53 705**	**-10 963**	**-92 222**
Total comprehensive income (loss) for the period	**-8 259**	**164 944**	**88 516**	**73 079**
Including:				
Attributable to the Shareholders of the Bank	**-8 259**	**164 944**	**88 516**	**73 079**

3. Balance Sheet

in PLN '000	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Assets				
Cash and balances with Central Bank	1 943 571	1 114 399	1 175 451	894 259
Gross loans and advances to banks	1 466 249	1 328 016	190 013	222 499
Impairment losses on loans and advances to banks	-2 260	-2 260	-2 260	-2 260
Receivables arising from repurchase transactions	87 218	410 900	331 875	10 076
Financial assets designated upon initial recognition as at fair value through profit or loss	98 849	107 585	136 836	93 529
Financial assets held for trading (excluding derivatives)	1 601 283	1 986 818	1 179 950	1 551 675
Derivatives, including:	463 159	486 001	571 410	739 419
- derivatives used as hedging instruments	74 340	90 505	55 741	57 538
Gross loans and advances to customers	28 901 536	28 466 326	27 312 467	27 880 649
Impairment losses on loans and advances to customers	-1 875 759	-1 813 700	-1 540 231	-1 199 214
Investment securities:	9 464 547	9 951 490	8 785 579	7 643 573
- available-for-sale	6 216 768	6 662 809	6 032 241	5 489 702
- held-to-maturity	3 247 779	3 288 681	2 753 338	2 153 871
Investments in subsidiaries, associates and jointly controlled entities	64 626	64 576	65 995	66 000
Property, plant and equipment	291 922	321 152	360 238	368 797
Intangible assets	51 827	46 948	53 553	52 565
Deferred tax asset	327 776	216 225	179 266	142 943
Non-current assets held for sale	7 070	0	0	0
Investment properties	18 217	20 327	9 893	0
Other assets	90 424	95 233	102 508	89 778
Total assets	**43 000 255**	**42 800 036**	**38 912 543**	**38 554 288**

in PLN '000	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Liabilities				
Amounts due to Central Bank	6	6	1 321 802	1 568 301
Amounts due to banks	11 771 404	11 432 401	10 831 690	10 641 655
Liabilities arising from repurchase transactions	228 693	678 323	0	0
Financial liabilities held for trading (excluding derivatives)	0	34 982	0	0
Derivatives, including:	1 131 078	773 527	541 068	695 271
- derivatives used as hedging instruments	1 274	0	3 166	482
Amounts due to customers	25 710 004	25 805 083	22 521 686	22 068 791
Current tax liability	152 959	63 683	31 833	19 653
Provisions	70 878	39 897	31 409	35 381
Other liabilities	206 890	280 156	174 940	147 419
Subordinated liabilities	911 100	866 476	805 816	814 034
Total liabilities	**40 183 012**	**39 974 534**	**36 260 244**	**35 990 505**

in PLN '000	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Equity				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	887 347	887 347	782 046	782 046
Revaluation reserve	59 421	104 576	5 716	16 679
Reserves	400 942	400 942	340 942	340 942
Retained earnings (loss)	0	0	0	0
Current net profit attributable to the Shareholders of the Bank	111 239	74 343	165 301	65 822
Total equity	**2 817 243**	**2 825 502**	**2 652 299**	**2 563 783**
Total equity and liabilities	**43 000 255**	**42 800 036**	**38 912 543**	**38 554 288**

Capital adequacy ratio (%)	12,85	12,65	12,13	11,64
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	10,37	10,40	9,76	9,44

4. Off-Balance Sheet Items

in PLN '000	**31.12.2010**	**30.09.2010**	**31.12.2009**	**30.09.2009**
Liabilities, granted and received				
Liabilities granted:	6 224 202	5 789 691	5 879 963	5 826 270
- financial	4 153 019	4 197 514	4 094 569	4 014 385
- guarantees	2 071 183	1 592 177	1 785 394	1 811 885
Liabilities received:	2 129 702	1 506 673	2 452 623	2 329 511
- financial	1 051 341	407 483	1 228 242	930 422
- guarantees	1 078 361	1 099 190	1 224 381	1 399 089
Liabilities related to the sale/purchase transactions	**134 779 591**	**168 126 775**	**89 935 738**	**109 208 878**
Other:	**7 353 944**	**7 316 006**	**6 574 059**	**6 356 773**
- collateral received	7 353 944	7 316 006	6 574 059	6 356 773

5. Statement of Changes in Shareholders' Equity

Changes in the period from 1 January to 31 December 2010

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

Changes in the period from 1 January to 31 December 2009

in PLN '000	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit for the period	Total equity
Equity at the opening balance – as of 01.01.2009	**1 358 294**	**580 974**	**97 938**	**240 942**	**301 072**	**0**	**2 579 220**
Valuation of financial assets available-for-sale			-16 885				-16 885
Effects of valuation of derivatives designated for cash flow hedge			-96 969				-96 969
Deferred tax on items recognized in equity			21 632				21 632
Net profit (loss) recognized directly in the equity			**-92 222**				**-92 222**
Net profit (loss) for the period						165 301	165 301
Total of recognized income and expenses			**-92 222**			**165 301**	**73 079**
Profit allowance		201 072		100 000	-301 072		0
Equity at the end of the period – as of 31.12.2009	**1 358 294**	**782 046**	**5 716**	**340 942**	**0**	**165 301**	**2 652 299**

6. Cash Flow Statement

in PLN '000	4th quarter of 2010 01.10.2010-31.12.2010	Four quarters of 2010 1.01.2010-31.12.2010	4th quarter of 2009 01.10.2009-31.12.2009	Four quarters of 2009 1.01.2009-31.12.2009
Cash flow from operating activities				
Net profit (loss)	**36 896**	**111 239**	**99 479**	**165 301**
Adjustments to net profit (loss) and net cash from operating activities:	**482 591**	**4 162 598**	**1 060 712**	**1 362 065**
Current and deferred tax recognized in financial result	749	31 730	3 012	-8 697
Non-realised profit (loss) from currency translation differences	86 152	40 712	5 796	-21 618
Depreciation	22 860	91 504	24 727	98 522
Net increase/decrease in impairment	79 088	347 316	339 283	611 699
Dividends	0	-6 886	0	-120 792
Interest	-45 464	-180 136	28 662	-172 054
Net increase/decrease in provisions	30 981	39 469	-3 972	1 030
Profit (loss) on disposal of investments	-989	-8 867	-306 638	-353 146
Net increase/decrease in operating assets (excluding cash)	**269 549**	**-1 467 546**	**697 574**	**1 790 817**
Net increase/decrease in loans and advances to banks	31 389	-834 117	-1 886	33 258
Net increase/decrease in financial assets designated upon initial recognition as at fair value through profit or loss	8 736	37 987	-43 306	4 276
Net increase/ decrease in financial assets held for trading and derivatives	392 706	-229 151	537 451	1 644 673
Net increase/decrease in receivables arising from repurchase transactions	323 682	244 657	-321 799	-331 875
Net increase/decrease in gross loans and advances to customers	-435 210	-1 589 069	568 182	540 688
Paid/received income tax	-12 199	-71 724	-24 829	-102 104
Net increase/decrease in other assets	-39 555	973 871	-16 239	1 901
Net increase/decrease in operating liabilities	**39 665**	**5 275 302**	**272 268**	**-463 696**
Net increase/decrease in amounts due to Central Bank	0	-1 321 796	-246 499	208 527
Net increase/decrease in amounts due to banks	333 909	2 749 327	190 910	-1 242 116
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)	356 277	591 902	-156 887	-1 350 611
Net increase/decrease in liabilities held for trading (excluding derivatives)	-34 982	0	0	0
Net increase/decrease in amounts due to customers	-95 095	2 991 319	452 895	1 966 377
Net increase/decrease in liabilities arising from repurchase transactions	-449 630	228 693	0	-8 991
Net increase/decrease in other liabilities	-70 814	35 857	31 849	-36 882
Net cash flow from operating activities	**519 487**	**4 273 837**	**1 160 191**	**1 527 366**

in PLN '000	**4th quarter of 2010** **01.10.2010-31.12.2010**	**Four quarters of 2010** **1.01.2010-31.12.2010**	**4th quarter of 2009** **01.10.2009-31.12.2009**	**Four quarters of 2009** **1.01.2009-31.12.2009**
Cash flow from investing activities				
Inflows	**12 531 033**	**55 432 298**	**3 439 157**	**8 700 028**
Disposal of property, plant and equipment, intangible assets and investment properties	3 483	3 603	322	436
Disposal of interests in equity investments classified as available-for-sale	0	1 449	350 005	350 005
Disposal of investment securities	12 391 215	55 205 555	3 051 936	7 961 693
Dividends	0	6 886	0	120 792
Interest received	136 335	214 805	36 894	267 102
Outflows	**-12 025 322**	**-56 760 756**	**-4 321 492**	**-10 567 414**
Acquisition of property, plant and equipment, intangible assets and investment properties	-14 736	-51 137	-30 579	-77 565
Acquisition of interests in equity investments classified as available-for-sale	-50	-50	0	0
Acquisition of investment securities	-12 010 536	-56 709 569	-4 290 913	-10 489 849
Net cash flows from investing activities	**505 711**	**-1 328 458**	**-882 335**	**-1 867 386**
Cash flow from financing activities				
Inflows	**0**	**196 695**	**0**	**1 949 087**
Proceeds from a subordinated loan	0	0	0	560 116
Proceeds from loans and advances	0	196 695	0	1 388 971
Outflows	**-26 404**	**-1 931 835**	**-31 036**	**-1 379 159**
Repayment of loans and advances	0	-1 825 104	0	-1 200 000
Other financial outflows	-26 404	-106 731	-31 036	-179 159
Net cash flow from financing activities	**-26 404**	**-1 735 140**	**-31 036**	**569 928**

Net increase/decrease in cash	**998 794**	**1 210 239**	**246 820**	**229 908**
Cash at the beginning of the period	**1 402 584**	**1 191 139**	**944 319**	**961 231**
Cash at the end of the period, including:	**2 401 378**	**2 401 378**	**1 191 139**	**1 191 139**
Restricted cash	1 078 101	1 078 101	784 875	784 875

7. Notes to the interim condensed standalone financial statements

Accounting principles and methods of carrying accounting estimates adopted at the preparation of the interim condensed standalone financial statements of the Bank comply with the accounting principles adopted for the interim condensed consolidated financial statements of Kredyt Bank S.A. Capital Group, which were described in section I.12., except for the valuation of associates which, in the Group's consolidated financial statements, are measured with the equity method.

Signatures of the Members of the Management Board

date	10.02.2011	Piotr Sztrauch	Vice President of the Management Board	....
date	10.02.2011	Krzysztof Kokot	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	10.02.2011	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....