Annual Report
of Kredyt Bank S.A.
prepared for the year ended
December 31, 2009

(Submitted to the Polish Financial Supervision Authority on February 26, 2010
- translation from Polish language)

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

Dear Shareholders, Customers and Employees,

On behalf of the Management Board of Kredyt Bank S.A., I have the pleasure to present to you the financial statements and the report on the operations of Kredyt Bank S.A. in 2009.

The year 2009 was a period of the crisis in the global economy. The change in macroeconomic conditions also altered considerably the conditions of the functioning of the banking sector in Poland. There occurred difficulties in the area of liquidity, problems with financing foreign currency assets and a rapid increase in the competitiveness on the Polish deposits market called the ‘deposit war’. Declining share prices resulted in the reduced sales of investment funds and the decrease in the value of assets under management. The stagnation in economy and an increase in unemployment resulted in the deterioration in the financial situation of a part of customers. The above changes resulted in a decline in income, an increase in the costs of financing banking activities, a material increase in risk costs and the limitation of the scale of lending activities through limiting or withholding loans in foreign currencies to natural persons.

In the case of Kredyt Bank S.A., the prevalent problems that affected the results in 2009 were as follows: an increase in the cost of credit risk in the segment of low income customers which resulted from the 'remortgage', and an increase in credit risk in the corporate customers segment, including the lack of the possibility of paying liabilities due from option transactions. The deterioration in the financial situation of enterprises had an effect on the group of larger customers, resulting in an increase in the risk costs of the whole segment.

The measures taken by the Management Board in 2009 in order to better adjust the Bank’s business model to deteriorating economic conditions focused on four basic areas: credit risk, liquidity risk, capital management and profitability.

The Bank was forced to tighten up its lending policy for retail customers and corporate customers, and change its approach to the consumer finance segment and further cooperation with Żagiel. All shares of Żagiel were sold to KBC Bank N.V. A decision was made to temporarily suspend granting cash loans in the consumer finance sector and to verify the risk assessment model for this product. The portfolio was reviewed in detail and a diagnosis of the reasons behind the increase in its loss ratio was made.

We amended our deposit policy, putting more emphasis on the acquisition of customers’ deposits; as a result, amounts due to customers increased in 2009 by PLN 2.2 billion. In January and in June 2009, the Bank borrowed two subordinated loans of PLN 75 million and CHF 165 million respectively. The liquidity ratios and the capital adequacy ratio are definitely above the levels provided for in the law and in the guidelines of the Polish Financial Supervision Authority (at the end of 2009, the Bank’s capital adequacy ratio amounted to 12.1% and the loans/deposits ratio improved by 16.6 p.p. to 114.4%).

A number of initiatives were implemented in order to improve the level and the structure of the financial result and the absorption of increased costs of credit risk. The most important initiatives are as follows: optimisation of general expenses in order to reduce them and improve the system of expenses management; making the pricing policy in the area of deposit products more flexible and attuned, with an emphasis put on the increase in profitability; and the review of the pricing policy and amendments in interest rates of loan products. The above-mentioned initiatives and an increase in the selling activity in the third and fourth quarters of 2009 allowed for an increase in the operating result generated by the Bank, which was higher than the last year's figure.

In 2009, the Bank introduced a number of organisational changes, which aimed at better fine-tuning of institution to market requirements, improving the efficiency of processes and better use of existing human and material resources. Basing on these changes, in 2010, we assume an increase in business activeness (including lending activities) and growing market shares in selected areas.

In the retail segment, we will endeavour to increase the share in the market of individual customers' deposits and regain our position on the market of mortgages. In the case of corporate customers, we wish to focus on the services provided to the segment of smaller and medium-sized corporations. Expanding relations with existing customers and a more widespread diversification of the loans portfolio are the main objectives. We pin great hopes on the separation of the SME segment as a separate business line carried out in 2009.

While signing these financial statements of Kredyt Bank S.A. for 2009, I would like to take this opportunity to thank our customers and the employees of Kredyt Bank S.A. for their trust and loyalty. I hope that the further development of our cooperation will allow us to face ensuing challenges and will become the best guarantee of further progress.

Yours faithfully,

Maciej Bardan

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

INDEPENDENT AUDITORS' OPINION

To the Supervisory Board of Kredyt Bank S.A.

1. We have audited the attached financial statements for the year ended 31 December 2009 of Kredyt Bank S.A. ('the Bank') located in Warsaw at Kasprzaka 2/8 Street, containing:
   - the income statement for the period from 1 January 2009 to 31 December 2009 with a net profit amounting to 165,301 thousand zlotys,
   - the statement of comprehensive income for the period from 1 January 2009 to 31 December 2009 with a total comprehensive income amounting to 73,079 thousand zlotys,
   - the balance sheet as at 31 December 2009 with total assets amounting to 38,912,543 thousand zlotys,
   - the statement of changes in equity for the period from 1 January 2009 to 31 December 2009 with a net increase in equity amounting to 73,079 thousand zlotys,
   - the cash flow statement for the period from 1 January 2009 to 31 December 2009 with a net cash inflow amounting to 229,908 thousand zlotys, and
   - the summary of significant accounting policies and other explanatory notes

   ('the attached financial statements').
2. The truth and fairness[1] of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Bank's Management Board. Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly[2] reflect, in all material respects, the financial position and results of the operations of the Bank and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
   - chapter 7 of the Accounting Act, dated 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223 with further amendments - 'the Accounting Act'),
   - general practice of audit of financial statements applied in Poland (based on the previously binding auditing standards issued by the National Council of Statutory Auditors and after considering the provisions of the Act on statutory auditors and their self-governance, audit

[1] Translation of the following expression in Polish: "*rzetelność, prawidłowość i jasność*"
[2] Translation of the following expression in Polish: '*rzetelnie i jasno*'

firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws of 2009, No. 77, item 649),

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

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

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

Key Certified Auditor

(-)

Dorota Snarska-Kuman
Certified Auditor
No. 9667

Warsaw, 26 February 2010

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

Financial Statements of Kredyt Bank S.A. for the Year Ended 31.12.2009

CONTENTS

1. Income Statement

in PLN '000'	Note	01.01.2009 - 31.12.2009	Comparable data 01.01.2008 - 31.12.2008
Interest income	12	2 085 727	2 126 354
Interest expense	13	-1 228 080	-1 250 775
Net interest income		**857 647**	**875 579**
Fee and commission income	14	415 251	379 623
Fee and commission expense	15	-129 573	-96 534
Net fee and commission income		**285 678**	**283 089**
Dividend income	16	120 792	10 067
Net trading income	17	157 242	240 988
Net result on derivatives used as hedging instruments and hedged items	18	25	1 215
Net gains from investment activities	19	4 704	-11 593
Net gains from the sale of the shares of Żagiel	62	350 000	0
Other operating income	21	62 662	53 723
Total operating income		**1 838 750**	**1 453 068**
General and administrative expenses	22	-859 961	-890 846
Net impairment losses on financial assets, other assets and provisions	23	-784 291	-133 084
Other operating expenses	24	-37 894	-39 759
Total operating expenses		**-1 682 146**	**-1 063 689**
Profit before tax		**156 604**	**389 379**
Income tax expense	25	8 697	-88 307
Net profit		**165 301**	**301 072**
Weighted average number of ordinary shares		271 658 880	271 658 880
Earnings per ordinary share (in PLN)	**26**	**0.61**	**1.11**

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'	**01.01.2009 - 31.12.2009**	**Comparable data 01.01.2008 - 31.12.2008**
Net profit/loss for the period	**165 301**	**301 072**
Valuation of financial assets available-for-sale (including deferred tax)	-13 677	64 855
Effects of valuation of derivatives designated for cash flow hedge (including deferred tax)	-78 545	120 700
Other income recognized jointly directly in equity	**-92 222**	**185 555**
Comprehensive income for the period	**73 079**	**486 627**
Including:		
attributable to the Shareholders of the Bank	**73 079**	**486 627**

3. Balance Sheet

in PLN '000'	**Note**	**31.12.2009**	**Comparable data 31.12.2008**
Assets			
Cash and balances with Central Bank	27	1 175 451	827 956
Gross loans and advances to banks	28	190 013	340 859
Impairment losses on loans and advances to banks	29	-2 260	-2 261
Receivables arising from repurchase transactions	30	331 875	0
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	31	1 316 786	1 347 027
Derivatives including:	32	571 410	2 302 799
- derivatives used as hedging instruments	37	55 741	166 954
Gross loans and advances to customers	33	27 312 467	27 853 155
Impairment losses on loans and advances to customers	34	-1 540 231	-927 457
Investment securities:	35	8 785 579	6 232 624
- available-for-sale		6 032 241	4 359 740
- held-to-maturity		2 753 338	1 872 884
Investments in subsidiaries and jointly controlled entities	38	65 995	66 075
Property, plant and equipment	39	360 238	398 201
Intangible assets	40	53 553	57 854
Deferred tax assets	25	179 266	44 509
Investment properties	42	9 893	0
Other assets	41	102 508	79 781
Total assets		**38 912 543**	**38 621 122**

Balance Sheet (cont.)

in PLN '000'	Note	31.12.2009	Comparable data 31.12.2008
Liabilities			
Amounts due to Central Bank	43	1 321 802	1 113 275
Amounts due to banks	44	10 831 690	11 915 013
Derivatives including:	32	541 068	1 890 221
- derivatives used as hedging instruments	37	3 166	1 708
Amounts due to customers	45	22 521 686	20 555 309
Liabilities arising from repurchase transactions	46	0	8 991
Current tax liability		31 833	28 916
Provisions	47	31 409	30 379
Other liabilities	48	174 940	220 155
Subordinated liabilities	49	805 816	279 643
Total liabilities		**36 260 244**	**36 041 902**

in PLN '000'	Note	31.12.2009	Comparable data 31.12.2008
Equity			
Share capital	50	1 358 294	1 358 294
Supplementary capital	50	782 046	580 974
Revaluation reserve	50	5 716	97 938
Reserves	50	340 942	240 942
Retained earnings/loss		0	0
Current net profit attributable to the Shareholders of the Bank		165 301	301 072
Total equity		**2 652 299**	**2 579 220**
Total equity and liabilities		**38 912 543**	**38 621 122**

4. Off-balance Sheet Items

in PLN '000'	**Note**	**31.12.2009**	**Comparable data 31.12.2008**
Liabilities granted and received			
Liabilities granted:	**51**	**5 879 963**	**7 222 060**
- financial	51	4 094 569	5 401 454
- guarantees	51	1 785 394	1 820 606
Liabilities received:		**2 452 623**	**1 836 299**
- financial		1 224 381	528 748
- guarantees		1 228 242	1 307 551
Liabilities related to the sale/purchase transactions		**89 935 738**	**279 092 521**
Other:		**6 574 059**	**4 742 296**
- collateral received		6 574 059	4 742 296

5. Statement of Changes in Equity

Changes in the period 01.01.2009-31.12.2009

in PLN '000'	Note	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit/loss for the period	Total equity
Equity at 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	53			-16 885				-16 885
Effects of valuation of derivatives designated for cash flow hedge	53			-96 969				-96 969
Deferred tax on items recognized in equity	53			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	53		201 072		100 000	-301 072		0
Equity at end of period – as of 31.12.2009		**1 358 294**	**782 046**	**5 716**	**340 942**	**0**	**165 301**	**2 652 299**

Changes in the period 01.01.2008-31.12.2008 (comparable data)

in PLN '000'	Note	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit/loss for the period	Total equity
Equity at opening balance – as of 01.01.2008		**1 358 294**	**381 718**	**-87 617**	**180 942**	**400 519**	**0**	**2 233 856**
Valuation of financial assets available-for-sale	53			80 269				80 069
Effects of valuation of derivatives designated for cash flow hedge	53			149 012				149 012
Deferred tax on items recognized in equity	53			-43 526				-43 526
Net profit/loss recognized directly in the equity				**185 555**				**185 555**
Net profit/loss for the period							301 072	301 072
Total of recognized income and expenses				**185 555**			**301 072**	**486 627**
Profit allowance			199 256		60 000	-259 256		0
Dividends						-141 263		-141 263
Equity at end of period – as of 31.12.2008		**1 358 294**	**580 974**	**97 938**	**240 942**	**0**	**301 072**	**2 579 220**

6. Cash Flow Statement

in PLN '000'	Note	01.01.2009 - 31.12.2009	Comparable data 01.01.2008 - 31.12.2008
Cash flow from operating activities			
Net profit (loss)		**165 301**	**301 072**
Adjustments to net profit and net cash from operating activities:		**1 362 065**	**-3 710 424**
Current and deferred tax recognized in financial result		-8 697	88 307
Non-realised profit (loss) from currency translation differences	61b	-21 618	-8 622
Depreciation	22	98 522	84 998
Net increase/decrease in impairment	61c	611 699	89 813
Dividends		-120 792	-10 067
Interest	61d	-172 054	8 155
Net increase/decrease in provisions		1 030	-75 345
Profit (loss) on disposal of investments	61e	-353 146	13 303
Net increase/decrease in operating assets (excluding cash)		**1 756 066**	**-12 496 290**
Net increase/decrease in gross loans and advances to banks	61f	33 258	170 544
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	61g	1 648 949	-2 564 918
Net increase/decrease in receivables arising from repurchase transactions		-331 875	0
Net increase/decrease in gross loans and advances to customers		540 688	-10 115 103
Paid/received income tax		-136 855	-30 500
Net increase/decrease in other assets	61h	1 901	43 687
Net increase/decrease in operating liabilities		**-428 945**	**8 595 324**
Net increase/decrease in amounts due to Central Bank		208 527	11 614
Net increase/decrease in amounts due to banks	61i	-1 242 116	3 854 983
Net increase/decrease in derivatives (except for derivatives used as hedging instruments)		-1 350 611	1 458 321
Net increase/decrease in amounts due to customers		1 966 377	3 374 578
Net increase/decrease in liabilities arising from repurchase transactions		-8 991	-41 135
Net increase/decrease in other liabilities	61j	-2 131	-63 037
Net cash flow from operating activities		**1 527 366**	**-3 409 352**

in PLN '000'	Note	01.01.2009 - 31.12.2009	Comparable data 01.01.2008 - 31.12.2008
Cash flow from investing activities			
Inflows		**8 700 028**	**693 361**
Disposal of property, plant and equipment, intangible assets and investment properties		436	1 963
Disposal of shares in subordinated companies		350 005	0
Disposal of investment securities	61k	7 961 693	490 298
Dividends on shares		120 792	10 067
Interest received	61k	267 102	191 033
Outflows		**-10 567 414**	**-1 269 599**
Acquisition of property, plant and equipment, intangible assets and investment properties		-77 565	-161 663
Acquisition of investment securities	61k	-10 489 849	-1 107 936
Net cash flow from investing activities		**-1 867 386**	**-576 238**
Cash flow from financing activities			
Inflows		**1 949 087**	**2 976 713**
Proceeds from a subordinated loan	61m	560 116	209 580
Proceeds from loans and advances		1 388 971	2 767 133
Outflows		**-1 379 159**	**-719 785**
Dividends		0	-141 263
Repayment of subordinated liabilities	61m	0	-375 045
Repayment of loans and advances		-1 200 000	0
Other financial outflows	61l	-179 159	-203 477
Net cash flow from financing activities		**569 928**	**2 256 928**
Net increase/decrease in cash		**229 908**	**-1 728 662**
Cash at the beginning of the period		**961 231**	**2 689 893**
Cash at the end of the period, including:	**61a**	**1 191 139**	**961 231**
restricted cash	61a	784 875	789 493

7. General information

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

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

KBC Banking and Insurance Capital Group

Kredyt Bank S.A. is a subsidiary (owned in 87.21%) of KBC Banking and Insurance Capital Group ('KBC Group') established in 1998 as a result of a merger of ABB Insurance Group, Almanij-Kreditbank Group and CERA Bank Group. KBC Group has been operating in the present structure since 2005, i.e. the merger of KBC Bank and Insurance Holding Company with Almanij. KBC Group is listed on the Euronext Stock Exchange in Brussels.

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

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

8. Basis of preparation

8.1. Declaration of compliance with the IFRS

Under Article 45 clause 1c of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2002, No. 76, item 694) as amended ('the Act') and under the decision of the General Meeting of Shareholders of Kredyt Bank S.A. of 25.04.2005, starting from 01.01.2005, the Bank's financial statements have been prepared in compliance with the International Accounting Standards ('IAS') and the International Financial Reporting Standards ('IFRS') that were approved by the European Union ('EU').

These financial statements of the Bank for the year ended 31.12.2009 have been prepared in accordance with the IAS and the IFRS in force as at 31.12.2009 approved by the European Union. Matters not governed by the above-mentioned standards are regulated by the Accounting Act and executive regulations thereto, and the Ordinance of the Minister of Finance of 19.02.2009 on current and interim information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2009, No. 33, item 259).

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

8.2. Other information about the financial statements

These financial statements were prepared based on the assumption that the Bank would remain going concern in the foreseeable future. As at the approval date of these financial statements, the Bank's Management Board fails to confirm the existence of circumstances which could threaten the continuation of the business of the Bank for the period of minimum 12 months from the balance sheet date.

These financial statements of Kredyt Bank S.A. were approved for publication by the Management Board of Kredyt Bank S.A. on 26.02.2010.

These financial statements were audited by Ernst & Young Audit Sp. z o.o., an independent licensed certified auditor. The audit was carried out according to the practice of auditing financial statements in force in Poland (based on the existing certified auditors' professional standards issued by the National Council of Auditors in Poland, having regard for the provisions of the Act of 07.05.2009 on certified auditors and their self-government, entities authorized to audit financial statements and public supervision - Journal of Laws of 2009, No. 77, item 649).

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

These financial statements were prepared according to the historical cost concept, except for financial assets and financial liabilities which are measured at fair value through profit or loss, loans and advances to customers and financial instruments measured at amortised cost having regard for impairment losses as well as held-for-sale financial instruments which are carried at fair value through revaluation reserve.

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

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

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

Below, we present new and amended IFRS and new IFRIC interpretations that the Bank has applied this year. Their application, except for a few additional disclosures, has not affected the financial statements.

- Amendments to IFRS 1 *First-time Adoption of the International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* – according to the amendments to IFRS 1, the entity applying IFRS for the first time will be able, in its separate financial statements, to determine the 'cost' of the investment in subsidiaries, jointly controlled entities and associates according to IAS 27 or on the basis of deemed cost. The amendment to IAS 27 provides for the requirement for all dividends received from a subsidiary, a jointly controlled entity or an associate to be reported in the separate financial statements of the parent, in its income statement. The amendment to IAS 27 is applied prospectively. The application of this amendment did not affect the Bank's financial situation or its results on operations, as in 2009 the Bank did not receive dividends paid from the profit generated prior to the acquisition of subsidiaries, jointly controlled entities and associates.
- Amendments to IFRS 2 *Share-based Payments*: *Vesting Conditions and Cancellations* – the amendment details the definition of the vesting condition and refers to the reporting of the cancellation of the right to awards. The application of this interpretation did not affect the financial situation or the Bank's result on operations, as there were no events which would be related to it.
- Amendments to IFRS 7 Financial Instruments: Disclosures – the amended standard provides for the obligation to disclose additional information on the valuation of the fair value and the liquidity risk. For each category of financial instruments carried at fair value, one should disclose information about the valuation, applying the hierarchy of fair value which takes into account the materiality of the inputs for the valuation. In addition, for the measurements of the fair value included in Level 3 of the hierarchy of fair value, one should present the reconciliation between the opening balance sheet and the closing balance sheet. One should also present all material shifts between Level 1 and Level 2 of the hierarchy of fair value. The amendments also detail the requirements concerning the disclosures regarding the liquidity risk. Information about the measurement at fair value was presented in section 36 of the Notes. The amendments concerning the disclosures regarding the liquidity risk did not affect, to a large extent, the information in this respect presented so far by the Bank.
- IFRS 8 *Operating Segments*, which, on its effective date, superseded IAS 14 *Segment Reporting*. In this standard, for the identification and measurement of operating segments results subject to reporting, the adopted approach was consistent with the approach of the Bank's Management Board. The Notes concerning the segmentation presented in these financial statements were properly restated.

- IAS 1 *Presentation of Financial Statements* (amended in September 2007) – the standard provides for, among other things, the statement of comprehensive income which entails all income and expense items recognized in profit or loss and all other items of recognized income and expense; it is possible to present all these items jointly in one statement or to present two related statements. The Bank presents the income statement and the statement of comprehensive income separately.
- IAS 23 *Borrowing Costs* (amended in March 2007) – the amended standard calls for the borrowing costs related to the acquisition, construction or production of a qualifying asset to form a part of the cost of that asset or the cost of production. The Bank's policy complies in this respect with new IAS 23.
- Amendments to IAS 32 *Financial Instruments*: *Presentation* and IAS 1 *Presentation of Financial Statements: Puttable Instruments and Obligations Arising on Liquidation* – introduce a limited-scope exception concerning the puttable instruments which may be classified as an element of capital, on condition of meeting a series of defined conditions. The application of this amendment did not affect the Bank's financial situation or results on operations, as it has not issued such instruments.
- IFRIC 12 *Service Concession Arrangements* – the interpretation is applicable to operators under service concession arrangements and explains how to recognize the rights and obligations resulting from these arrangements. This interpretation does not affect the Bank's financial statements, as it is not an operator.
- IFRIC 13 *Loyalty Programmes* – the interpretation calls for loyalty points to be recognized as a separate element of the sale under which they were awarded. The application of this amendment did not affect the Bank's financial situation or its results on operations, as it does not operate loyalty programmes.
- IFRIC 15 *Agreements for the Construction of Real Estate* is related to the settlement of income and related expense by entities building a real estate – directly or through contractors. This interpretation does not affect the Bank's financial statements.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* – the interpretation contains guidelines concerning the recognition of the hedge of a net investment in foreign businesses, specifically concerns the guidelines on: identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment; the location, within a capital group, of hedging instruments and determining by an entity of the positive or negative currency translation difference concerning both net investment and the hedging instrument, which should be reclassified from equity to the income statement upon the sale of a foreign operation. The application of IFRIC 16 will not affect the financial statements, as the Bank does not hedge shares in net assets of a foreign operation.
- IFRIC 18 *Transfers of Assets from Customers* – the interpretation contains guidelines concerning the recognition of assets received from a customer and used to provide services to him. The interpretation applies to transactions which took place on 1 July 2009 or later. The application of IFRIC 18 will not affect the financial statements, as the Bank did not receive assets from customers or funds assigned to build such assets.
- Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement: Embedded Derivatives* – the amendment provides for the requirement to assess whether an embedded derivative has to be accounted for separately on the reclassification of a hybrid financial asset out of the 'at fair value through profit or loss' category. The assessment is to be made on the basis of the circumstances that existed on the later of: the date when the entity first became a party to the contract and the date of the change in the terms of the contract that significantly modifies the cash flows under the contract. IAS 39 requires now that, in the situation in which an embedded derivative cannot be measured reliably, the whole hybrid instrument should remain classified as a financial instrument measured at fair value through profit or loss. The application of the amendments will not affect the financial statements, as the Bank did not carry out any reclassifications from 'financial assets at fair value through profit or loss' category and does not possess any hybrid financial instruments for which no reliable measurement of an embedded derivative would be possible.

The amendments resulting from the annual IFRS review did not affect, to a large extent, the information in this regard presented so far by the Bank.

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

- IFRS 3 *Business Combinations* (amended in January 2008) – applicable to annual periods beginning on 1 July 2009 or later;
- IAS 27 *Consolidated and Separate Financial Statements* (amended in January 2008) – applicable to annual periods beginning on 1 July 2009 or later;
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (amendments published in July 2008) – applicable to annual periods beginning on 1 July 2009 or later;
- Restated IFRS 1 *First–time Adoption of the International Financial Reporting Standards* (amended in November 2008) – applicable to annual periods beginning on 1 July 2009 or later;
- IFRIC 17 *Distributions of Non–cash Assets to Owners* – applicable to annual periods beginning on 1 July 2009 or later;
- Amendments resulting from the IFRS review (published in April 2009) – a part of the amendments is applicable to annual periods beginning on 1 July 2009 and a part to annual periods beginning on 1 January 2010; by the date of the approval of these financial statements, not approved by the EU.
- Amendments to IFRS 2 *Share-based Payments: Group Cash–settled Share-based Payment Transactions* (amended in June 2009) – applicable to annual periods beginning on 1 January 2010 or later; by the date of the approval of these financial statements, not approved by the EU;
- Amendments to IFRS 1 *First–time Adoption of the International Financial Reporting Standards: Additional Exemptions for First-time Adopters* – applicable to annual periods beginning on 1 January 2010 or later; by the date of the approval of these financial statements, not approved by the EU;
- Amendments to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues* – applicable to annual periods beginning on 1 February 2010 or later;
- IAS 24 *Related Party Disclosures* (amended in November 2009) – applicable to annual periods beginning on 1 January 2011 or later; by the date of the approval of these financial statements, not approved by the EU;
- IFRS 9 *Financial Instruments* – applicable to annual periods beginning on 1 January 2013 or later; by the date of the approval of these financial statements, not approved by the EU;
- Amendments to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements* – applicable to annual periods beginning on 1 January 2011 or later; by the date of the approval of these financial statements, not approved by the EU;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – applicable to annual periods beginning on 1 July 2010 or later; by the date of the approval of these financial statements, not approved by the EU;
- An amendment to IFRS 1 *First–time Adoption of the International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – applicable to annual periods beginning on 1 July 2010 or later; by the date of the approval of these financial statements, not approved by the EU;

The Management Board does not predict that the introduction of the above standards and interpretations will materially affect the Bank's accounting principles (policy), except for the amendments which will result from the amendments introduced by IFRS 9. The effect of the amendments resulting from IFRS 9, which was published by the date of approving these financial statements, will affect the presentation of the Bank's balance sheet items and the disclosures presented in the Notes; however, these amendments will not materially affect the Bank's net profit.

9.2. Transactions in foreign currencies

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

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

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

	31.12.2009	**31.12.2008**
EUR	4.1082	4.1724
USD	2.8503	2.9618
CHF	2.7661	2.8014

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

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

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

9.4. Derecognition of financial assets from the balance sheet

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

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

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

9.5. Classification and measurement of financial assets and liabilities

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

This category includes:

- held-for-trading assets or liabilities, i.e. those acquired or contracted with the intention to sell or repurchase them in the nearest future. This category comprises portfolios of the financial assets and liabilities portfolios managed jointly in order to generate profits in a short time horizon. This category also includes derivatives;
- financial assets or liabilities which, at the time of initial recognition, were designated by the Bank 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 Bank'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 entails credit risk; the respective charges are recognized in the income statement.

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

9.5.2. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank intends and is able to hold to maturity or by the date very close to maturity.

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

9.5.3. Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted on an active market. Loans and receivables arise when the Bank disburses cash to customers for purposes other than generating short-term trading gains. This category entails loans and advances to banks and customers, including purchased debts.

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

Accrued interest with net commission (commissions received less commissions paid) settled over time using the effective interest rate method are recognized in interest income; the commission settled on a straight-line basis is recognized in fee and commission income. Impairment charge is recognized in the income statement in correspondence with accounts of provisions which adjust assets value.

9.5.4. Available-for-sale financial assets

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

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

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

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

Outflows from assets disposal are calculated with the FIFO method.

Equity investments classified as available-for-sale financial assets, in the financial statements are recognized at fair value or cost less impairment, if their fair value cannot be determined reliably. According to IAS 27, p. 37, this category also includes investments in subsidiaries, jointly controlled entities and associates that are measured according to IAS 39, p. 66, i.e. at cost less impairment.

9.5.5. Financial liabilities not held for trading

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

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

9.5.6. Hedge accounting

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

- upon the inception of hedge, the Bank 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 Bank's assessment of hedging instrument effectiveness in offsetting the risk of changes in fair value of the hedged item or cash flows related to the hedged risk;
- the hedging is expected to be highly effective in achieving offsetting changes in fair value (or cash flows) attributable to the hedged risk, according to the initially documented risk management strategy related to a specific hedging relationship;
- 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 Bank as follows:

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

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

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

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

9.5.7. Embedded derivatives

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

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

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

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

9.6. Offsetting financial instruments

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

9.7. Sale and repurchase agreements

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

9.8. Property, plant and equipment

9.8.1. Owned property, plant and equipment

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

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

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

9.8.2. Capital expenditure incurred in future periods

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

9.8.3. Depreciation

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

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

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

The assets' residual values and useful lives are reviewed on an annual basis. The Bank performs an annual analysis of evidence and the tests for impairment of particular groups of property, plant and equipment to ensure whether the present carrying amount does not exceed the higher value of the following two values: market value or discounted value of future economic benefits.

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

9.9. Intangible assets

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

- they can be separated from a business unit and sold, transferred, licensed or given for gratuitous use to third parties, both individually and jointly with related agreements, assets or liabilities; or

- they arise from contracts or other titles, irrespective of whether they can be transferred or separated from a business unit.

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

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

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

9.9.1. Computer software

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

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

9.9.2. Other intangible assets

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

9.9.3. Amortisation

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

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

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

9.10. Investment properties

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

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

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

9.11.1. Measurement of recoverable amount

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

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

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

9.11.2. Reversal of impairment

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

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

9.12. Trade and other receivables

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

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

9.13. Assets taken over for debts

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

9.14. Non-current assets classified as held for sale and discontinued operations

Prior to the classification as ‘held-for-sale’, assets (and all assets and liabilities in the held-for-sale group) are revalued according to IFRS 5. Property, plant and equipment and non-current assets classified as held for sale are measured at the lower of: present carrying value or fair value less costs to sell. Non-current assets, when they are classified as held for sale, are not depreciated.

Discontinued operation is an element of the Bank’s operations, which constitutes the Bank’s separate major line of business or its geographical area of operations, or if it is a subsidiary acquired exclusively with a view to resale. The Bank recognizes operations as discontinued upon sale or classification as ‘held-for-sale’.

9.15. Deferred tax asset and liability

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

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

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

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

The Bank offsets deferred tax asset against deferred tax liability.

9.16. Cash and cash equivalents

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

9.17. Provisions

The Bank recognizes provisions in the balance sheet when:

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

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

9.17.1. Restructuring provision

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

9.17.2. Employee benefits

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

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

9.18. Equity

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

9.18.1. Share capital

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

9.18.2. Supplementary capital

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

9.18.3. Revaluation reserve

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

9.18.4. Reserves

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

Equity also comprises net profit/loss for the period and retained profit or loss from previous periods.

9.19. Granted off-balance sheet liabilities

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

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

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

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

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

9.20. Company Social Benefit Fund (CSBF)

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

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

9.21. Net interest income

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

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

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

In addition, as indicated in 'Financial assets and liabilities' section, in the case of debt securities carried at fair value, the coupon rates and acquired discounts or premiums are amortised using the effective interest rate method in the income statement.

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

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

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 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 impairment charge.

9.22. Net fee and commission income

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

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

9.23. Net trading income

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

9.24. Dividends

In the case of equity investments recognized in the balance sheet at historical cost, dividend income is recognized in the income statement at the time when the right to dividend is established.

9.25. Other operating income and expenses

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

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

9.26. Income tax expense

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

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

Details on the method of calculating deferred tax are presented in Note 9.16.

9.27. Comparable data

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

10. Accounting estimates

The preparation of financial statements in line with IFRS requires a professional judgment of the Bank's Management Board 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;
- value of deferred tax assets;
- provisions.

10.1. Valuation of financial assets and liabilities at fair value

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

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

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

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

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

10.2.1. Evidence for impairment

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

The list of objective evidence includes:

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

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

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

d) high probability of the borrower's bankruptcy or their another financial reorganisation.

e) in the case of cash loans, exceeding specific thresholds concerning the following factors: monthly net income to monthly fixed costs; current debt to monthly fixed net income; the number of cash loans managed by the customer; and the number of received cash loans during the last 12 months.

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

10.2.2. Measurement of individual impairment

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

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

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

10.2.3. Measurement of collective impairment

Collective analysis is conducted in the following cases:

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

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

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

10.2.4. Available-for-sale financial assets

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

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

10.3. The values of deferred tax assets

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

11. Segment reporting

Since 1.01.2009, in accordance with the assumptions of IFRS 8, the method of approaching disclosures concerning operating segments has changed. The criterion for separating a segment now entails the method of carrying business and the type and scope of information used by the management in a given entity.

An operating segment is a type of activities reviewed regularly by the authorities responsible for making operating decisions, including decisions concerning the method of allocating resources within the reviewed segment. The figures originate from internal reports used by the Bank's management to review the results of the activities of a given segment. The presentation of particular items follows the approach applied in management reporting.

As a result, the Bank's operating activities were divided into four basic segments: retail, corporate, consumer finance, treasury. The Bank's operations are not diversified in geographical terms. Operations are focused on the Polish market; the main customer base is composed of national natural and legal persons and foreign customers operating on the Polish market

Due to the changes described above, the Bank accordingly restated the comparable data as at 31.12.2008.

In 2010, due to the change in the business segmentation of the Bank's customers, the criterion of qualifying customers to the group of Corporate Customers will be raised to PLN 25 million of annual sales revenue. Furthermore, due to the sale of the shares of Żagiel, the Consumer Finance Segment will be combined with the Retail Segment.

Retail Segment

Retail Segment, in management terms, incorporates products targeted at individual customers (except for customers qualified as Consumer Finance Segment) as well as Small and Medium-sized Enterprises (SME), whose annual sales revenue does not exceed PLN 16 million. The offer entails a wide choice of deposit, credit and insurance (bancassurance) products offered in cooperation with TUnŻ WARTA S.A. and TUiR WARTA S.A., and investment products offered by KBC TFI S.A. This offer is addressed to customers through traditional channels of distribution via the Bank's nationwide network of branches and offices as well as KB24 – an Internet network.

Corporate Segment

Corporate Segment, in management terms, entails transactions with large companies (with annual sales revenue exceeding PLN 16 million) as well as state budgetary units at central and local levels. Beside the traditional products, such as loans, deposits, settlement services, treasury, 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.

Consumer Finance Segment

Consumer Finance Segment, in management terms, entails the sale of consumer loans (instalment and cash loans, credit cards) via the distribution network of Żagiel and dividends received from this subsidiary.

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 is responsible for the activities aiming to hedge the Banking Book position.

Other

Income and expenses not assigned to above segments have been presented as Other 'segment'. In 2009, this item also entails net gains from the sale of the shares of Żagiel.

Additional clarifications

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

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

Net commission income and other net income entails:

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

Net income from treasury transactions in the Retail Segment and in the Corporate Segment is the net income from exchange operations and net income from financial transactions which are a margin on such products as repos, bonds, IRS and FX options. The result for the Treasury is the aggregate of the following items from the financial statements: net trading income increased with the provision for potential losses related to open/active derivatives 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.

Net impairment losses on financial assets, other assets and provisions in 2008 are the same as the item presented in the financial statements. In 2009, in management reporting, a provision for potential losses related to open/active derivatives and the adjustment of the accrual of interest based on net investments (presented in the financial statements for three quarters of 2009 in net trading income and in net interest income, respectively) were additionally recognized in this item. In addition, in the financial statements, this item also contains income resulting from the reversal of provisions related to the sale of debt, which, in the reporting management, are presented in 'Commission income and other income'.

Bank's general expenses – the Bank 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 – gross loans and advances to customers, excluding interest receivables.

Loans and advances to banks – gross loans and advances to banks, excluding interest 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.

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

Segment liabilities are presented in five lines:

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

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

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

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

Other liabilities and capital – an aggregate of funds and other liabilities.

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

in PLN '000'	Retail Segment	Consumer Finance Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**491 337**	**234 189**	**207 647**	**17 715**	**-4 025**	**946 863**
- lending activities	342 619	234 189	145 250		-4 151	717 907
- depositing activities	161 205		67 052		127	228 384
- the cost of financing cash kept in the Bank's branches	-12 487		-4 655	17 143	-1	0
Net commission income and other net income	**187 028**	**-4 643**	**81 847**	**0**	**13 871**	**278 103**
- commissions related to the keeping of accounts and transactions	110 210		25 460		1 108	136 778
- commissions related to cards	59 762	25 300	1 482			86 544
- commissions related to shares in investment funds societies	21 554		606			22 160
- commissions related to insurance products	31 974		3			31 977
- commissions related to foreign transactions	8 684		10 559		1 345	20 588
- other	-45 156	-29 943	43 737		11 418	-19 944
Net income from treasury transactions	**54 928**	**0**	**33 001**	**83 770**	**1 250**	**172 949**
- exchange transactions	54 758		29 606	62 206	302	146 872
- derivatives and securities	170		3 395	21 564	948	26 077
Net gains from investment activities		**111 664**	**7 498**	**706**	**5 628**	**125 496**
Net gains from the sale of the shares of Żagiel					**350 000**	**350 000**
Operating income before tax	**733 293**	**341 210**	**329 993**	**102 191**	**366 724**	**1 873 411**
Net impairment losses on financial assets, other assets and provisions	**-132 090**	**-518 712**	**-199 965**	**0**	**-6 079**	**-856 846**
Bank's general and administrative expenses, including:	**-698 246**	**-31 192**	**-94 045**	**-36 478**	**0**	**-859 961**
- the costs of the operation of business functions (direct costs)	-405 882	-26 624	-59 733	-21 889	-247 311	-761 439
- allocated expenses	-205 400	-3 515	-27 665	-10 731	247 311	0
- depreciation (direct costs)	-54 093	-490	-2 220	-2 141	-39 578	-98 522
- depreciation (allocated costs)	-32 871	-563	-4 427	-1 717	39 578	0
Net operating income	**-97 043**	**-208 694**	**35 983**	**65 713**	**360 645**	**156 604**
Income tax expense						8 697
Net profit/loss						**165 301**

Bank's net profit for 2008 by business segments (breakdown according to management reporting) (comparable data)

in PLN '000'	Retail Segment	Consumer Finance Segment	Corporate Segment	Treasury Segment	Other	Total
Net interest income, including:	**457 749**	**194 309**	**172 247**	**80 239**	**-3 964**	**900 580**
- lending activities	248 126	194 309	108 905		-3 547	547 793
- depositing activities	229 719		70 323		-373	299 669
- the cost of financing cash kept in the Bank's branches	-20 096		-6 981	27 121	-44	0
Net commission income and other net income	**193 982**	**3 551**	**59 487**	**0**	**15 032**	**272 052**
- commissions related to the keeping of accounts and transactions	102 784		24 116		981	127 881
- commissions related to cards	57 618	13 054	1 724			72 396
- commissions related to shares in investment funds societies	25 139		297		31	25 467
- commissions related to insurance products	18 979		2		80	19 061
- commissions related to foreign transactions	8 986		10 603		1 180	20 769
- other	-19 524	-9 503	22 745		12 760	6 478
Net income from treasury transactions	**163 601**	**0**	**48 660**	**39 677**	**-9 735**	**242 203**
- exchange transactions	162 388		25 956	54 444	-7 263	235 525
- derivatives and securities	1 213		22 704	-14 767	-2 472	6 678
Net gains from investment activities				**-14 080**	**12 554**	**-1 526**
Operating income before tax	**815 332**	**197 860**	**280 394**	**105 836**	**13 887**	**1 413 309**
Net impairment losses on financial assets, other assets and provisions	**6 507**	**-168 339**	**-27 758**	**0**	**56 506**	**-133 084**
Bank's general and administrative expenses, including:	**-738 421**	**-37 694**	**-79 983**	**-34 748**	**0**	**-890 846**
- the costs of the operation of business functions (direct costs)	-483 287	-17 613	-56 602	-22 541	-225 805	-805 848
- allocated expenses	-180 450	-17 318	-19 546	-8 491	225 805	0
- depreciation (direct costs)	-48 358	-236	-983	-2 477	-32 944	-84 998
- depreciation (allocated costs)	-26 326	-2 527	-2 852	-1 239	32 944	0
Net operating income	**83 418**	**-8 173**	**172 653**	**71 088**	**70 393**	**389 379**
Income tax expense						-88 307
Net profit/loss						**301 072**

The allocation of assets by business segments as at 31.12.2009

in PLN '000'	Retail Segment	Consumer Finance Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to customers	16 725 795	2 677 731	7 817 848	0	0	27 221 374
Loans and advances to banks	0	0	0	188 527	0	188 527
Securities	0	0	0	10 102 365	0	10 102 365
Other	0	0	0	571 410	828 867	1 400 277
Total	**16 725 795**	**2 677 731**	**7 817 848**	**10 862 302**	**828 867**	**38 912 543**

The allocation of assets by business segments as at 31.12.2008 (comparable data)

in PLN '000'	Retail Segment	Consumer Finance Segment	Corporate Segment	Treasury Segment	Other	Total
Loans and advances to customers	15 327 237	3 010 084	9 370 240	0	0	27 707 561
Loans and advances to banks	0	0	0	338 728	0	338 728
Securities	0	0	0	7 579 651	0	7 579 651
Other	0	0	0	2 302 799	692 383	2 995 182
Total	**15 327 237**	**3 010 084**	**9 370 240**	**10 221 178**	**692 383**	**38 621 122**

The allocation of liabilities by business segments as at 31.12.2009

in PLN '000'	Retail Segment	Consumer Finance Segment	Corporate Segment	Treasury Segment	Other	Total
Amounts due to customers	16 684 574	0	5 754 501	0	0	22 439 075
Inter-bank deposits	0	0	0	4 262 590	0	4 262 590
Borrowed loans and advances	0	0	0	6 559 296	0	6 559 296
Subordinated liabilities	0	0	0	805 380	0	805 380
Other liabilities and capital	0	0	0	0	4 846 202	4 846 202
Total	**16 684 574**	**0**	**5 754 501**	**11 627 266**	**4 846 202**	**38 912 543**

The allocation of liabilities by business segments as at 31.12.2008 (comparable data)

in PLN '000'	Retail Segment	Consumer Finance Segment	Corporate Segment	Treasury Segment	Other	Total
Amounts due to customers	13 530 469	0	6 951 188	0	0	20 481 657
Inter-bank deposits	0	0	0	5 340 997	0	5 340 997
Borrowed loans and advances	0	0	0	6 516 098	0	6 516 098
Subordinated liabilities	0	0	0	279 339	0	279 339
Other liabilities and capital	0	0	0	0	6 003 031	6 003 031
Total	**13 530 469**	**0**	**6 951 188**	**12 136 434**	**6 003 031**	**38 621 122**

in PLN '000'	**01.01.2009-31.12.2009**
Net interest income - management information	**946 863**
- commissions on loans	54 559
+ operating expenses (interest on finance lease)	-2 237
+ operating income (the collection of statutory interest)	9 272
+ commissions related to foreign transactions	514
+ adjustment of the accrual of interest based on net investments	-42 224
+ other	18
Net interest income - financial statements	**857 647**
Net commission income and other net income - management information	**278 103**
+ commissions on loans	54 559
- reversal of provisions related to the sale of debt	14 649
- operating expenses (interest on finance lease)	-2 237
- operating income (the collection of statutory interest)	9 272
- commissions related to foreign transactions	514
- other	18
Net commission income and other income - financial statements – presented as:	**310 446**
Net fee and commission income	285 678
Other operating income	62 662
Other operating expenses	-37 894
Net income from treasury transactions - management information	**172 949**
+ provision 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:	**157 267**
Net trading income	157 242
Net result on derivatives used as hedging instruments and hedged items	25
Net gains from investment activities - management information	**125 496**
Net gains from investment activities and dividend income - financial statements – presented as:	**125 496**
Net gains from investment activities	4 704
Dividend income	120 792
Operating income before tax - management information	**1 873 411**
+ provision for potential losses related to active derivatives	-15 682
+ adjustment of the accrual of interest based on net investments	-42 224
- reversal of provisions related to the sale of debt	14 649
Operating income before tax - financial statements – presented as:	**1 800 856**
Total operating income	1 838 750
Other operating expenses	-37 894

in PLN '000'	**01.01.2009-31.12.2009**
Net impairment losses on financial assets, other assets and provisions - management information	**-856 846**
- provision for potential losses related to active derivatives	-15 682
- adjustment of the accrual of interest based on net investments	-42 224
+ reversal of provisions related to the sale of debt	14 649
Net impairment losses on financial assets, other assets and provisions – financial statements	**-784 291**

in PLN '000'	**01.01.2008-31.12.2008**
Net interest income - management information	**900 580**
- commissions on loans	43 873
+ operating expenses (interest on finance lease)	-3 196
+ operating income (the collection of statutory interest)	13 721
+ commissions related to foreign transactions	685
+ other	7 662
Net interest income - financial statements	**875 579**
Net commission income and other net income - management information	**272 052**
+ commissions on loans	43 873
- operating expenses (interest on finance lease)	-3 196
- operating income (the collection of statutory interest)	13 721
- commissions related to foreign transactions	685
- other	7 662
Net commission income and other income - financial statements – presented as:	**297 053**
Net fee and commission income	283 089
Other operating income	53 723
Other operating expenses	-39 759
Net income from treasury transactions - management information	**242 203**
Net trading income and net result on derivatives used as hedging instruments - financial statements – presented as:	**242 203**
Net trading income	240 988
Net result on derivatives used as hedging instruments and hedged items	1 215
Net gains from investment activities - management information	**-1 526**
Net gains from investment activities and dividend income - financial statements – presented as:	**-1 526**
Net gains from investment activities	-11 593
Dividend income	10 067
Operating income before tax - management information	**1 413 309**
Operating income before tax - financial statements – presented as:	**1 413 309**
Total operating income	1 453 068
Other operating expenses	-39 759

in PLN '000'	**Management information**	**Interest**	**Financial statements**
31.12.2009			
Loans and advances to customers	27 221 374	91 093	27 312 467
Loans and advances to banks	188 527	1 486	190 013
31.12.2008 (comparable data)			
Loans and advances to customers	27 707 561	145 594	27 853 155
Loans and advances to banks	338 728	2 131	340 859

	31.12.2009
Securities – management information	**10 102 365**
Securities – financial statements – presented as:	**10 102 365**
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	1 316 786
Investment securities	8 785 579
	31.12.2008
Securities – management information	**7 579 651**
Securities – financial statements – presented as:	**7 579 651**
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	1 347 027
Investment securities	6 232 624

in PLN '000'	**Management information**	**Interest**	**Financial statements**
31.12.2009			
Amounts due to customers	22 439 075	82 611	22 521 686
Subordinated liabilities	805 380	436	805 816
31.12.2008 (comparable data)			
Amounts due to customers	20 481 657	73 652	20 555 309
Subordinated liabilities	279 339	304	279 643

	31.12.2009
Inter-bank deposits – management information	**4 262 590**
Borrowed loans and advances – management information	**6 559 296**
+ interest	9 810
- other amounts due to the National Bank of Poland	6
Amounts due to banks – financial statements	**10 831 690**

	31.12.2008
Inter-bank deposits – management information	**5 340 997**
Borrowed loans and advances – management information	**6 516 098**
+ interest	59 058
- other amounts due to the National Bank of Poland	1 140
Amounts due to banks – financial statements	**11 915 013**

12. Interest income

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
On account of:		
Loans and advances to banks	40 909	103 858
Loans and advances to customers, including:	1 504 756	1 578 893
- financial sector	41 847	59 928
- non-financial sector	1 447 876	1 491 899
- budgetary sector	15 033	27 066
Securities:	448 698	350 896
- at fair value through profit or loss	11 585	6 512
- held-for-trading	66 924	30 482
- available-for-sale	251 260	207 110
- held-to-maturity	118 929	106 792
Receivables arising from repurchase transactions	130	413
Interest on hedging instruments	91 234	92 294
Total	**2 085 727**	**2 126 354**

Interest income comprises, e.g. cash interest and interest calculated on an accrual basis on receivables for which evidence for impairment was identified. Interest was calculated with the effective interest rate applied in discounting expected cash flows for the purpose of estimating the impairment loss on loan receivables. The amount of interest on receivables for which individual evidence for impairment was identified recognized in interest income for 2009 amounts to PLN 10,518 thousand as compared to PLN 22,828 thousand for 2008. Accrued interest was taken into consideration when estimating impairment losses on such receivables.

13. Interest expense

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
On account of:		
Amounts due to banks	213 005	352 732
Amounts due to customers	856 650	753 272
- financial sector	160 401	115 404
- non-financial sector	633 840	513 459
- budgetary sector	62 409	124 409
Liabilities arising from repurchase transactions	64 496	16 895
Other subordinated liabilities	22 692	14 613
Interest on hedging instruments	71 237	113 263
Total	**1 228 080**	**1 250 775**
Net interest income	**857 647**	**875 579**

14. Fee and commission income

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Fees and commissions on loans	46 979	49 363
Fees and commissions on deposit-related transactions with customers	134 796	127 128
Fees and commissions due for payment cards processing and ATMs maintenance	152 721	123 943
Fees and commissions on foreign clearing operations	16 312	16 915
Fees and commissions on guarantee commitments	19 107	14 840
Commissions on the distribution and management of combined investment and insurance products	37 025	37 543
Commissions on other custodian services	2 584	2 944
Other fees and commissions	5 727	6 947
Total	**415 251**	**379 623**

15. Fee and commission expense

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Brokerages	890	1 798
Fees and commissions due for payment cards processing and ATMs maintenance	89 975	62 391
Fees related to loan guarantees	20 399	14 916
Fees for credit rating information	6 273	5 367
Other fees and commissions	12 036	12 062
Total	**129 573**	**96 534**

Net fee and commission income	**285 678**	**283 089**

16. Dividend income

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Shares	120 792	10 067
Total	**120 792**	**10 067**

In 2009, the Bank received PLN 119,162 thousand of dividends from subsidiaries consolidated with the full method and PLN 1,630 thousand from other entities. In 2008, the Bank received PLN 9,018 thousand of dividends from subsidiaries consolidated with the full method and PLN 1,049 thousand from other entities.

17. Net trading income

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Net trading income, including:		
- debt securities, including:	19 213	5 912
- held-for-trading	19 998	2 201
- at fair value through profit or loss	-785	3 711
- commercial equity instruments	1 440	0
- derivatives	-202 345	-272 755
- foreign exchange	338 934	507 831
Total	**157 242**	**240 988**

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

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Result on cash flows hedge	**25**	**3 326**
- on hedging derivatives**	25	3 326
Result on fair value hedge	**0**	**-2 111**
- on hedging derivatives	0	-2 088
- on hedged financial assets	0	-23
Total *	**25**	**1 215**

* result on derivatives used as hedging instruments also comprises amounts of transactions settled prior to the balance sheet date
** an ineffective part of profits and losses connected with hedging instruments

19. Net gains from investment activities

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Available-for-sale financial assets:	**4 565**	**-11 598**
- equity instruments	3 998	2 486
- debt instruments	567	-14 084
Held-to-maturity assets:	**139**	**5**
- debt instruments	139	5
Total	**4 704**	**-11 593**

20. Result for particular categories of financial assets and liabilities

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
- at fair value through profit or loss, including:	-167 549	-246 331
- held-for-trading	-179 789	-256 554
- hedging instruments	20 022	-19 754
- available-for-sale	255 825	195 512
- held-to-maturity	119 069	106 797
- loans and advances to banks and to customers	1 571 815	1 715 558
- amounts due to banks and customers	-861 645	-904 136
- subordinated liabilities, issue of securities	-22 692	-14 613
- other	51 517	48 414
Total *	**966 362**	**881 447**

* the item comprises net interest income, net fee and commission income, net trading income net of result on foreign exchange, result on derivatives used as hedging instruments and hedged items, net gains from investment activity.

21. Other operating income

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Sale or liquidation of property, plant and equipment and assets to be disposed	394	3 946
Recovered bad debts, including reimbursed debt recovery costs	37 387	13 834
Indemnities, penalties and fines received	73	184
Side income	2 530	6 172
Reversal of impairment losses on receivables from other debtors	5 320	9 146
Lease income	4 913	5 217
Other operating income	12 045	15 224
Total	**62 662**	**53 723**

22. General and administrative expenses

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Staff costs, including:	**375 228**	**441 073**
- remunerations	308 696	361 040
- deductions from salaries and wages	54 648	55 996
- employee benefits	9 565	12 661
- training expenses	2 319	11 376
General expenses, including:	**386 211**	**364 775**
- costs of buildings maintenance and lease	121 101	104 267
- postal and telecommunications fees	53 719	55 445
- IT costs	51 055	33 458
- promotion and advertising services	11 013	21 180
- advisory costs	13 958	12 930
- transportation services	19 588	19 287
- purchase of other materials	4 791	10 516
- taxes and fees	87 148	73 802
- other	23 838	33 890
Depreciation and amortisation, including:	**98 522**	**84 998**
- property, plant and equipment	77 750	63 291
- investment properties	18	0
- intangible assets	20 754	21 707
Total	**859 961**	**890 846**

<u>Operating lease rentals</u>

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

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

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

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Leasing payments	92 068	77 157

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

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

	31.12.2009	Comparable data 31.12.2008
Future gross minimum lease payments (with VAT)		
- not later than 1 year	84 687	83 837
- later than 1 year and not later than 5 years	171 852	201 108
- over 5 years	13 395	40 769
Total	**269 934**	**325 714**

Under operating leasing contracts, the Bank operates two Head Office buildings, which, towards the end of 2004, were sold to companies not related to the Bank and are now leased from them. Sale transactions were executed on market terms; contracts of lease were also executed on market terms. The contracts are executed for 10 years and their terms provide for the possibility of their extension, without the terms set out on the day of their executions. Under the contracts, the Bank has no guaranteed repurchase right to the buildings after the 10-year term of lease. The contracts do not meet the criteria of financial leasing and, therefore, are classified as operating leasing contracts.

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

Recognition of impairment on assets and provisions

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Recognition of impairment on assets		
Loans and advances	2 340 242	1 285 655
Assets to be disposed, property, plant and equipment and intangible assets	3 205	3 088
Total impairment	**2 343 447**	**1 288 743**
Additions of provisions		
Provision for restructuring	8 700	0
Provisions for employee benefits	185	1 226
Provisions for liabilities	10 035	11 803
Provision for off-balance sheet liabilities	318 037	72 731
Total provisions	**336 957**	**85 760**
Total	**2 680 404**	**1 374 503**

Reversal of impairment for assets and provisions

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Reversal of impairment losses on assets		
Loans and advances	1 572 990	1 091 374
Assets to be disposed, property, plant and equipment and intangible assets	3 331	103
Total impairment	**1 576 321**	**1 091 477**
Reversal of provisions		
Provision for restructuring	420	1 637
Provisions for liabilities*	6 216	76 366
Provision for off-balance sheet liabilities	313 156	71 939
Total provisions	**319 792**	**149 942**
Total	**1 896 113**	**1 241 419**

Net impairment losses on financial assets, other assets and provisions	**-784 291**	**-133 084**

* Reversal of provisions for litigations due to the court judgments and expectations for pending proceedings which are favourable for the Bank. Litigations are presented in Note 70.

24. Other operating expenses

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Written off receivables	5	2 525
Debt recovery expenses	25 969	18 960
Other impairment – loans and advances to various debtors	296	2 015
Disposal or liquidation of property, plant and equipment and intangible assets	1 952	2 927
Indemnities, penalties and fines paid	778	5 250
Other expenses	8 894	8 082
Total	**37 894**	**39 759**

25. Taxation

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Profit before tax	**156 604**	**389 379**
Income tax expense at basic tax rate (19%)	**29 755**	**73 982**
Permanent differences, including:	**-38 452**	**14 325**
- sale of receivables	2 260	5 332
- dividends received	-23 254	-1 913
- provisions and impairment losses	9 473	14 809
- the sale of the shares of Żagiel	-26 834	0
- thin capitalisation	6 584	0
- other permanent differences	-6 681	-3 903
Actual deductions from (crediting to) net profit	**-8 697**	**88 307**
Effective tax rate	**-5.6%**	**22.7%**

Income tax expense (credit) in the income statement	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Current income tax	104 427	52 280
Deferred income tax	-113 124	36 027
Deductions from net profit	**-8 697**	**88 307**

Deferred tax on the valuation of available-for-sale securities, cash flow hedge instruments, charged to revaluation reserve	31.12.2009	Comparable data 31.12.2008
Debt instruments	-862	2 346
Cash flow hedge instruments	2 203	20 627
Total	**1 341**	**22 973**

	31.12.2009		31.12.2008		Impact upon the result/capitals for 2009
Deferred tax asset/liability	**Asset**	**Liability**	**Asset**	**Liability**	
Cash and balances with Central Bank	0	0	0	0	0
Gross loans and advances to banks	0	-283	0	-405	122
Impairment losses on loans and advances to banks	395	0	399	0	-4
Receivables arising from repurchase transactions	0	-19	0	0	-19
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	0	-7 653	0	-4 003	-3 650
Derivatives	0	-108 273	0	-413 725	305 452
Gross loans and advances to customers	0	-16 845	0	-17 838	993
Impairment losses on loans and advances to customers	166 750	0	71 154	0	95 596
Investment securities, including:	8 465	-7 208	7 663	-9 419	3 013
- available-for-sale	8 071	-7 208	7 073	-9 419	3 209
- held-to-maturity	394	0	590	0	-196
Investments in subsidiaries, associates and jointly controlled entities	0	0	0	0	0
Property, plant and equipment	8 300	0	7 869	0	431
Intangible assets	0	-3 402	0	-4 127	725
Deferred tax assets	0	0	0	0	0
Non-current assets classified as held for sale	0	0	0	0	0
Other assets	2 764	0	1 399	0	1 365
Total assets	**186 674**	**-143 683**	**88 484**	**-449 517**	**404 024**

	31.12.2009		31.12.2008		Impact upon the result/capitals for 2009
Deferred tax asset/liability	**Asset**	**Liability**	**Asset**	**Liability**	
Amounts due to Central Bank	2 051	0	1 666	0	385
Amounts due to banks	1 864	0	11 221	0	-9 357
Derivatives	103 905	0	357 693	0	-253 788
Amounts due to customers	15 696	0	13 994	0	1 702
Liabilities arising from repurchase transactions	0	0	4	0	-4
Current tax liability	0	0	0	0	0
Provisions	5 794	0	5 555	0	239
Other liabilities	8 762	0	15 352	0	-6 590
Subordinated liabilities	0	-1 797	58	0	-1 855
Total liabilities	**138 072**	**-1 797**	**405 543**	**0**	**-269 268**
Total asset/liability	**324 746**	**-145 480**	**494 027**	**-449 517**	**134 756**
asset recognized with the income statement (in the period and in previous periods)	315 849	0	486 572	0	-170 723
asset recognized with revaluation reserve	8 897	0	7 455	0	1 442
liability recognized with the income statement (in the period and in previous periods)	0	-135 242	0	-419 089	0
liability recognized with revaluation reserve	0	-10 238	0	-30 428	0

Presented as	**31.12.2009**
Deferred tax asset	179 266
Deferred tax liability	0

26. Earnings per share (EPS)

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Net profit	165 301	301 072
Weighted average number of ordinary shares	271 658 880	271 658 880
Net profit (loss) per share (in PLN)	**0.61**	**1.11**

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

27. Cash and balances with Central Bank

By types

	31.12.2009	Comparable data 31.12.2008
Cash in hand	702 499	649 284
Current account in the Central Bank	472 952	178 672
Total	**1 175 451**	**827 956**

28. Gross loans and advances to banks

By types

	31.12.2009	Comparable data 31.12.2008
Current accounts	8 756	15 123
Deposits in other banks	26 812	153 785
Loans and advances to banks	133 907	148 462
Purchased debt	11 151	21 204
Other	9 387	2 285
Total	**190 013**	**340 859**

By maturity dates

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	31 188	157 002
- 1-3 months	7 146	22 354
- 3-6 months	20 326	11 962
- 6 months to 1 year	53 828	28 960
- 1-3 years	24 491	72 810
- 3-5 years	25 041	14 612
- 5-10 years	25 733	30 899
- past due	2 260	2 260
Total	**190 013**	**340 859**

Classification due to impairment

	31.12.2009	Comparable data 31.12.2008
Loans and advances with no evidence for impairment	187 749	338 598
Loans and advances with evidence for impairment	2 264	2 261
Total	**190 013**	**340 859**

29. Impairment losses on loans and advances to banks

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Impairment on loans and advances to banks at period beginning	2 261	2 260
a) increase	176	1
b) decrease	177	0
- reversal of impairment	177	0
c) utilisation	0	0
Period end	**2 260**	**2 261**

30. Receivables arising from repurchase transactions

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	331 875	0
Total	**331 875**	**0**

31. Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)

	31.12.2009	Comparable data 31.12.2008
Debt securities held for trading	**1 179 950**	**1 205 916**
Treasury securities	730 322	1 204 969
- bonds	77 625	90 968
- bills	652 697	1 114 001
Central Bank securities	449 628	0
- bills	449 628	0
Other securities	0	947
- bonds	0	947
Financial assets at fair value through profit or loss	**136 836**	**141 111**
Treasury securities	61 716	61 692
- bonds	61 716	61 692
Other securities	30 385	79 419
- bonds	30 385	79 419
Equity securities	**44 735**	**0**
Total	**1 316 786**	**1 347 027**

All investment securities classified to the portfolio of financial assets at fair value through profit or loss, including those held for trading, are measured at fair value on the basis of market quotations, except for SINPLN commercial bonds issued by HONGKONG AND SHANGHAI BANKING CORPORATION, Treasury Eurobonds, money bills of the National Bank of Poland and equity investments.

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

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

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

	31.12.2009	Comparable data 31.12.2008
Listed	**1 286 401**	**1 267 608**
- shares	44 735	0
- bonds	139 341	153 607
- bills	1 102 325	1 114 001
Non-listed	**30 385**	**79 419**
- bonds	30 385	79 419
Total	**1 316 786**	**1 347 027**

By maturity dates

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	449 628	2 654
- 1-3 months	41 003	495 876
- 3-6 months	48 989	183 058
- 6 months to 1 year	657 337	505 891
- 1-3 years	38 825	77 895
- 3-5 years	27 010	60 603
- 5-10 years	5 699	1 345
- 10-20 years	3 560	19 705
- with unspecified maturity dates	44 735	0
Total	**1 316 786**	**1 347 027**

32. Derivatives

Derivatives (by types)

	31.12.2009		Comparable data 31.12.2008	
	Assets	Liabilities	Assets	Liabilities
Interest rate transactions	**476 102**	**427 120**	**1 448 205**	**1 101 281**
Options purchased	798	0	3 898	0
Options sold	0	358	0	3 482
IRS	433 840	378 678	1 026 323	634 920
FRA	41 464	48 084	417 984	462 879
Foreign exchange transactions	**95 308**	**112 952**	**854 594**	**788 261**
FX swap	49 858	73 473	169 509	207 868
CIRS	7 151	7 337	35 814	12 357
Forward	19 454	7 574	98 640	16 812
Options purchased	18 669	0	536 407	0
Options sold	0	24 347	0	536 812
Spot	176	221	14 224	14 412
Embedded instruments	**0**	**996**	**0**	**679**
Total	**571 410**	**541 068**	**2 302 799**	**1 890 221**

Derivatives (by maturity dates)

	31.12.2009		Comparable data 31.12.2008	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate transactions (fair value)	**476 102**	**427 120**	**1 448 205**	**1 101 281**
Interest rate transactions (nominal value)	**39 561 883**	**36 553 961**	**118 920 183**	**115 064 384**
- up to 1 month	3 091 525	1 725 000	2 888 900	2 878 000
- 1-3 months	5 729 609	2 317 102	4 421 040	7 168 240
- 3-6 months	10 543 963	11 086 162	31 443 699	30 019 045
- 6 months to 1 year	13 342 755	11 870 379	48 428 758	43 902 779
- 1-3 years	4 837 731	6 775 523	28 690 689	26 369 784
- 3-5 years	1 507 996	2 115 178	2 533 249	3 796 688
- 5-10 years	508 304	664 617	513 848	929 848
Foreign exchange transactions (fair value)	**95 308**	**112 952**	**854 594**	**788 261**
Foreign exchange transactions (nominal value)	**6 396 706**	**6 419 881**	**22 547 515**	**22 490 521**
- up to 1 month	3 483 299	3 494 182	11 133 216	11 178 139
- 1-3 months	796 630	819 519	4 838 230	4 863 129
- 3-6 months	741 302	738 319	2 998 148	2 927 729
- 6 months to 1 year	797 715	782 272	2 550 375	2 537 576
- 1-3 years	545 823	557 368	989 343	950 419
- 3-5 years	31 937	28 221	15 017	11 698
- 5-10 years	0	0	23 186	21 831
Total fair value *	**571 410**	**540 072**	**2 302 799**	**1 889 542**
Total nominal value **	**45 958 589**	**42 973 842**	**141 467 698**	**137 554 905**

* net of embedded derivatives
** the item 'Liabilities related to the sale/purchase transactions' in Note 4 also comprises current currency exchange transactions and transactions on securities.

33. Gross loans and advances to customers

By types

	31.12.2009	Comparable data 31.12.2008
Loans and advances	27 117 576	27 769 510
Purchased debt	143 160	58 083
Realised guarantees and sureties	6 904	8 646
Other receivables	44 827	16 916
Total	**27 312 467**	**27 853 155**

By maturity dates

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	963 351	701 422
- 1-3 months	938 151	828 841
- 3-6 months	903 702	915 405
- 6 months to 1 year	2 647 888	2 661 360
- 1-3 years	3 528 170	3 550 513
- 3-5 years	2 330 487	2 388 745
- 5-10 years	3 869 018	4 219 960
- 10-20 years	5 247 392	4 588 744
- over 20 years	3 396 550	4 022 498
- past due	3 487 758	3 975 667
Total	**27 312 467**	**27 853 155**

By customer types

	31.12.2009	Comparable data 31.12.2008
Natural persons*	**19 583 537**	**18 462 714**
- overdraft facilities	793 184	695 814
- purchased debt	7 440	6 275
- term loans **	829 717	837 199
- cash loans, instalment loans and cards	4 240 308	4 051 223
- mortgages	13 685 315	12 854 847
- realised guarantees	1 519	1 583
- other receivables	26 054	15 773
Corporate customers	**7 510 567**	**9 041 581**
- overdraft facilities	1 468 747	1 881 957
- term loans **	5 881 943	7 099 610
- purchased debt	135 720	51 808
- realised guarantees	5 384	7 063
- other receivables	18 773	1 143
Budget	**218 363**	**348 860**
- overdraft facilities	1 828	4 402
- term loans **	216 535	344 458
- purchased debt	0	0
Total	**27 312 467**	**27 853 155**

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

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

Receivables in breakdown by customer types and by impaired and non-impaired receivables as at 31.12.2009

	Gross receivables	Impaired gross receivables	Impairment losses excluding IBNR	Non-impaired gross receivables by days of delay in payment					
				Total	no delay	up to 30 days*	31 - 60 days*	61 - 90 days*	over 90 days*
Natural persons**	**19 583 537**	**1 523 261**	**992 828**	**18 060 276**	**16 893 898**	**963 990**	**143 291**	**57 582**	**1 515**
- overdraft facilities	793 184	129 371	100 856	663 813	549 270	106 699	5 658	2 008	178
- purchased debt	7 440	1 908	1 908	5 532	5 511	21	0	0	0
- term loans***	829 717	74 180	55 571	755 537	709 235	43 312	2 640	343	7
- cash loans, instalment loans and cards	4 240 308	999 392	760 518	3 240 916	2 879 034	252 666	69 244	39 843	129
- mortgages	13 685 315	314 502	70 677	13 370 813	12 727 183	561 292	65 749	15 388	1 201
- realised guarantees	1 519	1 519	914	0	0	0	0	0	0
- other receivables	26 054	2 389	2 384	23 665	23 665	0	0	0	0
Corporate customers	**7 510 567**	**950 637**	**408 116**	**6 559 930**	**6 418 941**	**138 364**	**2 235**	**365**	**25**
- overdraft facilities	1 468 747	125 550	92 621	1 343 197	1 267 800	74 246	786	365	0
- term loans***	5 881 943	800 668	299 597	5 081 275	5 021 001	59 514	735	0	25
- purchased debt	135 720	10 568	3 412	125 152	119 834	4 604	714	0	0
- realised guarantees	5 384	5 384	4 019	0	0	0	0	0	0
- other receivables	18 773	8 467	8 467	10 306	10 306	0	0	0	0
Budget	**218 363**	**0**	**0**	**218 363**	**215 014**	**3 349**	**0**	**0**	**0**
- overdraft facilities	1 828	0	0	1 828	1 828	0	0	0	0
- term loans***	216 535	0	0	216 535	213 186	3 349	0	0	0
- purchased debt	0	0	0	0	0	0	0	0	0
Total	**27 312 467**	**2 473 898**	**1 400 944**	**24 838 569**	**23 527 853**	**1 105 703**	**145 526**	**57 947**	**1 540**

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

Receivables in breakdown by customer types and by impaired and non-impaired receivables as at 31.12.2008 (comparable data)

	Gross receivables	Impaired gross receivables	Impairment losses excluding IBNR	Non-impaired gross receivables by days of delay in payment					
				Total	no delay	up to 30 days*	31 - 60 days*	61 - 90 days*	over 90 days*
Natural persons**	**18 462 714**	**683 942**	**412 888**	**17 778 772**	**16 223 405**	**1 333 958**	**200 375**	**20 577**	**457**
- overdraft facilities	695 814	83 322	67 384	612 492	510 005	96 355	4 012	1 966	154
- purchased debt	6 275	1 944	1 938	4 331	55	4 276	0	0	0
- term loans***	837 199	91 678	74 285	745 521	690 058	52 942	1 986	527	8
- cash loans, instalment loans and cards	4 051 223	338 074	226 158	3 713 148	3 272 861	300 316	133 276	6 630	65
- mortgages	12 854 847	167 340	42 090	12 687 508	11 734 654	880 069	61 101	11 454	230
- realised guarantees	1 583	1 583	1 032	0	0	0	0	0	0
- other receivables	15 773	1	1	15 772	15 772	0	0	0	0
Corporate customers	**9 041 581**	**824 380**	**427 463**	**8 217 201**	**7 629 199**	**547 875**	**39 350**	**766**	**11**
- overdraft facilities	1 881 957	73 176	40 768	1 808 781	1 776 625	31 076	1 042	38	0
- term loans***	7 099 610	737 771	378 226	6 361 840	5 843 825	510 699	6 577	728	11
- purchased debt	51 808	5 348	4 611	46 460	8 629	6 100	31 731	0	0
- realised guarantees	7 063	7 063	3 381	0	0	0	0	0	0
- other receivables	1 143	1 022	477	120	120	0	0	0	0
Budget	**348 860**	**0**	**0**	**348 860**	**336 236**	**12 624**	**0**	**0**	**0**
- overdraft facilities	4 402	0	0	4 402	4 402	0	0	0	0
- term loans***	344 458	0	0	344 458	331 834	12 624	0	0	0
Total	**27 853 155**	**1 508 322**	**840 351**	**26 344 833**	**24 188 840**	**1 894 457**	**239 725**	**21 343**	**468**

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

As at 31.12.2009, the amount of non-amortised loan commissions settled with the effective interest rate method, which, according to the concept of the measurement of financial assets at amortised cost, decreases the value of gross receivables, amounted to PLN 50,279 thousand, as at 31.12.2008 – PLN 44,261 thousand. The amounts have already been recognized in total gross loans and advances.

Receivables quality ratio

in PLN '000'	31.12.2009	Comparable data 31.12.2008
Loans and advances with no evidence for impairment, including interest	24 838 569	26 344 833
Loans and advances with evidence for impairment, including interest	2 473 898	1 508 322
Total gross loan and advances to customers	**27 312 467**	**27 853 155**
Impairment losses on loans and advances to customers	1 540 231	927 457
including: impairment losses on loans and advances with evidence for impairment	1 400 944	840 351
Total net loans and advances to customers	**25 772 236**	**26 925 698**
The share of loans and advances with evidence for impairment in total gross loans and advances	9.1%	5.4%
Coverage of loans and advances with evidence for impairment with impairment losses	56.6%	55.7%
Coverage of gross loans and advances to customers with corresponding impairment losses	5.6%	3.3%

The increase in the level of impairment losses for loans and advances in 2009 amounted to 66.1%. The quality ratio for the Bank's gross loans and advances deteriorated in this period by 3.7 p.p.

The Bank, when estimating credit risk for individual credit exposures and loan portfolios, follows the overriding prudence concept. As at 31.12.2009, the coverage of loans and advances with evidence for impairment with impairment losses was at the level of 56.6%.

Receivables assessed individually

	31.12.2009	Comparable data 31.12.2008
Gross receivables	875 382	710 851
Impairment	364 056	326 354
Net receivables	511 326	384 497

Accepted loan collateral

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

	31.12.2009	Comparable data 31.12.2008
Value of accepted collateral for loans and advances assessed individually	392 542	307 752

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

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

Carrying amount of restructured receivables

	31.12.2009	Comparable data 31.12.2008
Carrying amount	452 587	270 306

34. Impairment losses on loans and advances to customers

	Impairment 31.12.2008	Recognized	Reversed	Written off	Other changes	Impairment 31.12.2009
Natural persons*	**491 848**	**1 624 891**	**-972 732**	**-40 152**	**-15 539**	**1 088 316**
- overdraft facilities	70 293	132 828	-95 904	-2 102	-1 006	104 109
- purchased debt	1 944	81	-98	0	-13	1 914
- term loans **	75 788	36 222	-26 724	-24 863	-3 561	56 862
- cash loans, instalment loans and cards	289 912	1 248 749	-681 867	-10 484	-9 608	836 702
- mortgages	52 878	204 520	-167 915	-2 703	-1 349	85 431
- realised guarantees	1 032	4	-58	0	-64	914
- other receivables	1	2 487	-166	0	62	2 384
Corporate customers	**435 365**	**714 870**	**-599 654**	**-74 792**	**-23 996**	**451 793**
- overdraft facilities	42 666	223 388	-159 845	-3 320	-1 446	101 443
- purchased debt	4 777	8 292	-7 708	-1 838	-21	3 502
- term loans **	384 063	430 991	-381 697	-69 634	-29 470	334 253
- realised guarantees	3 381	4 885	-4 090	0	-157	4 019
- other receivables	478	47 314	-46 314	0	7 098	8 576
Budget	**244**	**305**	**-428**	**0**	**1**	**122**
- overdraft facilities	4	91	-94	0	0	1
- term loans **	240	214	-334	0	1	121
- purchased debt	0	0	0	0	0	0
Total	**927 457**	**2 340 066**	**-1 572 814**	**-114 944**	**-39 534**	**1 540 231**

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

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

In 2009, significant deterioration in the quality of receivables from cash and instalment loans granted through Żagiel took place. A significant increase in net impairment losses in 2009 in this area was recorded in the fourth quarter and was related to the following measures:

- in relation to the completed verification of the creditworthiness of customers in Biuro Informacji Kredytowej ('BIK'), on the basis of the data received from BIK, the Bank 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, including PLN 97.2 million related to the Consumer Finance Segment and PLN 4.3 million to the Retail Segment.
- 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 Bank, 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, including PLN 50.6 million of receivables of the Consumer Finance Segment (mainly instalment loans), and PLN 26.8 million of write-downs for receivables of the Retail Segment (mainly cash loans granted by the Bank's own network).

Considering the above-mentioned factors, in 2009, the Bank recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 784,291 thousand, as compared to the negative balance in 2008 amounting to PLN 133,084 thousand.

	Impairment 31.12.2007	Recognized	Reversed	Written off	Other changes	Impairment 31.12.2008
Natural persons*	**381 093**	**937 271**	**-774 505**	**-59 550**	**7 539**	**491 848**
- overdraft facilities	70 803	79 022	-77 032	-2 500	0	70 293
- purchased debt	1 914	163	-127	-6	0	1 944
- term loans **	126 429	119 652	-166 383	-8 002	4 092	75 788
- cash loans, instalment loans and cards	112 990	568 840	-343 957	-47 961	0	289 912
- mortgages	67 258	168 108	-184 980	-955	3 447	52 878
- realised guarantees	1 519	730	-1 217	0	0	1 032
- other receivables	180	756	-809	-126	0	1
Corporate customers	**457 866**	**346 508**	**-314 429**	**-59 976**	**5 396**	**435 365**
- overdraft facilities	28 148	100 971	-83 965	-2 488	0	42 666
- purchased debt	5 851	2 566	-2 576	-1 080	16	4 777
- term loans **	415 842	240 696	-221 974	-55 881	5 380	384 063
- realised guarantees	8 025	1 797	-5 914	-527	0	3 381
- other receivables	0	478	0	0	0	478
Budget	**765**	**1 876**	**-2 440**	**-1**	**44**	**244**
- overdraft facilities	0	85	-81	0	0	4
- term loans **	755	1 791	-2 350	0	44	240
- purchased debt	10	0	-9	-1	0	0
Total	**839 724**	**1 285 655**	**-1 091 374**	**-119 527**	**12 979**	**927 457**

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

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

IBNR

Impairment losses on incurred but not reported (IBNR) credit losses for homogenous balance sheet and off-balance sheet receivables portfolios as at 31.12.2009 amounted to PLN 142,855 thousand, including PLN 3,568 thousand related to off-balance sheet liabilities; and as at 31.12.2008 amounted to PLN 93,010 thousand, including PLN 5,904 thousand related to off-balance sheet liabilities.

35. Investment securities

	31.12.2009	Comparable data 31.12.2008
Available-for-sale securities	**6 032 241**	**4 359 740**
Treasury securities	4 977 936	3 619 151
- bonds	4 684 356	3 619 151
- bills	293 580	0
Central Bank securities	749 307	335 776
- bonds	0	335 776
- bills	749 307	0
Other securities	303 767	402 969
- bonds	303 767	402 969
Equity securities	1 231	1 844
Held-to-maturity securities	**2 753 338**	**1 872 884**
Treasury securities	2 165 443	1 803 119
- bonds	2 165 443	1 803 119
Other securities	587 895	69 765
- bonds	587 895	69 765
Total	**8 785 579**	**6 232 624**

	31.12.2009	Comparable data 31.12.2008
Available-for-sale securities	**6 032 241**	**4 359 740**
Listed	**5 727 243**	**3 706 711**
- bonds	4 684 356	3 706 711
- bills	1 042 887	0
Non-listed	**304 998**	**653 029**
- shares	1 231	1 844
- bonds	303 767	651 185
Held-to-maturity securities	**2 753 338**	**1 872 884**
Listed	**2 165 443**	**1 872 844**
- bonds	2 165 443	1 872 844
Non-listed	**587 895**	**0**
- bonds	587 895	0
Total	**8 785 579**	**6 232 624**

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

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

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

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

Maturities of available-for-sale investment securities

	31.12.2009	**Comparable data 31.12.2008**
- up to 1 month	749 307	45 227
- 1-3 months	233 781	0
- 3-6 months	0	396 787
- 6 months to 1 year	498 026	17 015
- 1-3 years	1 637 809	1 302 025
- 3-5 years	1 445 621	1 548 936
- 5-10 years	1 466 466	1 017 604
- 10-20 years	0	30 302
- with unspecified maturity dates	1 231	1 844
Total	**6 032 241**	**4 359 740**

Maturities of held-to-maturity investment securities

	31.12.2009	**Comparable data 31.12.2008**
- up to 1 month	13 073	21 640
- 1-3 months	304 577	0
- 3-6 months	0	244 608
- 6 months to 1 year	482 391	0
- 1-3 years	442 947	1 236 948
- 3-5 years	934 430	90 319
- 5-10 years	575 920	279 369
Total	**2 753 338**	**1 872 884**

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

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

Assets measured at fair value	Level 1	Level 2	Level 3	Total 31.12.2009
Held-for-trading financial assets				
Debt securities	725 904	454 046		1 179 950
Derivatives		513 206	2 463	515 669
Financial assets at fair value through profit or loss				
Debt securities	61 716	30 385		92 101
Equity securities		44 735		44 735
Available-for-sale financial assets*				
Debt securities	4 672 232	1 358 778		6 031 010
Hedging instruments				
Derivatives		55 741		55 741
Total	**5 459 852**	**2 456 891**	**2 463**	**7 919 206**

except for equity securities measured at cost

Liabilities measured at fair value	Level 2
Held-for-trading financial liabilities	**537 902**
Derivatives	537 902
Hedging instruments	**3 166**
Derivatives	3 166
Total	**541 068**

Change in financial assets at fair value – level 3

Level 3 of assets measured at fair value is the valuation of derivatives, having regard for individual impairment due to credit risk. The Bank applies impairment to the full amount subject to risk related to derivatives (receivables minus liabilities). The impact of the potential change in the degree of covering the above-mentioned risk with corresponding impairment losses upon the income statement and the Bank's assets is between PLN 0 and PLN 6,597 thousand.

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

37. Financial assets subject to hedge accounting

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

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

As at 31.12.2009 and 31.12.2008, the Bank did not apply hedge accounting to hedge fair value of financial assets. In the fourth quarter of 2008, the fair value hedge for the bonds from the portfolio of available-for-sale assets with IRS became ineffective.

The rules of recognizing and measuring the effectiveness of the hedges for transactions subject to hedge accounting are described in Note 9.5.6 of these financial statements.

As at 31.12.2009

Financial assets subject to cash flow hedge accounting

- bonds

Hedged assets – available-for-sale bonds

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

IRS's hedging cash flows

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

- loans portfolio

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

IRS's hedging cash flows

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

As at 31.12.2008 (comparable data)

Financial assets subject to cash flow hedge accounting

- bonds

Hedged assets – available-for-sale bonds

Bond nominal value	Maturity date	Interest rates	Coupon rate payment
100 000	24.09.2011	variable 6.72% (31.12.2008)	every 6 months
36 000	24.09.2011	variable 6.72% (31.12.2008)	every 6 months
70 000	25.01.2018	variable 6.72% (31.12.2008)	every 6 months
50 000	25.01.2018	variable 6.72% (31.12.2008)	every 6 months
80 000	25.01.2018	variable 6.72% (31.12.2008)	every 6 months

IRS's hedging cash flows

Nominal value	Maturity date	Interest rates		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
100 000	24.09.2009	fixed 5.32%	WIB 6M	annually	every 6 months	-247	0
36 000	23.03.2009	fixed 4.38%	WIB 6M	annually	every 6 months	373	4
70 000	23.01.2009	fixed 5.3%	WIB 6M	annually	every 6 months	1 336	66
50 000	25.07.2010	fixed 5.5075%	WIB 6M	annually	every 6 months	692	0
80 000	29.08.2011	fixed 5.66%	WIB 6M	annually	every 6 months	2 476	0
					Total	**4 630**	**70**

- <u>loans portfolio</u>

Hedged assets – overdraft loans of PLN 1,100,000 thousand based on WIBOR O/N rate.

IRS's hedging cash flows

Nominal value	Maturity date	Interest rates		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
70 000	13.06.2012	fixed 5.4475%	WIB 6M	annually	every 6 months	4 299	0
70 000	16.06.2009	fixed 4.50%	WIB O/N	every 6 months	every 6 months	-247	
30 000	13.06.2012	fixed 5.4475%	WIB 6M	annually	every 6 months	1 842	0
30 000	16.06.2009	fixed 5.50%	WIB O/N	every 6 months	every 6 months	-106	
50 000	01.03.2013	fixed 5.11%	WIB 6M	annually	every 6 months	2 767	-16
50 000	03.03.2009	fixed 6.18%	WIB O/N	every 6 months	every 6 months	101	
25 000	03.03.2014	fixed 5.12%	WIB 6M	annually	every 6 months	1 569	-7
25 000	03.03.2009	fixed 6.18%	WIB O/N	every 6 months	every 6 months	51	
25 000	02.03.2015	fixed 5.14%	WIB 6M	annually	every 6 months	1 732	-21
25 000	03.03.2009	fixed 6.18%	WIB O/N	every 6 months	every 6 months	51	
100 000	01.08.2013	fixed 5.075%	WIB 3M	annually	every quarter	4 681	0
100 000	04.02.2009	fixed 6.15%	WIB O/N	every quarter	every quarter	132	
25 000	22.06.2015	fixed 5.09%	WIB 3M	annually	every quarter	1 788	0
25 000	19.03.2009	fixed 4.65%	WIB O/N	every quarter	every quarter	-56	
50 000	18.12.2009	fixed 4.78%	WIB 3M	annually	every quarter	35	0
50 000	19.03.2009	fixed 4.65%	WIB O/N	every quarter	every quarter	-112	
100 000	05.01.2009	fixed 4.6875%	WIB 3M	annually	every quarter	3 039	13
100 000	06.01.2009	fixed 6.20%	WIB O/N	every quarter	every quarter	125	
50 000	02.03.2012	fixed 5.09%	WIB 6M	annually	every 6 months	2 267	-58
50 000	03.03.2009	fixed 6.18%	WIB O/N	every 6 months	every 6 months	101	
100 000	21.03.2011	fixed 4.9275%	WIB 3M	annually	every quarter	4 869	0
100 000	19.03.2009	fixed 4.65%	WIB O/N	every quarter	every quarter	-224	
100 000	30.03.2009	fixed 4.80%	WIB 3M	annually	every quarter	3 177	
100 000	02.01.2009	fixed 6.15%	WIB O/N	every quarter	every quarter	118	332
100 000	01.04.2009	fixed 4.45%	WIB O/N	every quarter	every quarter	-262	
50 000	30.03.2011	fixed 5.00%	WIB 6M	annually	every 6 months	1 716	0

50 000	31.03.2009	fixed 6.13%	WIB O/N	every 6 months	every 6 months	101	
50 000	30.03.2012	fixed 5.03%	WIB 6M	annually	every 6 months	2 201	0
50 000	31.03.2009	fixed 6.13%	WIB O/N	every 6 months	every 6 months	101	
50 000	30.03.2010	fixed 4.94%	WIB 6M	annually	every 6 months	1 314	0
50 000	31.03.2009	fixed 6.13%	WIB O/N	every 6 months	every 6 months	101	
50 000	04.04.2012	fixed 5.03%	WIB 6M	annually	every 6 months	2 203	0
50 000	06.04.2009	fixed 6.18%	WIB O/N	every 6 months	every 6 months	122	
25 000	15.09.2014	fixed 5.085%	WIB 3M	annually	every quarter	1 377	0
25 000	19.03.2009	fixed 4.65%	WIB O/N	every quarter	every quarter	-56	
50 000	09.07.2013	fixed 5.675%	WIB 6M	annually	every 6 months	2 782	0
50 000	09.01.2009	fixed 6.60%	WIB O/N	every 6 months	every 6 months	153	
50 000	09.07.2014	fixed 5.67%	WIB 6M	annually	every 6 months	3 308	0
50 000	10.01.2009	fixed 6.60%	WIB O/N	every 6 months	every 6 months	153	
50 000	14.12.2009	fixed 4.78%	WIB 3M	annually	every quarter	28	66
50 000	19.03.2009	fixed 4.65%	WIB O/N	every quarter	every quarter	-112	
26 000	03.10.2013	fixed 4.595%	WIB 6M	every 6 months	annually	-286	0
					Total	**46 943**	**309**

Hedged assets – mortgage loans of PLN 1,460,000 thousand.

IRS's hedging cash flows

Nominal value	Maturity date	Interest rates		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	**Coupon paid**	**Coupon received**	**Coupon paid**		
100 000	09.07.2012	fixed 5.6975%	WIB 3M	annually	every quarter	6 061	0
100 000	13.08.2012	fixed 5.615%	WIB 3M	annually	every quarter	5 881	0
50 000	13.08.2012	fixed 5.615%	WIB 3M	annually	every quarter	2 941	0
120 000	10.09.2011	fixed 5.65%	WIB 3M	annually	every quarter	5 712	0
20 000	10.09.2011	fixed 5.65%	WIB 3M	annually	every quarter	952	0
150 000	09.11.2012	fixed 5.75%	WIB 3M	annually	every quarter	7 982	0
30 000	17.12.2014	fixed 5.90%	WIB 3M	annually	every quarter	2 594	-12
75 000	10.01.2013	fixed 5.94%	WIB 3M	annually	every quarter	8 089	-16
100 000	07.02.2011	fixed 5.73%	WIB 3M	annually	every quarter	6 904	0
85 000	08.02.2013	fixed 5.63%	WIB 3M	annually	every quarter	8 045	0

85 000	20.02.2015	fixed 5.85%	WIB 3M	annually	every quarter	10 963	0
100 000	04.03.2013	fixed 6.01%	WIB 3M	annually	every quarter	11 332	0
70 000	05.03.2015	fixed 5.9%	WIB 3M	annually	every quarter	9 301	0
50 000	15.04.2013	fixed 5.92%	WIB 3M	annually	every quarter	4 770	0
50 000	17.04.2013	fixed 5.85%	WIB 3M	annually	every quarter	4 612	-13
50 000	17.04.2012	fixed 5.92%	WIB 3M	annually	every quarter	3 977	-2
30 000	08.05.2012	fixed 5.94%	WIB 3M	annually	every quarter	2 447	0
75 000	16.05.2013	fixed 6.01%	WIB 3M	annually	every quarter	7 566	0
60 000	02.10.2013	fixed 5.5375%	WIB 3M	annually	every quarter	3 305	0
60 000	22.12.2013	fixed 4.30%	WIB 3M	annually	every quarter	239	0
					Total	**113 673**	**-43**

In the case of cash flow hedge, the amount recognized in equity in 2009 was PLN 11,285 thousand, and the amount derecognized from equity and recognized in the income statement (ineffective part) amounted to PLN 311 thousand. The amount recognized in equity at the end of 2008 was PLN 108,229 thousand, and the amount derecognized from equity and recognized in the income statement (ineffective part) amounted to PLN 336 thousand.

Summary of valuations of hedging derivatives

	31.12.2009	Comparable data 31.12.2008
Total positive valuations (with interest)	55 741	166 954
Total negative valuations (with interest)	-3 166	-1 708

38. Investments in subsidiaries and jointly controlled entities

	31.12.2009	Comparable data 31.12.2008
In financial sector companies	2 579	2 654
In non-financial sector companies	63 416	63 421
Total	**65 995**	**66 075**

39. Property, plant and equipment

	31.12.2009	Comparable data 31.12.2008
Property, plant and equipment, including:	330 729	344 560
- land	22 705	23 045
- buildings and premises	152 068	163 083
- plant and machinery	88 834	85 885
- motor vehicles	41	155
- other property, plant and equipment	67 081	72 392
Construction in progress	29 509	53 641
Total	**360 238**	**398 201**

Movement on property, plant and equipment

For the period of 12 months ended 31.12.2009

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2009	26 273	228 226	420 442	1 376	167 552	53 641	897 510
b) increase	185	1 966	53 078	35	17 582	51 121	123 967
- purchase	0	0	7 666	0	903	45 103	53 672
- other increase*	185	1 966	45 412	35	16 679	6 018	70 295
c) decrease	3 563	11 481	46 246	783	3 079	75 253	140 405
- sale	0	36	655	783	0	0	1 474
- liquidation	0	77	44 520	0	3 079	0	47 676
- other decrease	3 563	11 368	1 071	0	0	75 253	91 255
d) gross property, plant and equipment as at 31.12.2009	22 895	218 711	427 274	628	182 055	29 509	881 072
e) accumulated depreciation of property, plant and equipment as at 01.01.2009	193	47 788	333 696	1 066	94 369	0	477 112
f) net property, plant and equipment as at 01.01.2009	23 045	163 082	85 887	155	72 392	53 641	398 202
g) changes in depreciation	-3	3 146	4 072	-634	19 920	0	26 501
- depreciation	0	5 320	49 856	68	22 505	0	77 749
- sale	0	-3	-655	-702	0	0	-1 360
- liquidation	0	-10	-44 093	0	-2 585	0	-46 688
- other changes	-3	-2 161	-1 036	0	0	0	-3 200
h) accumulated depreciation as at 31.12.2009	190	50 934	337 768	432	114 289	0	503 613
i) impairment as at 01.01.2009	3 035	17 356	859	155	791	0	22 196
- increases	0	1 121	246	0	0	0	1 367
- decreases	3 035	2 768	433	0	106	0	6 342
j) impairment as at 31.12.2009	0	15 709	672	155	685	0	17 221
Net property, plant and equipment as at 31.12.2009	**22 705**	**152 068**	**88 834**	**41**	**67 081**	**29 509**	**360 238**

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

For the period of 12 months ended 31.12.2008 (comparable data)

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2008	10 116	199 397	429 542	1 578	160 550	62 871	864 054
b) increase	16 203	31 474	65 981	0	26 292	595	140 545
- purchase	16 203	31 474	65 594	0	26 292	595	140 158
- other increase	0	0	387	0	0	0	387
c) decrease	46	2 644	75 082	202	19 290	9 825	107 089
- sale	0	2 644	1 107	15	0	0	3 766
- liquidation	0	0	68 839	184	19 280	0	88 303
- other decrease	46	0	5 136	3	10	9 825	15 020
d) gross property, plant and equipment as at 31.12.2008	26 273	228 227	420 441	1 376	167 552	53 641	897 510
e) accumulated depreciation of property, plant and equipment as at 01.01.2008	195	42 067	370 421	1 086	84 450	0	498 219
f) net property, plant and equipment as at 01.01.2008	6 886	139 974	58 132	271	75 304	62 871	343 438
g) changes in depreciation	-2	5 721	-36 724	-19	9 919	0	-21 105
- depreciation	0	6 345	37 769	116	19 061	0	63 291
- sale	-2	-624	-1 172	-4	0	0	-1 802
- liquidation	0	0	-68 534	-18	-9 142	0	-77 694
- other changes	0	0	-4 787	-113	0	0	-4 900
h) accumulated depreciation as at 31.12.2008	193	47 788	333 697	1 067	94 369	0	477 114
i) impairment as at 01.01.2008	3 035	17 356	989	221	796	0	22 397
- increases	0	0	0	0	0	0	0
- decreases	0	0	130	67	5	0	202
j) impairment as at 31.12.2008	3 035	17 356	859	154	791	0	22 195
Net property, plant and equipment as at 31.12.2008	**23 045**	**163 083**	**85 885**	**155**	**72 392**	**53 641**	**398 201**

40. Intangible assets

	31.12.2009	Comparable data 31.12.2008
Patents, licenses and similar rights, including:	43 429	39 440
- computer software	43 429	39 440
Other intangible assets	10 124	18 414
Total	**53 553**	**57 854**

Movement on intangible assets

For the period of 12 months ended 31.12.2009

	Patents, licenses and similar rights	including: computer software	Other intangible assets	Total intangible assets
a) gross intangible assets as at 01.01.2009	279 579	279 579	31 972	311 551
b) increase	25 745	25 745	18 674	44 419
- purchase	5 219	5 219	18 674	23 893
- other increase*	20 526	20 526	0	20 526
c) decrease	5 076	5 076	26 551	31 627
- sale	1 019	1 019	0	1 019
- liquidation	4 057	4 057	45	4 102
- other decrease	0	0	26 506	26 506
d) gross intangible assets as at 31.12.2009	300 248	300 248	24 095	324 343
e) accumulated amortisation as at 01.01.2009	236 270	236 270	6 336	242 606
f) net intangible assets as at 01.01.2009	39 441	39 441	18 414	57 855
g) amortisation in the period	16 174	16 174	12	16 186
- amortisation	20 697	20 697	57	20 754
- sale	-697	-697	0	-697
- liquidation	-3 826	-3 826	-45	-3 871
- other changes	0	0	0	0
h) accumulated amortisation as at 31.12.2009	252 444	252 444	6 348	258 792
i) impairment as at 01.01.2009	3 868	3 868	7 222	11 090
- increases	507	507	1 448	1 955
- decreases	0	0	1 047	1 047
j) impairment as at 31.12.2009	4 375	4 375	7 623	11 998
Net intangible assets as at 31.12.2009	**43 429**	**43 429**	**10 124**	**53 553**

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

For the period of 12 months ended 31.12.2008 (comparable data)

	Patents, licenses and similar rights	including: computer software	Other intangible assets	Total intangible assets
a) gross intangible assets as at 01.01.2008	269 604	269 604	35 083	304 687
b) increase	20 412	20 412	1 093	21 505
- purchase	20 412	20 412	1 093	21 505
c) decrease	10 439	10 439	4 204	14 643
- liquidation	10 062	10 062	0	10 062
- other decrease	377	377	4 204	4 581
d) gross intangible assets as at 31.12.2008	279 577	279 577	31 972	311 549
e) accumulated amortisation as at 01.01.2008	224 175	224 175	6 278	230 453
f) net intangible assets as at 01.01.2008	40 903	40 903	24 522	65 425
g) amortisation in the period	12 095	12 095	58	12 153
- amortisation	21 649	21 649	58	21 707
- liquidation	-9 403	-9 403	0	-9 403
- other changes	-151	-151	0	-151
h) accumulated amortisation as at 31.12.2008	236 270	236 270	6 336	242 606
i) impairment as at 01.01.2008	4 526	4 526	4 283	8 809
- increases	0	0	2 939	2 939
- decreases	659	659	0	659
j) impairment as at 31.12.2008	3 867	3 867	7 222	11 089
Net intangible assets as at 31.12.2008	**39 440**	**39 440**	**18 414**	**57 854**

41. Other assets

	31.12.2009	Comparable data 31.12.2008
Inventory	0	89
Various debtors*, including:	85 196	63 295
- gross various debtors	86 938	70 309
- impairment losses	-1 742	-7 014
Prepaid expenses	17 303	16 366
Other assets, including:	9	31
- gross assets taken over for debts	9	49
- impairment on assets taken over for debts	0	-18
Total	**102 508**	**79 781**

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

42. Investment properties

In 2009, the Bank reclassified a part of property, plant and equipment to the category of investment properties with the net value as at 31.12.2009 of PLN 9,893 thousand.

In 2009, income from rent related to the investment properties amounted to PLN 22 thousand. The direct operating expenses related to the investment properties and incurred in the period amounted to PLN 42 thousand.

Buildings classified as investment properties are depreciated on a straight-line basis for 40 years (an annual depreciation rate is 2.5%).

The table below presents changes in investment properties in 2009:

Investment properties	
Gross value as at 01.01.2009	**0**
Increases	15 066
Decreases	0
Gross value as at 31.12.2009	**15 066**
Depreciation as at 01.01.2009	**0**
Depreciation	18
Other increase	2 164
Decreases	0
Depreciation as at 31.12.2009	**2 182**
Impairment losses as at 01.01.2009	**0**
Increases	5 871
Decreases	2 880
Impairment losses as at 31.12.2009	2 991
Carrying amount as at 31.12.2009	**9 893**

43. Amounts due to Central Bank

By types

	31.12.2009	**Comparable data 31.12.2008**
Lombard loan	0	0
Open market transactions	1 321 796	1 112 131
Liabilities	6	1 144
Total	**1 321 802**	**1 113 275**

By maturity dates

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	1 276 456	194 067
- 1-3 months	45 346	918 083
- 3-6 months	0	0
- 6 months to 1 year	0	1 125
Total	**1 321 802**	**1 113 275**

44. Amounts due to banks

By types

	31.12.2009	Comparable data 31.12.2008
Current accounts	2 560 645	1 271 449
Term deposits	1 699 362	4 087 081
Borrowed loans and advances	6 568 610	6 553 261
Other liabilities	3 073	3 222
Total	**10 831 690**	**11 915 013**

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

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	4 236 842	2 499 844
- 1-3 months	26 238	1 844 149
- 3-6 months	796 099	0
- 6 months to 1 year	1 031 672	1 017 759
- 1-3 years	4 740 839	4 504 895
- over 3 years	0	2 048 366
Total	**10 831 690**	**11 915 013**

45. Amounts due to customers

By types

	31.12.2009	Comparable data 31.12.2008
Current accounts*	13 923 261	11 229 309
Term deposits	8 505 292	9 113 698
Borrowed loans and advances	144	149
Other liabilities	92 989	212 153
Total	**22 521 686**	**20 555 309**

* including Savings Account: as at 31.12.2009 – PLN 7,626,000 thousand, and PLN 4,245,387 thousand as at 31.12.2008.

By maturity dates

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	16 723 131	14 514 908
- 1-3 months	2 412 629	3 419 764
- 3-6 months	2 251 609	1 476 417
- 6 months to 1 year	418 747	716 340
- 1-3 years	608 810	194 506
- 3-5 years	101 677	215 187
- 5-10 years	4 216	17 327
- 10-20 years	867	860
Total	**22 521 686**	**20 555 309**

Liabilities by customer types

	31.12.2009	Comparable data 31.12.2008
Natural persons*	**14 208 106**	**10 375 169**
- in current account	10 109 148	6 797 580
- term deposits	4 022 658	3 403 116
- other	76 300	174 473
Corporate customers	**6 514 362**	**7 756 748**
- in current account	2 546 302	2 394 394
- term deposits	3 951 227	5 324 525
- loans and advances	144	149
- other	16 689	37 680
Budget	**1 799 218**	**2 423 392**
- in current account	1 267 811	2 037 335
- term deposits	531 407	386 057
Total	**22 521 686**	**20 555 309**

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

46. Liabilities arising from repurchase transactions

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	0	8 991
Total	**0**	**8 991**

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

47. Provisions

	31.12.2009	Comparable data 31.12.2008
Employee benefits provision	1 408	1 691
Provision for off-balance sheet items	11 429	16 069
Restructuring provision	2 279	419
Provision for litigations	14 370	12 200
Other	1 923	0
Total	**31 409**	**30 379**

The litigations with the highest value claims are described in Note 70 below.

‘Employee benefits provisions’ are composed of provisions for retirement benefits.

Net increase/decrease in provisions

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Period beginning	**30 379**	**105 724**
- employee benefits provision	1 691	702
- provision for off-balance sheet items	16 069	15 009
- restructuring provision	419	5 256
- provision for litigations	12 200	84 757
- other	0	0
a) increases	**336 957**	**85 760**
- employee benefits provision	185	1 226
- provision for off-balance sheet items	318 037	72 731
- restructuring provision	8 700	0
- provision for litigations	10 035	11 803
b) decreases - utilization	**-18 000**	**-11 431**
- employee benefits provision	-468	-237
- provision for off-balance sheet items	-9 463	0
- restructuring provision	-6 420	-3 200
- provision for litigations	-1 649	-7 994
c) decreases - releases	**-319 792**	**-149 942**
- employee benefits provision	0	0
- provision for off-balance sheet items	-313 156	-71 939
- restructuring provision	-420	-1 637
- provision for litigations*	-6 216	-76 366
d) other changes	**1 865**	**268**
- employee benefits provision	0	0
- provision for off-balance sheet items	-58	268
- restructuring provision	0	0
- provision for litigations	0	0
- other	1 923	0
Period end (by items)	**31 409**	**30 379**
- employee benefits provision	1 408	1 691
- provision for off-balance sheet items	11 429	16 069
- restructuring provision	2 279	419
- provision for litigations	14 370	12 200
- other	1 923	0
Period end	**31 409**	**30 379**

* In 2008, mainly reversal of provisions for litigations due to the court judgments and expectations for pending proceedings which are favourable for the Bank. Litigations are presented in Note 70.

48. Other liabilities

	31.12.2009	Comparable data 31.12.2008
Amounts due to the State Treasury	18 944	18 171
Various creditors	45 650	52 709
Expenses and income settled over time, including:	80 885	105 403
- income collected in advance	21 556	18 533
- expenses to be paid	41 553	33 826
- provision for bonuses	8 636	42 141
- provision for unused annual leaves	9 140	10 903
Leasing payables	14 247	21 009
Inter-bank clearings	15 214	22 863
Total	**174 940**	**220 155**

49. Subordinated liabilities

	31.12.2009	Comparable data 31.12.2008
Amount of subordinated liabilities	805 816	279 643
Total	**805 816**	**279 643**

As at 31.12.2009

Entity	Loan value		Interest rate terms	Maturity date	Subordinated liabilities
	by currencies	in '000'			
KBC Bank NV O/Dublin	CHF	100 000	3M LIBOR +1.6 p.p.	15.06.2018	275 818
KBC Bank NV O/Dublin	CHF	165 000	3M LIBOR +1.6 p.p.	28.06.2019	455 060
KBC Bank NV O/Dublin	PLN	75 000	WIBOR + 3.0 p.p.	30.01.2019	74 938
Total					**805 816**

As at 31.12.2008 (comparable data)

Entity	Loan value		Interest rate terms	Maturity date	Subordinated liabilities
	by currencies	in '000'			
KBC Bank NV O/Dublin	CHF	100 000	3M LIBOR +1.6 p.p.	15.06.2018	279 643
Total					**279 643**

50. Equity

Share capital

As at 31.12.2009, the Bank's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares of nominal value PLN 5.00 each. The Bank's shares are registered shares and bearer shares, but not preference shares. Each share entitles its holder to one vote at the Bank's General Meeting of Shareholders. The Bank's shares are admitted to public trading on the main market of the Warsaw Stock Exchange. The share capital did not change in 2009.

The analysis of registered shares and bearer shares presented below was prepared as at 31.12.2009.

Registered shares

The Bank's Shareholders hold 66,443 registered shares, which account for 0.02% of the share capital. Registered shares as at 31.12.2009:

Series	Number of shares
A	2 942
C	1 425
F	5 792
P	29 621
S1	26 663
Total	**66 443**

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

Bearer shares

The Bank's shareholders hold 271,592,437 bearer shares, which account for 99.98% of the share capital. Originally, the number of bearer shares amounted to 264,204,350. In addition, as a result of the conversion of registered shares into bearer shares, there are 7,388,087 bearer shares. Bearer shares as at 31.12.2009:

(Original) bearer shares		Following the conversion of registered shares into bearer shares	
Series	**Number of shares**	**Series**	**Number of shares**
B	2 500 000	A	2 497 058
D	100 000	C	98 575
E	1 580 425	F	308 923
G	480 000	P	3 660 061
H	3 777 350	S1	823 470
I	5 600 000		
J	4 400 000		
K	2 278 814		
L	2 000 000		
M	10 000 000		
N	847 000		
O	25 000 000		
R	32 583 993		
T	49 301 056		
U	63 387 072		
W	60 368 640		
Total	**264 204 350**	**Total**	**7 388 087**
Total bearer shares			**271 592 437**

The table below presents the list of major shareholders of Kredyt Bank S.A. as at 31.12.2009.

Shareholder	Line of business	Number of shares and votes at GMS	Share in votes and in share capital (in %)
KBC Bank NV*	Banking	217 327 103	80.00
KBC Securities – related party of KBC Bank NV *	Brokerage house	11 751 771	4.33
KBL European Private Bankers SA – an entity from KBC Group	Banking	7 860 918	2.89

* By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank NV is entitled to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A. Pursuant to Article 27 clause 1 of the Act of 29.08.1997 – Banking Law, the acquisition or holding of shares by a subsidiary is deemed to be the acquisition or holding of shares by a parent company.

On 04.09.2009, two subsidiaries of KBC Group N.V.: KBC Securities NV and KBL European Private Bankers S.A. acquired from Sofina S.A. the shares of Kredyt Bank S.A. (with the settlement date of 7.09.2009):

Sofina S.A. sold 13,301,000 shares of Kredyt Bank S.A., which accounts for 4.89% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Prior to the sale transaction, Sofina S.A. held 15,014,772 shares, which accounts for 5.53% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Following the sale transaction, Sofina S.A. holds 1,713,772 shares, which accounts for 0.63% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A.

KBC Securities NV acquired 5,440,082 shares of Kredyt Bank S.A., which accounts for 2.00% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Prior to the acquisition, KBC Securities NV held 6,311,689 shares, which accounts for 2.32% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Following the acquisition, KBC Securities NV holds 11,751,771 shares, which accounts for 4.33% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A.

KBL European Private Bankers S.A. acquired 7,860,918 shares of Kredyt Bank S.A. accounting for 2.89% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Prior to the acquisition, KBL European Private Bankers S.A. did not hold any shares of Kredyt Bank S.A.

Following the above transactions, KBC Group holds:

- in the investment portfolio: 80% of shares of KB S.A., i.e. 217,327,103 shares, via KBC Bank;
- in the portfolio of securities for sale: 4.33% of shares, i.e. 11,751,771 shares via KBC Securities and 2.89% of shares, i.e. 7,860,918 shares via KBL EPB.

Voting rights of KBC Group and its subsidiaries: KBC Bank, KBC Securities and KBL EPB will be restricted to 203,744,160 votes, representing 75% of votes.

KBC Group and its subsidiaries: KBC Bank, KBC Securities and KBL EPB do not intend to increase their share in the total number of votes within 12 months from the date of the notice.

KBC Group and its subsidiaries: KBC Bank, KBC Securities and KBL EPB did not enter into any agreements with third parties concerning the transfer of the rights related to the exercise of the voting rights.

On 18.12.2007, the Management Board of Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. ('PPIM' based in Warsaw) that, on 17.12.2007, PPIM held over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. concerning the financial instruments included in the portfolios managed within the services of managing broker-traded financial instruments upon order provided by PPIM and in performance of the agreement on the management of broker-traded financial instruments upon order, concluded between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM.

Under Resolution No. 82/09 of the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository for Securities) of 24.02.2009, on 2.03.2009, 579 series P registered ordinary shares of Kredyt Bank S.A. which were assigned the code: PLKRDTB00094 were converted into ordinary bearer shares which were assigned the code: PLKRDTB00151.

Furthermore, under Resolution No. 97/09 of the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository for Securities) of 11.03.2009, on 16.03.2009, 579 series P bearer shares of Kredyt Bank S.A. which were assigned the code: PLKRDTB00151 were assimilated with 271,592,437 shares which were assigned the code: PLKRDTB00011. The shares subject to the assimilation are assigned the code: PLKRDTB00011. At the same time, the shares were admitted, under the ordinary procedure, to public trading on the main market.

Supplementary capital

	31.12.2009	Comparable data 31.12.2008
Profit allowance	782 046	580 974
Total supplementary capital	**782 046**	**580 974**

The Bank's net profit for 2008 amounting to PLN 301,071,935.35 was allocated to:

- reserves – PLN 100,000,000.00;
- the remaining amount, i.e. PLN 201,071,935.35 to the Bank's supplementary capital.

Revaluation reserve

	31.12.2009	Comparable data 31.12.2008
Valuation of available-for-sale financial assets	-4 540	12 345
Valuation of derivatives designated for cash flow hedge	11 597	108 566
Deferred tax on items recognized in revaluation reserve	-1 341	-22 973
Total revaluation reserve	**5 716**	**97 938**

Reserves

	31.12.2009	Comparable data 31.12.2008
General banking risk reserve created from profit	340 942	240 942
Total reserves	**340 942**	**240 942**

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

51. Granted off-balance sheet liabilities

By types

	31.12.2009	Comparable data 31.12.2008
For financing	**4 094 569**	**5 401 454**
- undrawn credit lines	2 895 125	2 781 620
- undrawn overdraft facilities	642 284	1 692 316
- limits on credit cards	434 988	820 129
- opened import letters of credit	121 459	107 389
- term deposits to be released	713	0
Guarantees	**1 785 394**	**1 820 606**
- bill guarantees	0	0
- guarantees granted	1 784 030	1 819 414
- export letters of credit	1 364	1 192
Total	**5 879 963**	**7 222 060**

Financing by maturity dates

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	362 421	818 777
- 1-3 months	265 586	224 627
- 3-6 months	295 411	302 207
- 6 months to 1 year	1 572 539	1 391 025
- 1-3 years	364 114	760 264
- 3-5 years	655 978	268 740
- over 5 years	578 520	1 635 814
Total	**4 094 569**	**5 401 454**

Guarantees by maturity dates

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	69 577	52 612
- 1-3 months	79 191	65 566
- 3-6 months	82 497	57 834
- 6 months to 1 year	279 518	274 220
- 1-3 years	435 672	466 750
- 3-5 years	219 948	245 491
- over 5 years	618 991	658 133
Total	**1 785 394**	**1 820 606**

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

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

As at 31.12.2009, the estimated provision for the guarantees granted and unconditional financing liabilities amounted to PLN 11,429 thousand. This amount is presented in Note 47 as ‘provision for off-balance sheet items’.

52. Capital adequacy ratio

	31.12.2009	Comparable data 31.12.2008
Capital requirement, including:	**2 197 309**	**2 406 558**
- credit risk	1 965 081	2 185 346
- market risk	26 532	44 308
- operational risk	205 696	176 904
Own funds and short-term capital	**3 332 313**	**2 685 076**
Basic capitals	**2 455 853**	**2 240 093**
- share capital	1 358 294	1 358 294
- supplementary capital	782 046	580 974
- revaluation reserve included in basic equity	-34 555	-30 303
- other reserves	340 942	240 942
- currency translation differences from the translation of subordinated companies	0	0
- retained loss	0	0
- net profit included in the calculation of capital adequacy ratio	67 748	153 110
- goodwill	0	0
- intangible assets	-53 552	-57 854
- shares in financial entities (50%)	-5 070	-5 070
Supplementary funds	**876 460**	**444 983**
- revaluation reserve included in supplementary equity	18 526	24 182
- subordinated liabilities included in equity	808 017	280 140
- shares in financial entities (50%)	-5 070	-5 070
- short-term capital	54 987	145 731
Capital adequacy ratio (%)	**12.13**	**8.93**
Ratio, including basic funds	**8.94**	**7.43**

As at 31.12.2009 and 31.12.2008, capital adequacy ratio was calculated as required by the regulations of the Polish Financial Supervision Authority.

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

1) Amounts accounting for 8% of risk weighted exposures separately for each class of exposure defined in § 20 clause 1 of Annex No. 4 to the Resolution of the Polish Financial Supervision Authority No. 380/2008 concerning the capital adequacy of banks.

in PLN '000'	31.12.2009	Comparable data 31.12.2008
The amount of the capital requirement for credit risk*, including counterparty credit risk:	**1 965 081**	**2 185 346**
- central governments and central banks	0	0
- regional governments and local authorities	3 603	5 333
- administrative bodies and non-commercial undertakings	9 523	10 282
- multilateral development banks	0	0
- international organisations	0	0
- institutions – banks	78 971	96 864
- corporates	453 081	719 799
- retail	686 969	822 357
- secured by real estate property	657 065	471 463
- past due items	27 331	15 709
- exposures belonging to regulatory high-risk categories	5 516	221
- covered bonds	0	0
- securitisation positions	0	0
- short-term exposures to banks and corporates	0	0
- in collective investment undertakings	0	0
- other exposures	43 022	43 318

* estimated on the basis of the Standardized Approach

2) The amounts of minimum capital requirements referred to in § 6 clause 1 items 2-5 of the Resolution of the Polish Financial Supervision Authority No. 380/2008 concerning the capital adequacy of banks.

	31.12.2009	Comparable data 31.12.2008
The amount of the capital requirement for credit risk, including:	**26 532**	**44 308**
- currency risk	0	0
- commodity price risk	0	0
- equity securities price risk	0	0
- price risk of debt instruments	0	0
- general interest rate risk	26 532	44 308

3) The amount of minimum capital requirements referred to in § 6 clause 1 item 6 of the Resolution of the Polish Financial Supervision Authority No. 380/2008 concerning the capital adequacy of banks.

	Year	2009
Result*	2007	1 291 673
Result*	2008	1 457 451
Result*	2009	1 364 787
Ratio		15%
Capital Charge	2007	193 751
Capital Charge	2008	218 618
Capital Charge	2009	204 718
Operational risk requirement**		**205 696**

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

As at 31.12.2009 and 31.12.2008, the exposure concentration limit, the large exposure limit and the capital concentration threshold were not exceeded in Kredyt Bank S.A.

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

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

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

As at 31.12.2009

Balance sheet instruments

Instrument	Carrying amount	Risk weighted value
Banking portfolio		
Cash	702 499	0
Receivables	**26 432 941**	**20 718 235**
Net loans and advances to banks (including Central Bank)	660 705	133 371
Net loans and advances to customers	25 772 236	20 584 864
Natural persons*	**18 495 221**	**14 003 331**
- overdraft facilities	689 075	572 483
- purchased debt	5 526	5 501
- term loans	772 855	678 821
- cash loans, instalment loans and cards	3 403 606	2 595 822
- mortgages	13 599 884	10 126 431
- realised guarantees	605	605
- other receivables	23 670	23 668
Corporate customers	**7 058 775**	**6 525 444**
- overdraft facilities	1 367 304	1 346 339
- term loans	5 547 690	5 034 825
- purchased debt	132 218	132 218
- realised guarantees	1 366	1 865
- other receivables	10 197	10 197
Budget	**218 240**	**56 089**
- overdraft facilities	1 827	919
- term loans	216 413	55 170
- purchased debt	0	0
Debt securities**	9 008 410	67 833
Other securities, shares and derivatives	180 822	166 331
Non-current assets	370 131	370 131
Intangible assets	53 553	0
Other	281 774	102 508
Total banking portfolio	**37 030 130**	**21 425 038**
Trading portfolio (counterparty risk)	**1 882 413**	**279 956**
Total balance sheet instruments	**38 912 543**	**21 704 994**

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

Off-balance sheet instruments

Instrument	Nominal value	Balance sheet equivalent	Risk weighted value
Banking portfolio			
Interest rate derivatives	2 547 600	13 988	6 919
Currency derivatives	2 890	29	29
Credit lines	3 973 860	1 754 653	1 548 261
Guarantees granted	1 784 030	1 207 534	1 166 686
Letters of credit	122 146	61 073	60 748
Other	713	713	143
Total banking portfolio	**8 431 239**	**3 037 990**	**2 782 786**
Trading portfolio (counterparty risk)	**79 560 654**	**233 972**	**75 729**
Total off-balance-sheet instruments	**87 991 893**	**3 271 962**	**2 858 515**

	Risk weighted value	Capital requirement
Total exposure to credit risk, including counterparty credit risk	**24 563 509**	**1 965 081**

As at 31.12.2008

Balance sheet instruments

Instrument	Carrying amount	Risk weighted value
Banking portfolio		
Cash	649 284	0
Receivables	**27 442 968**	**21 551 847**
Net loans and advances to banks (including Central Bank)	517 270	170 973
Net loans and advances to customers	26 925 698	21 380 874
Natural persons*	**17 970 866**	**13 359 784**
- overdraft facilities	625 521	516 820
- purchased debt	4 331	4 325
- term loans	761 411	663 173
- cash and instalment loans	3 761 311	2 825 574
- mortgages	12 801 969	9 333 569
- realised guarantees	551	551
- other receivables	15 772	15 772
Corporate customers	**8 606 216**	**7 935 854**
- overdraft facilities	1 839 291	1 811 835
- term loans	6 715 546	6 072 368
- purchased debt	47 031	47 031
- realised guarantees	3 682	3 682
- other receivables	666	938
Budget	**348 616**	**85 236**
- overdraft facilities	4 398	2 206
- term loans	344 218	83 030
- purchased debt	0	0
Debt securities**	6 371 892	206 462
Other securities, shares and derivatives	235 091	133 122
Non-current assets	398 201	398 201
Intangible assets	57 854	0
Other	124 290	79 780
Total banking portfolio	**35 279 580**	**22 369 412**
Trading portfolio (counterparty risk)	**3 341 542**	**1 116 603**
Total balance sheet instruments	**38 621 122**	**23 486 015**

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

Off-balance sheet instruments

Instrument	Nominal value	Balance sheet equivalent	Risk weighted value
Banking portfolio			
Interest rate derivatives	4 233 600	15 863	5 895
Currency derivatives	4 211	42	42
Credit lines	5 286 221	2 467 449	2 092 218
Guarantees granted	1 811 942	1 575 910	1 527 401
Letters of credit	108 694	54 347	54 069
Other	0	0	0
Total banking portfolio	**11 444 668**	**4 113 611**	**3 679 625**
Trading portfolio (counterparty risk)	**249 011 587**	**389 026**	**151 190**
Total off-balance-sheet instruments	**260 456 255**	**4 502 637**	**3 830 815**

	Risk weighted value	Capital requirement
Total exposure to credit risk, including counterparty credit risk	**27 316 830**	**2 185 346**

54. Discontinued operations

The Bank did not carry out operations which were discontinued in 2009.

The Bank did not carry out operations which were discontinued in 2008, except for the operations of KIF BV registered in the Netherlands, which launched the liquidation procedure and was deleted from Dutch court registers on 12.01.2009. Income and expenses of KIF BV following the launch of the liquidation procedure were insignificant.

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

The Act of 4 March 1994 on Company Social Benefit Fund, as amended, stipulates that the Company Social Benefit Fund shall be established by employers hiring over 20 full-time employees. The Bank established such a fund and makes periodical charges in the amount of the basic charge. The fund has no property, plant and equipment. The objective of the Fund is to subsidize the Company's employee-related operations, loans borrowed to employees and other employee-related expenses.

The Bank set off the Fund assets against its liabilities to the Fund, as these assets are not Bank's separate assets.

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

	31.12.2009	Comparable data 31.12.2008
Employee cash loans	8 616	9 314
Cash on CSBF's bank accounts	5 675	4 526
Fund-related payables	14 291	13 840
Charges to the Fund in the period	3 800	3 800

56. Employee benefits

56.1 Employee Stock Ownership Plan

No employee stock ownership plan is implemented in the Bank.

56.2 Retirement benefits and other benefits after retirement

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

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Period beginning	1 691	702
Provision recognized	184	1 226
Paid benefits	-468	-237
Provision reversed	0	0
Other changes	0	0
Total	**1 407**	**1 691**

56.3 Benefits related to the dissolution of employment

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Period beginning	0	3 200
Increases	8 700	0
Decreases – releases	0	0
Decreases – utilization	-6 421	-3 200
Period end*	**2 279**	**0**

* Restructuring provisions presented in Note 49 include network restructuring provisions of PLN 419 thousand for 2008.

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

57. Related party transactions

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. amounts 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 proposed selling price.

According to the independent opinion prepared by a consulting company, KPMG Advisory, upon the order of the Management Board of Kredyt Bank S.A., the financial conditions of the sale of the shares of Żagiel S.A. are 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 are fair from the viewpoint of the interests of Kredyt Bank S.A.

On 26.01.2009, the Bank received the decision of the Polish Financial Supervision Authority (KNF) concerning its consent to include an amount of PLN 75 million into Kredyt Bank S.A.'s supplementary funds, pursuant to the terms and conditions of the subordinated loan agreement concluded on 17.12.2008 between Kredyt Bank S.A. and KBC Bank NV, Dublin branch. The cash related to this agreement was released on 30.01.2009.

On 7.05.2009, Kredyt Bank S.A. concluded with KBC Bank NV Dublin Branch a subordinated loan agreement with the value of CHF 165 million (i.e. PLN 472,708,500.00 according to the average rate of exchange of the NBP as of 7.05.2009). The agreement was concluded on market terms with the repayment period of ten years from the release of the financial resources. The interest rate is based on LIBOR rate + margin. The said agreement provides for the possibility of an earlier repayment of the loan, at any time, but not earlier than after 5 years from the date of the first payment of the funds. The earlier repayment will require a permit from the Polish Financial Supervision Authority. The agreement contains a condition precedent which involves the submission to the Lender, i.e. KBC Bank NV Dublin Branch, by the Borrower, i.e. Kredyt Bank, of the authorization of the Polish Financial Supervision Authority to include the amount of the said subordinated loan in the Bank's equity. On 12.06.2009, the Bank's Management Board received a decision of the Polish Financial Supervision Authority on its consent to include cash in the Bank's supplementary funds. Cash obtained under the above-mentioned loan was used to finance the Bank's current operations.

Apart from the above transactions, in 2009, no significant non-standard transactions had place with related parties whose nature and terms were not related to current operations.

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

<u>As at 31.12.2009</u>

Assets	**Subsidiaries**	**Parent company - KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total as at 31.12.2009**
Loans and advances to banks	0	28 048	4 638	**32 686**
Derivatives	0	72 180	18 412	**90 592**
Loans and advances to customers	417 333	0	337 880	**755 213**
Other assets	3 429	2	8 914	**12 345**
Total assets	**420 762**	**100 230**	**369 844**	**890 836**

* Including WARTA Group

Liabilities	**Subsidiaries**	**Parent company - KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total as at 31.12.2009**
Amounts due to banks	0	7 280 172	3 436 903	**10 717 075**
Derivatives	0	126 884	15 552	**142 436**
Amounts due to customers	52 532	0	1 682 654	**1 735 186**
Subordinated liabilities	0	805 816	0	**805 816**
Other liabilities	14 270	1 418	11 996	**27 684**
Total liabilities	**66 802**	**8 214 290**	**5 147 105**	**13 428 197**

* Including WARTA Group

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2009
Granted financing liabilities	86 345	0	181 150	**267 495**
Received financing liabilities	400	315 538	174 015	**489 953**
Guarantees granted	43 000	1 042 486	0	**1 085 486**
Guarantees received	0	855 477	173 605	**1 029 082**
Derivatives	0	12 403 258	1 788 987	**14 192 245**
Liabilities related to the sale/purchase transactions	84 022	0	0	**84 022**
Total off-balance sheet items	**213 767**	**14 616 759**	**2 317 757**	**17 148 283**

* Including WARTA Group

Income	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2009
Interest income**	10 435	32 564	10 922	**53 921**
Commission income	14	253	36 439	**36 706**
Net trading income	43	-159 725	4 797	**-154 885**
Other operating income	1 149	2 937	5 690	**9 776**
Net gains from the sale of the shares of Żagiel	0	350 000	0	**350 000**
Total income	**11 641**	**226 029**	**57 848**	**295 518**

* Including WARTA Group
**Commissions settled according to EIR

Expenses	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2009
Interest expense	9 548	97 894	168 456	**275 898**
Fee and commission expense	0	405	-20 271	**-19 866**
General and administrative expenses	16 980	4 362	24 082	**45 424**
Total expenses	**26 528**	**102 661**	**172 267**	**301 456**

* Including WARTA Group

As at 31.12.2008

Assets	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2008
Loans and advances to banks	0	133 134	12 315	**145 449**
Financial assets at fair value through profit or loss	46 772	0	0	**46 772**
Derivatives	0	408 908	25 828	**434 736**
Loans and advances to customers	516 399	0	175 000	**691 399**
Other assets	3 483	2	7 623	**11 108**
Total assets	**566 654**	**542 044**	**220 766**	**1 329 464**

* Including WARTA Group

Liabilities	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2008
Amounts due to banks	0	4 425 478	7 320 840	**11 746 318**
Derivatives	0	641 476	40 122	**681 598**
Amounts due to customers	279 943	0	2 697 594	**2 977 537**
Subordinated liabilities	0	279 643	0	**279 643**
Other liabilities	22 381	1 439	5 106	**28 926**
Total liabilities	**302 324**	**5 348 036**	**10 063 662**	**15 714 022**

* Including WARTA Group

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2008
Granted financing liabilities	11 805	0	156 040	**167 845**
Received financing liabilities	7 000	418 306	300	**425 606**
Guarantees granted	1 747	47 671	20 365	**69 783**
Guarantees received	0	1 176 891	51 857	**1 228 748**
Derivatives	0	42 742 638	1 777 173	**44 519 811**
Securities received	84 022	0	0	**84 022**
Total off-balance sheet items	**104 574**	**44 385 506**	**2 005 735**	**46 495 815**

* Including WARTA Group

Income	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2008
Interest income**	18 784	24 782	23 319	**66 885**
Commission income	703	86	26 342	**27 131**
Net trading income	-586	-185 883	-44 385	**-230 854**
Other operating income	1 016	123	4 665	**5 804**
Total income	**19 917**	**-160 892**	**9 941**	**-131 034**

* Including WARTA Group
**Commissions settled according to EIR

Expenses	Subsidiaries	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2008
Interest expense	5 861	197 283	183 568	**386 712**
Fee and commission expense	0	411	-10 510	**-10 099**
General and administrative expenses	23 464	5 213	18 964	**47 641**
Other operating expenses	3 257	0	0	**3 257**
Total expenses	**32 582**	**202 907**	**192 022**	**427 511**

* Including WARTA Group

58. Remuneration of the Members of the Supervisory Board and the Management Board of Kredyt Bank S.A.

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

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

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

Bank's Management Board	Term in the Board	01.01.2008 – 31.12.2008				
		Basic remuneration	Bonus**	Other benefits	Severance pay	Total
Maciej Bardan	01.03.2008-31.12.2008	1 007	0	354	0	**1 361**
Lidia Jabłonowska-Luba	15.04.2008-31.12.2008	861	0	810	0	**1 671**
Ronald Richardson	01.01.2008-28.02.2008	260	0	30	3 913	**4 203**
Krzysztof Kokot	01.01.2008-31.12.2008	1 048	547	83	0	**1 678**
Bohdan Mierzwiński	-	0	106	0	212	**318**
Konrad Kozik	-	0	142	33	0	**175**
Umberto Arts	01.01.2008-31.12.2008	1 505	0	406	0	**1 911**
Michał Oziembło*	01.01.2008-31.12.2008	86	0	0	0	**86**
Total		**4 767**	**795**	**1 716**	**4 125**	**11 403**

* Mr. Michał Oziembło received the remuneration for the work on the position of the President of the Management Board of Żagiel S.A., which in 2008 amounted to PLN 789 thousand.
**The bonus for 2007 was paid in 2008

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

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

Bank's Supervisory Board	Term in the Board	01.01.2008-31.12.2008		
		Basic remuneration	Other benefits	Total
Andrzej Witkowski	01.01.2008-31.12.2008	311	10	**321**
Adam Noga	01.01.2008-31.12.2008	272	10	**282**
Francois Gillet	01.01.2008-31.12.2008	234	0	**234**
John Hollows	01.01.2008-31.12.2008	234	0	**234**
Feliks Kulikowski	01.01.2008-31.12.2008	234	10	**244**
Marek Michałowski	01.01.2008-31.12.2008	234	0	**234**
Luc Philips	01.01.2008-31.12.2008	234	0	**234**
Jan Vanhevel	01.01.2008-31.12.2008	234	0	**234**
Krzysztof Trębaczkiewicz	01.01.2008-31.12.2008	234	10	**244**
Total		**2 221**	**40**	**2 261**

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

Benefit	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Short-term employee benefits	9 901	9 165
Benefits paid after employment termination	0	288
Severance pays	0	4 211
Total	**9 901**	**13 664**

In 2009 and 2008, the Members of the Bank's Management Board and the Members of the Bank's Supervisory Board did not receive remuneration for performing their functions in subsidiaries (except for Michał Oziembło, Vice-President of the Management Board).

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

59. Value of loans and advances granted to Members of the Management Board and of the Supervisory Board of the Bank

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

As at 31.12.2009, total indebtness related to loans and cash loans granted by the Bank amounted to:

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

As at 31.12.2008, total indebtness related to loans and cash loans granted by the Bank amounted to:

- for Members of the Bank's Management Board – PLN 1,027 thousand;
- for Members of the Bank's Supervisory Board – PLN 694 thousand;
- for the Bank's employees – PLN 258,501 thousand.

As at 31.12.2009, the total indebtness of Members of the Management Board and of the Supervisory Board of the Bank is paid on a regular basis, due indebtness is not present. Past due debts of employees amount to PLN 33 thousand.

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

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

60. Employment structure

FTEs	**31.12.2009**	**Comparable data 31.12.2008**
- Head Office	2 035*	2 100
- branches and affiliates	2 774	3 387
Total for the Bank	**4 809**	**5 487**

*including 117 former employees of Żagiel, who, due to the sale of the company's shares, were employed in the Bank

61. Cash flow statement – additional information

a) Cash and cash equivalents

	31.12.2009	Comparable data 31.12.2008
Cash and balances with Central Bank	1 175 451	827 956
Due from other banks (up to 3 months)	15 688	133 275
Cash and cash equivalents	**1 191 139**	**961 231**

In 'Cash and cash equivalents', the Bank presents its obligatory reserve held in line with the adequate regulations, on NBP account, presented as restricted cash, which, as at 31.12.2009 amounted to PLN 784,875 thousand, and as at 31.12.2008 – PLN 789,493 thousand.

b) Operating activities – unrealised gains/losses on currency translation differences

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Currency translation differences from the translation of subordinated companies	0	-11
Currency translation differences for investment securities	11 322	-51 699
Currency translation differences from held-for-trading financial assets	1 468	-8 385
Currency translation differences on subordinated liabilities	-34 408	51 473
Total	**-21 618**	**-8 622**

c/ Operating activity – impairment

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Net increase/decrease in impairment losses on loans and advances to banks	1	1
Net increase/decrease in impairment losses on loans and advances to customers	612 774	87 733
Net increase/decrease in impairment of property, plant and equipment, intangible assets and investment properties	-1 076	2 079
Total	**611 699**	**89 813**

d) Operating activities – Interest

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Interest on investment securities	-315 216	-207 676
Interest on borrowed loans	116 373	196 183
Interest on leasing	4 097	5 788
Interest on subordinated liabilities	22 692	13 860
Total	**-172 054**	**8 155**

e) Operating activities – gains/losses from the sale of investments	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Profit/loss on the sale of subordinated companies	-350 000	0
Profit/loss on the sale of available-for-sale investment securities	-4 565	14 085
Profit/loss on the sale of held-to-maturity investment securities	-139	-5
Profit/loss on sale of property, plant and equipment and intangible assets	1 558	-777
Total	**-353 146**	**13 303**

f) Loans and advances to banks	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Net balance sheet change	150 846	2 115 491
Change in Nostro accounts – cash	-7 677	1 809
Change in term deposits up to 3 months – cash	-109 910	-1 946 755
Impairment	-1	-1
Total	**33 258**	**170 544**

g) Financial assets at fair value through profit or loss, including held-for-trading financial assets and valuation of derivatives	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Balance sheet change in financial assets at fair value through profit or loss, including held-for-trading financial assets	30 241	-898 528
Balance sheet change in derivatives	1 620 176	-1 674 775
Currency translation differences in operating activities	-1 468	8 385
Total	**1 648 949**	**-2 564 918**

h) Operating activities – net increase/decrease in other assets	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Balance sheet change in other assets	-22 727	-4 797
Net increase/decrease in property, plant and equipment held for sale	0	767
Other net increase/decrease in investment properties	-12 902	0
Other net increase/decrease in property, plant and equipment and intangible assets	23 401	26 208
Other changes	14 129	21 509
Total	**1 901**	**43 687**

i) Amounts due to banks

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Balance sheet change in amounts due to banks	-1 083 323	6 643 564
Proceeds from loans and advances	-1 388 971	-2 767 133
Repayment of borrowed loans/advances	1 200 000	0
Interest on borrowed loans in operating activities	-116 373	-196 183
Paid interest on borrowed loans – presentation in financial activities	146 551	174 735
Total	**-1 242 116**	**3 854 983**

j) Operating activity – net increase/decrease in other liabilities

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Balance sheet change in other liabilities	-45 215	-29 061
Payment of leasing payables from financial activity	6 282	8 494
Valuation of derivatives used as hedging instruments	1 458	-42 470
Other changes	35 344	0
Total	**-2 131**	**-63 037**

k) Net increase/decrease in investment securities

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Acquisition in investment activity	-10 489 849	-1 107 936
Disposal in investment activity	7 961 693	490 298
Interest received in investment activity	267 102	191 033
Net increase/decrease in interest receivables in operating activities	-315 217	-207 676
Net increase/decrease in available-for-sale financial assets in operating activities	12 133	-68 370
Net increase/decrease in held-to-maturity investments in operating activities	-139	-5
Currency translation differences in operating activities	11 322	-51 699
Balance sheet change	**-2 552 955**	**-754 355**

l) Financing activity – other financing expenses

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Interest repayment on loans received	-146 551	-174 735
Interest repayment on subordinated liabilities	-22 227	-14 460
Payment of leasing payables	-10 381	-14 282
Total	**-179 159**	**-203 477**

m) Subordinated liabilities

	01.01.2009-31.12.2009	Comparable data 01.01.2008-31.12.2008
Proceeds from a subordinated loan	560 116	209 580
Repayment of subordinated liabilities	0	-375 045
Repayment of interest on subordinated liabilities – presentation in financing activities	-22 227	-14 460
Accrued interest on subordinated liabilities – presentation in operating activities	22 692	13 860
Currency translation differences on subordinated liabilities – presentation in operating activities	-34 408	51 473
Total	**526 173**	**-114 592**

62. Disposal of subordinated companies

In 2009, the Bank sold the shares of Żagiel S.A. Gross profit from this transaction amounted to PLN 350,000 thousand, and net profit, including the income tax deduction, amounted to PLN 310,334 thousand (details of the transaction have been described in Note 57).

In the case of the sale of the shares of Żagiel by KBC to an outside entity for an amount lower than PLN 350 million, the Bank's risk is limited to 10% of the selling price (PLN 35,000 thousand). According to the best knowledge of the Bank's Management Board, the Bank does not envisage the necessity of incurring expenses by the Bank due to the above-mentioned condition in the agreement. As a result, the Bank failed to recognize the liability on this account.

No subordinated companies were sold in 2008.

63. Assets pledged as collateral

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

- Treasury bonds of the nominal value of PLN 105,000 thousand and of the carrying amount of PLN 106,301 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds of the nominal value of PLN 1,450,000 thousand and of the carrying amount of PLN 1,473,861 thousand pledged in relation to REPO transactions with the National Bank of Poland (NBP).

As at 31.12.2008, the following assets in the form of Treasury bonds were collateral for the Bank's own liabilities:

- Treasury bonds of the nominal value of PLN 89,140 thousand and of the carrying amount of PLN 93,396 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds of the nominal value of PLN 900,000 thousand and of the carrying amount of PLN 943,091 thousand as security for possible borrowing of a lombard loan in the National Bank of Poland (NBP);
- Treasury bonds of the nominal value of PLN 1,200,000 thousand and of the carrying amount of PLN 1,265,807 thousand pledged in relation to REPO transactions with the National Bank of Poland (NBP);

- Treasury bonds of the nominal value of PLN 8,848 thousand and of the carrying amount of PLN 8,942 thousand pledged in relation to REPO transactions with a customer.

64. Changes in the Management Board and in the Supervisory Board of Kredyt Bank S.A. in 2009

In relation to the decision of the Supervisory Board of Kredyt Bank S.A. that, since 29.05.2009, the Management Board of Kredyt Bank S.A. will be composed of six members, Mr. Gert Rammeloo was appointed the Vice President of the Management Board.

Mr. Michał Oziembło, the Vice President of the Management Board of Kredyt Bank S.A., due to the reorganisation of the Consumer Finance function, on 15.12.2009 resigned from his position of the Vice President of the Management Board and from the membership in the Management Board of Kredyt Bank S.A.

Furthermore, under the decision of the Supervisory Board of Kredyt Bank S.A. of 21.12.2009, the Management Board of Kredyt Bank S.A. is composed of five members.

As at 31.12.2009, the Management Board of Kredyt Bank S.A. was composed of:

Mr. Maciej Bardan	- President of the Management Board, CEO
Mr. Umberto Arts	- Vice President of the Management Board, Vice CEO
Ms. Lidia Jabłonowska-Luba	- Vice President of the Management Board, Vice CEO
Mr. Krzysztof Kokot	- Vice President of the Management Board, Vice CEO
Mr. Gert Rammeloo	- Vice President of the Management Board, Vice CEO

On 15.04.2009, the Bank’s Management Board was notified of the receipt, by the Chairman of the Bank’s Supervisory Board, of the information about the resignation of Mr. Luc Philips from his membership in the Supervisory Board, as of the date of the nearest Ordinary General Meeting of Shareholders.

The Ordinary General Meeting of Shareholders of Kredyt Bank S.A. appointed, as of 27.05.2009, Mr. Dirk Mampaey as a Member of the Bank’s Supervisory Board.

Mr. Jan Vanhevel, a Member of the Supervisory Board of Kredyt Bank S.A. on 16.09.2009 resigned from his membership in the Supervisory Board of Kredyt Bank S.A.

At the same time, the Supervisory Board appointed, as of 16.09.2009, Mr. Ronny Delchambre as a Member of the Supervisory Board of Kredyt Bank S.A. by co-opting him to the Board.

As at 31.12.2009, the Supervisory Board of Kredyt Bank S.A. was composed of:

Mr. Andrzej Witkowski	- Chairman of the Supervisory Board
Mr. Adam Noga	- Vice Chairman of the Supervisory Board
Mr. Francois Gillet	- Member of the Supervisory Board
Mr. John Hollows	- Member of the Supervisory Board
Mr. Feliks Kulikowski	- Member of the Supervisory Board
Mr. Marek Michałowski	- Member of the Supervisory Board
Mr. Dirk Mampaey	- Member of the Supervisory Board
Mr. Ronny Delchambre	- Member of the Supervisory Board
Mr. Krzysztof Trębaczkiewicz	- Member of the Supervisory Board

65. Seasonality or cyclical nature of operations

The Bank's operations are not of seasonal nature.

66. Non-typical factors and events

Both in 2009 and in 2008, no untypical events occurred in the Group (not related to operating activities) that would affect the structure of balance sheet items and the financial result to a large extent, and which were not presented in these financial statements.

67. Dividends paid and declared

The final conclusions concerning the payment and amount of dividend for 2009 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 2009. 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 2009 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 2008 adopted on 27.05.2009, the dividend for 2008 was not be paid.

68. Post-balance sheet events

On 22.02.2010, the Bank's Management Board was notified of the receipt, by the Chairman of the Bank's Supervisory Board, of the information about the resignation of Mr. Francois Gillet from his membership in the Supervisory Board, as of 23.02.2010.

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

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

69.1. Fair value

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

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

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

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

31.12.2009

	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	**1 175 451**	**1 175 451**
Net loans and advances to banks	**187 753**	**186 151**
Net loans and advances to customers	**25 772 236**	**22 794 168**
Natural persons*	**18 495 221**	**15 574 882**
- overdraft facilities	689 075	684 309
- purchased debt	5 526	5 556
- term loans **	772 855	746 353
- cash loans, instalment loans and cards	3 403 606	3 257 961
- mortgages	13 599 884	10 856 459
- realised guarantees	605	553
- other receivables	23 670	23 691
Corporate customers	**7 058 775**	**7 006 238**
- overdraft facilities	1 367 304	1 363 396
- term loans **	5 547 690	5 499 261
- purchased debt	132 218	132 028
- realised guarantees	1 366	1 356
- other receivables	10 197	10 197
Budget	**218 240**	**213 048**
- overdraft facilities	1 827	1 866
- term loans **	216 413	211 182
- purchased debt	0	0
Held-to-maturity investment securities	**2 753 338**	**2 750 885**

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

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

	Carrying amount	Fair value
Liabilities		
Amounts due to banks and Central Bank	12 153 492	12 153 621
Amounts due to customers	22 521 686	22 548 085
Other financial liabilities recognized in the balance sheet at amortised cost ***	805 816	805 816

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

31.12.2008 (comparable data)

	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	**827 956**	**827 956**
Net loans and advances to banks	**338 598**	**339 190**
Net loans and advances to customers	**26 925 698**	**26 249 030**
Natural persons*	**17 970 866**	**17 321 798**
- overdraft facilities	625 521	622 342
- purchased debt	4 331	4 322
- term loans **	761 411	763 183
- cash loans, instalment loans and cards	3 761 311	3 757 065
- mortgages	12 801 969	12 158 777
- realised guarantees	551	337
- other receivables	15 772	15 772
Corporate customers	**8 606 216**	**8 577 132**
- overdraft facilities	1 839 291	1 835 517
- term loans **	6 715 547	6 690 680
- purchased debt	47 031	47 013
- realised guarantees	3 682	3 257
- other receivables	665	665
Budget	**348 616**	**350 100**
- overdraft facilities	4 398	4 453
- term loans **	344 218	345 647
Held-to-maturity investment securities	**1 872 884**	**1 879 405**

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

	Carrying amount	Fair value
Liabilities		
Amounts due to banks and Central Bank	13 028 288	13 055 619
Amounts due to customers	20 555 309	20 586 560
Other financial liabilities recognized in the balance sheet at amortised cost ***	288 634	288 634

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

69.2. Loans and advances to banks and to customers

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

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

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

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

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

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

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

69.5. Financial liabilities not held for trading

As stated in Note 44 and Note 45, the bulk of deposits made in banks and customer deposits are deposits on current accounts and term deposits with balance sheet maturities of less than three months.

70. Information on proceedings before courts or public administration authority

In 2009, the Bank was not a party to any proceedings before court or 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 Bank 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.

- Claims of LFO for damages due to the termination of the loan agreement amounting to PLN 119,477 thousand. At present, after being heard by courts of all instances, the case was referred to the circuit court in Warsaw, which, as a result of LFO bankruptcy, stayed legal proceedings. Upon the request of LFO, the court called upon the trustee in bankruptcy of LFO to participate in the case. In the meantime, the parties submitted pleadings.

• A trustee in bankruptcy of a company operating in the real estate developing sector (the name of the company is subject to confidentiality application) claims for payment of indemnity of PLN 32,256 thousand by the reason of effecting by the Bank of financial orders from the company's account on the basis of bank transfers orders and checks bearing a forged signature of one of the persons authorized to represent the company in dealings with the Bank. At the hearing on 21.11.2006, the plaintiff limited its claim for interest. The total amount claimed by the plaintiff equals PLN 20,665 thousand. On 20.03.2007, the court announced its decision and claimed the whole disputed amount with interest from the Bank. Having received the justification of the judgment, the Bank lodged the appeal and requested to summon the member of the company's management board who had forged signatures. By the judgment of 8.04.2008, the appeal court overruled the judgment of the court of first instance (in the judgment, the court stated that the limitation of claims for damages by lapse of time had not been examined) and referred the case to the circuit court to be re-examined. The first hearing at which the positions of the parties were established was held on 25.07.2008. At the hearing on 3.07.2009, the court continued the examination of the facts concerning the original bank transfer orders. At the hearing held on 30.12.2009, the court dismissed the lawsuit of the trustee in bankruptcy, adjudging for the Bank the reimbursement of the costs of the proceedings, including the costs of legal representation. The trustee in bankruptcy announced his intention to appeal against the judgment.

• 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.

- 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 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. On 31.07.2009, the circuit court in Katowice announced the judgment in the fraudulent conveyance proceedings, which ascertained the ineffectiveness, towards MZH, of the sale agreement concerning ‘Altus’ building concluded between the building owner and Reliz Sp. z o.o. The Bank filed the request to prepare and deliver the judgment with the justification, submitting means of appeal. The date of the appeal proceedings was set for 26.02.2010. The Bank’s legal advisor analysed the potential claims and the claims under court proceedings brought by MZH against BC 2000 which, if upheld, could be satisfied from ‘Altus’ real property which belongs to Reliz. In the Bank’s opinion, a part of potential claims is prescribed. No lawsuits were filed to the portion of claims. In one of the cases, from the principal amount of PLN 17,287,328 claimed by MZH from BC 2000, the court, under its judgment of 23.10.2008 awarded the amount of PLN 7,066,347.94 to MZH, but dismissed the lawsuit in other respects. As a result of the appellate procedure, on 29.12.2009, the appeal court changed the judgment of the circuit court by increasing the amount of PLN 7,066,347.94 to PLN 9,954,452.94. In the Bank’s opinion, even in the case of the final unfavourable judgment in the fraudulent conveyance case, the risk of satisfying claims by MZH from Reliz’s real estate is estimated only for a part of the amount subject to the fraudulent conveyance claim.
- The claim to pay PLN 9 million is directly related to the effective debt recovery measures taken by the Bank against a beer producer and distributor. At the end of August and the beginning of September 2007, the court debt collector, acting upon the Bank’s request, seized the company’s account and collected PLN 8.7 million from the proceeds to the account. In the justification for the suit, the company challenges the legitimacy and legal grounds of the Bank’s debt collection process. It based its claim on the institution of groundless enrichment by the Bank concerning the collected amount and on the Bank’s liability in tort related to the company’s loss due to the Bank’s allegedly illegal debt collection process (concerning the remaining amount). The Bank replied to the lawsuit. At the hearing on 25.07.2008, the court closed the proceedings and, on 4.08.2008, rendered its judgment. The court awarded the whole claimed amount (including interest) and proceedings costs to the plaintiff. Both the plaintiff and the Bank appealed against this judgment. On 30.06.2009, the court dismissed the appeal of the plaintiff, taking the decision in the case in favour of the Bank. The written justification of the judgment was submitted to the Bank on 22.09.2009. The plaintiff lodged the last resort appeal to the judgment of 30.06.2009; the Bank received the copy of the same on 08.02.2010.
- 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. The date of the appeal proceedings was set by the court for 10.03.2010.

- 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. At the hearing held on 8.01.2010, the court made a decision in which it refused to issue the default judgment against HSBC, which was claimed by the Plaintiff. The hearing was adjourned to 11.03.2010.

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.

71. Custodian services

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

In the fourth quarter of 2009, the Bank ceased to provide the services of a transfer agent for investment funds.

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

In 2009, income related to the maintenance of securities accounts and registers as well as the services of an issue sponsor and of the custodian bank amounted to PLN 4,673 thousand as compared to PLN 4,697 thousand in 2008.

72. Risk management in Kredyt Bank S.A.

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

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

Particular risks are dealt with directly by specialised Committees:

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

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

The Risk Management Department deals with measurement and monitoring of all types of risks in Kredyt Bank. This is the only unit reporting all issues regarding risk, fully independent of business units.

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

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

72.1. Credit risk

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

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

- Risk identification.
- Risk measurement (e.g. maximum approach, risk weighted assets, Exposure At Default – EAD, Expected Loss – EL, Unexpected Loss – UL).
- Limits monitoring (e.g. exposures concentrations related to loans used to finance commercial properties, related to residential properties, industrial properties, professional properties and commercial properties).
- Reporting.
- Analysis and formulating recommendations.
- Decision-making process.

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

- Supervisory Board;
- Audit Committee;
- Bank's Management Board;
- Credit Risk Committee;
- Credit Risk Office in the Risk Management Department;
- Consumer Finance Credit Risk Office;
- SME and Corporate Credits Department;
- Retail Credits Department;
- Business lines managers;
- Audit and Inspection Department.

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

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

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

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

The Bank's gross exposure towards 10 major corporate customers

31.12.2009		31.12.2008	
Company	Share (%) in the portfolio	Company	Share (%) in the portfolio
Customer 1	3.4	Customer 1	2.8
Customer 2	2.8	Customer 2	2.8
Customer 3	2.6	Customer 3	2.3
Customer 4	2.5	Customer 4	2.2
Customer 5	2.4	Customer 5	2.1
Customer 6	2.4	Customer 6	2.0
Customer 7	2.2	Customer 7	2.0
Customer 8	2.1	Customer 8	2.0
Customer 9	1.8	Customer 9	1.9
Customer 10	1.8	Customer 10	1.8
Total	**24.0**	**Total**	**21.9**

The Bank's exposure in geographical segments

Province	Gross loans structure (%)	Comparable data Gross loans structure (%)
	31.12.2009	31.12.2008
Mazowieckie	22.1	23.4
Lubelskie	13.3	14.0
Dolnośląskie	10.5	10.7
Wielkopolskie	8.6	8.7
Pomorskie	7.9	7.3
Małopolskie	7.2	5.6
Śląskie	6.3	7.3
Zachodniopomorskie	4.8	4.8
Łódzkie	4.0	3.8
Podlaskie	3.1	3.1
Kujawsko-pomorskie	2.9	2.8
Podkarpackie	2.7	2.5
Warmińsko-mazurskie	2.2	2.1
Lubuskie	1.7	1.5
Świętokrzyskie	1.3	1.2
Opolskie	1.1	1.0
Non-resident	0.2	0.2
Total	**100**	**100**

The Bank's debt in industrial segments (excluding natural persons)

Industry	Comparable data Exposure % 31.12.2009	Comparable data Exposure % 31.12.2008
Production activities	30.5	27.9
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	25.2	24.1
Real estate administration and lease	17.7	15.3
Financial intermediation	7.1	11.3
Construction	5.8	5.8
Transport, storing and communication	3.5	4.7
Agriculture, hunting and forestry	2.5	2.3
Public administration and national defence, legally guaranteed social care	2.0	2.8
Mining	1.7	1.6
Health care and social care	1.1	1.1
Supplies of electricity, gas and water	1.0	1.0
Hotels and restaurants	0.8	0.9
Other services for municipalities, social and individual services	0.8	0.9
Education	0.2	0.2
Fishing and fish culture	0.1	0.1
Total	**100**	**100**

As at 31.12.2009 and 31.12.2008, the limits of the concentration were not exceeded.

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

The Bank's maximum exposure to credit risk

Balance sheet instruments	31.12.2009 Carrying amount	31.12.2008 Carrying amount
Debt securities and shares in investment funds:	**10 056 399**	**7 577 807**
- available-for-sale	6 031 010	4 357 896
- held-to-maturity	2 753 338	1 872 884
- financial assets at fair value through profit or loss	1 272 051	1 347 027
Derivatives	**571 410**	**2 302 799**
Loans and advances	**26 432 941**	**27 442 968**
- net loans and advances to banks (including Central Bank)	**660 705**	**517 270**
- net loans and advances to customers, including:	**25 772 236**	**26 925 698**
Natural persons	**18 495 221**	**17 970 866**
- overdraft facilities	689 075	625 521
- purchased debt	5 526	4 331
- term loans	772 855	761 411
- cash loans, instalment loans and cards	3 403 606	3 761 311
- mortgages	13 599 884	12 801 969
- realised guarantees	605	551
- other receivables	23 670	15 772
Corporate customers	**7 058 775**	**8 606 216**
- overdraft facilities	1 367 304	1 839 291
- term loans	5 547 690	6 715 547
- purchased debt	132 218	47 031
- realised guarantees	1 366	3 682
- other receivables	10 197	665
Budget	**218 240**	**348 616**
- overdraft facilities	1 827	4 398
- term loans	216 413	344 218
- purchased debt	0	0
Various debtors (receivables recognized in other assets)	**85 196**	**63 295**
Total	**37 145 946**	**37 386 869**

Granted off-balance sheet liabilities	31.12.2009	31.12.2008
Financial	4 094 569	5 401 454
Guarantees	1 785 394	1 820 606
Total liabilities granted	**5 879 963**	**7 222 060**
Total assets and off-balance sheet items	**43 025 908**	**44 608 929**

Due to the global and local economic deterioration, to swiftly respond to the disadvantageous trends in the quality of the loan portfolio, the Bank focused on the periodic credit risk reports as well as in-depth analyses of the Bank's portfolio, also having regard for the expanded information from Biuro Informacji Kredytowej [Credit Information Bureau] ('BIK'). Having regard for the results of carried out analyses, the Bank undertook measures aiming at tightening the credit policy and improving the effectiveness of the debt recovery process. The main areas of changes in terms of credit policy include:

- the implementation of the extended verification of customers in BIK base, used in the lending process, to increase the quality of accepted customers;
- the implementation of new, more restrictive lending terms, particularly for new individual customers;

- addressing the product offer mainly at existing customers with good behavioural assessments;
- limiting the financing of more risky corporate customers (with lower PD ratings) and more risky industries.

In terms of professional transactions, further deterioration in the Polish zloty, with its peak in March 2009, resulted in greater disadvantageous valuations for the Bank's customers, and hence, an increase in credit risk resulting from the probable lack of the possibility to pay claims on the date of settling transactions by customers. Having regard for the above, the Bank undertook the following measures in 2009:

- restrictions on professional limits;
- the implementation of new risk weights applied in the calculation of the use of professional limits, to avoid a large number of exceeding in the future, resulting from the significant increase in the volatility of rates of exchange;
- the implementation of the methodology to calculate portfolio provisions for such transactions.

The positive trend in rates of exchange (the appreciation of the Polish zloty) resulted in a significant decrease in the valuations and in the number of exceeded professional limits as at the end of 2009, and, as a result, in the existing credit risk arising from professional transactions.

Currency derivatives

	31.12.2009		**Comparable data 31.12.2008**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Total balance sheet exposure, excluding banks	44 964	18 622	475 187	170 317
Net position aggregated at customer level, excluding banks	35 625	9 283	307 242	2 372

As at 31.12.2009, the Bank hedged concluded currency contracts by freezing cash on bank accounts in the total amount of PLN 17,621 thousand. The valuation of derivatives also entails credit risk. In 2009, the write–down for active and mature derivatives of PLN 69 million, including PLN 16 million related to active transactions (presented in net trading income), and PLN 53 million – mature transactions (presented in impairment losses), was disclosed in the Bank's income statement.

72.2. Operational risk

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

To calculate the capital requirement for operational risk, the Bank applies the Basic Indicator Approach.

As a result, the Bank, inter alia,:

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

The Bank took measures focused on the application of the standardized approach by, among others: enhancing the operational risk assessment system through systematic risk self-assessments (RSA) in particular business areas and risk management, through the implementation of action plans to reduce the risk and the measurement of risk using Key Risk Indicators (KRI). The aim is to effectively include the outcome of risk assessment in the monitoring and control process for Kredyt Bank's operational risk profile.

Operational risk coordinators, supporting the managers of business units, play a crucial role in the implementation of operational risk management tools and techniques. Managers of particular business lines are directly responsible for operational risk management.

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

72.3. Market risk and ALM

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

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

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

72.3.1. Trading Book

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

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

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

	Limit	31.12.2009	Data for 2008		
			Average	Minimum	Maximum
VaR	3 000.0	1 562.61	1 102.51	438.19	2 084.90

Comparable data as at 31.12.2008

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

	Limit	31.12.2008	Data for 2008		
			Average	Minimum	Maximum
VaR	3 000.0	1 257.09	1 173.89	353.20	4 611.33

72.3.1.1 Interest rate risk

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

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

All above-mentioned limits concern the total Trading Book. The Trading Book Unit in the Cash Management Department managing the Trading Book is divided into two sections (with the primary term of instruments/transactions made at the interbank market as the basic division criterion): Short Term Desk and Long Term Desk. Internal VaR limits and stop-loss (maximum acceptable loss) restrict the activities of particular sections.

In the second half of 2009, the Bank recorded an increase in the number of exceeded limits on HVaR in Short term desk, which resulted from the maintenance of large positions in PLN (mainly in FRAs). It should be noticed that HVaR global limit in the Trading Book was not exceeded last year.

VaR for particular sections – in EUR '000

	Limit	31.12.2009	Data for 2009		
			Average	Minimum	Maximum
Short term Desk	1 300.0	1 500.86	1 009.63	384.14	1 895.44
Long Term Desk	1 300.0	528.67	462.70	120.05	1 027.89

Comparable data as at 31.12.2008:

VaR for particular sections – in EUR '000

	Limit	31.12.2008	Data for 2008		
			Average	Minimum	Maximum
Short term Desk	1 300.0	1 031.91	912.33	366.68	1 794.54
Long Term Desk	1 300.0	291.96	262.75	101.35	828.87

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

VaR for the Trading Book – interest rate risk – in EUR '000

	31.12.2009	Data for 2009		
		Average	Minimum	Maximum
Trading	1 657.57	1 103.02	449.09	2 051.03

Comparable data as at 31.12.2008:

VaR for the Trading Book – interest rate risk – in EUR '000'

	31.12.2008	Data for 2008		
		Average	Minimum	Maximum
Trading	1 240.23	984.76	355.77	1 958.19

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

Interest rate options

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

72.3.1.2 Currency risk

Position in currencies

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

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

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

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

Comparable data as at 31.12.2008:

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

	31.12.2008	**Data for 2008**		
		Average	Minimum	Maximum
Trading	343.88	462.00	17.49	4 472.25

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

Currency options

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

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

Balance sheet as at 31.12.2009:

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Assets							
Cash and balances with Central Bank	2 323	44 679	7 161	21 707	1 098 342	1 239	1 175 451
Gross loans and advances to banks	65 014	85 348	1 708	20 060	10 864	7 019	190 013
Impairment losses on loans and advances to banks	0	0	0	0	-2 260	0	-2 260
Receivables arising from repurchase transactions	0	0	0	0	331 875	0	331 875
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	0	594	0	37 763	1 278 429	0	1 316 786
Derivatives	1 347	57 462	18	18 303	494 196	84	571 410
Gross loans and advances to customers	9 519 667	2 012 434	23 725	363 501	15 392 460	680	27 312 467
Impairment losses on loans and advances to customers	-18 656	-55 947	-11	-9 719	-1 455 874	-24	-1 540 231
Investment securities:	0	417 662	0	0	8 367 917	0	8 785 579
- available-for-sale	0	305 755	0		5 726 486	0	6 032 241
- held-to-maturity	0	111 907	0	0	2 641 431	0	2 753 338
Investments in subsidiaries and jointly controlled entities	0	0	0	0	65 995	0	65 995
Property, plant and equipment	0	0	0	0	360 238	0	360 238
Intangible assets	0	0	0	0	53 553	0	53 553
Deferred tax assets	0	0	0	0	179 266	0	179 266
Investment properties	0	0	0	0	9 893	0	9 893
Other assets	2	8 238	61	295	93 883	29	102 508
Total assets	**9 569 697**	**2 570 470**	**32 662**	**451 910**	**26 278 777**	**9 027**	**38 912 543**

Balance sheet as at 31.12.2009 (cont.)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	1 321 802	0	1 321 802
Amounts due to banks	7 118 187	2 368 237	368	814 062	520 904	9 932	10 831 690
Derivatives	16	59 295	22	14 877	466 770	88	541 068
Amounts due to customers	9 159	1 743 903	82 949	807 089	19 868 163	10 423	22 521 686
Current tax liability	0	0	0	0	31 833	0	31 833
Provisions	78	1 398	0	273	29 660	0	31 409
Deferred tax liability	0	0	0	0	0	0	0
Other liabilities	62	7 347	20	1 029	166 480	2	174 940
Subordinated liabilities	730 878	0	0	0	74 938	0	805 816
Total liabilities	**7 858 380**	**4 180 180**	**83 359**	**1 637 330**	**22 480 550**	**20 445**	**36 260 244**

Off-balance-sheet items as at 31.12.2009

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Off-balance sheet items							
Liabilities granted:	**53 589**	**961 212**	**21 059**	**257 859**	**4 556 197**	**30 047**	**5 879 963**
- financial	53 589	451 129	15 929	126 064	3 436 273	11 585	4 094 569
- guarantees	0	510 083	5 130	131 795	1 119 924	18 462	1 785 394
Liabilities received:	**1 163 422**	**378 960**	**0**	**74 652**	**834 817**	**772**	**2 452 623**
- financial	1 163 422	0	0	0	64 048	772	1 228 242
- guarantees	0	378 960	0	74 652	770 769	0	1 224 381
Liabilities related to the sale/purchase transactions	**4 819 012**	**5 816 530**	**53 743**	**3 295 340**	**75 926 195**	**24 917**	**89 935 737**
Other:	**2 330 186**	**276 961**	**0**	**47 965**	**3 918 904**	**43**	**6 574 059**
- collateral received	2 330 186	276 961	0	47 965	3 918 904	43	6 574 059

Balance sheet as at 31.12.2008 (comparable data)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Assets							
Cash and balances with Central Bank	2 435	58 667	11 758	29 706	723 694	1 696	827 956
Gross loans and advances to banks	58 727	112 918	57 327	50 337	55 621	5 929	340 859
Impairment losses on loans and advances to banks	0	0	0	0	-2 261	0	-2 261
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	0	1 208	0	41 213	1 304 606	0	1 347 027
Derivatives	1 155	486 360	894	158 543	1 655 341	506	2 302 799
Gross loans and advances to customers	9 770 410	2 108 627	4 402	364 772	15 603 875	1 069	27 853 155
Impairment losses on loans and advances to customers	-11 481	-47 689	-4	-806	-867 239	-238	-927 457
Investment securities:	0	439 375	0	17 015	5 776 234	0	6 232 624
- available-for-sale	0	303 069	0	17 015	4 039 656	0	4 359 740
- held-to-maturity	0	136 306	0	0	1 736 578	0	1 872 884
Investments in subsidiaries and jointly controlled entities	0	75	0	0	66 000	0	66 075
Property, plant and equipment	0	0	0	0	398 201	0	398 201
Intangible assets	0	0	0	0	57 854	0	57 854
Deferred tax assets	0	0	0	0	44 509	0	44 509
Other assets	0	8 941	52	557	70 207	24	79 781
Total assets	**9 821 246**	**3 168 482**	**74 429**	**661 337**	**24 886 642**	**8 986**	**38 621 122**

Balance sheet as at 31.12.2008 (comparable data) (cont.)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	1 113 275	0	1 113 275
Amounts due to banks	4 189 836	4 405 177	246	512 155	2 797 857	9 742	11 915 013
Derivatives	1 062	406 760	438	147 719	1 333 886	356	1 890 221
Amounts due to customers	10 250	2 156 293	90 342	1 048 362	17 245 969	4 093	20 555 309
Liabilities arising from repurchase transactions	0	0	0	0	8 991	0	8 991
Current tax liability	0	0	0	0	28 916	0	28 916
Provisions	412	1 519	0	810	27 600	38	30 379
Other liabilities	108	9 329	11	599	210 070	38	220 155
Subordinated liabilities	279 643	0	0	0	0	0	279 643
Total liabilities	**4 481 311**	**6 979 078**	**91 037**	**1 709 645**	**22 766 564**	**14 267**	**36 041 902**

Off-balance-sheet items as at 31.12.2008 (comparable data)

in PLN '000'	CHF	EUR	GBP	USD	PLN	Other currencies	Total
Off-balance sheet items							
Liabilities granted:	**567 253**	**1 292 137**	**8 553**	**277 795**	**5 050 268**	**26 054**	**7 222 060**
- financial	567 131	594 042	0	159 266	4 080 316	699	5 401 454
- guarantees	122	698 095	8 553	118 529	969 952	25 355	1 820 606
Liabilities received:	**98 049**	**900 563**	**0**	**86 515**	**748 813**	**2 359**	**1 836 299**
- financial	98 049	417 240	0	0	11 100	2 359	528 748
- guarantees	0	483 323	0	86 515	737 713	0	1 307 551
Liabilities related to the sale/purchase transactions	**10 905 738**	**16 087 606**	**54 682**	**11 229 499**	**240 786 811**	**28 185**	**279 092 521**
Other:	**1 632 397**	**184 899**	**0**	**96 982**	**2 827 974**	**44**	**4 742 296**
- collateral received	1 632 397	184 899	0	96 982	2 827 974	44	4 742 296

72.3.1.3 Capital market risk

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

72.3.1.4 Commodity price risk

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

72.3.1.5 Capital requirements

The capital requirements for the Trading Book as of 31.12.2009 and 31.12.2008 are as follows:

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

	31.12.2009	Comparable data 31.12.2008
Equity securities price risk	0	0
Specific risk of debt instruments	0	0
General interest rate risk	26 532	44 308
Settlement risk and counterparty risk	28 455	101 423
Currency risk (total for the Trading Book and the Banking Book)	0	0
Total capital requirement in the Trading Book	**54 987**	**145 731**

72.3.2. Banking Book

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

72.3.2.1. Interest rate risk

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

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

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

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

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

The following positions are present in the Banking Book:

- Hedging – a position resulting from the operation of branches (including derivatives used as hedging instruments), including:
  - benchmark portfolios of current accounts in PLN, EUR and USD,

- a benchmark portfolio of savings accounts in PLN;
- the branch position excluding the part of stable current and savings accounts.

- Transformation, including:
  - a benchmark portfolio of Free Capital;
  - the position with credit risk (Credit Book);
  - ALCO portfolio – the portfolio of tactical investments.

Interest rate risk analysis

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

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

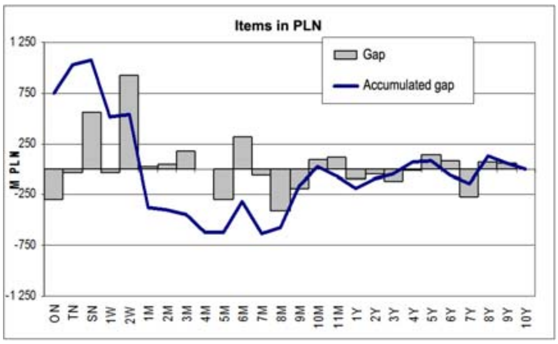
The interest rate gaps diagrams for the position resulting from the operation of branches (including derivatives used as hedging instruments) based on an internal system of transfer rates in particular currencies: PLN, EUR, USD, CHF and GBP, are presented below.

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

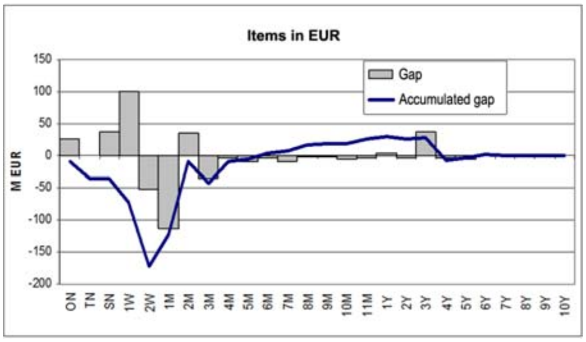
The Bank actively mitigates the risk resulting from the mismatch between balance sheet assets and liabilities, closing the positions with derivatives and applying hedge accounting.

Data for the Bank as at 31.12.2009:

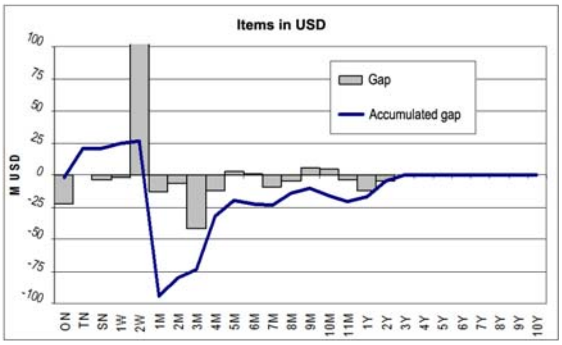
PLN



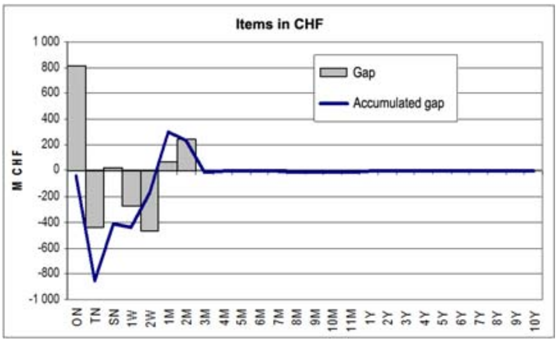
EUR



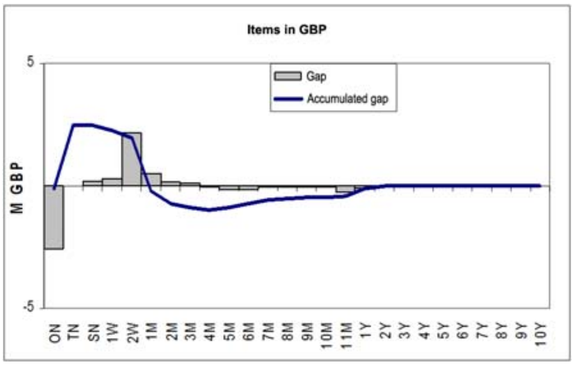
USD



CHF

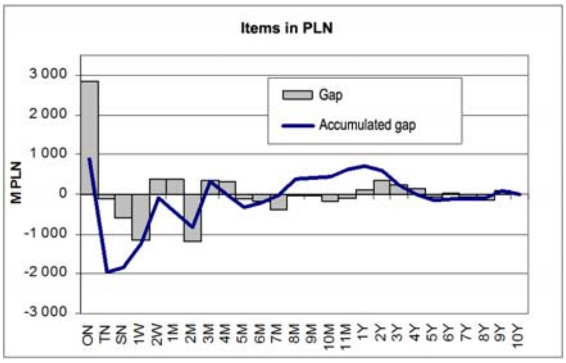


GBP

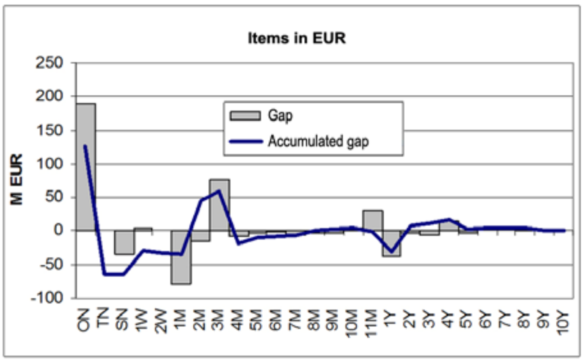


Comparable data for the Bank as at 31.12.2008:

PLN

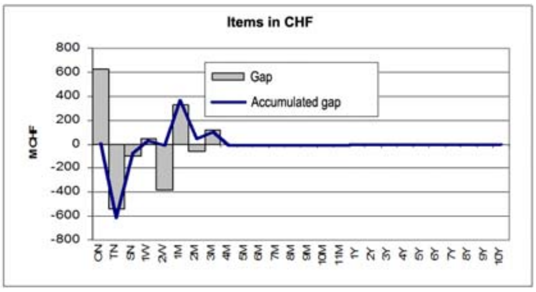


EUR

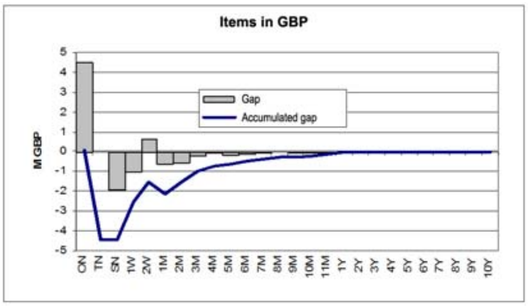


USD

CHF



GBP



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

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

	31.12.2009	Comparable data 31.12.2008
BPV in millions of EUR (calculation to limit)	-1.888	-2.055

72.3.2.2. Hedge accounting

Fair value hedging accounting

In 2009, the Bank did not apply hedge accounting for fair value hedge.

Hedge accounting of cash flows

In 2009, the Bank ceased to apply hedge accounting for cash flow hedge for the portfolio of loans based on O/N rate.

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

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

72.3.2.3. Currency risk

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

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

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

a) determines the value of the highest monthly interest and principal repayment instalment for the applied loan with the assumption that the principal of the applied loan is 20% higher;
b) calculates the maximum level of LtV *(Loan To Value)* ratio on a lower level than for loans in PLN (LtV ratio should be understood as the loan value/collateral value ratio);
c) additionally, the applicant is informed about the foreign exchange risk.

72.3.3. Liquidity risk

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

The Bank hedges the liquidity risk by:

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

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

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

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

Liquidity gap report

Data for the Bank (in millions of PLN) as at 31.12.2009:

	up to 1M	1 - 3M	3 -6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	over 5Y	Total
Current accounts	3 211	1	1	0	0	0	0	0	**3 213**
Deposits/savings accounts	11 711	2 350	2 350	362	369	200	0	1	**17 343**
Deposits of the budgetary sector	1 630	115	43	9	16	0	0	0	**1 813**
Inter-bank deposits	4 271	117	0	0	19	4	0	0	**4 411**
Perpetual bonds and cash loans	8	20	820	1 031	2 600	2 137	95	808	**7 519**
LORO	43	0	0	0	0	0	0	0	**43**
REPO	1 278	46	0	0	0	0	0	0	**1 324**
Free capital*	0	0	0	0	0	0	0	2 089	**2 089**
Other	0	76	0	552	7	0	0	0	**635**
Derivatives – cash flows to be received									
FX derivatives	2 261	531	460	622	123	12	0	0	**4 009**
IR derivatives	147	330	361	2	0	0	0	0	**840**
CIRS – cash flows to be received	0	1	149	3	432	0	45	10	**640**
Derivatives – cash flows to be paid									
FX derivatives	2 272	554	458	607	127	13	0	0	**4 031**
IR derivatives	145	323	281	2	0	0	0	0	**751**
CIRS – cash flows to be paid	0	1	146	2	436	0	40	9	**634**
TOTAL	**22 161**	**2 741**	**3 129**	**1 938**	**3 019**	**2 342**	**90**	**2 897**	**38 317**

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

Comparable data as at 31.12.2008 (in millions of PLN) – due to the changes in the methodology of recognizing particular items in the liquidity gap report introduced in 2009, the comparability of data as at 31.12.2008 is limited.

	up to 1M	1 - 3M	3 -6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	over 5Y	Total
Current accounts/savings accounts	1 771	472	524	632	1 439	1 385	2 322	949	**9 494**
Deposits	4 691	3 037	1 470	1 387	76	95	201	1	**10 958**
Inter-bank deposits	2 940	2 315	40	276	0	0	0	0	**5 571**
Perpetual bonds and cash loans	36	33	54	0	1 845	2 635	2 037	280	**6 920**
LORO	38	0	0	0	0	0	0	0	**38**
REPO	204	924	0	0	0	0	0	0	**1 128**
Free capital*	0	0	0	0	0	0	0	1 754	**1 754**
Other	0	55	0	185	1	0	0	0	**241**
Derivatives – cash flows to be received									
Swaps – sale	4 173	2 197	755	148	193	23	0	0	**7 489**
IRS/CCIRS	500	849	1 089	278	156	24	32	35	**2 963**
FRA	28	72	123	167	55	0	0	0	**445**
Derivatives – cash flows to be paid									
Swaps – purchase	4 216	2 238	717	156	174	20	0	0	**7 521**
IRS/CCIRS	443	692	1 028	280	149	20	27	32	**2 671**
FRA	20	74	130	207	65	0	0	0	**496**
TOTAL	**9 658**	**6 722**	**1 996**	**2 530**	**3 345**	**4 108**	**4 555**	**2 981**	**35 895**

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

At the end of 2009, as compared to the end of 2008, the following changes in the structure of the Bank's financial liabilities can be noticed:

- an increase in the balance of customers' deposits (by PLN 1,921 million);
- the amount of accepted inter-bank deposits decreased by PLN 1,159 million;
- an increase in the balance of loans on the wholesale market by PLN 600 million;
- an increase in the balance of repos by PLN 196 million.

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

- Stock Liquidity Ratio (SLR) – short-term liquidity ratio (up to 5 working days);
- Liquidity Mismatch Ratio (LMR) – medium-term liquidity ratio (up to 3, 6 months);
- Coverage Ratio (CR) – liquidity ratio which informs about a degree of financing long-term assets with long-term liabilities (1,2,3, 5 and 10 years).

The Bank's liquidity is also monitored with the set of regulatory liquidity ratios.

The Bank continues works on the methodology of making a liquidity gap report real. The process of making the gap real is aimed at presenting a true picture of liquidity; the Bank models customers' behaviour (the quantity of revolving term deposits, the degree of using the amount of granted off–balance-sheet liabilities) and takes into account results of those analyses in the picture of the Bank's liquidity.

72.3.3.1. Regulatory liquidity ratios

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

Data as at 31.12.2009:

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

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

Data as at 31.12.2008:

	Assets	in PLN '000'
A1	Basic liquidity reserve	6 532 668
A2	Supplementary liquidity reserve	5 118 775
A3	Other transactions on the wholesale financial market	11 419 666
A4	Limited liquidity assets	26 989 783
A5	Non-liquid assets	444 665
	Liabilities	**in PLN '000'**
B1	Own funds less total capital requirements related to market risk, and to settlement risk and counterparty risk	2 395 477
B2	Stable external financing	27 404 747
B3	Other liabilities on the wholesale financial market	11 169 290
B4	Other liabilities	240 238
B5	Unstable external financing	11 091 833

	Liquidity ratios	Minimum value	Value
M1	Short-term liquidity gap: ((A1+A2)-B5)	0.00	559 610.17
M2	Short-term liquidity ratio:((A1+A2)/B5)	1.00	1.05
M3	Own funds to non-liquid assets: (B1/A5)	1.00	5.39
M4	Own funds and stable external financing to non-liquid assets and limited liquidity assets:((B1+B2)/(A5+A4))	1.00	1.09

72.3.3.2. Stability of financing sources

in PLN '000'	31.12.2009	Comparable data 31.12.2008
Loans and advances from KBC Group	6 568 610	6 553 261
- including loans and advances in foreign currencies	*6 216 705*	*4 781 104*
Term deposits	1 699 362	4 087 081
- including term deposits from KBC Group	*1 696 985*	*3 993 949*
Current accounts	2 560 645	1 271 449
Other liabilities	3 073	3 222
Total amounts due to banks	10 831 690	11 915 013
Subordinated liabilities	805 816	279 643
Total	11 637 506	12 194 647

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

The structure of customers' deposits was presented in Note 45.

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

	31.12.2009	Comparable data 31.12.2008
- individual customers	57%	46%
- financial institutions	11%	16%
- business entities	24%	28%
- budgetary sector	8%	10%
Total	**100%**	**100%**

A noticeable change in the structure of the deposit base by types of entities is an effect of the development of bancassurance and of the closer cooperation with TUnŻ Warta S.A. and TUiR Warta S.A.

	31.12.2009	Comparable data 31.12.2008
- current deposits	20%	24%
- negotiable term deposits	20%	30%
- term deposits	21%	22%
- savings accounts	39%	24%
Total	**100%**	**100%**

The change in the structure by type of the deposit base reflects changes in the Bank's policy regarding the products offered to individual customers (an increase in the balance of savings accounts).

The structure of term deposits (except for interbank term deposits and negotiable term deposits) is advantageous from the point of view of an initial maturity date. As at 31.12.2009 and 31.12.2008, it was as follows:

	31.12.2009	Comparable data 31.12.2008
- up to 1 week	8%	11%
- up to 1 month	1%	2%
- up to 3 months	15%	32%
- up to 6 months	59%	37%
- up to 12 months	9%	15%
- up to 24 months	7%	1%
- other	1%	2%
Total	**100%**	**100%**

	31.12.2009	Comparable data 31.12.2008
PLN	89%	86%
USD	3%	5%
EUR	7%	8%
GBP	1%	1%
Total	**100%**	**100%**

Signatures of all Management Board Members

date	26.02.2010	Maciej Bardan	President of the Management Board	....
date	26.02.2010	Umberto Arts	Vice-President of the Management Board	....
date	26.02.2010	Lidia Jabłonowska-Luba	Vice-President of the Management Board	....
date	26.02.2010	Krzysztof Kokot	Vice-President of the Management Board	....
date	26.02.2010	Gert Rammeloo	Vice-President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	26.02.2010	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....

KREDYT BANK S.A.

LONG-FORM AUDITORS' REPORT
SUPPLEMENTING THE INDEPENDENT AUDITORS' OPINION
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

I. GENERAL NOTES

1. Background

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

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

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

The Company is the holding company of the Kredyt Bank S.A. Capital Group. Details of transactions with affiliated entities are included in Note 57 of the other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2009.

The principal activities of the Bank are as follows:

- accepting call (demand) or term deposits and keeping deposit accounts,
- keeping other types of bank accounts,
- extending loans,
- extending and confirming bank guaranties, letters of credit and securities,
- issuing bank securities, including in non material form,
- performing bank settlements,
- operations including cheques and bills of exchange, as well as operations warrants,
- issuing payment cards and performing operations using such cards,
- performing forward financial operations,
- purchasing and disposing of debt,
- storing valuable items and securities and renting safe deposit box,
- purchasing and selling of foreign exchange,
- intermediation in money transfers and settlements in foreign exchange trade,
- performing commissioned services relating to issuance of securities,
- extending cash loans,
- issuing electronic money instruments,
- acting as a bank – representative of bond holders,
- taking over or purchasing shares and rights arising from banks' shares and other rights from shares from other legal entities or participation units in investment funds,

(in thousand zlotys)

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

As at 31 December 2009, the Bank's issued share capital amounted to 1,358,294 thousand zlotys and it comprised of 271,658,880 shares with the nominal amount of 5 zlotys each. The Bank's equity as at that date amounted to 2,652,299 thousand zlotys.

In accordance with the excerpt from the Bank's Shares Register of 14 January 2010, the ownership structure of the Company's issued share capital as at 31 December 2009 was as follows:

	Number of shares	Number of votes	Par value of shares (in zlotys thousend)	% of issued share capital
KBC Bank N.V. (Brussels)*	217,327,103	217,327,103	1,086,636	80.00%
KBC Securities N.V. (Brussels) – affiliated entity KBC Bank N.V.	11,751,771	11,751,771	58,759	4.33%

(in thousand zlotys)

KBL European Private Bankers S.A. (Luxemburg) – affiliated entity KBC Group	7,860,918	7,860,918	39,305	2.89%
Others	34,719,088	34,719,088	173,595	12.78%
TOTAL	271,658,880	271,658,880	1,358,294	100.00%

On 18 December 2007 the Management Board of Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. ("PPIM") that on 17 December 2007 PPIM exceed the 5% level of votes at the General Shareholders' Meeting of Kredyt Bank S.A. relating to financial instruments in comprising the portfolios managed by PPIM in relation to the brokerage commissioned services performed by PPIM and services performed on the base of the agreement between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM concerning the performance of brokerage services. As at 31 December 2009 PPIM still had a level of votes at the General Shareholders' Meeting of Kredyt Bank S.A. exceeding the 5% of total votes.

On 4 September 2009 two subsidiaries of KBC Group N.V., i.e. KBC Securities N.V. and KBL European Private Bankers S.A. acquired, from Sofina S.A., the shares of Kredyt Bank S.A. (with the settlement date: 7 September 2009):

- Sofina S.A. sold 13,301,000 shares of Kredyt Bank S.A., which accounts for 4.89% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Prior to the sale, Sofina S.A. held 15,014,772 shares, which accounted for 5.53% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Following the sale, Sofina S.A. holds 1,713,772 shares, which accounts for 0.63% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A.;
- KBC Securities N.V. acquired 5,440,082 shares of Kredyt Bank S.A., which accounts for 2.00% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Prior to the acquisition, KBC Securities N.V. held 6,311,689 shares, which accounted for 2.32% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Following the acquisition, KBC Securities N.V. holds 11,751,771 shares, which accounts for 4.32% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A.;
- KBL European Private Bankers S.A. acquired 7,860,918 shares of Kredyt Bank S.A. accounting for 2.89% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A.

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

As at 26 February 2010, the Bank's Management Board was composed of:

Maciej Bardan	- President
Umberto Arts	- Vice-President
Lidia Jabłonowska-Luba	- Vice-President

Krzysztof Kokot	- Vice-President
Gert Rammeloo	- Vice-President

On 29 May 2009 the Supervisory Board of Kredyt Bank S.A. decided that the Management Board of the Bank is acting in extended team consisting of 6 members starting from 29 May 2009. During this meeting the Supervisory Board appointed Mr Gert Rammeloo for the position of the Management Board's Vice-President responsible for retail distribution division starting from 29 May 2009.

On 15 December 2009, during the Management Board Meeting Mr Michał Oziembło resigned from the function of the Vice-President of the Bank's Management Board effective from 15 December 2009.

On 21 December 2009 the Supervisory Board of Kredyt Bank S.A. decided that the Management Board of the Bank is acting in a team consisting of 5 members starting from 21 December 2009.

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

2. Financial Statements

On 25 April 2005 the General Shareholders' Meeting passed a resolution concerning preparation of the Bank's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

2.1 Auditors' opinion and audit of financial statements

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

Ernst & Young Audit sp. z o.o. was appointed by the Supervisory Board on 1 April 2009 to audit the Bank's financial statements.

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

Under the contract executed on 15 May 2009 with the Bank's Management Board, we have audited the financial statements for the year ended 31 December 2009.

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

Based on our audit, we issued an auditors' unqualified opinion dated 26 February 2010, stating the following:

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

1. We have audited the attached financial statements for the year ended 31 December 2009 of Kredyt Bank S.A. ('the Bank') located in Warsaw at Kasprzaka 2/8 Street, containing:
   - the income statement for the period from 1 January 2009 to 31 December 2009 with a net profit amounting to 165,301 thousand zlotys,
   - the statement of comprehensive income for the period from 1 January 2009 to 31 December 2009 with a total comprehensive income amounting to 73,079 thousand zlotys,
   - the balance sheet as at 31 December 2009 with total assets amounting to 38,912,543 thousand zlotys,
   - the statement of changes in equity for the period from 1 January 2009 to 31 December 2009 with a net increase in equity amounting to 73,079 thousand zlotys,
   - the cash flow statement for the period from 1 January 2009 to 31 December 2009 with a net cash inflow amounting to 229,908 thousand zlotys, and
   - the summary of significant accounting policies and other explanatory notes

   ('the attached financial statements').
2. The truth and fairness[1] of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Bank's Management Board. Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly[2] reflect, in all material respects, the financial position and results of the operations of the Bank and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
   - chapter 7 of the Accounting Act, dated 29 September 1994 (2009 Journal of Laws of 2009, No. 152, item 1223 with further amendments - 'the Accounting Act'),
   - general practice of audit of financial statements applied in Poland (based on the previously binding auditing standards issued by the National Council of Statutory Auditors and after considering the provisions of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649),

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

[1] Translation of the following expression in Polish: "*rzetelność, prawidłowość i jasność*"
[2] Translation of the following expression in Polish: '*rzetelnie i jasno*'

well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.

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

We conducted the audit of the Bank's financial statements during the period from 25 October 2009 to 26 February 2010. We were present at the Bank's head office from 25 October 2009 to 15 December 2009 and from 5 January 2010 to 15 February 2010.

2.2 Representations provided and data availability

The Bank's Management Board confirmed its responsibility for the truth and fairness[4] of the financial statements and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Bank's Management Board also provided a letter of representations dated 26 February 2010, confirming that:

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

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

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

(in thousand zlotys)

2.3 Financial statements for prior financial year

The Bank's financial statements for the year ended 31 December 2008 were audited by Dorota Snarska-Kuman, key certified auditor No. 9667, acting on behalf of Ernst & Young Audit sp. z o.o. located in Warsaw at Rondo ONZ 1. On 19 February 2009 the key certified auditor issued an unqualified opinion on the financial statements for the year ended 31 December 2008. The Bank's financial statements for the year ended 31 December 2008 were approved by the General Shareholders' Meeting on 27 May 2009, and the shareholders resolved to appropriate the 2008 net profit as follows:

Reserve capital	201,072
Other: General Risk Fund	100,000
	400,519

The financial statements for the financial year ended 31 December 2008, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of profit and the Directors' Report, were filed on 9 June 2009 with the National Court Register.

The introduction to the financial statements, the profit and loss account for the year ended 31 December 2008, the balance sheet as at 31 December 2008, statement of changes in equity and cash flow statement for the year ended 31 December 2008, together with the auditors' opinion, a copy of the resolution approving the financial statements and a copy of the resolution on the appropriation of profit were published in Monitor Polski B No. 1492 on 1 September 2009.

The closing balances as at 31 December 2008 were correctly brought forward in the accounts as the opening balances at 1 January 2009.

3. Analytical Review

3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Bank for the years 2007 - 2009. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2008 and 31 December 2009.

	2009	2008	2007
Total assets	38,912,543	38,621,122	27,068,504
Shareholders' equity	2,652,299	2,579,220	2,233,856
Net profit	165,301	301,072	400,519
Capital adequacy ratio according to NBP methodology	12.13%	8.93%	9.63%

(in thousand zlotys)

Profitability ratio	18.21%	43.71%	62.22%
profit before taxation / general and administrative expenses			
Cost to income ratio	47.75%	63.03%	65.07%
general and administrative expenses / total operating income less other operating expenses			
Return on equity (ROE)	6.32%	12.51%	18.74%
net profit / average shareholders' equity			
Return on assets	0.43%	0.92%	1.63%
net profit / average assets			
Rate of inflation:			
yearly average	3.5%	4.2%	2.5%
December to December	3.5%	3.3%	4.0%

3.2 Comments

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

- Net profit of the Bank for 2009 amounted to 165,301 thousand zloty in comparison to the net profit of 301,072 thousand zlotys in 2008 and 400,519 thousand zlotys in 2007.
- Compared to 2008 and 2007, there was an increase in total assets of the Bank in 2009. The total assets as at 31 December 2009 amounted to 38,912,543 thousand zloty.
- The profitability ratio decreased from 62.22% in 2007 to 43.71% in 2008 and subsequently to 18.21% in 2009.
- Cost to income ratio decreased from 65.07% in 2007 to 63.03% in 2008 and 47.75% in 2009.
- Return on equity ratio decreased from 18.74% in 2007 to 12.51% in 2008 and 6.32% in 2009.

- Return on assets ratio decreased from 1.63% in 2007 to 0.92% in 2008 and 0.43% in 2009.
- The Bank's solvency ratio calculated in accordance with NBP methodology amounted 12.13% as at 31 December 2009 as compared to 9.93% at the end of 2008 and 9.63% at the end of 2007.

3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Bank is unable to continue as a going concern for at least 12 months subsequent to 31 December 2009 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 8.2 of the additional notes and explanations to the Bank's audited financial statements for the year ended 31 December 2009, the Management Board has stated that the financial statements were prepared on the assumption that the Bank will continue as a going concern for a period of at least 12 months subsequent to 31 December 2009 and that there are no circumstances that would indicate a threat to its continued activity.

3.4 Application of regulation mitigating banking risk

As at 31 December 2009, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland and Resolution of the Polish Financial Supervision Committee ('KNF') envisaged banking regulatory norms in relation to following items:

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

During the audit we have not identified any facts indicating that during the period from 1 January 2009 to 31 December 2009 the Bank did not comply with the above regulations. In addition, we have received written representation from the Bank's Management Board that during the financial year the banking regulatory norms were not breached.

3.5 Correctness of calculation of solvency ratio

During our audit we have not identified any significant irregularities in relation to the calculation of the capital adequacy ratio as at 31 December 2009 in accordance with

Resolution no. 380/2008 of the Polish Financial Supervision Committee of 17 December 2008 on the scope of the capital requirements against particular risks and the detailed principles to be applied in determining those requirements, including but not limited to the scope and conditions of applying statistical methods and the scope of information attached to an application for authorization to apply them, principles and conditions of taking account of contracts on debt assignment, subparticipation, credit derivative and contracts other than those on debt assignment, subparticipation, in calculating the capital requirements, terms and conditions, scope and manner of making use of the ratings assigned by external credit assessment institutions and the export credit agencies, manner and specific principles of calculating the solvency ratio of a bank, the scope and manner of taking account of banks conducting their activities in groups in calculating their capital requirements as well as establishing additional items of bank balance sheets presented jointly with bank regulatory own funds in the calculation of capital adequacy, the amount thereof and the conditions of setting them (Official Journal of the Polish Financial Supervision Committee No. 8, dated 31 December 2008 with further amendments).

II. DETAILED REPORT

1. Accounting system

The Bank's accounts are kept using the Profile, Oracle Financials Murex, LoanIQ and Flexcube computer system at the Bank's head office. The Bank has up-to-date documentation, as required under Article 10 of the Accounting Act, including a chart of accounts approved by the Bank's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

2. Assets, liabilities and equity, profit and loss account

Details of the Bank's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2009.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2009.

3. Additional notes and explanations to the financial statements

The additional notes and explanations to the financial statements for the year ended 31 December 2009 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

4. Directors' Report

We have read the Management Board's Report on the operations of the Bank from 1 January 2009 to 31 December 2009 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions of the Decree of the Minister of Finance of 19 February 2009, on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-European Union member states (Journal of Laws of 2009, No. 33, item 259).

5. Materiality level

When determining the materiality level, professional judgement was applied taking into account the specific characteristic relating to the Bank. This included consideration of quantitative and qualitative aspects.

6. Conformity with law and regulations

We have obtained a letter of representations from the Management Board confirming that no laws, regulations or provisions of the Bank's Statutes were breached during the financial year that have an impact on the Bank's financial statements.

7. Work of Experts

During our audit we have taken into account the results of the work of the following independent experts:

- real estate experts – in calculation regarding the level of loan impairment we took into consideration the valuations of collateral, prepared by property appraisers, that were engaged by the Bank;
- actuary – actuarial calculation of provision for retirement benefits performed on the Bank's request;
- KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k. – independent opinion on the fairness of financial conditions applied for the purpose of a sale of shares of Żagiel S.A., on the Bank's request.

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

Key Certified Auditor

(-)

Dorota Snarska-Kuman
Certified Auditor
No. 9667

Warsaw, 26 February 2010

Kredyt Bank

The Management Board's Report on the Operations of Kredyt Bank S.A. in the Period Subject to the Financial Statements for the Year Ended 31.12.2009

CONTENTS

1. Factors affecting the results of Kredyt Bank S.A. in 2009

In 2009, Kredyt Bank S.A. generated PLN 940,895 thousand of operating profit (understood as profit before tax less net impairment losses). It was higher by 80.1% than operating profit generated in 2008. Net profit amounted to PLN 165,301 thousand (less by 45.1% than in the previous year). The result allowed for the generation of ROE at the level of 6.3%.

Selected financial ratios and figures	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Net loans and advances to customers	25 772 236	26 925 698	16 898 328	11 813 555	9 873 333
Amounts due to customers	22 521 686	20 555 309	17 180 731	15 875 333	14 592 699
Net operating income	1 800 856	1 413 309	1 265 075	1 086 317	1 079 169
Gross profit	156 604	389 379	512 202	426 881	307 806
Operating profit	940 895	522 463	441 907	271 674	278 183
Net profit	165 301	301 072	400 519	437 443	410 488
ROE	6.3%	12.5%	18.7%	23.6%	26.0%
ROA	0.4%	0.9%	1.6%	2.0%	2.0%
CIR	47.8%	63.0%	65.1%	75.0%	74.2%
Capital adequacy ratio	12.1%	8.9%	9.6%	13.5%	16.2%
Loans and advances with evidence for impairment/total gross loans and advances	9.1%	5.4%	7.4%	14.5%	26.4%

The two most important elements that affected the financial result of Kredyt Bank S.A. in 2009:

- the deduction of net impairment losses on financial assets, other assets and provisions of PLN 784,291 thousand from profit before tax (in 2008, negative net impairment losses amounted to PLN 133,084 thousand);
- the sale of the shares of Żagiel S.A., which increased profit before tax by PLN 350,000 thousand, and net profit by PLN 310,334 thousand.

Other factors that affected the level and structure of results in 2009 to a large extent were as follows:

- slower growth and stabilisation of the value of the loans portfolio due to the increased risk level. The deteriorated financial situation of customers resulted from a reduced number of orders, production and sales, substantial fluctuations of the exchange rate of the Polish zloty (especially in the first half of the year) and the deterioration in the situation on the labour market as well as the increase in the unemployment rate. As compared to the end of December 2008, gross loans and advances to customers decreased in nominal terms by 1.9%, i.e. by PLN 540,688 thousand. At the end of 2009, the share of Kredyt Bank S.A. in the overall loans market amounted to 4.0%, and to 6.4% in the market of mortgages (a decrease as compared to the end of December 2008 by 0.4 p.p. and 0.3 p.p. respectively).
- a significant increase in the competition on the deposits market, particularly in the first quarter of 2009; a decrease in the margin on deposits as compared to 2008. The total value of amounts due to customers from KB SA increased as compared to the end of 2008 by 9.6%, i.e. by PLN 1,966,377 thousand.
- the stabilisation of net interest income (a decrease by 2.0% as compared to 2008). It deteriorated due to the increase in interest expense on customers' deposits especially in the first quarter of 2009. In further quarters, net interest income was on the constant rise. It resulted from a more flexible pricing policy in the area of deposit products and the review of the pricing policy as well as

changes in the interest rate for loan products, according to the market practices. The changes resulted in the increase in the margin on loan products, especially in the case of corporate customers.

- an increase in the sale activity in the third and fourth quarters of 2009 and the introduction of changes in fees and commissions aiming at increasing fees and commissions for manual and laborious activities performed by the Bank. Effect: an increase in commission income,
- the decrease in net trading income resulting mainly from the limitation of income due to exchange as a result of the halt of the sale of new currency mortgages;
- the reduction of general expenses. Reducing the employment level through redundancies (in two stages, up to 750 employees in 2009); not extending contracts of temporary workers and natural resignations. Accordingly, the Bank greatly improved the cost/income ratio, which, in 2009, amounted to 47.8% (59.3%, excluding the sale of Żagiel S.A.), i.e. by 15.3 p.p. (by 3.8 p.p.) less than in the previous year.

The most important events for the Bank's operations in 2009 are as follows:

- a collapse of economic conditions in the fourth quarter of 2008, reflected in the deterioration in the economic situation of customers and a drastic limitation of the liquidity of the financial sector.
- changes in the exchange rate of the Polish zloty adversely affecting the structure and the costs of the financing of the banking operations, the level of risk-weighted assets and the capital adequacy ratio.
- an increase in cost of the credit risk in the segment of low-income customers, the 'remortgaging' of customers due to excessive availability of cash loans on the Polish banking market in the second half of 2008. It resulted in the multiplication of the impairment losses for the portfolio of cash loans extended via Żagiel.
- an increase in the credit risk in the segment of corporate customers, including the impossibility of satisfying liabilities under option transactions resulting from a large scale of the depreciation of the Polish zloty at the beginning of 2009. The deterioration in the financial standing of enterprises was related to the group of major customers, affecting the growth of the risk costs of the whole segment.
- adopting measures to adjust the business model of Kredyt Bank S.A. to deteriorating economic conditions. The measures include, e.g. a change in the business model in the area of consumer finance, which involves the separation of the remaining elements of credit administration and product management from Żagiel, along with IT systems supporting these functions, the sale of Żagiel and the amendment to the principles of and the contract concerning the cooperation between the Bank and Żagiel, changing the relation to Bank–intermediary relation;
- a change in the approach to the relation with the present customers in the corporate segment, which involves the strive to expand the scope of the cooperation;
- the preparation and implementation of a complete programme of costs optimization, which involves a uniform expenditure policy at the Bank's level in order to achieve a permanent change in the structure of the costs base through the increase in the share of variable costs.

2. Business conditions in Poland and the banking sector in 2009

Overall situation in 2009

In 2009, the GDP growth rate stabilised following a rapid decrease in the economic growth rate at the end of 2008 and at the beginning of 2009. In the context of the scale of the deterioration in business conditions in the European economy, the decline in the GDP growth rate to ca. 1.0% y/y in the first half of the year, the recovery to the level of 1.7% y/y in the third quarter and reaching the level of 1.7% y/y in the whole 2009 (according to the preliminary data published by the Polish Central Statistical Office) should be perceived as a sign of the potency of the Polish economy and, at the same time, the biggest positive surprise in 2009.

As expected, a relatively strong private consumption proved to be the stabilizer of the domestic economic growth. According to the preliminary estimates of the Polish Central Statistical Office, individual consumption increased in 2009 by 2.3% y/y against 5.9% the year before. Simultaneously, a deep decrease in the import growth rate, also as a result of the reduction of the level of the current production and the level of inventory by enterprises, which translated into the maintenance of a significant positive contribution of net exports to the growth was another significant pro-growth driver in 2009. Domestic demand declined in 2009 by 0.9%, and the positive contribution of foreign demand amounted to ca. 2.7%.

The decrease in inventory levels itself was at the same time a factor leading to the decrease in the GDP growth rate to the largest extent. The decrease in gross expenditure on property, plant and equipment, which, in the context of infrastructural projects, indicates a far-reaching reduction of the investment demand of enterprises should also be viewed as a negative phenomenon. The second and the third quarters brought about a partial reversal of the above tendencies, including, among other things, the reduction of the scale of the adjustment of inventory levels. In the last quarter, the decrease in capital expenditure persisting from April to September was halted, which made it possible to close the year with a relatively good result, i.e. the decrease in gross expenditure on property, plant and equipment by only 0.3% y/y.

In 2009, particular economy branches handled the crisis in various ways. The recession in the industry (a decline in added value by 1.1% against an increase in 2008 by 6.6%) was accompanied by relatively good business conditions in the building industry (an increase by 4.7% against 9.1% the year before) and the stabilization in the services sector (an increase by 2.5% against 5.3% in 2008).

The present adjustment on the labour market is an effect of the slower economic growth rate below the potential level. In view of the decrease in the demand for labour and of a high base in 2008, the employment growth rate in the sector of enterprises declined below zero, which translated into the growth of registered unemployment and the reduction of pressure on the growth of salaries and wages. At the same time, one should notice that both the scale and the pace of negative changes on the labour market turned out to be smaller than one might have expected only a few months ago. According to the Polish Central Statistical Office, the unemployment rate at the end of December 2009 amounted to 11.9% as compared to 9.5% recorded in the previous year.

Despite the inflation rate stabilized at the level close to the upper limit of the permitted range of fluctuations around the inflation target (3.5% y/y in December 2009), the National Bank of Poland decided to lower interest rates a few times to defend the economic growth, reducing the reference rate from 6.0% in October 2008, to 3.5% in the middle of 2009. One should notice that the decreases in the rates took place in the context of increased aversion to risk on financial markets, resulting, among other things, in a swift depreciation of the Polish zloty, which was, as expected, a factor limiting the room for loosening the monetary policy. In view of the expected gradual improvement in business conditions in the global and the Polish economies in the years 2010-2011, one may assume that the bottom of the cycle of decreases has been already reached. This, in turn, solidifies the perspective of the gradual strengthening of the Polish zloty in the quarters to come due to the revival of the risk appetite and as a result of the persisting high competitiveness of the Polish economy. According to the estimates of the National Bank of Poland, the inflation rate should be below the target, i.e. 2.5% in the second quarter of 2010.

Both the Gdansk Institute for Market Economics (IBnGR) and the National Bank of Poland assume in their forecasts the improvement of all major macroeconomic ratios in 2010. The growth of the GDP is forecasted at ca. 2.3% with the increase in domestic demand by ca. 1%. The reversal of negative trends concerning capital expenditure will be of key importance for the growth of the domestic demand. IBnGR forecasts that the increase in capital expenditure in 2010 will amount to 2.5%, the inflation rate will be at the level of 1.9% and the unemployment rate will be 12.9%, taking into account the real increase in salaries and wages at the level of 3.3%.

Banking sector in 2009

The conditions of the functioning of the Polish banking sector in 2009 deteriorated to a large extent as compared to the last year. Apart from external factors, which, in the fourth quarter of 2008, lead to a significant turmoil in the functioning of global financial markets and resulted in the decrease in trust between its participants, there were external factors related to a significant slowdown of the economic development in Poland. They resulted in a significant deterioration in the financial situation of the banks' customers, materially increasing credit risk.

The analysis of the volumes in 2009 does not indicate any material slowdown in the banking sector. It is the most conspicuous in the case of business entities. The growth of receivables from this group of customers between December 2008 and December 2009 amounted to only 4.0%, and in the case of liabilities, an increase by 5.2% was recorded. In the whole sector, receivables increased by 8.5%, and liabilities by 10.7% (in 2008, the growth of volumes amounted to 36.5% and 19.8% respectively).

Since the third quarter of 2008, the sector began to suffer from liquidity problems, which were escalated by the lack of trust on the inter-bank market and greater exchange rate fluctuations. In the end, banks began to adjust the conditions of the lending activities (e.g. an increase in margins, eliminating or restricting the criteria for extending loans in foreign currencies). Since the beginning of 2009, the fear of the increase in the risk following from the economic crisis was an additional element restricting the development of the lending activities. The issue of currency options is the most conspicuous example of the deterioration in the financial situation of enterprises. Due to the decrease in the rate of exchange of the Polish zloty, they caused the creation of significant losses and, definitely, affected the results of the banking sector in the fourth quarter of 2008 and in the first half of 2009.

In view of the radical deterioration in the liquidity of the wholesale market in the third and fourth quarters of 2008, banks had to face the necessity of balancing customers' receivables and liabilities. As a result of the fierce pricing competition for deposits, many banks significantly decreased the deposit margin, which directly affected the deterioration in net interest income generated in 2009. In the scale of the whole banking sector, also the growth rate of commission income was halted. This problem affected mainly banks, whose commission income depended on the capital market (the operations of brokerage houses and of the investment funds market). The increase in the prices of banking services, which was an attempt to increase income, was noticeable throughout 2009. The increase in the popularity and the sale of investment products in the second half of 2009 improved the situation slightly.

The slower increase in basic income resulted in the necessity of adjusting general expenses to the conditions of the economic crisis. The majority of banks implemented programmes of costs restructuring as well as programmes streamlining employment and the size of the sales network.

The forecasts for 2010 are cautious. Those concerning the increase in investments, added value in the building industry, the industry and services and the improvement of sentiments in the sector of enterprises as well as the persisting large expenditure on infrastructure indicate a potential improvement of business conditions in the corporate segment. Simultaneously, however, a further increase in the unemployment rate is expected, which may lead to the deterioration in the situation of a part of individual customers. The issue of replacing the long-term financing obtained in 2007/2008 at much lower prices than the present prices at the inter-bank market may also be a certain problem for net interest income of some banks.

3. The strategy of Kredyt Bank S.A.

The accomplishment of satisfying financial results, an increase in the number of customers and in the share in selected areas of the banking services market in Poland, assuming the reduction of the risk of the business operations are the main strategic objectives of the Bank. Kredyt Bank S.A. prefers the business model which involves the organic development. The following areas will be key for the implementation of the strategy of Kredyt Bank S.A. in 2010: credit risk, operating effectiveness and the profitability of customer relations, and the management of liquidity and of capital position.

The Bank's strategic goals:

In Retail Segment:

- limitation of credit risk;
- an increase in return on capital;
- focus on mass customers and upper mass customers;
- cross-sale of banking and insurance products addressed to the present customers of Kredyt Bank S.A. Group and WARTA Group.

In Corporate and SME Segment:

- limitation of credit risk;
- an increase in return on capital;
- focus on services to smaller and medium-sized companies, including customers of other KBC Group's members operating in Poland;
- the development of the offer and cooperation with SMEs' customers.

Methods of the goals accomplishment:

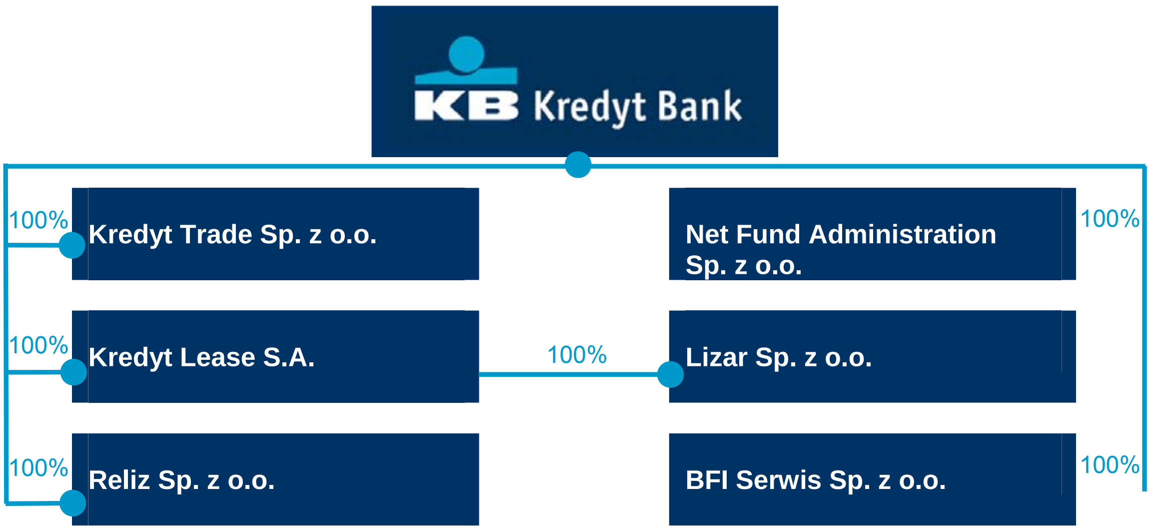
- limiting credit risk through a prudent credit policy, focusing on the cooperation with reliable, tested customers and close monitoring of the customers' standing;
- taking advantage of the implemented cost management model to optimally align the level of costs to the existing potential for generating income. Decreasing the level of fixed costs, increasing the share of variable costs, decreasing the cost/income ratio below 60%;
- taking advantage of revolving long–term financing made available by KBC Group, the Bank's major shareholder;
- increasing the share in the market of deposits of individual customers. Continuing the growth of the deposits base to ensure the acquisition of customers;
- increasing the share in the market of the sale of investment funds. The conversion of obtained deposit funds into the investment offer;
- regaining the position on the mortgages market; increasing the share in this market to the level recorded at the end of 2008. Restoring loans in foreign currencies in the offer. Implementing the new bancassurance offer in the form of an optional life insurance and unemployment insurance;
- cash loans – focusing on customers with lower credit risk: the Bank's present customers;

- in the corporate segment, focusing on the diversification of the loans portfolio – increasing the number of customers faster than the growth in the value of the portfolio. Reducing the financing of large transactions related to the financing of real property and syndicated loans; expanding the cooperation with the present customers;
- increasing the share of commission income in total income from business operations of the corporate segment (including income from foreign exchange, trade finance and from transactional banking);
- sourcing new customers and an increase in income from the SME segment (including the growth in commission income from transactional banking and foreign exchange);
- improving the effectiveness of the major customer service processes, increasing the effectiveness of the existing network, high quality of services and customer satisfaction;
- implementing a comprehensive staff management system; from recruitment, through development and appraisal, to the aspects of the incentive system and payroll structure;
- cooperating closely with entities of KBC Group in Poland to provide the customers with a complete, professional and modern offer of financial services with limited costs of its development; Particularly, further implementation of the bancassurance model in cooperation with WARTA Group on the basis of the major shareholder's experience. Further cooperation regarding the distribution of banking and insurance products.

4. The organisation and capital relations of Kredyt Bank S.A.

4.1. Equity investments, related party transaction

Equity investments of Kredyt Bank S.A. can be divided into investments in subsidiaries of Kredyt Bank S.A. Capital Group, investments in infrastructural companies of the financial sector and shares acquired in the debt recovery and restructuring processes. The Group's companies and ownership structure as at 31.12.2009 was as follows:



On 16.12.2009, the Bank 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.

Investment plans, including equity investments

One of the basic objectives of the Bank's strategy is to increase its share in the financial services market. It may be accomplished through equity investments in entities from the financial sector. In each such potential case, undertaken measures are lawful and analysed in terms of economic and organizational conditions. According to the Bank's development strategy which provides for the incorporation of a universal model, the Bank will focus on operations other than investment banking.

As at 31.12.2009, equity investments made outside the Group were mainly investments in shares of such infrastructural companies as KIR S.A., BIK S.A., GPW w Warszawie S.A., SWIFT and companies acquired as a result of debt recovery and restructuring processes. As at 31.12.2009, their share in the Bank's balance sheet was immaterial.

Related party transactions

Apart from the transactions described in section 4.4 'Events and contracts material for Kredyt Bank S.A.'s operations in 2009', in the said period, no significant non-standard transactions had place with related parties whose nature and terms were not related to current operations. Transactions volumes and related income and expenses are presented in Note 57 to the financial statements of Kredyt Bank S.A. for the year ended 31.12.2009.

4.2. Shareholding structure of Kredyt Bank S.A.

As at 31.12.2009, the Bank's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares with the nominal value of PLN 5.00 each. The Bank's shares are registered shares and bearer shares; they are not preference shares and each share entitles its holder to one vote at the Bank's General Meeting of Shareholders. All the Bank's shares are admitted to public trading on the regulated market. In comparison with share capital as at 31.12.2008, the Bank's share capital did not change.

The table below presents Shareholders of Kredyt Bank S.A. holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 31.12.2009.

Shareholder	Line of business	Number of shares and votes at the Bank's GMS	Share in votes and in share capital (in %)
KBC Bank N.V.*	Banking	217 327 103	80.00
KBC Securities – related party of KBC Bank NV**	Brokerage house	11 751 771	4.33
KBL European Private Bankers SA* – an entity from KBC Group**	Banking	7 860 918	2.89

* 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.

** data as at 09.09.2009 obtained from KBC Group NV and KBC Bank NV.

On 04.09.2009, two subsidiaries of KBC Group N.V., i.e. KBC Securities NV and KBL European Private Bankers S.A., acquired from Sofina S.A. the shares of Kredyt Bank S.A. (with the settlement date of 7.09.2009):

- Sofina S.A. sold 13,301,000 shares of Kredyt Bank S.A., which accounts for 4.89% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Prior to the sale, Sofina S.A. held 15,014,772 shares, which accounts for 5.53% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Following the sale, Sofina S.A. holds 1,713,772 shares, which accounts for 0.63% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A.

- KBC Securities NV acquired 5,440,082 shares of Kredyt Bank S.A., which accounts for 2.00% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Prior to the acquisition, KBC Securities NV held 6,311,689 shares, which accounts for 2.32% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Following the acquisition, KBC Securities NV holds 11,751,771 shares, which accounts for 4.33% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A.
- KBL European Private Bankers S.A. acquired 7,860,918 shares of Kredyt Bank S.A. accounting for 2.89% in the capital and votes at the General Meeting of Shareholders of Kredyt Bank S.A. Prior to the acquisition, KBL European Private Bankers S.A. did not hold any shares of Kredyt Bank S.A.

Following the above transactions, KBC Group holds: in the investment portfolio: 80% of shares of KB S.A., i.e. 217,327,103 shares, via KBC Bank; in the portfolio of securities for sale: 4.33% of shares, i.e. 11,751,771 shares via KBC Securities; and 2.89% of shares, i.e. 7,860,918 shares via KBL EPB. KBC Group and its subsidiaries: KBC Bank, KBC Securities and KBL EPB do not intend to increase its share in the total number of votes within 12 months from the date of the notice.

Voting rights of KBC Group and its subsidiaries: KBC Bank, KBC Securities and KBL EPB will be limited to 203,744,160 votes, representing 75% of votes. KBC Group and its subsidiaries: KBC Bank, KBC Securities and KBL EPB did not enter into any agreements with third parties concerning the exercise of the voting rights.

On 18.12.2007, the Management Board of Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. ('PPIM' based in Warsaw) that, on 17.12.2007, PPIM held over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. concerning the financial instruments included in the portfolios managed within the services of managing broker-traded financial instruments upon order provided by PPIM and in performance of the agreement on the management of broker-traded financial instruments upon order, concluded between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM.

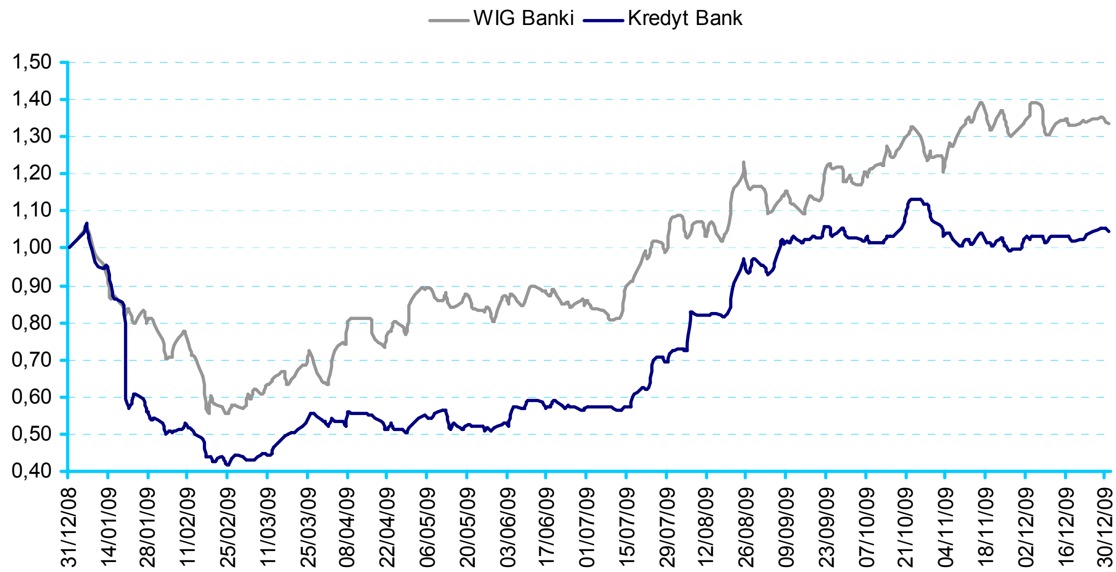
The quotations of shares of Kredyt Bank S.A. at the Warsaw Stock Exchange in 2009

The beginning of 2009 at GPW w Warszawie S.A. (Warsaw Stock Exchange, WSE) was a period of the continuation of the downward trend which was halted only in the second half of February. As a result of a relatively strong growth wave, the main WSE indices managed to make up, by the end of the year, for a significant part of losses incurred as a result of the collapse on international financial markets and return to levels recorded in the middle of 2008.
By the end of February 2009, the price of KB S.A.'s shares was also on a downward course. March was the month of recovery, on the wave of which, the price of the Bank's shares increased in the month by nearly 20%, to the value of PLN 6.05.
Until the middle of July 2009, the price of the Bank's shares remained in the sideways trend. In turn, the next two months were marked by a strong growth trend due to which, in the second half of September, the price of the Bank's shares increased to PLN 12 per share. From the middle of September by the end of the year, the price of the Bank's shares was shifting in the sideways trend oscillating between PLN 11.24 and PLN 12.80 per share (the local maximum reached on 23 October 2009). As a result, the price of the Bank's shares at the end of 2009 was at the level of PLN 11.85 per share.
The market value of the Bank at the closing price at the last stock exchange session in 2009 amounted to PLN 3,219.2 million, and the P/BV was at the level of 1.25. For comparison purposes, at the last session in December 2008, the Bank's shares were valued at the total of PLN 3,077.9 million at P/BV of 1.27. The market value of KB S.A. increased then by 4.6% p.a. For comparison purposes, WIG index was close to 47% above the quotations from the end of 2008, and WIG Banks index gained in this period ca. 34%.

	31.12.2009	31.12.2008	Change (%)
Price of KB S.A.'s shares (PLN)	11.85	11.33	+4.6%
WIG	39 986	27 229	+46.8%
WIG Banks	5 869	4 391	+33.6%
Earnings per share* (PLN)	0.13	1.20	-89.4%
Book value per share* (in PLN)	9.53	9.74	-2.2%

* computed on the basis of consolidated figures

KB share prices against WIG-Banks index in 2009



4.3. The authorities of Kredyt Bank S.A.

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

The Supervisory Board of Kredyt Bank S.A., at the meeting on 29 May 2009 decided that, from 29 May 2009, the Management Board of Kredyt Bank S.A. will be composed of six members. At the same meeting, the Supervisory Board appointed, on 29 May 2009, Mr. Gert Rammeloo to be a member of the Management Board of Kredyt Bank S.A., as the Vice-President. He will be responsible for the Retail Sale Function.

On 15 December 2009, the Bank's Management Board was notified that Mr. Michał Oziembło, the Vice President of the Management Board of Kredyt Bank S.A., due to the reorganisation of the Consumer Finance function, on 15 December 2009, resigned from his position of the Vice President of the Management Board and from his membership in the Management Board of Kredyt Bank S.A.

The Supervisory Board, under Resolution of 21 December 2009, determined that the number of the members of the Management Board would be five.

As at 31.12.2009, the Management Board of Kredyt Bank S.A. was composed of:

Name	Position
Maciej Bardan	President of the Management Board
Umberto Arts	Vice President of the Management Board
Lidia Jabłonowska-Luba	Vice President of the Management Board
Krzysztof Kokot	Vice President of the Management Board
Gert Rammeloo	Vice President of the Management Board

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

On 15 April 2009, the Management Board of Kredyt Bank S.A. was notified of the resignation, submitted to the Chairman of the Bank's Supervisory Board, by Mr. Luc Philips from the membership on the Supervisory Board, as from the day of the next Ordinary General Meeting of the Shareholders of the Bank.

According to the Resolution No. 24/2009 of the General Meeting of Shareholders of Kredyt Bank S.A. concerning the selection of a Member of the Bank's Supervisory Board, adopted on 27 May 2009, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. appointed, on 27 May 2009, Mr. Dirk Mampaey to become the Member of the Supervisory Board.

On 16 September 2009, the Management Board of Kredyt Bank S.A. was notified that Mr. Jan Vanhevel, a Member of the Supervisory Board of Kredyt Bank S.A. had filed, on 16 September 2009, the resignation from the function of a Member of the Supervisory Board of Kredyt Bank S.A.

At the same time, the Supervisory Board appointed, on 16 September 2009, Mr. Ronny Delchambre as a Member of the Supervisory Board of Kredyt Bank S.A. by co-opting him to the Board.

As at 31.12.2009, the Supervisory Board of Kredyt Bank S.A. was composed of:

Name	Position
Andrzej Witkowski	Chairman of the Supervisory Board
Adam Noga	Vice Chairman of the Supervisory Board
Francois Gillet	Member of the Supervisory Board
John Hollows	Member of the Supervisory Board
Feliks Kulikowski	Member of the Supervisory Board
Marek Michałowski	Member of the Supervisory Board
Krzysztof Trębaczkiewicz	Member of the Supervisory Board
Ronny Delchambre	Member of the Supervisory Board
Dirk Mampaey	Member of the Supervisory Board

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

As at publication date of this report, i.e. 26.02.2010, 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. As compared to the situation as at the publication date of the annual consolidated financial report for 2008, the number of the Bank's shares held by members of the Bank's Management Board did not change.

Remunerations of persons managing and supervising Kredyt Bank S.A.

Details of remunerations of persons managing and supervising the Group's parent company are presented in Note 58 to the financial statements of Kredyt Bank S.A. for the year ended 31.12.2008.

The contract of employment concluded with one of the Members of the Bank's Management Board provides for the entitlement to one-off compensation due to the termination of the contract of employment as a result of the dismissal from the Bank's Management Board amounting to:

- 24-fold average monthly remuneration – if the period to the end of the term of office of the Bank's Management Board is 24 months or more;
- the product of average monthly remuneration and of the number of months remaining to the end of the term of office of the Bank's Management Board, however, not less than 12-fold average monthly remuneration – if the period to the end of the term of office of the Bank's Management Board is less than 24 months.

The said contract also contains a provision that the compensation shall not be paid if the reason for the dismissal from the Management Board is as follows:

- acting to the Bank's detriment;
- committing a felony which is obvious or is confirmed by a valid court judgment;
- causing a material damage to the Bank's assets;
- infringing the non-competition agreement;
- disclosing a business secret;
- violating seriously the Bank's internal regulations or resolutions of the Bank's authorities.

In the case of not entering into a new agreement due to the failure to appoint the Employee as a member of the Bank's Management Board for the next term of office, he will be entitled to obtain one–off compensation amounting to 12-fold average monthly remuneration.

According to the non-competition agreement concluded with the employee, should the employee resign from his position in the Bank's Management Board during the term of office of the Management Board, the Bank's Supervisory Board may oblige the employee not to engage in business competitive towards the Bank for 12 calendar months from the termination of the contract of employment, except for business in these entities in which the Bank or its related party holds shares or other rights. For each month of the non-competition restriction, the employee is entitled to compensation amounting to 100% of his/her average remuneration from the last six months of the term of his/her contract of employment.

The contracts of employment concluded with three Members of the Bank's Management Board contain provisions concerning the amount of the compensation for the compliance with the non-competition clause in the case of terminating their work as members of the Management Board. The compensation amounting to 100% of average monthly remuneration will be paid for the period of six calendar months from the termination of the contract of employment by the employee and the Bank. In addition, these contracts provide for the death in service benefit in the case of the

Employee's death during the employment in the Bank amounting to three average monthly remunerations.

4.4. Events and contracts material for Kredyt Bank S.A.'s activity in 2009

The following events were material for the Bank's operations in 2009:

- On 26 January 2009, Moody's Investors Service rating agency affirmed the Long-term Deposit Rating of Kredyt Bank S.A. at 'A2' and changed the outlook for the above long-term rating from 'stable' to 'negative'. These rating decisions were made in connection with the decision on downgrading the ratings of KBC Bank, i.e. the parent entity of Kredyt Bank S.A. The levels of the remaining ratings of Kredyt Bank S.A. previously granted by Moody's Investors Service remained the same.
- On 26 January 2009, the Bank received the decision of the Polish Financial Supervision Authority (KNF) concerning its consent to include an amount of PLN 75,000,000 into Kredyt Bank S.A.'s supplementary funds, pursuant to the terms and conditions of the subordinated loan agreement concluded on 17 December 2008 between Kredyt Bank S.A. and KBC Bank NV, Dublin branch.
- On 11 February 2009, the Bank's Management Board informed that, due to the deterioration in the economic situation and the need to lower the business activities costs, the Bank's Management Board made a decision to reduce employment.
- On 11 March 2009, the Management Board of Kredyt Bank S.A. notified of the termination of the agreement on providing the rating services concluded by Kredyt Bank S.A. and Moody's Investors Service. The above decision was made as a result of the fact that, in the nearest future, the Bank does not intend to obtain long-term financing from external sources, which would justify the assignment of ratings. According to the information submitted on 11 March 2009 by Moody's Investors Service, the withdrawal of KB S.A. ratings did not mean the change in the assessment of the Bank's credit rating.
- On 24 March 2009, the Management Board of the Bank approved the draft Resolution of the General Meeting of Shareholders of Kredyt Bank S.A. concerning the distribution of profit for 2008 and submitted it to be examined by the Supervisory Board of Kredyt Bank S.A. The above draft Resolution concerning the distribution of profit for 2008 did not envisage the payment of dividend.
- On 30 March 2009, the Bank's Management Board informed that the Bank terminated the agreement on the provision of rating services concluded between Kredyt Bank S.A. and Fitch Ratings. The above decision was made as a result of the fact that, in the nearest future, the Bank does not intend to obtain long-term financing from external sources, which would justify the assignment of ratings. In addition, on 30 March 2009, Fitch Ratings confirmed the following ratings of the Bank: Long-term Issuer Default Rating (IDR) at A (with negative outlook), Short-term Issuer Default Rating (IDR) at F1 and the Support Rating at 1.
  At the same time, the agency decreased the individual rating of Kredyt Bank S.A. from 'C/D' to 'D'. The agency justified that the above decision reflects the deterioration in economic conditions in Poland, which may result in lower income and higher costs of risk for Polish banks. In this context, according to Fitch, the Bank's capital base ensures only a limited protection in the case of the negative scenario.
- On 1 April 2009, the Supervisory Board of Kredyt Bank S.A., appointed the certified auditor, Ernst & Young Audit Sp. z o.o., with its registered office in Warsaw, ul. Rondo ONZ 1, registry No. 130, to perform an independent review and audit of financial statements of Kredyt Bank S.A. and of consolidated financial statements of Kredyt Bank S.A. Capital Group as of 30 June 2009 and 31 December 2009.
  Kredyt Bank S.A. employed Ernst & Young Audit sp. z o.o. to audit financial statements for 2002, 2003, 2004, 2005, 2006, 2007 and 2008. The change of the partner supervising the audits of financial statements took place in 2005.

- On 7 May 2009, Kredyt Bank S.A. executed, with KBC Bank NV Dublin Branch, a subordinated loan agreement up to the amount equivalent to CHF 165 million. The agreement was concluded on market terms with the repayment period of ten years from the release of the financial resources. The interest rate is based on LIBOR rate plus margin. The said agreement provides for the possibility of an earlier repayment of the loan, at any time, but not earlier than after 5 years from the date of the first payment of the funds. The earlier repayment will require a permit from the Polish Financial Supervision Authority. On 19 June 2009, the Management Board of Kredyt Bank S.A. received the decision of the Polish Financial Supervision Authority of 12 June 2009 concerning the consent to include the amount of the said subordinate loan in the Bank's own funds.

- On 27 May 2009, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted, among other things, the resolution concerning the distribution of profit for 2008, providing for its designation to the write-down for general risk reserve (PLN 100,000,000) and to the Bank's supplementary capital (PLN 201,071,935.35).

- On 4 September 2009, two subsidiaries of KBC Group N.V., i.e. KBC Securities N.V. and KBL European Private Bankers S.A., acquired from Sofina S.A. the shares of Kredyt Bank S.A. As a result of the above transactions, KBC Group holds: in the investment portfolio, via KBC Bank - 80% of the shares of Kredyt Bank S.A., i.e. 217,327,103 shares, and in the portfolio of available-for-sale securities: 4.32% of the shares, i.e. 11,751,771 Bank's shares via KBC Securities; and 2.89% of the shares of Kredyt Bank S.A., i.e. 7,860,918 shares via European Private Bankers S.A.
  The voting right of KBC Group and of the subsidiaries of KBC Group, i.e. KBC Bank, KBC Securities and KBL EPB, is limited to 203,744,160 votes, representing 75% of the total number of votes.
  As a result of the transaction, Sofina S.A. holds 1,713,772 shares, which account for 0.63% of the Bank's share capital and entitle their holder to 0.63% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.

- On 22 September 2009, the Management Board of Kredyt Bank S.A. notified of the increase in the number of employees subject in 2009 to the reduction in employment in the form of redundancies in Kredyt Bank S.A. by ca. 450 employees, i.e. to the total number of 750 employees.

- On 9 December 2009, the Management Board of Kredyt Bank S.A. adopted the resolution and filed to the Supervisory Board of Kredyt Bank S.A. a motion to approve of the sale by Kredyt Bank S.A. of all shares of Żagiel S.A. held by it to KBC Bank N.V.
  In addition, the Management Board of Kredyt Bank S.A. notified that, having regard for the difficult situation in the consumer finance segment, they had reviewed the quality of the loan portfolio of this segment, as a result of which, in December 2009, they would establish additional provisions. The Management Board expects that, in the case of carrying out the sale of the shares of Żagiel S.A. by the end of this year, Kredyt Bank S.A. Group will record positive financial result in 2009.

- On 15 December 2009, the Supervisory Board of Kredyt Bank S.A. approved of the sale by Kredyt Bank S.A. of 100% of shares of Żagiel S.A. held by it to KBC Bank N.V.

- On 16 December 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 the 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 proposed selling price.

According to the independent opinion prepared by a consulting company, KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k., 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. are 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 are fair from the viewpoint of the interests of Kredyt Bank S.A.

In 2009, the Bank did not enter into any material agreements with the central bank or the regulatory authorities.

Contracts entered into by the Issuer with an entity authorized to audit financial statements
On 15 May 2009, the Bank entered into an agreement with an entity authorized to audit financial statements, Ernst&Young Audit Sp. z o.o. in Warsaw, on the review of the semi-annual condensed, standalone and consolidated financial statements of the Bank and of the Group for the first half of 2009 and the audit of the standalone and consolidated financial statements of the Bank and of the Group for 2009. The total net remuneration under this agreement amounted to PLN 725 thousand and PLN 930 thousand respectively (in 2008: PLN 612 thousand and PLN 804 thousand, the contract as of 09.04.2008).
In addition, in 2009, the Bank entered into an agreement with the entity authorized to audit financial statements to carry out agreed procedures as regards the reports concerning the assessment of the area of internal audit and risk management by the Company ('Self assessment report'; net contract value: PLN 30 thousand). In 2008, the Bank entered into an agreement with the entity authorized to audit financial statements concerning the performance of agreed procedures related to the quarterly consolidated financial statements for the first quarter and the third quarter of 2008 (net remuneration: PLN 520 thousand) and procedures concerning the subsidiary Reliz Sp. z o.o. (net contract value: PLN 75 thousand).

Major post-balance sheet events
On 22 February 2010, the Management Board of Kredyt Bank S.A. was notified of the resignation, submitted to the Chairman of the Supervisory Board of Kredyt Bank S.A., by Mr. Francois Gillet from the membership in the Supervisory Board, as from 23 February 2010.

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

5.1. Retail banking

The Retail Segment in Kredyt Bank S.A. is defined as services provided to individual customers (except for customers qualified as Consumer Finance Segment) as well as Small and Medium-sized Enterprises (SME), whose annual sales revenue does not exceed PLN 16 million.

The network of own outlets is the core distribution channel through which Kredyt Bank reaches individual customers with its offer. At the end of 2009, the Bank operated a network of 402 units, including 80 branches, 312 affiliates, 8 banking points and 2 agencies. Financial brokers were the distribution channel supporting the sale of mortgages. In 2009, the Bank cooperated with 11 major Polish financial intermediaries, offering its services in the whole area of Poland, and ca. 400 local intermediaries. Among 11 brokers, there was Żagiel, which, at the end of 2009, had 181 outlets. The Bank cooperated also with the network of ca. 200 agents of TUiR Warta S.A. KB24, an electronic banking system, and Call Center supplement the traditional distribution channels. Owing to them, our customers have access to products and services 24 hours a day, 7 days a week.

As at the end of 2009, Kredyt Bank S.A. provided services to 1,076 thousand individual customers and SMEs, i.e. more by 6.3% than the year before.

in PLN '000'	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Individual customers	996	929	869	849
SMEs	80	83	82	87
Total customers	**1 076**	**1 012**	**951**	**936**

At the end of 2009, the number of KB24 users amounted to 356 thousand as compared to 334 thousand at the end of 2008 (an increase by 6.6%).

in '000'	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Number of KB24 users	356	334	278	228
Number of transfers via KB24 in the year	16 959	14 932	12 000	9 023

In 2009, the segment's gross operating result (including SME) amounted to PLN 733,293 thousand and was lower than the result generated in 2008 by 10.1%. Higher costs and commission fees related to loans insurance and credit reference and lower exchange income were the main reasons for the decrease.
The segment negative gross result (- PLN 97,043 thousand as compared to + PLN 83,418 thousand in 2008) was affected by the deduction of net impairment losses on financial assets, other assets and provisions (- PLN 132,090 thousand) against the positive impact in the corresponding period of the last year (+ PLN 6,507 thousand).

Payments and cards

Personal accounts and credit cards were the main elements of the product strategy in the Payments and Cards platform in 2009. By the end of the year, the Bank opened 84,673 new savings and settlement accounts and sold 40,130 credit cards.
In April, the Bank launched 'Ekstrakonto łączy' programme, under which our customers could recommend the opening of Ekstrakonto account to family members and friends. Owing to customers' recommendations, 4,500 new personal accounts were opened.

In the fourth quarter of 2009, the Bank's activities focused on the acquisition of new Customers and cross-selling campaigns, such as the sale of personal accounts to deposit customers and to customers requesting a cash loan. Such an approach resulted in opening a record-breaking (in the Bank's history) number of 31,753 new personal accounts (37% of the whole acquisition in 2009). The cross-selling activities will be continued in 2010. In 2010, the Bank also intends to continue works on the operational excellence in the area of accounts opening process and on the termination of works on making the Bank's offer more attractive as regards credit cards and personal accounts:

- introduction of a new, Customer-friendly account agreement ensuring full flexibility as regards the purchase of further products and banking services;
- simplification of the account opening process;
- implementation of new customized packages of accounts;
- increasing the security of transactions performed by Customers in the electronic banking system;
- implementation of a new offer of insurances for accounts;
- implementation of a new process of providing cards and PIN numbers to Customers.

ROR current accounts	31.12.2009	31.12.2008	31.12.2007	31.12.2006
No. of ROR accounts (in thousands)	612	588	561	552
Carrying amount (in PLN '000')	1 123 428	1 216 932	1 218 247	1 020 146

Credit cards (in '000')	31.12.2009	31.12.2008	31.12.2007	31.12.2006
No. of credit cards sold via Żagiel S.A. (in thousands)	341	313	84	24
No. of credit cards sold by the Bank (in thousands)	187	164	129	99
Total number of credit cards (in thousands)	**528**	**477**	**213**	**123**

Savings and Investments

In 2009, the value of individual customers' deposits grew significantly. 3M fixed interest rate term deposit was a leading product in the first quarter. In the second quarter, the Bank launched measures to promote the savings account, especially to source new funds for which a higher interest rate was offered. A new product with daily interest accrual was also introduced – 'Konto Oszczędnościowe – Lokata Swobodna' linked to a ROR account; 62,362 new accounts were sold by the end of the year. Owing to the loyalty promotion, the portfolio of savings accounts in PLN grew by PLN 2 billion. Owing to the extensive deposits offer, attractive interest rates and the advertising campaign, only in the fourth quarter, the Bank recorded an increase in the balance of deposits in PLN by over PLN 517 million.

Savings accounts	31.12.2009	31.12.2008	31.12.2007	31.12.2006
No. of savings accounts (in thousands)	496	370	311	237
Carrying amount (in PLN '000')	7 626 000	4 245 387	4 385 666	3 864 597

The following investment products were implemented in 2009:

- KBC Roczna Premia FIZ (12.01.2009 - 27.02.2009) – a capital guaranteed product with a guaranteed coupon of 9.3% for the first settlement period, an investment in 30 global companies;
- EKO ENERGIA (2.02.2009 - 30.04.2009) – a form of a life insurance policy based on a guaranteed capital fund, investments in companies of the alternative energy industry; When investing in EKO ENERGIA, one could open 'Lokata EKO' term deposit.
- KBC Roczna Premia II FIZ (22.04.2009 - 19.06.2009) – capital guaranteed, the premium from the fund of 5% will be paid in March 2010, an investment in 30 selected companies;
- Złoty Procent (04.05.2009 - -0.06.2009) – a form of life insurance, the final return on investment depends on changes in 6M WIBOR rate;
- KBC Poland Jumper 1 FIZ (22.05.2009 - 3.06.2009) – for wealthy customers; PLN 103 million was collected, which allowed for the generation of the largest volume from individual investors on the market since June 2008;
- KBC Dobry Bonus FIZ (7.09.2009 - 31.10.2009) with guaranteed capital, with a structure allowing for the payment of periodic coupons during the lifetime of the fund; an investment in the shares of 30 global companies;
- 'Koszyk zysków' (01.07.2009 - 31.08.2009) – a form of life insurance based on the guaranteed capital fund; an investment into a basket of companies in the foodstuff industry.
- 'Petro Inwestycja' (1.09.2009 - 31.10.2009) – a form of life insurance; the final return on investment depends on the behaviour of S&P GSCI Energy Excess Return index. The index is calculated on the basis of the prices of raw materials and of petroleum derivative products;
- Open-end Investment Funds: in the third quarter, the Bank recorded this year's highest sales of the funds, which amounted, in net terms, to over PLN 500 million. The majority of assets were sourced to money funds. In the fourth quarter, gross sales amounted to PLN

287 million, including nearly PLN 200 million invested in money market funds – KBC Pieniężny and KBC Gamma;

- KBC Quick Exposure FIZ (16.11.2009 - 30.11.2009) – an offer addressed to wealthy customers; an investment in the index of Western European companies (CECEEUR); a fund without guaranteed capital. The amount of PLN 23.2 million was obtained during the offer of the product.
- KBC Klik Polska FIZ (16.11.2009 - 31.12.2009) – a guaranteed capital fund; the profit depends on the Polish index of 20 major companies (WIG 20). Sourced assets of PLN 17.9 million;
- on 9 December 2009, the offer was expanded with the first fund within direct distribution – PL KBC Kupon 1, with guaranteed capital, with periodic coupons paid during the lifetime of the investment;
- In the second half of the year, measures were taken to launch of the sale of 'Profit Plan Ubezpieczenia Inwestycyjnego' product.

Investment funds	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Net assets of funds (excluding non-registered funds) sold via the Bank's distribution network (in thousands)	3 390 735	2 789 563	3 572 284	3 007 849

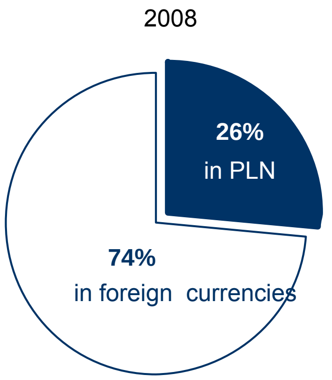
Mortgages

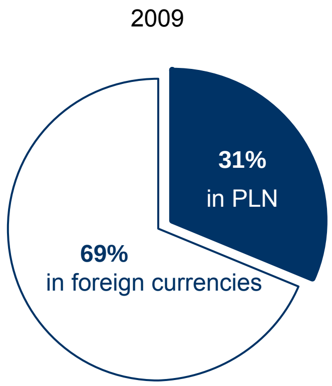
In 2009, the sale of mortgages which, in 2008, was the trigger of the growth of the lending activities, was halted. The value of the portfolio, as compared to the end of 2008, increased by 6%. The Bank maintained the high position on the market, with the share of the portfolio exceeding 6%.
In March, the Bank ceased to grant mortgages in foreign currencies; however, in December, it restored the offer of loans in EUR and CHF, limiting it to the Bank's best customers from the Wealthy Customers segment and the Private Banking segment.

We recorded an increase in the sale of 'AMBICJA' mortgage loan with the sales growth rate of 343% as compared to 2008.
In June, BANK monthly granted to Kredyt Bank the title of the leader of the banking sector for the highest growth rate for the mortgage loans portfolio and significant growth of the sale of new loans designated for the financing of real estate.

Mortgages (in '000')	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Gross value of the portfolio at the end of the period	13 685 315	12 854 847	5 876 171	3 172 752
No. of loans extended in the year (in thousands)	7.0	38.5	25.4	16.6
Volume of loans extended in the year*	1 319 869	6 000 699	3 890 578	2 021 800

* new loans





Cash loans

In 2009, via the Bank's network, the Group sold cash loans of PLN 1,066 million. As compared to 2008, the sales value grew almost twice.

Four marketing campaigns to promote cash loans took place: in March, June and September and at the end of November and the beginning of December. The campaign aimed at increasing the sale of cash loans and at cross-selling of 'Ekstrakonto' account (opening of 'Ekstrakonto' account was the condition for obtaining a promotional price). All the campaigns were successful:

- the number of extended loans – 38,177;
- the value of extended loans - PLN 473 million.

In the second half of 2009, the Bank focused on the second stage of increases in interest rates to adjust the loan price to the credit risk of customers and on the introduction of a special cash loan offer for professionals.
On a monthly basis, the Bank undertook active direct marketing measures addressed to its customers in order to encourage them to take a cash loan.

Cash loans – Bank's network (in '000')	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Gross value of the portfolio at the end of the period	1 539 087	1 015 941	407 856	176 751

5.2. Consumer Finance

Consumer Finance is a market of non-secured loans, mainly instalment loans, cash loans, consolidation loans and credit cards. The market also entails car loans and overdrafts.

In 2009, Kredyt Bank S.A. was selling its products on this market via Żagiel. A lending intermediary is an entity which takes advantage of the conclusion or a physical conclusion of a loan agreement, not engaging own funds (and not engaging in the activities of a lender).

The offer of the consumer finance products is addressed to natural persons who want to purchase mainly concrete goods, by instalments, with the use of a cash loan or a credit card. The goods are used for the purpose of own consumption or as investment goods to carry business activities by self-employed persons. The consumer finance offer was addressed in the past to customers from medium-sized and small towns. In previous years, the network of distribution of Żagiel has also been developed in large cities.

The distribution network of each of the products is characterized by its separate nature. Instalment loans are distributed by agents and the regional proprietary structure of Żagiel, which manages relations with cooperating shops. The shops may be divided into: network shops, medium-sized and small shops, Internet shops and door-to-door sale networks.
Cash loans are distributed via the following channels of Żagiel:

- Own 'Kredyt Punkt' outlets
- Agency-based 'Kredyt Punkt' outlets
- Multiagencies – they also offer products of other banks
- Mobile agents

In the case of the sale of credit cards, they use the existing customer base. The cards are sold to people, who repay the instalment loan when due. The analysis of their behaviour is an element of the examination of creditworthiness.

In 2009, in view of the symptoms of the slower economic growth and the identification of the 'cash bubble' phenomenon, measures were taken to reduce the risk. They comprised the suspension of the process of issuing credit cards and a significant reduction of the sale of cash loans. The existing portfolio of cash loans was divided into four groups. Particular subportfolios are substantially different from the viewpoint of the quality and the pace of changes. They were separated as a result of a detailed analysis and the review of the portfolio on the basis of the verification in Biuro Informacji Kredytowej [Credit Information Bureau] ('BIK') (monitoring queries) and according to the rules measuring, among other things, the degree of burdening customers' income with loan instalments and the growth rate of the balance of customer exposure. With reference to particular subportfolios, the Bank applies various measures aiming at the improvement of the customers' situation or the recovery of receivables.

The criteria concerning the extension of instalment loans to applicants were tightened up significantly. It resulted in a decrease in the acceptability of submitted applications and in an improvement of the quality of the portfolio of new loans. Additional restrictions were also established. They concerned more risky types of customers, product categories and points of sale. In the area of instalment loans, it resulted in an increase in the margin for offered products.

The changes in the risk policy and sale policy allowed for the concentration of measures on the most prospective distribution channels and the reduction of the network to the highest profitability points. The Company also implemented the programme of increasing the operational effectiveness, which involves the streamlining of processes and the reduction of expenses. Focusing on the quality and profitability of the sale of the instalment loan resulted in the decrease in the volume of extended loans to PLN 1,475 million as compared to PLN 2,043 million in 2008. The average value of an instalment loan in 2009 amounted to PLN 2.1 thousand as compared to PLN 1.95 thousand in 2008. For the cash loan, the values were PLN 4.9 thousand and PLN 6.3 thousand respectively.

Towards the end of 2009, decisions were made to amend the business model in the area of Consumer Finance products. It resulted in the sale of Żagiel to KBC Bank NV and the decision about the transfer of the product management and loans administration functions to the Bank; they were centralized in a separate Consumer Finance Department. The above decisions also reflect the new approach, according to which the Bank is interested in the establishment of long-term relations with customers. Żagiel remains a distribution company selling the products of Kredyt Bank S.A. with the simultaneous change in the cooperation rules to establish a Bank–intermediary relation.

For Consumer Finance products, the following assumptions were adopted in 2010:

- instalment loans will be offered to present and new customers in the entire territory of Poland;
- cash loans and the credit cards will be offered to a target group selected from the database, with significantly stricter conditions of the behavioural scoring; The products will not be offered to new customers.
- the share in the market of consumer finance products (instalment loan, cash loan, credit card) sold via Żagiel will be slightly smaller than in 2009. The decrease in the market share will be related to instalment and cash loans, and a slight increase – to credit cards.

Instalment and cash loans (in '000')	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Gross value of the portfolio at the end of the period, including:	**4 118 645**	**3 827 727**	**2 063 331**	**1 498 973**
Loans extended via Żagiel:				
Gross value of the portfolio at the end of the period	2 579 558	2 811 786	1 655 475	1 322 222
No. of loans extended in the year (in thousands)	752	1 205	1 031	964
No. of loans extended in the year*	1 728 572	3 234 233	3 096 445	1 684 413

In 2009, the segment's gross operating result amounted to PLN 341,210 thousand and was higher than the result generated in 2008 by 72.5%. It was related mainly to the dividend obtained from Żagiel amounting to PLN 111,664 thousand and with a very quick increase in the value of the loan portfolio in the second half of 2008 and related growth in generated net interest income. The year 2009 ended with loss before tax of - PLN 208,694 thousand as compared to loss before tax of - PLN 8,173 thousand generated in 2008. It was an effect of a much larger deduction from the financial result of net impairment losses on financial assets, other assets and provisions (-PLN 518,712 thousand as compared to –PLN 168,339 thousand in 2008). The increase was partially set off by savings in operating expenses.

5.3. SMEs

In 2009, the Small and Medium-sized Enterprises (SME) Function was defined as services provided to enterprises, whose annual sales income does not exceed PLN 16 million. A significant development of the SME business line through the increase in the activity of the sales network in this area is the Bank's strategic objective. To this end, the Bank established a separate business line of SME customers with a dedicated product offer and separate processes. In addition, for 2010, the Bank implemented a new segmentation, which splits the Bank's customer base depending on the distribution channel, creating the segment of micro-companies (SOHO), i.e. customers with annual sales up to PLN 1 million, and defining the SME segment as companies with annual sales from PLN 1 million to PLN 25 million.
In 2009, the following measures were taken:

- separation of SMEs – a separate business line, next to retail and corporate banking;
- establishment of an organisational structure in the Head Office and in 11 Macroregions – Directors of Macroregions and SME teams located in 54 towns throughout Poland;
- a change in the method of settling selling effects to the one focused on the profitability of the portfolio of customers, having regard for the incurred costs and established loan provisions;
- a review of the pricing policy in the area of cash processing; the introduction of new commission rates from the middle of the year;
- an increase in the discipline in the area of the management of the customers' portfolios (adjustment of the product offer); an increase in the activeness in the area of FX transactions;
- implementation of new tools and of the principle of monitoring the selling activity of consultants, including the termination of the first stage of changes in the functionality of application ensuring an access to MIS information for a new SME;
- introduction of a new segmentation and a service model. The base of all customers was divided into two distribution channels: SOHO (annual sales up to PLN 1 million), which are served directly by retail branches and retail banking consultants (ca. 65 thousand customers) and SMEs (15 thousand companies) served by dedicated SME consultants;

- launch of the phone Customer Service Centre. It is an operating centre for selected processes and the centre responsible for the quality of customer service.

The major areas of activity in the SME segment in 2010 are as follows:

- the cross-sale of products, an increase in the aciveness of the present customers and a large-scale acquisition of new companies. We are implementing the package offer oriented to new customers. The acquisition will be based mainly on direct acquisition by SME Consultants and branches, supported by marketing measures and selling campaigns;
- the present product base, streamlining of processes and the changes in selling priorities with a substantial pressure on transactional banking and foreign exchange transactions;
- a significant increase in the number of credit customers, with pressure put on short-term loans, mainly in the current account, including fast loans. The loan will be treated mainly as a tool for the activation and sourcing of customers' turnover. An ongoing review and standardization of lending processes, the monitoring of the quality of the loans portfolio;
- more active cooperation with KBC Group's companies in Poland – Warta, TFI, Kredyt Lease;
- an increase in the effectiveness of the customer service model (products distribution channels, optimizing communication costs with a customer, the pricing policy, cooperation between retail outlets and the network of SME consultants).

The table below presents balances at the period end according to the Bank's internal segmentation applicable in 2009.

Small and Medium-sized Enterprises (SME)	**31.12.2009**	**31.12.2008**	**31.12.2007**	**31.12.2006**
Loans for SMEs (in PLN '000')	1 257 843	1 259 097	903 712	645 543
Current accounts of SMEs (in PLN '000')	1 344 933	1 438 746	1 487 181	1 241 458

5.4. Corporate banking

The Corporate Segment, according to the Bank's internal segmentation in 2009, entailed companies with annual revenues exceeding PLN 16 million, including public sector enterprises and budgetary units at the central and local level. The new segmentation was implemented for 2010; it establishes a symbolic borderline between the SME segment and the corporate customers segment at PLN 25 million.

The cooperation with corporate customers is carried out by 13 Corporate Banking Centres located in: Białystok, Bydgoszcz, Gdańsk, Katowice, Kraków, Lublin, Łódź, Poznań, Rzeszów, Szczecin, Warsaw (2 Centres) and in Wrocław. The Centres covering the largest areas have their additional representative outlets in smaller towns (Ciechanów, Gorzów, Jelenia Góra, Koszalin, Legnica, Leszno, Olsztyn, Piła, Radom, Siedlce). The system of the cooperation with customers with top turnover of over PLN 250 million was optimized. So far, they have been served, disregarding customer location, by one Centre in Warsaw, and now they are served locally in regions. Cash and counter services are provided in 400 branches and retail affiliates throughout Poland.
Direct contact with customers and the management of the whole cooperation is performed by Customer Assistants. In the case of specialist services, they are supported by product specialists – the employees of the Bank's Head Office organizational units in Warsaw. For a part of services, product support is ensured by the companies of Kredyt Bank Group and of KBC Group in Poland: in the case of leasing products, Kredyt Lease S.A., which offers a complete range of services to companies mainly in respect of the leasing of property, plant and equipment, and properties, and

in the case of means of transport, by a new company KBC Autolease S.A., which, apart from leasing, also offers all-inclusive fleet management services. In the case of investment banking, corporate customers are served in cooperation with KBC Securities S.A. and KBC Private Equity S.A., and the investment of free resources in investment funds is provided by KBC TFI S.A.

In 2009, the Bank focused mainly on:

- close monitoring of the risk and the review of the existing loans portfolio, including the issues concerning derivatives and the hedge of the market risk;
- expansion of the product offer and the improvement of the sale organisation and the quality of customer service;
- establishment of the phone Customer Service Centre, which was launched in the fourth quarter of 2009. The Centre provides complete operational services, including:
  a) the information about:
     - inflows to accounts and balances in accounts;
     - the status of transactions;
     - collected commissions and fees;
     - standard and individual fees and commissions;
     - exchange rates and interest rates on term deposits;
  b) the ordering of:
     - issuing transaction confirmations and sending them to the beneficiary;
     - issuing a certificate of keeping an account;
     - issuing a banking opinion;
     - issuing the year-end confirmation of balances and other data for the auditor;
     - issuing duplicates of banking documents;
     - cancelling a lost or a stolen business payment card;
     - issuing a new business payment card;
     - opening a new term deposit and the closing of an existing term deposit;
  c) technical support associated with the electronic banking system;
  d) submitting a complaint;

  Ensuring a high standard of services to corporate customers and improving the effectiveness through the centralization of certain customer service processes are the objectives of the Centre.
- the development of the offer of transactional services: payroll accounts, consolidation accounts, accounts for deposited sums (courts and prosecutor's offices), and the improvement of the existing products and services.

The measures aimed at the reinforcement of the Bank's image as a safe financial institution which offers the highest level of complete services to large corporations. The table below presents balances at the period end according to the Bank's internal segmentation applicable in the year.

Corporate Segment (in PLN million)	**31.12.2009**	**31.12.2008**	**31.12.2007**	**31.12.2006**
Loans for corporate customers	7 880.1	9 426.4	8 023.8	5 373.6
Budget	210.3	296.3	407.9	543.6
Enterprises	7 669.8	9 130.1	7 615.9	4 830.0
Deposits of corporate customers	5 709.1	6 661.5	4 968.7	4 116.3
Budget	1 623.9	2 564.0	1 612.0	1 226.9
Enterprises	4 085.2	4 097.5	3 356.7	2 889.4

In 2009, the segment's gross operating result amounted to PLN 329,993 thousand and was higher than the result generated in 2008 by 17.5%. Both net interest income and net commission income were higher. The much lower segment profit before tax (PLN 35,983 thousand as compared to + PLN 172,653 thousand in 2008) resulted from the significant increase in the deduction of net impairment losses on financial assets, other assets and provisions from the result (- PLN 199,965 thousand against – PLN 27,758 thousand in 2008).

The most important areas in which the measures in the corporate customer segment will be focused in 2010 are as follows:

- the development of corporate banking in the years to come will be based mainly on the development in the segment of smaller and medium-sized corporations with annual sales from PLN 25 million to PLN 300 (500) million (mid-cap). It will allow for an increase in the return on assets, a larger diversification of income and of the loans portfolio.
- an increase in the cross-selling of products in the case of existing customers and sourcing new customers will be crucial.
- we will attach a lot of weight to transactional banking products, trade finance and foreign exchange products.
- To build relations in the corporate segment, granted financing will be a very important area. In terms of new exposures, we are planning the development mainly in the area of short-term lending, and a financing decision will be each time a derivative of credit rating and of the level of return on assets. In addition, in 2010, we are planning to continue our pricing strategy, i.e. increase returns or decrease exposures, where the risk is too high or margins are not satisfactory. We will pursue the policy of a disciplined use of capital, which means that we will limit new activeness in the segment of real property financing, and large, structured transactions will be financed only when their rate of return and the level of the cross-selling of products is satisfactory. Having regard for the level of provisions in 2009, the area of the lending discipline and of the portfolio management will be treated as a priority.
- Through activations, an increase in the number of credit customers and acquisitions, we would like to increase fee and commission income. The growth rate from current transactions and periodical fees in the current account as well as an increase in income in the area of currency translations, which so far has not been used in a satisfactory manner, will be the key area of interest.

The basic assumptions of the Bank's product strategy in the corporate segment for 2010:

- the development of a complete range of services to corporate customers regarding settlement products, treasury products and market risk hedging, financing, trade finance and corporate finance. The offer is tailored to customer size and the nature of their operations: corporations, large and medium-sized enterprises and state budgetary units.
- the development of a complete offer of transactional services. The Bank's offer will comprise both traditional transactional banking products [current accounts, auxiliary accounts, term deposits and cash processing (open and closed cash deposits and payments in Branches, the cashing of closed deposits, cash convoys, payments to customers' own banks)] and will be supplemented by such products as Consolidated Accounts (which make it possible to provide services to multi-branch companies and manage the liquidity of capital groups), the Bulk Payment System (which makes it possible to automatically enter into books a large number of inflows in the customer's accounting system, along with the identification of single debtors and payment details), payment and charge cards.
- further development of the offer of loan products, e.g. revolving and non-revolving working capital loans in credit and current account, payment and investment loans, each of them in the national and foreign currencies (standard currencies: EUR, USD and GBP). At the same time, customers will be also able to take advantage of other financing-related services, such as

leasing, bank guarantees, sureties and bill guarantees, project and investment financing, syndicates and the organization of and services related to the issue of debt securities. The complete services related to trade transactions are a separate group of loan services in the Bank's offer: except for the purchase and sale of foreign currencies, including transfers and cheques in foreign trade, export and import financing credits, covering payments under own letters of credits, guarantees in foreign and domestic trade, documentary letters of credit, documentary export collection, export loans, bill discount, factoring, forfeiting.

- to improve the attractiveness of our deposit offer, we are planning to introduce a savings account for corporate customers and a broader sale of safe funds for demanding deposit customers.
- solutions concerning the hedge of the financial risk, i.e. further development of the Bank's offer concerning the products used to hedge the market risk, particularly the currency risk and the interest rate risk.
- the development of leasing services in cooperation with Kredyt Lease S.A and KBC Autolease S.A. in Kredyt Bank's sales network.
- In addition, via KBC Securities and KBC Private Equity, the customers of KBC Group in Poland have access to investment banking services, such as advisory services concerning mergers and acquisitions, capital restructuring, acquisition of capital (stock exchanges, investors, financial partners), transactions on capital markets (primary and secondary market, bonds, capital increase, public calls, buyouts), mezzanine finance, equity finance, MBO, LBO, MBI.

5.5. Treasury Segment and cooperation with international financial institutions

The Bank performs transactions on the inter-bank market, both domestic and international, on own account and on behalf of customers. Active participation in the inter-bank market makes it possible to obtain competitive quotations, which is the basis of stabilization and development of existing corporate customers' base. The Bank is the Treasury Securities Dealer and Money Market Dealer. The treasury products offer is being expanded and ensures appropriate services both to Private Banking customers and medium-sized and large companies. It entails, among other things, the exercise of options hedging the market risk for customers.
Kredyt Bank S.A. established active relations with domestic and foreign banks providing FX/MM, Custody, Trade Finance and payments services. They are supplemented by cooperation agreements with global foreign institutions, e.g. European Investment Bank, European Reconstruction and Development Bank, Visa International. Due to the base of 35,000 SWIFT keys exchanged with other institutions, the Bank is able to exchange correspondence with banks and serve foreign trade in the majority of countries worldwide. As at 31.12.2009, Kredyt Bank maintained 10 LORO accounts in foreign currencies and 31 LORO accounts in PLN for 34 correspondent banks (30 foreign banks and 4 national banks). The network of NOSTRO accounts included 18 accounts in 16 banks and it fully satisfied the clearing needs of Kredyt Bank.

5.6. Custodian services and investment activities

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

6. Financial results of Kredyt Bank S.A. in 2009

6.1. Assets structure

The Bank's total assets as at 31.12.2009 amounted to PLN 38,912,543 thousand against PLN 38,621,122 thousand as at 31.12.2008 and were higher by 0.8%. Net loans and advances to customers and investment securities generated the greatest shares in assets structure; as at the end of 2009, they accounted for 88.8% of total assets. The major changes in assets structure as compared to the end of 2008 were as follows:

- a decrease in the share of net loans and advances to customers from 69.7% to 66.2%. It was mainly a result of a smaller sale of mortgages and consumer loans as well as of the decrease in the value of the portfolio of loans for corporate customers. As compared to the end of 2008, the share of loans and advances to customers decreased by 3.5 p.p.;
- an increase in the share of investment securities in total assets from 16.1% to 22.6%. An increase in the volume of the securities portfolio was an effect of the Bank's policy, which involves a safe investment of customers' funds from savings account and current accounts.

The appreciation of the Polish zloty, due to the large share in the portfolio of currency mortgages, was a factor which adversely affected the increase in the carrying amount in 2009 as compared to 2008. At the end of 2009, the EUR exchange rate was PLN 4.11, and CHF exchange rate was PLN 2.77 (PLN 4.17 and PLN 2.80 at the end of 2008). At the end of 2009, ca. 24% of assets were net loans and advances to customers in CHF, and ca. 5% – loans and advances to customers in EUR.

in PLN '000'	31.12.2009	31.12.2008	Change (%)
Cash and balances with Central Bank	1 175 451	827 956	42.0%
Gross loans and advances to banks	190 013	340 859	-44.3%
Impairment losses on loans and advances to banks	-2 260	-2 261	0.0%
Receivables arising from repurchase transactions	331 875	0	-
Financial assets at fair value through profit or loss, including financial assets held for trading	1 316 786	1 347 027	-2.2%
Derivatives including:	571 410	2 302 799	-75.2%
- derivatives used as hedging instruments	55 741	166 954	-66.6%
Gross loans and advances to customers	27 312 467	27 853 155	-1.9%
Impairment losses on loans and advances to customers	-1 540 231	-927 457	66.1%
Investment securities	8 785 579	6 232 624	41.0%
- available-for-sale	6 032 241	4 359 740	38.4%
- held-to-maturity	2 753 338	1 872 884	47.0%
Investments in subsidiaries and jointly controlled entities	65 995	66 075	-0.1%
Property, plant and equipment	360 238	398 201	-9.5%
Intangible assets	53 553	57 854	-7.4%
Deferred tax assets	179 266	44 509	302.8%
Non-current assets classified as held for sale	0	0	-
Investment properties	9 893	0	-
Other assets	102 508	79 781	28.5%
Total assets	**38 912 543**	**38 621 122**	**0.8%**

Credit portfolio quality

The economic slowdown observed in 2009 and the slower growth rate of the value of the loan portfolio resulted in an increase in the share of non-performing loans in total gross loans and advances to customers for the whole banking sector.

At the end of 2009, in Kredyt Bank S.A., the share of loans and advances with evidence for impairment in total gross loans and advances to customers amounted to 9.1%, i.e. by 3.7 p.p. more than at the end of 2008. In the analysed period, the value of non-performing receivables, i.e. those for which evidence for impairment was identified increased by 64.0%.

The Bank, when estimating credit risk for individual credit exposures and loan portfolios, follows the overriding prudence concept. As at 31.12.2009, the coverage of loans and advances with evidence for impairment with impairment losses was at the level of 56.6% and increased by 0.9 p.p. as compared to 31.12.2008.

The value of loans and advances with evidence for impairment and basic ratios describing the quality of the loans portfolio in 2009 and 2008 are presented in the table below:

in PLN '000'	31.12.2009	31.12.2008	Change (%)
Loans and advances with no evidence for impairment, including interest	24 838 569	26 344 833	-5.7%
Loans and advances with evidence for impairment, including interest	2 473 898	1 508 322	64.0%
Total gross loan and advances to customers (including interest)	**27 312 467**	**27 853 155**	**-1.9%**
Impairment losses on loans and advances to customers	1 540 231	927 457	66.1%
including: impairment losses on loans and advances with evidence for impairment	1 400 944	840 351	66.7%
Total net loans and advances to customers	**25 772 236**	**26 925 698**	**-4.3%**
The share of loans and advances with evidence for impairment in total gross loans and advances	**9.1%**	**5.4%**	**3.7 p.p.**
Coverage of loans and advances with evidence for impairment with impairment losses	**56.6%**	**55.7%**	**0.9 p.p.**

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

In 2009, in the course of debt collection measures aimed at recovering debts from non-paying customers, the Bank issued 26,765 banking executory titles for the total amount of PLN 383.4 million. In 2008, there were issued 23,722 banking executory titles for the total amount of PLN 223.1 million.

In the case of receivables assessed individually, the total fair value of collateral approved by the Group considered in estimated future cash flows, as at 31.12.2009 amounted to PLN 228,997 thousand. As at 31.12.2008, this value was equal to PLN 147,725 thousand.

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

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

The most important change in the structure of the Bank's loan portfolio, as assumed in the strategy, is the further increase in the share of loans and advances to natural persons in total loans and advances to customer. As of 31.12.2009, the share was at the level of 71.7% (an increase by 5.4 p.p.).

	31.12.2009	31.12.2008	Change in p.p.
Natural persons*	**71.7%**	**66.3%**	**5.4**
- overdraft facilities	4.1%	3.8%	0.3
- purchased debt	0.0%	0.0%	0.0
- term loans**	4.2%	4.5%	-0.3
- cash and instalment loans	21.7%	21.9%	-0.2
- mortgages	69.9%	69.6%	0.3
- realised guarantees	0.0%	0.0%	0.0
- other receivables	0.1%	0.1%	0.0
Corporate customers	**27.5%**	**32.5%**	**-5.0**
- overdraft facilities	19.6%	20.8%	-1.2
- term loans**	78.3%	78.5%	-0.2
- purchased debt	1.8%	0.6%	1.2
- realised guarantees	0.1%	0.1%	0.0
-other receivables	0.2%	0.0%	0.2
Budget	**0.8%**	**1.3%**	**-0.5**
- overdraft facilities	0.8%	1.3%	-0.5
- term loans**	99.2%	98.7%	0.5
- purchased debt	0.0%	0.0%	0.0
Total	**100.0%**	**100.0%**	**0.0**

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

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

6.2. The structure of liabilities and equity

At the end of 2009, as in the previous year, amounts due to customers were the main category of liabilities. Over last 12 months, their value increased by 9.6%. The share of amounts due to customers in total liabilities and equity amounted at the end of 2009 to 57.9% (an increase by 4.7 p.p.).

As a consequence of good results of the acquisition of customers' funds, the share of amounts due to banks (including the Central Bank) in total liabilities and equity declined. At the end of 2009, it was at the level of 31.2% against 33.7% at the end of 2008. The majority of them were funds sourced from KBC Group's entities. At the end of 2009, the value of loans and advances obtained from entities of KBC Group amounted (with subordinated liabilities) to PLN 7,374,426 thousand, which accounted for 19.0% of total liabilities and equity. In addition, at the end of 2009, KB S.A. obtained, from entities of KBC Group, interbank deposits amounting to PLN 1,696,985 thousand (4.4% of total liabilities and equity). Borrowed loans and advances as well as interbank deposits will be renewed at their maturities, which enables the Bank to treat them as a stable source of financing.

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

	31.12.2009	31.12.2008	Change (%)
Amounts due to Central Bank	1 321 802	1 113 275	18.7%
Amounts due to banks	10 831 690	11 915 013	-9.1%
Derivatives including:	541 068	1 890 221	-71.4%
- derivatives used as hedging instruments	3 166	1 708	85.4%
Amounts due to customers	22 521 686	20 555 309	9.6%
Liabilities arising from repurchase transactions	0	8 991	-100.0%
Current tax liability	31 833	28 916	10.1%
Provisions	31 409	30 379	3.4%
Deferred tax liability	0	0	-
Other liabilities	174 940	220 155	-20.5%
Subordinated liabilities	805 816	279 643	188.2%
Total equity	2 652 299	2 579 220	2.8%
Total liabilities and equity	**38 912 543**	**38 621 122**	**0.8%**

Amounts due to customers – structure by items and types

The changes in the structure of customers' deposits reflect the Bank's deposit policy pursued in 2009. The main pressure was put on the acquisition of deposits of retail customers through the sale of savings accounts and current accounts. The share of natural persons in total amounts due to customers increased by 12.1 p.p. as compared to the end of 2008. The decrease in the share of deposits of corporate customers and of the budget is an effect of the focus on the cooperation with the SME segment and of the resignation from the competition in the area of low-margin deposits of large corporations. Term deposits of corporate customers include the funds of TUnŻ WARTA sourced from the sale of 'WARTA GWARANCJA' insurance term deposit – at the end of 2009, they amounted to PLN 968,857 thousand (4.3% of total amounts due to customers).

	31.12.2009	31.12.2008	Change in p.p.
Natural persons*	**63.1%**	**50.5%**	**12.6**
- in current account	71.2%	65.5%	5.7
- term deposits	28.3%	32.8%	-4.5
- other	0.5%	1.7%	-1.2
Corporate customers	**28.9%**	**37.7%**	**-8.8**
- in current account	39.1%	30.9%	8.2
- term deposits	60.7%	68.6%	-7.9
- loans and advances	0.0%	0.0%	0.0
- other	0.3%	0.5%	-0.2
Budget	**8.0%**	**11.8%**	**-3.8**
- in current account	70.5%	84.1%	-13.6
- term deposits	29.5%	15.9%	13.6
- other	0.0%	0.0%	0.0
Total	**100.0%**	**100.0%**	**0.0**

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

6.3. Off-balance sheet items

The value of particular off-balance sheet items is presented in section 4 of the financial statements of Kredyt Bank S.A. for 2009. The noticeable decrease was related mainly to liabilities regarding the purchase/sale transactions.

Guarantees and sureties issued, including those granted to the Issuer's related parties
As of 31.12.2009 and 31.12.2008, the Bank did not issue guarantees with the total value of at least 10% of the Bank's equity, to one company or entities of one capital group.

6.4. Income statement structure

Net profit of Kredyt Bank S.A. in 2009 amounted to PLN 165,301 thousand and was lower by 45.1% in comparison with 2008. The deduction of - PLN 784,291 thousand of net impairment losses on financial assets, other assets and provisions from the result for 2009 as compared to – PLN 133,084 thousand in 2008 was the most important factor which had an impact on the differences between the compared periods.

At the same time, in 2009, the Bank's operating profit increased by 80.1% (understood as profit before tax less net impairment losses). It improved mainly due to:

- the sale of the shares of Żagiel S.A. to KBC Bank N.V. in December 2009. The impact of the transaction upon operating profit of KB S.A. amounted to PLN 350,000 thousand;
- dividend for 2008 from Żagiel amounting to PLN 111,664 thousand;
- focusing in 2009 on the optimization of the general expenses level in order to limit the level of fixed costs and the increase in the share of variable costs, which allows for flexible adjustment of the level of costs to changing macroeconomic conditions and the scale of operations.

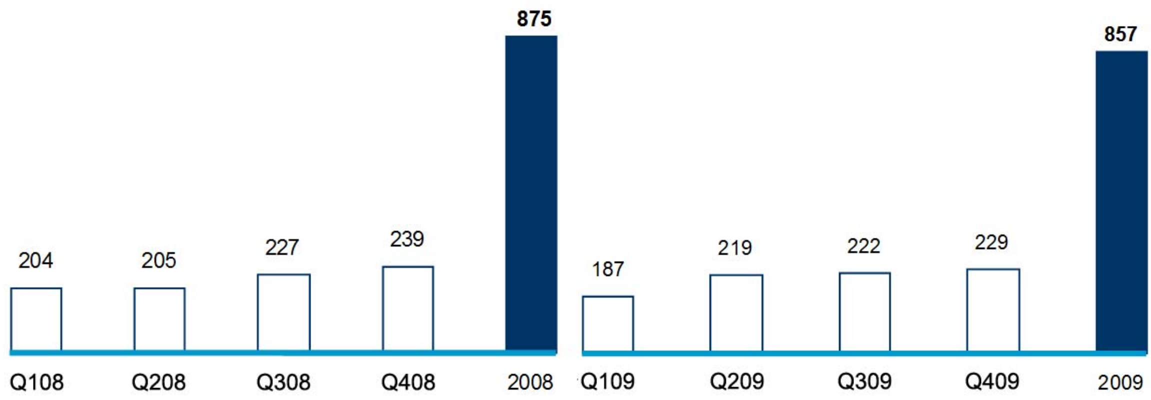
The main items of the Bank's income statement are presented below.

in PLN '000'	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008	Change (%)
Net interest income	857 647	875 579	-2.0%
Net fee and commission income	285 678	283 089	0.9%
Net gains from trading and investing activities (including dividend income and net result on derivatives used as hedging instruments and hedged items)	282 763	240 677	17.5%
Net gains from the sale of Żagiel	350 000	0	-
Net gains from other operating income/expenses	24 768	13 964	77.4%
Total income	**1 800 856**	**1 413 309**	**27.4%**
General and administrative expenses, and depreciation	-859 961	-890 846	-3.5%
Net impairment losses on financial assets, other assets and provisions	-784 291	-133 084	489.3%
Profit before tax	**156 604**	**389 379**	**-59.8%**
Income tax expense	8 697	-88 307	-
Net profit (attributable to the shareholders of the Bank)	**165 301**	**301 072**	**-45.1%**

Net interest income and net fee and commission income generated by the Bank in 2009 amounted to PLN 1,143,325 thousand and was lower by 1.3% than the figure in 2008 (PLN 1,158,668 thousand). An increase in business financing costs and the weakening of business activeness affecting the financial situation and the scale of customers' activeness was the negative factor observed in the first half of 2009.

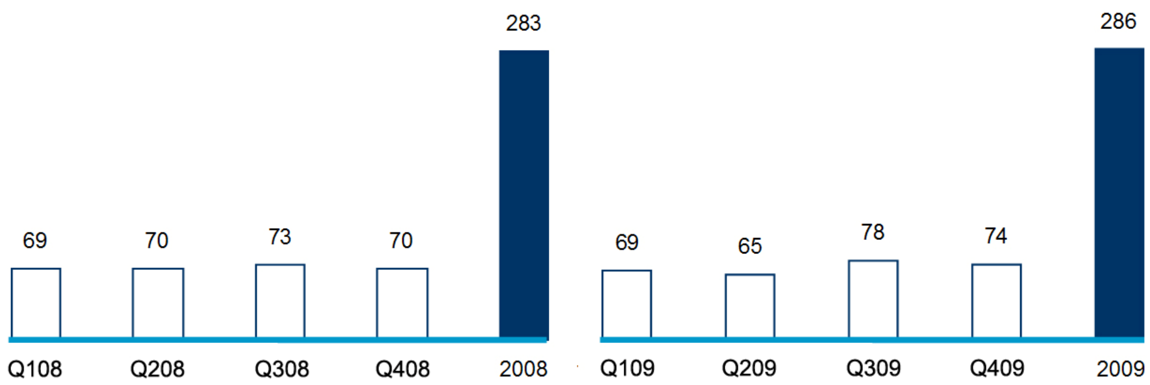
Net interest income was comparable to the figure generated in 2008 (a decrease by 2.0%). A decisive increase in competition on the market of individual customers' deposits observed from the end of 2008 was a negative factor affecting its level in 2009. It resulted in a significant increase in interest rates of term deposits and savings accounts, despite the simultaneous drop in NBP interest rates. A decrease in the interest margin on deposits, noticeable especially in the first quarter of 2009, was the result of the changes. In the second half of the year, the Bank amended the pricing policy, which involved the reduction of interest rates on fixed interest rate term deposits that were the basis of the deposit offer for retail customers in the first quarter. The negative impact upon the level of net interest income was set off by an increase in the volume of the deposit portfolio and an increase in the margin generated on loans of the corporate segment.

Net interest income in 2008 and 2009, in millions of PLN, is presented in the graph below:



Net fee and commission income was higher as compared to figures recorded in 2008 by 0.9%. The growth was a result of an increase in selling activities, especially in the second half of 2009, which translated into the growth of commission income for keeping accounts and transactions with customers, from lending activities and guarantees and related to payment cards and ATMs. A significant increase in fees related to loan insurance and fees for credit reference (in 2009, they totalled PLN 26,672 thousand against PLN 20,283 thousand in 2008) adversely affected the result in 2009.

Net commission income in 2008 and 2009, in millions of PLN, is presented in the graph below:



The table below presents the structure of commission income in 2009 and 2008.

	01.01.2009 - 31.12.2009	Structure %	01.01.2008 - 31.12.2008	Structure %
Fees and commissions due for the payment cards processing and ATMs maintenance	152 721	36.8%	123 943	32.6%
Fees and commissions on deposit-related transactions with customer	134 796	32.5%	127 128	33.5%
Fees and commissions related to lending activities	46 979	11.3%	49 363	13.0%
Commissions on distribution and management of combined investment and insurance products	37 025	8.9%	37 543	9.9%
Commissions on guarantee commitments	19 107	4.6%	14 840	3.9%
Commissions on foreign clearing operations	16 312	3.9%	16 915	4.5%
Commissions on custodian services	2 584	0.6%	2 944	0.8%
Other fees and commissions	5 727	1.4%	6 947	1.8%
Total	**415 251**	**100.0%**	**379 623**	**100.0%**

Net gains from trading and investing activities (including dividend income and net result on derivatives used as hedging instruments and hedged items) in 2009 amounted to PLN 282,763 thousand (more by 17.5% than in 2008). Net trading income decreased by 34.8% and amounted to PLN 157,242 thousand (as compared to PLN 240,988 thousand in 2008). The reasons for this included the absence of income from foreign exchange from the sale of mortgages in foreign currencies, the fact of including, in 2009, in this category, of write-downs of active derivatives of PLN 15,682 thousand and the adjustment of the valuation of SWAPs for the amount of ca. PLN 8 million in the second quarter of 2009. An increase in dividend income, related to the dividend paid by Żagiel from the profit for 2008 of PLN 111,664 thousand had a positive impact upon the result for the whole category.

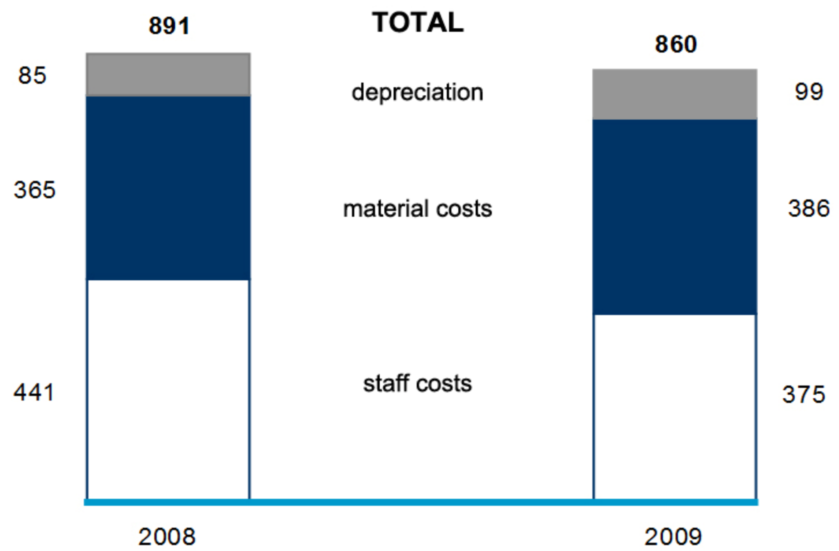
Net gains from the sale of the shares of Żagiel S.A. The selling price for 100% of the shares of Żagiel S.A. amounted to PLN 350 million. In the case of the sale of Żagiel by KBC to an outside entity for an amount higher than PLN 350 million, in addition, Kredyt Bank will receive from KBC the amount 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 proposed selling price. According to the best knowledge of the Bank's Management Board, the Bank does not envisage the necessity of incurring expenses by the Bank due to the above-mentioned condition in the agreement. As a result, the Bank did not recognize any related liability. The impact of the transaction upon the profit before tax of KB S.A. amounted to PLN 350,000 thousand, and the impact upon the net profit was PLN 310,334 thousand.

Net gains from other operating income/expenses in 2009 amounted to PLN 24,768 thousand, i.e. by 77.4% (by PLN 10,804 thousand) more than in 2008. In 2009, as compared to the corresponding period in the previous year, the Bank recorded higher, by PLN 23,553 thousand, inflows related to the receivables previously written off the balance sheet and higher, by PLN 7,009 thousand, debt recovery expenses.

In 2009, the Bank's general and administrative expenses amounted to PLN 859,961 thousand and were down by 3.5% in comparison with 2008.
The decrease resulted mainly from the decline in staff costs, which decreased by 14.9% (i.e. PLN 65.8 million), due to the decisions made in 2009 about organisational changes and about the reduction of employment as well as the establishment of much lower provisions for bonuses. The employment in the Bank at the end of 2009 decreased by 678 FTEs (where 117 former employees

of Żagiel were employed in Kredyt Bank S.A. as a result of the transfer to the Bank of the products management and loan administration functions).
The general expenses as compared to 2008 increased by 5.9% (i.e. by PLN 21.4 million). The increase was related mainly to IT costs (by PLN 17.6 million), the costs of buildings maintenance and lease (by PLN 16.8 million) and taxes and fees (by PLN 13.3 million). The increases were partially set off by the decrease in the costs of promotion and advertising services (by PLN 10.2 million), other costs (by PLN 10.1 million) and the cost of the purchase of other materials (by PLN 5.7 million).

The measures to optimize the general and administrative expenses taken in 2009 have been continued. They aim at a permanent decrease in the fixed costs base, which will make it possible to manage expenses in a more flexible way. General and administrative expenses, and depreciation costs, in the first half of 2008 and 2009, are presented in the graph below (in millions of PLN):



Cost/income ratio (CIR) in 2009 was equal to 47.8%, which denotes an improvement as compared to 2008 by 15.3 p.p. Disregarding the impact of the sale of Żagiel S.A., the ratio would be 59.3% (an improvement by 3.8 p.p. as compared to 2008).

In 2009, net impairment losses on financial assets, other assets and provisions were negative and amounted to - PLN 784,291 thousand as compared to –PLN 133,084 thousand in 2008.
The biggest growth was recorded for the consumer finance segment due to the so called 'remortgage' of customers and the necessity of booking higher impairment losses for cash loans.
The balance of impairment losses for the Corporate Segment in three quarters of 2009 includes impairment losses on receivables related to mature currency derivatives not paid by customers in the total amount of PLN 53 million.
Both above-mentioned factors are an effect of the economic crisis adversely affecting the financial situation of the Bank's customers. In addition, the result for 2008 contained the reversal of the provision for litigation related to the court judgment advantageous for the Bank amounting to PLN 76.4 million. The structure of net impairment losses on financial assets, other assets and provisions in incremental terms has been presented in the table below.

in PLN '000'	2009	2008	Change in PLN '000'	Change (%)
Retail Segment	-121 083	1 288	-122 371	-
Consumer Finance Segment	-503 294	-168 339	-334 955	199.0%
Corporate Segment	-147 757	-30 168	-117 589	389.8%
Other provisions	-12 157	64 135	-76 292	-
Total	**-784 291**	**-133 084**	**-651 207**	**489.3%**

Income tax expense, the Bank's net profit in 2009 was increased by PLN 8,697 thousand as compared to the deduction from the result for 2008 with the amount of PLN 88,307 thousand. An effective tax rate in 2009 was distorted mainly due to the recognition of obtained dividends in the income statement and by the reversal of the impairment of the shares of Żagiel due to their sale.

7. Risk management

The following risks can be distinguished in banking activities: credit risk, liquidity risk, market risk and operational risk. The Bank's supervisory bodies, explicitly the Management Board and the Supervisory Board, play the most important role in the risk management process. The Bank's Supervisory Board, through the Audit Committee, is informed about the most vital decisions and give opinions about the actions of the Management Board in this respect. Particular risks are dealt with directly by specialised Committees:

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

Members of the Management Board supervise works of the above committees; there are at least two Board Members in each committee. The basic principles of the risk management process are mainly as follows: the observance of internal and external limits and optimising and mitigating risk in the process of ongoing monitoring. The risk management process is strictly related to the capital management process. The main objective of capital management in the Bank is to optimise it and, at the same time, to meet external capital requirements. To achieve this goal, in the first half of 2008, the Bank implemented ICAAP (Internal Capital Adequacy Assessment Process). Details of the risk management system and applied risk metrics are presented in Note 72 to the financial statements of Kredyt Bank S.A. for the year ended 31.12.2009.

7.1. Credit risk

Credit policy and credit risk management process

Credit risk in Kredyt Bank S.A. is defined as the potential shortfall relative to the value expected for a financial instrument consequent on non-payment or non-performance by a borrower, guarantor or counter-guarantor, counterparty (in relation to treasury transactions) or an issuer (of a debt instrument), due to that party's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country. Credit risk is managed taking into account the credit risk aspect corresponding to individual transactions and from the portfolio perspective. Kredyt Bank S.A. follows a prudent credit risk policy. The main objective is to prevent impairment of the loans portfolio and minimize the share of receivables for which premises of impairment were identified in total loan receivables. The primary assumptions of the credit policy are as follows:

- clear-cut division between sale and credit risk management functions;
- ongoing monitoring and early identification of hazards;
- centralization of decision-making powers in the credit process and in the process of the management of the impaired loans portfolio;
- risk diversification and limited financing of higher-risk business activities.

Due to the global and local economic deterioration, to swiftly respond to the disadvantageous trends in the quality of the loan portfolio, the Bank focused on the cyclical credit risk reports as well as deep analyses of the Bank's portfolio, also having regard for the expanded information from Biuro Informacji Kredytowej ('BIK'). Having regard for the results of carried out analyses, the Bank undertook measures aiming to tighten the credit policy and improve the effectiveness of the debt recovery process. The main areas of changes in terms of credit policy include:

- implementation of the extended verification of customers in BIK base, used in the lending process, to increase the quality of accepted customers;
- implementation of new, more restrictive lending terms, particularly for new individual customers;
- addressing the product offer mainly to existing customers with a good behavioural assessment;
- limiting the financing of more risky corporate customers (with lower PD ratings) and more risky industries.

In the case of professional transactions, the further depreciation of the Polish zloty, with its peak in March 2009, resulted in a larger number of disadvantageous valuations for the Bank's customers and the subsequent increase in credit risk resulting from the possible lack of possibilities of paying the receivables on the day of settling the transactions by customers. Having regard for the above, the Bank undertook the following measures in 2009:

- restrictions on professional limits;
- implementation of new risk weights applied in the calculation of the use of professional limits, to avoid a large number of exceeding in the future, resulting from the significant increase in the volatility of rates of exchange;
- implementation of the methodology to calculate portfolio provisions for such transactions.

The positive trend in rates of exchange (the appreciation of the Polish zloty) resulted in a significant decrease in the valuations and of the number of exceeded professional limits as at 2009, and, as a result, of the existing credit risk arising from professional transactions.
Apart from standard loan collateral specified in loan agreements which are in line with the practices applied in the industry (mortgage, transfers of ownership to secure a loan, registered pledges, sureties, guarantees and transfers of receivables), the Bank does not apply any other loan collateral, e.g. credit derivatives. The Bank monitors established legal securities of loan transactions by evaluation of the value of approved collateral on the basis of documents lodged by the borrower (including valuations of appraisers) and internal databases including historic data about the recoverability of collateral.
As at 31.12.2009, the concentration limits were not exceeded.

The Bank's gross exposure towards 10 major corporate customers

31.12.2009		31.12.2008	
Company	**Share (%) in the portfolio**	**Company**	**Share (%) in the portfolio**
Customer 1	3.4	Customer 1	2.8
Customer 2	2.8	Customer 2	2.8
Customer 3	2.6	Customer 3	2.3
Customer 4	2.5	Customer 4	2.2
Customer 5	2.4	Customer 5	2.1
Customer 6	2.4	Customer 6	2.0
Customer 7	2.2	Customer 7	2.0
Customer 8	2.1	Customer 8	2.0
Customer 9	1.8	Customer 9	1.9
Customer 10	1.8	Customer 10	1.8
Total	**24.0**	**Total**	**21.9**

The Bank's exposure in industrial segments (excluding natural persons)

Industry	Exposure % 31.12.2009	Comparable data Exposure % 31.12.2008
Production activities	30.5	27.9
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	25.2	24.1
Real estate administration and lease	17.7	15.3
Financial intermediation	7.1	11.3
Construction	5.8	5.8
Transport, storing and communication	3.5	4.7
Agriculture, hunting and forestry	2.5	2.3
Public administration and national defence, legally guaranteed social care	2.0	2.8
Mining	1.7	1.6
Health care and social care	1.1	1.1
Supplies of electricity, gas and water	1.0	1.0
Hotels and restaurants	0.8	0.9
Other services for municipalities, social and individual services	0.8	0.9
Education	0.2	0.2
Fishing and fish culture	0.1	0.1
Total	**100.0**	**100.0**

The Bank's geographical exposure

Province	Gross loans structure (%) 31.12.2009	Comparable data Gross loans structure (%) 31.12.2008
Mazowieckie	22.1	23.4
Lubelskie	13.3	14.0
Dolnośląskie	10.5	10.7

Wielkopolskie	8.6	8.7
Pomorskie	7.9	7.3
Małopolskie	7.2	5.6
Śląskie	6.3	7.3
Zachodniopomorskie	4.8	4.8
Łódzkie	4.0	3.8
Podlaskie	3.1	3.1
Kujawsko-pomorskie	2.9	2.8
Podkarpackie	2.7	2.5
Warmińsko-mazurskie	2.2	2.1
Lubuskie	1.7	1.5
Świętokrzyskie	1.3	1.2
Opolskie	1.1	1.0
Non-resident	0.2	0.2
Total	**100.0**	**100.0**

7.2. Liquidity risk

The liquidity risk is strictly associated with activities of any bank. It results, among other things, from the mismatch of assets and liabilities in terms of maturity dates what is a natural effect of varied customers' requirements as regards deposits and loans. Maintenance of financial liquidity, understood as the ability to timely meet financial liabilities, is the crucial element of the policy on assets and liabilities management applied by the Bank.

The current liquidity is maintained through correcting the surplus or shortage of liquid cash by operations conducted on the interbank money market. The Bank's safety is ensured through the maintenance of liquid reserves as well as of the proper term structure and quality structure of the whole balance sheet. Decisions related to liquidity risk management are made by the Bank's Assets and Liabilities Management Committee. The Risk Management Department measures and monitors strategic (long-term) liquidity.

The Bank hedges the liquidity risk by:

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

An analysis of the Bank's liquidity is performed mainly on the basis of the liquidity gap report and the assessment of the deposit base stability by, among others, monitoring the mismatch of the maturity dates of assets and liabilities, what makes it possible to forecast the demand for liquid assets and avoid excessive concentration of cash disbursements on a close date. The Bank continues works on the methodology of making a liquidity gap report real. The process of making the gap real is aimed at presenting a true picture of liquidity. The Bank models customers' behaviour (the quantity of revolving term deposits, amounts of extended but still undrawn loans) and takes into account results of those analyses in the picture of the Bank's liquidity.

The Bank's financial liquidity is also monitored on the basis of a system of ratios reflecting the structure of liabilities and receivables for time ranges from 7 days to 5 years, i.e. Stock Liquidity Ratio (SLR) – a short-term liquidity ratio (up to 5 working days); Liquidity Mismatch Ratio (LMR) –

a liquidity ratio (up to 3, 6 months); and Coverage Ratio (CR) – a liquidity ratio which informs about a degree of financing long-term assets with long-term liabilities (1, 2, 3 and 5 years).

The Bank's liquidity is also monitored with the set of regulatory liquidity ratios. Details concerning these ratios are presented in Note 72 to the financial statements of Kredyt Bank S.A. for the year ended 31.12.2009.

The Bank finances the lending activities (especially loans in foreign currencies) deposits base and, to a large extent, with financing made available by the Bank's main shareholder – KBC. Borrowed loans and advances as well as received deposits will be renewed at their maturities, which enables the Bank to treat them as long-term financing.

Stability of financing sources

in PLN '000'	31.12.2009	Comparable data 31.12.2008
Loans and advances from KBC Group	6 568 610	6 553 261
- including loans and advances in foreign currencies	6 216 705	4 781 104
Term deposits	1 699 362	4 087 081
- including term deposits from KBC Group	1 696 985	3 993 949
Current accounts	2 560 645	1 271 449
Other amounts due	3 073	3 222
Total amounts due to banks	**10 831 690**	**11 915 013**
Subordinated liabilities (from KBC Group)	805 816	279 643
Total	**11 637 506**	**12 194 647**

The structure of the deposits base is advantageous also due to the original maturity date. As at 31.12.2009 and 31.12.2008, it was as follows:

Amounts due to customers by maturity dates

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	16 723 131	14 514 908
- 1-3 months	2 412 629	3 419 764
- 3-6 months	2 251 609	1 476 417
- 6 months to 1 year	418 747	716 340
- 1 - 3 years	608 810	194 506
- 3-5 years	101 677	215 187
- 5-10 years	4 216	17 327
- 10-20 years	867	860
- over 20 years	0	0
Total	**22 521 686**	**20 555 309**

Gross loans and advances to customers by maturity dates

	31.12.2009	Comparable data 31.12.2008
- up to 1 month	963 351	701 422
- 1-3 months	938 151	828 841
- 3-6 months	903 702	915 405
- 6 months to 1 year	2 647 888	2 661 360
- 1 - 3 years	3 528 170	3 550 513
- 3-5 years	2 330 487	2 388 745
- 5-10 years	3 869 018	4 219 960
- 10-20 years	5 247 392	4 588 744
- over 20 years	3 396 550	4 022 498
- past due	3 487 758	3 975 667
Total	**27 312 467**	**27 853 155**

7.3. Market risk

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

The Bank does not trade on stock market (investments in shares are long-term investments or investments in strategic subsidiaries). The Bank does not trade on commodity markets. In the Bank, among all types of market risks, we deal with interest rate risk and currency risk. The Bank's activity is divided into two parts: Trading Book and Banking Book. Due to different nature of opened positions, the risk is monitored in each book separately.

Trading Book

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

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

The Bank does not maintain interest rate options or currency options for its own account, i.e. it does not pursue speculative activities. Therefore, the market risk in the portfolio of option transactions does not exist.

Trading Book – interest rate risk
Interest rate risk reflects a degree of a hazard to the Bank's financial standing arising from adverse changes in market interest rates. Additionally, the level of interest rate risk is monitored and limited (by establishment of limits) against BPV (basis point value – price sensitivity to parallel shifts in interest rates on the yield curve).

In addition, the analysis of the sensitivity of the total Trading Book position to interest rate risk is performed through the calculation of interest rate risk VaR (with the same parameters as Global VaR, i.e. the significance range of 99%, 10-day time horizon and 500-day observation horizon). The interest rate risk analysis is supplemented by stress-testing which is the amount of possible loss due to extremely adverse (critical) changes in interest rates.

Trading Book – currency risk
Currency risk is a degree of the risk for the Bank's financial standing resulting from adverse changes in exchange rates on the market. This risk covers income on foreign exchange transactions and measurement of open position in currencies resulting from the difference between the value of assets and liabilities in a given currency. The Bank's position in currencies is managed for the Trading Book and the Banking Book jointly. The Bank's position in currencies is managed in the Trading Book.
The daily analysis of the sensitivity of the total Trading Book position to currency risk is performed through the calculation of currency risk VaR (with the same parameters as Global VaR, i.e. the significance range of 99%, 10-day time horizon and 500-day observation horizon). In the event of the currency risk, 'value at risk' method is supplemented daily by stress-testing which is the amount of possible loss due to extremely adverse (critical) changes in exchange rates.

Banking Book

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

Banking Book – interest rate risk
The Bank actively manages the interest rate risk for 5 main currencies of the balance sheet: PLN, EUR, USD, CHF, GBP.
An interest rate gap prepared separately for each currency is the basic measurement and risk-limiting tool in the banking portfolio. The following risk metrics are calculated on that basis:

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

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

Average interest rates in Kredyt Bank S.A. in 2009

Average interest rates of customers' deposits, calculated as the ratio of interest expenses to average deposits volume in the year, for major currencies, were as follows:

	31.12.2009	31.12.2008
PLN	4.3	4.1
EUR	1.3	2.5
USD	1.0	2.0
CHF	0.3	0.5

Average interest rates of customers' loans, calculated as the ratio of interest income from performing loans to the average volume of loans and advances in the year, for major currencies, were as follows:

	31.12.2009	31.12.2008
PLN	7.8	8.3
EUR	3.0	5.7
USD	2.1	4.2
CHF	2.0	4.3

Banking Book – currency risk

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

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

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

- determines the value of the highest monthly interest and principal repayment instalment for the applied loan with the assumption that the principal of the applied loan is 20% higher;
- calculates the maximum level of LtV (Loan To Value) ratio on a lower level than for loans in PLN (LtV ratio should be understood as the loan value/collateral value ratio);
- additionally, the applicant is informed about the foreign exchange risk.

Details of the values of particular risk metrics and the application of hedge accounting for the Trading Book and the Banking Book are presented in Note 72 to the financial statements of Kredyt Bank S.A. for the year ended 31.12.2009.

7.4. Operational risk

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

To calculate the capital requirement for operational risk, the Bank applies the Basic Indicator Approach. As a result, the Bank, inter alia,:

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

The Bank took measures focused on the application of the standardized approach, by, e.g.: enhancing the operational risk assessment system through systematic risk self-assessments (RSA) in particular business areas and risk management, through the implementation of action plans to reduce the risk and the measurement of risk using Key Risk Indicators (KRI). The aim is to effectively include the outcome of risk assessment in the monitoring and control process for Kredyt Bank's operational risk profile.
Operational risk coordinators, supporting the managers of business units, play a crucial role in the implementation of operational risk management tools and techniques. Managers of particular business lines are directly responsible for operational risk management.

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

8. Financial ratings for Kredyt Bank S.A.

As at 31 December 2009, Kredyt Bank S.A. did not have financial ratings prepared on the basis of its order.

On 11 March 2009, Kredyt Bank S.A. notified of the termination of the agreement on providing the rating services concluded by Kredyt Bank S.A. and Moody's Investors Service. The above decision was made as a result of the fact that, in the nearest future, the Bank does not intend to obtain long-term financing from external sources, which would justify the assignment of ratings.
According to the information submitted on 11 March 2009 by Moody's Investors Service, the withdrawal of KB S.A. ratings did not mean the change in the assessment of the Bank's credit rating.

In turn, on 30 March 2009, the Bank terminated the agreement on providing the rating services concluded between Kredyt Bank S.A. and Fitch Ratings. The above decision was made as a result of the fact that, in the nearest future, the Bank does not intend to obtain long-term financing from external sources, which would justify the assignment of ratings.
The Management Board of Kredyt Bank S.A. informed also that on 30 March 2009, Fitch Ratings confirmed the above ratings of the Bank: Long-term Issuer Default Rating (IDR) at A (with negative outlook), Short-term Issuer Default Rating (IDR) at F1 and the Support Rating at 1.
At the same time, the agency decreased the individual rating of Kredyt Bank S.A. from 'C/D' to 'D'. The agency justified that the above decision reflects the deterioration in economic conditions in Poland, which may result in lower income and higher costs of risk for Polish banks. In this context, according to Fitch, Kredyt Bank's capital base ensures only a limited hedging in the case of the negative scenario.

9. Corporate Governance

Corporate Governance rules

Since the implementation of Corporate Governance principles (for the first time, they were incorporated by the authorities of the Warsaw Stock Exchange in 2002), Kredyt Bank S.A. declared its adherence to them and made every effort to apply recommendations and corporate governance principles to the largest possible extent.

On 1 January 2008, Corporate Governance rules enlisted in the document entitled 'Code of Best Practice for WSE Listed Companies' came into force (Resolution of the Stock Exchange Board No. 12/1170/2007 of 4 July 2007). The Bank approved of the new rules on 28 May 2008 under Resolution No. 25/2008 of the Ordinary General Meeting of Shareholders of Kredyt Bank S.A.

The first 'Corporate Governance Report – 2007' on the application of new rules was attached to the Bank's Financial Statements for 2007 and published on the Bank's website. 'Corporate Governance Report – 2007' referred to the rules valid in 2007, i.e. 'Best Practices in Public Companies in 2005'.

In 2009, the Bank's Management Board prepared 'Corporate Governance Report – 2008' based on the 'Code of Best Practice for WSE Listed Companies' that was attached to the Bank's Financial Statements for 2008 and published on the Bank's website.

According to the rules of the corporate governance, the Bank applies the By-laws of the Supervisory Board and of the Management Board, as well as the By-laws of the General Meeting of the Bank's Shareholders. Members of the Supervisory Board have proper education; the majority of them are graduates from law or economic schools of higher education. In addition, all Members of the Supervisory Board have many-years' experience in the area of business management.

The Audit Committee and the Remunerations Committee operate in the Supervisory Board. If need be, the Supervisory Board may also appoint other Committees, defining their scope and operating mode. The Audit Committee performs supervisory activities over the operations of business units of the Bank responsible for internal audit, risk management and compliance function. The Remunerations Committee is responsible for the supervision over staff issues and remunerations, especially of Members of the Bank's Management Board.

The By-laws of the General Meeting of Shareholders of the Bank define detailed rules of the meeting procedure and of adopting resolutions. The By-laws define, among other things, the rules of participating by shareholders in the General Meeting of Shareholders and detailed rules referring to the selection of the Supervisory Board by way of voting by separate groups.

The Bank, by observing the rules of corporate governance, presents, on its corporate website, at , in Polish and English, basic corporate documents, CVs of the Members of the Bank's Management Board and of the Members of the Supervisory Board, current and periodical reports and other information allowing for reliable assessment of the company's operation. The information referring to the General Meeting of Shareholders of the Bank (including dates, draft resolutions with justifications, the report on the activities of the Supervisory Board), corporate events, the conclusion of material agreements, are prepared and published according to the valid legal provisions. Statements by Members of the Supervisory Board on relations with shareholders and the statements concerning the observance of corporate governance rules from previous years has also been made available on the Bank's website. The process of establishing and paying the dividend and of establishing the rights of shareholders resulting from corporate events is carried out on the basis of valid legal provisions, with required time intervals being respected. The Bank observes the rule of equal treatment of shareholders as regards transactions and agreements concluded by the Bank with shareholders or related entities. The proposal of the Bank's Management Board concerning the selection of an entity authorized to audit financial statements is examined by the Supervisory Board following the presentation of the Audit Committee's recommendations.

Business ethics

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

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

The Bank applies the policy of accepting gifts and presents by employees, which provides for an absolute ban on corruption, bribery, accepting money and extorting gifts as a condition of the positive case solution. In addition, it stipulates that gifts in the form of bribes or hidden commissions are always prohibited.

The Bank's policy on whistleblowers reporting abuses, irregularities and negligence in the operations of Kredyt Bank S.A. gives the opportunity of reporting abuses or other negligence by employees at a very early stage, without the fear of repression. At the same time, whistleblowers can enjoy the guarantee of fair treatment, and the cases reported by them are examined objectively and with confidence.

The Bank applies the policy concerning the prevention of money laundering and terrorism financing. On the Bank's website, there is a questionnaire confirming the implementation by the Bank of the said policy and the meeting of its requirements.

Social commitment

Kredyt Bank, apart from business activities, perceives the need to actively participate in issues important for local communities. Along with WARTA, it carries out valuable projects. The company's responsibility in this area manifests itself in the strive to create friendly environment for the development of the community, with special support for safe development of children and the promotion of right attitudes and behaviour among them.

In cooperation with Stowarzyszenie Laboratorium Troski (The Care Laboratory Association), Kredyt Bank and WARTA implemented a social and educational project for pupils, classes 1-3, of primary schools called 'Akademia Misia Ratownika' ('The Academy of Teddy-Bear the Rescuer'). Its second edition was terminated in spring 2009. In total, 18 thousand pupils from three provinces participated in the programme. The aim of the campaign was to reduce accidents involving the youngest children, to protect their health and to guard them against violence and addictions.
The project was awarded by Forum Odpowiedzialnego Biznesu (Responsible Business Forum (FOB)) in the Report 'Odpowiedzialny biznes w Polsce. Dobre praktyki' ('Responsible Business in Poland. Good Practices'), in 'Business and Community' category. In addition, the Report, in 'Social Campaigns' category, presented the educational programme of the Bank and of Warta called 'Podróże na medal' ('Travels deserving a medal'). Mentioning both projects in the Report is the proof that social initiatives carried out by the companies are valuable and appreciated by independent experts.

The Bank also supported the organisation of the 13th educational contest for pupils from primary schools called 'Nasze bezpieczeństwo' ('Our safety') implemented jointly with the Polish Red Cross and the Provincial Police Headquarters in Białystok. The aim of the project was to shape, among children, proper habits concerning fire protection, environmental protection, first aid principles and safety in water and on the road.

In 2009, the Bank continued the cooperation with the Responsible Business Forum (FOB) and joined the Partnership Programme as a Strategic Partner. This community entails those companies which 'through their values, actions and experience as well as commitment to the Partnership Programme of the Responsible Business Forum support the development of responsible business in Poland on a long-term basis'.

Since 2008 until now, the company has been cooperating with Stowarzyszenie Centrum Wolontariatu ('Voluntary Centre' Association). The Bank is a Partner to 'Wolontariat Biznesu' ('Business Volunteer') Programme – a group of socially responsible companies which perceive chances in employee volunteering, both for themselves and employees.

Throughout 2009, the companies actively developed the Employee Volunteering Programme of Kredyt Bank and WARTA called 'TAK od serca' ('YES straight from the heart'), encouraging employees to engage in assistance for people in need. The Bank facilitates such an engagement (each employee may designate one working day in a year to carry out voluntary actions) and helps finance specific needs of volunteers related to their initiatives. The Foundation of WARTA and Kredyt Bank also has been actively participating in this financial aid, allocating employee grants for specific social projects.
In 2009, over 200 employees carried out ca. 40 volunteer campaigns. The volunteers provide help mainly to children from children's homes and residential homes. They also support people who found themselves in a difficult life situation. In Warmińsko-Mazurskie Province, the Bank took a permanent care of two establishments: Special Educational Centre in Żardeniki and Polskie Stowarzyszenie na Rzecz Osób z Upośledzeniem Umysłowym – Koło ('Koło' Polish Association for People with Mental Disorders) in Elbląg.

In December 2009, the Bank's and WARTA's employees participated in a Christmas campaign called 'Qurier Świętego Mikołaja' ('Santa Claus's Courier') carried out in cooperation with Fundacja Przyjaciółka ('Friend' Foundation). They prepared 110 Christmas gifts for children from poor families, children from the community day care centres in Lipsko near Radom, Zakrzewska Wola, Henrykowo and Września. The employees also purchased Christmas packets for blind children and children with impaired sight supported by Polski Związek Niewidomych (Polish Blind People's Association), from the poorest families from Wola and Bemowo districts in Warsaw.

The Company is always eager to participate in projects at a local level. The Bank supported financially the construction of one of the largest, integration playgrounds in Śląskie Province – at 'Osiedle Tysiąclecia' housing estate in Katowice. The volunteers from the Bank actively participated in the opening of the playground, prepared attractions for the youngest children and helped during the event. The project was an ideal combination of measures for the benefit of the local community and the building of a positive image of the company outside.

Social projects are also implemented by 'Razem Możemy Więcej' ('Together We Can Do More') Foundation of Warta and Kredyt Bank, which carries out non-for-profit activities in the area of education, culture and charity. In 2009, the Foundation continued the volunteer support programme 'Chcę pomagać!' ('I want to help!'), which entails grants of up to PLN 5 thousand for projects submitted by socially involved employees. 29 grants for the total amount of PLN 118 thousand were granted for, e.g. excursions, expeditions and holiday leaves (12 children's homes), purchase of teaching aids and educational materials for 4 primary schools. We also managed to organize integration meetings and picnics for the disabled, the sick and their families. Rehabilitation equipment was purchased for the District Hospital in Chrzanów and Stowarzyszenie na Rzecz Dzieci z Zaburzeniami Słuchu (the Association for Children with Hearing Disorders) in Olsztyn and the Little Prince Hospice in Lublin. In 2009, the Foundation has also developed cooperation with Porozumienie 'Dzieci pod Ochroną' ('Children Under Protection' Agreement) supporting its activities not only financially but also in substantive terms. Since June 2009, a social campaign prepared by the Association against the application of corporal punishment against children called 'Bicie jest głupie' ('Beating is stupid') was underway and, at the beginning of September, in the National Library in Warsaw, the Association organized an international conference concerning wise upbringing of children. The activities are to lead to legislative changes, including the introduction of the complete ban on the application of corporal punishment.

In its charity activities for the protection and promotion of health, the Foundation supported Fundacja Dzieciom Zdążyć z Pomocą ('Help on Time' Foundation for Children), Fundacja Świętego Mikołaja (Santa Claus Foundation), Fundacja 'Dziecięcy uśmiech' ('Child's Smile' Foundation) and Caritas of Gdańsk Archdiocese, owing to which, we managed to cofinance surgeries and rehabilitation of several people – mainly children and young people.

In December 2009, the Foundation joined the campaign organized by Channel 2 of the Polish Television called 'I Ty możesz zostać Świętym Mikołajem' ('You can also become Santa Clause') and provided assistance to three children's homes. It also purchased presents for children from children's homes. The most important educational projects were as follows: jointly with Fundacja 'Szeroka Droga' ('Wide Road' Foundation) from Sopot, we organized courses and shows of safe behaviour on the road; and in June 2009, we ended the 11th edition of the contest for the best MA and PhD theses concerning insurance, banking and bancassurance.

Sponsoring

Kredyt Bank and Warta have also been supporting interesting cultural events for years now. During the last three years, the company got involved in three spectacular music events at the world artistic level; in 2007 – the concert of Genesis; in 2008 – the concert of Carlos Santana, the legendary guitarist; and in May 2009 – the concert of Simply Red. The concert of Mick Hucknall's band was the second and, at the same, the last concert of the band in Poland, as they decided to finish their career after 25 years.

Through the sponsoring of events of a significant social overtone, the companies want to develop Poles' cultural life and establish and maintain positive relations with customers.

The Bank was also eager to join local cultural projects. It supported, among other things, artistic activities of the Opera House in the Castle in Szczecin, especially the performance of Fair Helen; was a sponsor of 'The Night in a Museum' event in Katowice, of concerts, exhibitions and thematic lectures during the 100th Anniversary of the Spa in Szczawno Zdrój, the Cultural Summer in Elbląg, and the 16th Musical Festival 'Dni Drozdowo Łomża 2009'.

Due to the company's commitment and cooperation with the Youth Community Centre in Katowice and Fundacja na rzecz Dzieci Uzdolnionych 'Barbórka' ('Barbórka' Foundation for Talented Children), it was possible to organize the campaign called 'Lato w MDK 2009' ('Summer in the Youth Community Centre 2009') – for two months, children participated in workshops, artistic classes, concerts and cultural fairs, which diversified their holiday in town.

The Company also established cooperation with the Puppet Theatre in Białystok and supported the publishing and promotion of the book: *Jan Wilkowski. Sztuki dla teatru lalek*. This exquisite puppeteer, director and co-founder of the School of Puppet Art in Białystok is also a perfect playwright. Polish puppet theatres staged spectacles based on Wilkowski's plays many times. However, so far, they have not been collected in any book edition, therefore the Theatre decided to publish selected works of this author in print.

The promotion of Belgian culture is also a key area of the sponsorship activities of Kredyt Bank. Once again, the Bank was a sponsor of 'Belgian Days', which are held each year in Warsaw. In addition, the Bank has been a member of Belgian Business Chamber for years now.

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

External drivers

Despite the fact that, officially, the recession in the USA, Germany and France has finished, the business conditions in 2010 are still difficult to assess, both as regards the global and the Polish economies. The year 2010 should bring the answer to the question how the economy will react to the initiatives taken by a number of governments, which aim at loosening the fiscal policy and reducing the restrictive monetary policy. The possibility of strong inflation impulses is a threat related to such an economic policy. Even if the majority of economies record any growth, probably the growth rate of the Polish GDP will not be significantly higher than in 2009.

The Polish economy, at the background of European economies, appears to be in a good shape, nevertheless such phenomena as the persisting trend of growing unemployment, still low liquidity of national financial markets as well as the uncertainty concerning the position of the Polish zloty do not support the recovery of truly good business conditions on the financial services market.
Limited access to financing on the interbank market and a noticeable balance sheet imbalance between loans and deposits noticeable in the scale of the sector resulted in a significant, and so far permanent, increase in the cost of financing activities. Maintaining the profitability of certain loan portfolios, especially portfolios of mortgages with fixed margins, and the issue of replacing long-term financing obtained in the context of much lower margins in the years 2006 – 2008 may become a problem for banks.
The development of lending activities in 2009 was hindered to a large extent and, in 2010, one may expect only a slight acceleration. The lack of an easy access to capital, especially in the context of rising standards for the assessment of the level of the solvency of financial institutions remains a limitation. The increase in credit risk, and, in consequence, of the costs of this risk, resulting from the deterioration in the economic situation of customers, remains a very important factor. This element will be still crucial in 2010 for the results of the whole banking sector.

Potentially negative factors that may affect the Bank's future financial results are as follows:

- slower growth of household income due to the substantial decrease in the demand for labour (an expected increase in unemployment), which, in the medium term, limits the chances for the fast recovery of the consumer demand and, in the short term, may translate to further deterioration in the quality of the portfolio of receivables in the area of instalment and cash loans;
- 'remortgage' of retail customers due to the limited use of the information from BIK by the banking sector, and hence giving the opportunity to obtain many loans and advances by the same customer in multiple institutions, which may result in the insolvency of these customers;
- persistence of the low demand for export, only partially compensated for, at the level of the financial results of companies, by the depreciation of the Polish zloty;
- in the medium–term perspective – a low level of investment activities in the sector of enterprises in view of demand restrictions;
- persisting high costs of long-term liquidity both in PLN and in foreign currencies and a high cost of sourcing and maintaining deposits;
- a decrease in prices on the real properties market;
- potential new depreciation of the Polish zloty and, as a result, e.g. an increase in the risk due to the exposure of the Bank's customers to currency derivative transactions and the deterioration in the quality of the loans portfolio in foreign currencies;
- despite the significant improvement of sentiments on financial markets, the persisting high aversion of customers to risk and still attractive deposit offers of banks prevent the reconstruction of the demand for investment products.

Internal drivers

The persisting limitation and effective management of credit risk as well as the optimization of the costs base will be the important factors for the accomplishment of the strategic objectives of Kredyt Bank S.A. in 2010. A more complete use of the existing distribution network will be an important factor. Works are underway to review and optimize the network of outlets from the point of view of their location, profitability of their activities and sales volume.

In 2009, a series of organisational changes were introduced aiming at better adjustment of institutions to market requirements, increasing the efficiency of processes and better use of existing human and material resources. As a result of the measures, the situation in the area of liquidity and solvency improved considerably. On the basis of the changes, in 2010, Kredyt Bank S.A. is predicting the growth of business activities (including lending activities) and an increase in market shares in certain areas.

An increase in the share in the market of individual customers' deposits and an increase in the acquisition of customers through the sale of deposit products will be an objective for the retail segment. The Bank will strive to regain the position on the mortgages market; an increase in the share in the market to the level recorded at the end of 2008.

In the corporate segment, selling activities will be directed at the segment of smaller and medium-sized corporations. Deepening relations with existing customers and the greater diversification of the loans portfolio will be the chief goal.

In 2009, SMEs were detached as a separate business line with a separate organisational structure (head office, regions, teams of consultants) and the reviews of the pricing policy and of the product offer were carried out. Sourcing new customers and an increase in income, including an increase in commission income from transactional banking and foreign exchange, will be the objective for 2010.

11. Statements of the Management Board of Kredyt Bank S.A.

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

11.1. True and fair view presented in the financial statements

According to the best knowledge of the Management Board of Kredyt Bank S.A., the financial statements of Kredyt Bank S.A. for the year ended 31.12.2009 along with the comparable data, were prepared according to the accounting principles effective in the Bank and present a true and fair view of the financial standing and assets of Kredyt Bank S.A. as well as of its financial result. In addition, the Management Board of Kredyt Bank S.A. hereby declares that the annual Management Board's report presents a true picture of the development and accomplishments, as well as the situation (including the description of basic risks and threats) of Kredyt Bank S.A. in 2009.

11.2. Appointment of the certified auditor for financial statements

The Management Board of Kredyt Bank S.A. hereby declares that the certified auditor to audit the financial statements of Kredyt Bank S.A. for the year ended 31.12.2009 was appointed as required by law. This entity and certified auditors performing the audit complied with the conditions on the issue of impartial and independent audit report, as required by the Polish law.

Signatures of all Management Board Members

date	26.02.2010	Maciej Bardan	President of the Management Board	....
date	26.02.2010	Umberto Arts	Vice President of the Management Board	....
date	26.02.2010	Lidia Jabłonowska-Luba	Vice President of the Management Board	....
date	26.02.2010	Krzysztof Kokot	Vice President of the Management Board	....
date	26.02.2010	Gert Rammeloo	Vice President of the Management Board	....

Report Corporate Governance – 2009

(statement on complying with the corporate governance principles)

This Report was prepared pursuant to § 29, item 5 of the Warsaw Stock Exchange Regulations and pursuant to the Resolutions 12/1170/2007of the Warsaw Stock Exchange Supervisory Board of July 4, 2007, as well as the resolutions 1013/2007 and 1014/2007 of December 11, 2007, 718/2009 of December 16, 2009 of the Warsaw Stock Exchange Management Board and and pursuant to § 91 section 5 point 4 of the Regulation of the Minister of Finance on current and periodical information of February 19, 2009, (Journal of laws of 2009 No. 33 item 259)

Contents of the report:

1. The principles of the corporate governance

The Management Board of Kredyt Bank S.A. has been declaring adherence to the principles of corporate governance from the moment of their entering into force has expended every effort to apply the recommendations and corporate governance principles to the broadest extent. The Management Board has been annually submitting the statements on complying with the principles.

On December 23, 2002 the Bank's Management Board declared an intention to implement corporate governance principles contained in the document „Good practices in the publicly quoted companies in 2002" which was adopted by the authorities of the Warsaw Stock Exchange.

Starting from 2003 the Bank's Management Board has been submitting statements on complying with the corporate governance principles. Good practices were adopted and approved for application by the Extraordinary General Assembly in the resolution 5/2003 of June 25, 2003.

After two years the principles had been in effect the Stock Exchange updated the corporate governance provisions, introducing the document „Good practices in the publicly quoted companies in 2005". On April 25, 2005 the document in a form of a declaration was approved by the resolution no. 25/2005 by the Ordinary General Assembly.

On July 4, 2007 the Supervisory Board of the Warsaw Stock Exchange by its resolution no. 12/1170/2007 adopted new principles of corporate governance included in the document "Good practices of the companies quoted on the WSE" – and they became effective as of January 1, 2008.

The Bank's Management Board – in accordance with the new principles – prepared "2007 Corporate Governance Report". The above-mentioned report included the provisions that envisaged by the resolution no. 1013/2007 of December 11, 2007 passed by the Warsaw Stock Exchange, and also concerned the principles that were in force in 2007 (i.e. "Good practices in the publicly quoted companies in 2005").

The "Report Corporate Governance 2007" was attached to the Bank's "2007 Annual Report" and made public on February 29, 2008 as well as published on the Bank's internet website.

On May 28, 2008 the Ordinary General Assembly of Kredyt Bank S.A. by its resolution no. 25/2008 approved the application in the Bank's activity of the document "Good practices of the companies quoted on the WSE".

The "Report Corporate Governance 2008" was attached to the Bank's "2008 Annual Report" and made public on February 19, 2009 as well as published on the Bank's internet website.

On February 19, 2009 the obligation od complying with the principles was transferred into the Regulation on information obligations.

Report Corporate Governance 2009 includes the provisions envisaged by the Regulation and the Resolutions no. 718/2009 of December 16, 2009.

The content of the Report Corporate Governance 2009 constitutes a separate document attached to the 2009 Annual Report.

All the information concerning the corporate governance principles in the Bank is available on the Bank's website

in Polish language version:

http://www.kredytbank.pl/o_banku/Relacje_z_inwestorami/Corporate_Governance/

in English language version:

http://www.kredytbank.pl/About_the_Bank/Investor_Relations/Corporate_Govertance/

2. Application of Corporate Governance Principles by Kredyt Bank S.A.

In accordance with the preamble to the "Good practices of the companies quoted on the WSE" that entered into force as of January 1, 2008, the compliance with principles specified in parts I – IV is the subject of annual reports.

2.1. Recommendations concerning good practices of the quoted companies

Kredyt Bank S.A. conducts a transparent and reliable information policy and respects the law and good practices in its activity. In its activity KB is headed by the clients' fair interests.

The Bank's information policy is directed to:

- mass media through the press conferences, press information, and contact with the press spokesman as well as the information on the www websites,
- employees through an internal magazine and mailing,
- the public by publishing information on the internet website.

The Bank prepares and makes publicly known the current and periodical reports by publishing them on www websites. Moreover, on its internet website the Bank publishes also the schedule, ratings and quarterly presentations of the Bank's financial results as well as other information about the Bank's activity both in Polish and English languages.

The Bank expends every effort so that the communication with the financial market participants is based on the principle of an equal access to information and its truthfulness and that each person or institution interested in obtaining information is treated with care and commitment.

The basic principle of providing information is ensuring the equal access to precise, reliable and current information about the Bank and the Capital Group in accordance with the principles and regulations applicable to the quoted companies. The text of the Information Policy is available on the Bank's internet website.

The Bank prepares quarterly presentations of its financial results and arranges the meetings with the analysts and investors, securing in this way a broad access to information as well as the opportunity of a direct meeting of the Bank's management with the active investors.

In order to secure an effective information policy in the crisis situation, the Physical and Technical Safety Policy as well as the Business Continuity Plans were implemented by the Bank.

2.2. Good practices followed by the management boards of quoted companies

Kredyt Bank S.A. maintains corporate internet website in two langugage versions: Polish and English at the adress: www.kredytbank.pl. The binding language is the Polish language.

The internet website includes basic corporate documents of the Bank: the By-laws, Regulation of the General Assembly, Regulation of the Supervisory Board, Regulation of the Audit Committee, Regulation of the Remuneration Committee, Regulation of the Management Board (O Banku/Relacje Inwestorskie/Corporate Governance)

The website also includes the curriculae vitae of the Management Board's Memebers and Supervisory Board's Members. Curriculae vitae of the newly appointed members of the supervisory and managing bodies are promptly published on the internet website (O Banku/Życiorysy):

On May 27, 2009 the Ordinary General Assembly of Kredyt Bank S.A. appointed as of May 27, 2009 Mr. Dirk Mampaey as a Member of the Supervisory Board of the Bank. Mr. Dirk Mampaey's curriculum vitae was made public in the current report no. 21/2009 of May 27, 2009 as well as published on the Bank's website.

On May 29, 2009 the Supervisory Board appointed to the Management Board's composition to perform a function of the Deputy President of the Management Board, Mr. Gert Rammeloo. Mr. Gert Rammeloo's curriculum vitae was made public in the current report no. 22/2009 of May 29, 2009 as well as published on the Bank's website

On September 16, 2009 the Supervisory Board of Kredyt Bank S.A. appointed as of September 16, 2009 Mr. Ronny Delchambre as a Member of the Supervisory Board of the Bank. Mr. Ronny Delchambre's curriculum vitae was made public in the current report no. 26/2009 of September 16, 2009 as well as it was published on the Bank's website.

The current and periodical reports in the Polish language version together with their translations into English are published on the Bank's website (O Banku/Relacje Inwestorskie/Raporty Bieżące and O Banku/Relacje Inwestorskie/Rapory Okresowe).

The information about the date and place of the Bank's General Assembly were made public on the Bank's website and sent in the current reports (O Banku/Relacje Inwestorskie/Corporate Governance/Walne Zgromadzenia):

On April 16, 2009 the Bank made public the "The Announcement on convening of the Ordinary General Assembly of Kredyt Bank S.A. to take place on May 27, 2009" in the current report no. 16/2009.

On May 13, 2009 the Bank made public the “The Draft Resolutions for the Ordinary General Assembly of Kredyt Bank S.A.” including the justifications of the draft resolutions in the current report no. 18/2009.

On May 27, 2009 the Bank made public „ The resolutions taken by the Ordinary General Assembly Meeting of Kredyt Bank S.A. on May 27, 2009” inluding the justifications of the resolutions in the current report no. 19/2009.

On November 20, 2009 the Bank published on its website and made public the in the current report no. 30/2009 “The Announcement on convening of the Extraordinary General Assembly of Kredyt Bank S.A. to take place on December 16, 2009 including the draft resolutions, attachments and justifications”.

On December 16, 2009 the Bank published on its website and made public the current report no. 35/2009 “The resolution taken by the Extraordinary General Assembly Meeting of Kredyt Bank S.A. on December 16, 2009 including attachments”.

The information concerning the candidatures to the Supervisory Board had not been known prior to the Ordinary General Assembly convened on May 27, 2009. The candidature was proposed during the Ordinary General Assembly due to which it had not been possible to publish the Candidate’s curriculum vitae in advance. The curriculum vitae was published in the current report no. 21/2009 on May 27, 2009.

The Supervisory Board during its meeting on April 4, 2009 approved the report on its acivities for 2008. Pursuant to the binding corporate governance principles the report included the evaluation of activities of the Supervisory Board, internal audit system, risk management system together with the information on the company’s condition. It embraced the information concerning the activities of the Audit Committee and the Remuneration Committee. The report was subjected to examination by the Ordinary General Assembly and subseqently approved by the Resolution no. 3/2009 on May 27, 2009. (O Banku/Relacje Inwestorskie/Corporate Governance)

The following information concerning the dividend was made public and published on the website: (O Banku/Relacje Inwestorskie/Corporate Governance/Walne Zgromadzenia)

On March 24, 2009 the current report no. 11/2009 was published including the information on the approval of the draft Resolution of the General Assembly of Kredyt Bank S.A. concerning the division of profit for 2008 by the Management Board and submission for examination by the Supervisory Board. The above-mentioned draft Resolution on the division of profit did not foresee the payment of dividend.

On April 1, 2009 the current report no. 14/2009 was published concerning the approval by the Supervisory Board of the draft Resolution on the division of profit for 2008 for the General Assembly of Kredyt Bank S.A. The above-mentioned draft Resolution on the division of profit for 2008 envisaged the designation of the total net profit for the fiscal year 2008 for the own funds of the Bank.

On May 27, 2009 the current report no. 20/2009 was published concerning the decision on the division of profit. In accordance with the Resolution no. 4/2009 of the Ordinary General Assembly of Kredyt Bank S.A. on the division of profit for 2008 passed on May 27, 2009, the dividend for 2008 would not be paid.

The statements of the Members of the Supervisory Board presented to the Management Board on the links with the shareholders holding shares representing not less than 5% of the overall number of votes at a General Assembly are available in the form of a table on the Bank's website. (O Banku//Relacje Inwestorskie/Corporate Governance).

The report on application of principles together with the 2008 Annual Report was published on February 19, 2009 as well as announced on the Bank's website (O Banku//Relacje Inwestorskie/Raporty Okresowe oraz O Banku//Relacje Inwestorskie/Corporate Governance).

On December 16, 2009 the Bank entered into an agreement for the sale of 479.281 of shares of Żagiel S.A. to KBC Bank N.V. with par value of PLN 50 each representing 100% of the share capital of Żagiel S.A. and giving the right to exercise 100% of voting rights at a General Assembly of Żagiel S.A. (the current report no. 34/2009 of December 16, 2009).

The transaction had been preceded by the decision of the Bank's Management Board of December 9, 2009 (current report no. 31/2009 of December 9, 2009) and the decision of the Supervisory Board of December 15, 2009 (the current report no. 33/2009 of December 15, 2009).

In accordance with the Regulation of the Management Board in case of conflict of interest the Members of the Management Board are obliged to inform the Management Board about the existing conflict and refrain from participating in the deciding about the matters where the conflicts exists.

During the Ordinary General Assembly of May 27, 2009 and Extraordinary General Assembly of December 16, 2009 the Members of the Supervisory Board participated in the said Assemblies as well as the Members of the Supervisory Board. The representative of the chartered public accountant was present during the Ordinary General Assembly.

2.3. Good practices applied by the supervisory boards members.

As provided for in the principles, the Bank's Supervisory Board and the Management Board Regulations as well as the Regulations of the Bank's General Assembly are in force at the Bank. The Supervisory Board members are adequately educated – most of them are the graduates of the Law Faculty or Economics Faculty. Moreover, all the Supervisory Board members have a long-standing experience in the business management.

The Bank's Supervisory Board, in accordance with its competences, examines and gives its opinions on all the issues to be further dealt with by the General Assembly.

The Supervisory Board at its meeting held on April 1, 2009 examined the materials and documents to be submitted to the Ordinary General Assembly convened on May 27, 2009. The announcement, draft resolutions along with their justifications and attachments were made available in a form of current reports as well as on the internet website:

- on April 16, 2009 - current report no. 16/2009 – announcement,
- on May 13, 2009 - current reort no. 18/2008 – draft resolutions,
- on May 27, 2009 - current report no. 19/2009 – resolutions passed.

The Supervisory Board of Kredyt Bank S.A. prepared the 2008 report on its activity together with the report on the activity of the Audit Committee as well as the Remuneration Committee. Other items were also included in the report and these were as follows:

- › assessment of the Supervisory Board activity,
- › brief assessment of the Bank's situation,
- › assessment of the internal audit system,
- › assessment of the system of managing the risk crucial for the Bank.

The report on Supervisory Board's activity for 2008 together with the materials for the General Assembly were approved by the Supervisory Board at its meeting on April 1, 2009 and were submitted to the Ordinary General Assembly on May 27, 2009.

The Supervisory Board at its meeting on November 6, 2009 examined the materials to be submitted to the Extraordinary General Assembly convened on December 16, 2009. The announcement, draft resolutions together with attachments and justifications to the resolutions were made public in the form of current reports and on the Bank's website on:

- › November 20, 2009 - current report no. 30/2009 – announcement, draft resolutions,
- › December 16, 2009 - current report no. 35/2009 – resolutions passed.

The Supervisory Board Members once every quarter submit to the Bank's Management Board their declarations on the links with the shareholders, representing not less than 5% of the overall number of votes at the General Assembly.

The Supervisory Board members participated in the General Assembly in the composition that allowed to give specific answers in case any questions were asked. The attendance of the Supervisory Board members at the General Assembly is determined by the Regulation of the General Assembly.

During the Supervisory Board's term of office in 2009, Mr. Luc Philips resigned from being a Member of the Supervisory Board on April 15, 2009 determining the effective date of the resignation as the date of the subsequent Ordinary General Assembly. (Current report no. 15/2009 of April 15, 2009)

The Ordinary General Assembly appointed as of May 27, 2009 Mr. Dirk Mampaey to perform a function of the Member of the Supervisory Board. (Current report no. 21/2009 of May 27, 2009)

As of September 16, 2009 Mr. Jan Vanhevel resigned from being a Member of the Supervisory Board. On the same day the Supervisory Board co-opted Mr. Ronny Delchambre to its composition to perform a function of the Member of the Supervisory Board. (Current report no. 26/2009 of September 16, 2009)

The Extraordinary General Assembly on December 16, 2009 by the means of the Resolution no. 2/2009 approved the election to the composition of the Supervisory Board of Mr. Ronny Delchambre co-opted during the Board's term of office. (Current report no. 35/2009 of December 16, 2009)

There are two committees that function within the structure of the Supervisory Board: the Audit Committee and the Remuneration Committee. In the case of a need the Supervisory Board may also establish other committees, defining the scope and manner of their functioning.

The Audit Committee supervises the activity of the Bank's organizational units responsible for the internal audit, risk management and compliance function. The tasks of the Remuneration Committee include: the supervision of the employees' issues and the salaries, in particular those of the Management Board members.

The independent members also have seats on the Bank's Supervisory Board as well as the Audit Committee and the Remuneration Committee.

The By-laws of Kredyt Bank S.A., the Regulation of the Supervisory Board of Kredyt Bank S.A. as well as the Regulation of the Audit Committee and Regulation of th Remuneration Committee determine the principles of activity of the Bank's Supervisory Board members.

2.4. Good practices applied by the shareholders

Pursuant to the Regulations of the Bank's General Assembly the mass media have a possibility to stay in the hall where the General Assembly is held. The Regulation that had been in force since 2003 was changed by the Extraordinary General Assembly on December 16, 2009 and shall be binding as from the next General Assembly.

The process of determining and paying out a dividend as well as determining the shareholders' rights stemming from the corporate events takes place pursuant to the binding provisions of law, and the necessary time intervals are kept.

The Ordinary General Assembly decided not to pay out the dividend for 2008.

The Bank complies with the principle of the shareholders' equal treatment regarding the transactions and agreements concluded by the Bank with the shareholders or the parties related to them.

An entity entitled to audit the financial statements is changed once every 7 years, counting from the date the good practices came into force.

The Bank Management Board's proposal, concerning the selection of an entity entitled to audit the financial statements is examined by the Supervisory Board after the recommendations of the Audit Committee are presented.

As applied for by the Bank's Management Board on April 1, 2009 the Supervisory Board selected the chartered public accountant Ernst & Young Audit Limited Liability Company with its seat in Warsaw, 1 Rondo ONZ, registration no. 130 to carry out an independent review and audit of the financial statements of Kredyt Bank S.A. and the consolidated financial statements of the Capital Group of Kredyt Bank S.A. prepared as of June 30, 2009 and December 31, 2009.

Kredyt Bank S.A. made use of services provided by Ernst & Young Audit Sp. z o.o. related to auditing of the Bank's financial statements for the years 2002, 2003, 2004, 2005, 2006, 2007 and 2008. The change of the partner supervising the examination of the financial statements took place in 2005. (Current report no. 13/2009 of April 1, 2009).

3. Description of the basic features of the internal audit and risk management systems applied in the Bank

The internal audit system functioning at Kredyt Bank is of vital importance for the Bank's safe activity and is a crucial element of the operational risk management. The Management Board and the management supervise the individual areas of activity, processes or products, are responsible for the creation, implementation, operating and monitoring of an effective and efficient internal audit system as well as the identification and adequate control of the risk incurred. The Audit and Inspection Department independently appraises the internal audit system and informs the Management Board and Audit Committee about its reliability, effectiveness and efficiency.

3.1. Appraisal of the internal audit system

The appraisal of the internal audit system functioning in Kredyt Bank S.A. as well as the entities of the Group of Kredyt Bank S.A. is performed on a regular basis by the Audit and Inspection Department. The appraisal of the internal audit system is presented to the members of the Audit Committee, while the Chairman of the Audit Committee informs other members of the Supervisory Board about the appraisal outcome.

The appraisal is performed on the basis of audits and inspections performed, including the monitoring of already issued recommendations of the Audit and Inspection Department, the recommendations of the external auditor and post-control recommendations of the regulatory bodies. In the appraisal process the standpoint of the processes' owners is also taken into account in relation to the actions undertaken, aimed at the efficient functioning of the internal audit system.

In 2009 25 business processes at the Bank and 6 processes in the subsidiaries were appraised. The key processes that exert a significant impact on the functioning of the internal audit systems were as follows:

- Crediting,
- Value, risk and capital management,
- Contingency management,
- Compliance Function,
- Management of information directed to clients,
- Electronic banking,
- Payment cards,
- Payments,
- ICT issues.

3.2. Appraisal of risk management system

There is a multi-level risk management system at the Bank. The Bank's supreme bodies, i.e. the Management Board and the Supervisory Board, play the most important part in the system.

The Chairman of the Audit Committee presents to the Supervisory Board the appraisal of the risk management process as well as the opinion on the actions taken by the Bank's Management Board in this area.

The following, individual committees, headed by the Management Board members, directly manage the specific risks:

› Credit Risk Committees – supervise the process of credit risk management,

› Assets and Liabilities Management Committee – responsible for market risk management and the Bank's structural liquidity management,

› Operational Risk Committee along with sub-committees – supervises the process of operating the risk management.

The measurement and monitoring of all types of risks at the Bank is the responsibility of the Risk Management Department and is entirely independent from the business units.

In the process of risk identification, measurement and management the Bank applies the techniques adequate for a given type of risk. The techniques and principles were elaborated in cooperation with the Majority Shareholder and were subject to independent reviews carried out by the Audit and Inspection Department.

In 2009 the primary goals of the risk management policy have not changed. The Bank's Supervisory Board adopted a complex procedure concerning the Risk Management System in the Capital Group of Kredyt Bank S.A. and Capital Policy of the Capital Group of Kredyt Bank S.A..

The Risk Management Department has also elaborated The Policy of Credit Risk Management in the Capital Group of Kredyt Bank S.A. and updated The Policy of Market Risk Management, Liquidity Management and Assets and Liabilities Management as well as the Process of Concentration Risk Management in the Capital Group of Kredyt Bank S.A. The process of continuous monitoring is applied in order to consequently achieve the superior goals of the risk management policy, primarily concerning the observance of the external and internal limits and also optimizing and mitigating the risk. The risk management process is closely related to the process of managing the capital. The most important goal to achieve in the process of managing the capital in the Bank is its optimizing with the simultaneous meeting of the external capital requirements. As from January 1, 2008 the Bank has been applying new capital adequacy regulations pursuant to the Resolutions 1-6 of March 13, 2007 (currently these are the Resolutions of the Financial Supervision Commission no. 380 -385 of December 17, 2008)

4. Srareholder and information about shares of Kredyt Bank S.A.

4.1. Shareholders holding over 5% of shares

Shareholders of Kredyt Bank S.A. as of December 31, 2009.

Shareholder	Line of business	Number of shares and votes at GSM	Share in votes and in share capital (in %)
KBC Bank NV – an entity of the KBC Group*	Banking	217 327 103	80,00
KBC Securities* – an affiliated entity KBC Bank NV **	Brokerage house	11 751 771	4,32
KBL European Private Bankers SA* - an entity of the KBC Group **	Private banking	7 860 918	2,89

* By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V. is entitled to exercise no more than 75% of votes at the General Assembly of Kredyt Bank S.A.

** Data as of September 9, 2009 obtained from KBC Group NV and KBC Bank NV.

On December 18, 2007, the Management Board of Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. ('PPIM' based in Warsaw) that, on December 17, 2007, PPIM had held over 5% of the overall votes at the General Meeting of Shareholders of Kredyt Bank S.A. concerning the financial instruments included in the portfolios managed within the services of managing broker-traded financial instruments upon order provided by PPIM and in performance of the agreement on the management of broker-traded financial instruments upon order, concluded between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM.

In accordance with the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V. is entitled to exercise no more than 75% of votes at the General Assembly of Kredyt Bank S.A. Pursuant to the Banking Law Act the purchase or possession of stock by a subsidiary shall be deemed a purchase or possession by the dominant entity.

4.2. Information on shares

A conversion of registered shares into bearer shares may be accomplished upon the approval of Supervisory Board in accordance with the By-laws of the Bank. Alienation and pledge of the registered shares is subject to the Bank's approval. The approval to alienate the registered shares is granted by the Management Board.

Registered shares

The Bank's Shareholders hold 65,864 of registered shares, which amount to 0.02% of the share capital. The following table presents the registered shares as of December 31, 2009.

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

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

Bearer shares

The Bank's dominant entity's Shareholders hold 271,593,016 bearer shares, which amount to 99.98% of the share capital. Originally, the number of bearer shares amounted to 264,204,350. In addition, as a result of the conversion of registered shares into bearer shares, there are 7,388,666 bearer shares. Bearer shares as of December 31, 2009:

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

Pursuant to the Resolution No. 82/09 of the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository of Securities) of February 24, 2009, on March 2, 2009, 579 series P registered ordinary shares of Kredyt Bank S.A. which were assigned the code: PLKRDTB00094 were converted into ordinary bearer shares which were assigned the code: PLKRDTB00151.

Additionally, pursuant to the Resolution No. 97/09 of the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository for Securities) of March 11, 2009, on March 16, 2009, 579 series P bearer shares of Kredyt Bank S.A. which were assigned the code: PLKRDTB00151 were assimilated with 271,592,437 shares which were assigned the code: PLKRDTB00011. The shares to be assimilated are assigned the code: PLKRDTB00011. At the same time, the shares were admitted, under the ordinary procedure, to public trading on the main market.

5. Principles of appointing and dismissing and the composition of the Governing and Supervisory Bodies of Kredyt Bank S.A.

5.1. Principles of appointing and dismissing, the composition and principles of activity of the Management Board of Kredyt Bank S.A. in 2009

Appointment and dissmissal of the President of the Management Board of Kredyt Bank S.A. and upon his motion or upon his approval the Deputy Presidents of the Bank's Management Board with the adherence to the requirements provided for by the Banking Law Act is vested in the Supervisory Board.

The Management Board of Kredyt Bank S.A. acts pursuant to:

› By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, November 2006 including the amendments passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 31, 2006, adopted by the Resolution of the Bank's Supervisory Board on July 19, 2006, registered by the Court on October 25, 2006 pursuant to the ruling of October 25, 2006 remaining in force until October 18, 2009;

› By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, October 2009 including the amendments envisaged by the Resolutions 22 and 23 passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 27, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/029552/09/592 of October 19, 2009 and WA.XII.NS-REJ.KRS/026174/09/419 of October 20, 2009, in force since October 19, 2009 (i.e. after the Resolution no. 22 of the Ordinary General Assembly of May 27, 2009) and in force since October 20, 2009 (i.e. after the Resolution no. 23 of the Ordinary General Assembly of May 27, 2009).

› The Regulation of the Management Board of Kredyt Bank S.A. – the Resolution of the Supervisory Board of April 4, 2008 – it had been in force until May 28, 2009;

- The Regulation of the Management Board of Kredyt Bank S.A. – the Resolution of the Supervisory Board of May 29, 2009 – it had been in force between May 29, 2009 until November 5, 2009
- The Regulation of the Management Board of Kredyt Bank S.A. – the Resolution of the Supervisory Board of November 6, 2009 in force between since November 6, 2009

Members of the Bank's Management Board are appointed by the Supervisory Board upon the motion of the President of the Management Board. The composition of the Management Board is dependent upon thee organisational structure and the risk borne.

As of January 1, 2009 the composition of the Bank's Management Board was as follows:

Mr. Maciej Bardan	- President of the Management Board, General Director of the Bank,
Mr. Umberto Arts	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mrs. Lidia Jabłonowska-Luba	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr. Krzysztof Kokot	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr. Michał Oziembło	- Deputy President of the Management Board, Deputy General Director of the Bank.

The Supervisory Board during its meeting on May 29, 2009 appointed as from May 29, 2009 to the composition of the Management Board of Kredyt Bank S.A. to perform the function of the Deputy President of the Managemenet Board Mr. Gert Rammeloo who is responsible for the Retail Distribution Division. (Current report no. 22/2009 of May 29, 2009)

Mr. Michał Oziembło, Deputy President of the Managemenet Board of Kredyt Bank S.A. resigned as of December 15, 2009 from the function of the Deputy President of the Managemenet Board of Kredyt Bank S.A. and membership on the Management Board of Kredyt Bank S.A. (Current report no. 32/2009 of December 15, 2009)

The Management Board of Kredyt Bank S.A. is composed of five persons and acts in such composition.

As of December 31, 2009 the composition of the Bank's Management Board was as follows:

Mr. Maciej Bardan	- President of the Management Board, General Director of the Bank,
Mr. Umberto Arts	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mrs. Lidia Jabłonowska-Luba	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr. Krzysztof Kokot	- Deputy President of the Management Board, Deputy General Director of the Bank,
Mr. Gert Rammeloo	- Deputy President of the Management Board, Deputy General Director of the Bank.

5.2. Principles of appointing and dismissing, the composition and principles of activity of the Supervisory Board of Kredyt Bank S.A. in 2009

Appointment and dismissal of the Members of the Supervisory Board is vested in the General Assembly.

The Supervisory Board of Kredyt Bank S.A. acts pursuant to:

- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, November 2006 including the amendments passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 31, 2006, adopted by the Resolution of the Bank's Supervisory Board on July 19, 2006, registered by the Court on October 25, 2006 pursuant to the ruling of October 25, 2006 remaining in force until October 18, 2009;
- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, October 2009 including the amendments envisaged by the Resolutions 22 and 23 passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 27, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/029552/09/592 of October 19, 2009 and WA.XII.NS-REJ.KRS/026174/09/419 of October 20, 2009, in force since October 19, 2009 (i.e. after the Resolution no. 22 of the Ordinary General Assembly of May 27, 2009) and in force since October 20, 2009 (i.e. after the Resolution no. 23 of the Ordinary General Assembly of May 27, 2009).
- Regulation of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. of May 28, 2008;

Members of the Supervisory Board are appointed and dismissed by the General Assembly. The number of Members of the Supervisory Board is ascertained by the General Assembly.

Pursuant to the Resolution no. 4/2004 of the Extraordinary General Assembly of Kredyt Bank S.A. of December 6, 2009, the Supervisory Board acts in the nine-persons composition.

As of January 1, 2009 the composition of the Bank's Supervisory Board was as follows:

Mr. Andrzej Witkowski	- Chairman of the Supervisory Board,
Mr. Adam Noga	- Deputy Chairman of the Supervisory Board,
Mr. Francois Gillet	- Członek Rady Nadzorczej,
Mr. John Hollows	- Member of the Supervisory Board,
Mr. Feliks Kulikowski	- Member of the Supervisory Board,
Mr. Marek Michałowski	- Member of the Supervisory Board,

Mr. Luc Philips	- Member of the Supervisory Board,
Mr. Krzysztof Trębaczkiewicz	- Member of the Supervisory Board,
Mr. Jan Vanhevel	- Member of the Supervisory Board.

On April 15, 2009 the Chairman of the Supervisory Board received an information that as of the date of the subsequent Ordinary General Assembly Mr. Luc Philips resigned from the function of a Member of the Bank's Supervisory Board. (Current report no. 15/2009 of April 15, 2009)

Upon the Resolution no. 24/2009 the Ordinary General Assembly of Kredyt Bank S.A. appointed as of May 27, 2009 Mr. Dirk Mampaey as a Member of the Supervisory Board of the Bank. (Current report no. 21/2009 of May 27, 2009)

Mr. Jan Vanhevel, the Member of the Supervisory Board resigned as of September 16, 2009 from the function of a Member of the Supervisory Board. On the same day the Supervisory Board appointed as of September 16, 2009 by the means of co-opting Mr. Ronny Delchambre to its composition to perform the function of the Member of the Supervisory Board. (Current report no. 26/2009 of September 16, 2009)

The Extraordinary General Assembly approved on December 16, 2009 upon the Resolution no. 2/2009 the election to the composition of the Supervisory Board of Mr. Ronny Delchambre co-opted during the Board's term of office. (Current report no. 35/2009 of December 16, 2009)

As of December 31, 2009 the composition of the Bank's Supervisory Board was as follows:

Mr. Andrzej Witkowski	- Chairman of the Supervisory Board,
Mr. Adam Noga	- Deputy Chairman of the Supervisory Board,
Mr. Ronny Delchambre	- Member of the Supervisory Board,
Mr. Francois Gillet	- Member of the Supervisory Board,
Mr. John Hollows	- Member of the Supervisory Board,
Mr. Feliks Kulikowski	- Member of the Supervisory Board,
Mr. Dirk Mampaey	- Member of the Supervisory Board,
Mr. Marek Michałowski	- Member of the Supervisory Board,
Mr. Krzysztof Trębaczkiewicz	- Member of the Supervisory Board.

On December 16, 2009 the Extraordinary General Assembly passed the Resolution no. 1/2009 concerning the amendments to the By-laws encompassing among others the change of the number of Members of the Supervisory Board. The Resolution will come into force upon the registration of the By-laws by the National Court Register.

By the means of the Resolution no. 2/2009 the Extraordinary General Assembly determined the number of the Members of the Supervisory Board. Upon the registration of the amendments envisaged by the Resolution no. 1/2009 of December 16, 2009 the Supervisory Board shall start acting in the seven-persons composition.

5.2.1 Composition and principles of activity of the Audit Committee of Kredyt Bank S.A. in 2009

The Audit Committee of Kredyt Bank S.A. acts pursuant to:

- Regulation of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. of May 28, 2008;
- Regulation of the Audit Committee of Kredyt Bank S.A.;

As of January 1, 2009 the composition of the Audit Committee of Kredyt Bank S.A. was as follows:

Mr. John Hollows	- Chairman of the Audit Committee
Mr. Jan Vanhevel	- Member of the Audit Committee
Mr. Adam Noga	- Member of the Audit Committee.

Due to the resignation of Mr. Jan Vanhevel from the function of the Member of the Supervisory Board and at the same time of the Audit Committee, the Supervisory Board during its meeting on September 16, 2009 elected to the composition of the Audit Committee Mr. Dirk Mampaey. On November 6, 2009 Mr. Dirk Mampaey was appointed the Chairman of the Audit Committee.

As of December 31, 2009 the composition of the Audit Committee of Kredyt Bank S.A. was as follows:

Mr. Dirk Mampaey	- Chairman of the Audit Committee
Mr. John Hollows	- Member of the Audit Committee
Mr. Adam Noga	- Member of the Audit Committee.

The Audit Committee supports the activities of the Bank's Supervisory Board. In order to achieve that the Audit Committee, in the name of the Supervisory Board exerts supervision over the consistency, effectiveness and efficiency of the internal audit system, compliance function and also the risk management connected with the Bank's activity, drawing special attention to the financial reporting. The Audit Committee supervises the processes carried out at the Bank from a point of view of their conformity with the binding laws as well as the Bank's internal regulations. Duee to the amendments introduced into the Act on chartered public accountants and their self-government, entities entitled to audit financial statement and public supervision, there has been an assessment of the functioning of the Audit Committee conducted in order to ensure full compliance with the new requirements.

5.2.2 Composition and principles of activity of the Remuneration Committee of Kredyt Bank S.A. in 2009

The Remuneration Committee of Kredyt Bank S.A. acts pursuant to:

- Regulation of the Supervisory Board of Kredyt Bank S.A. – Resolution no. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. of May 28, 2008;
- Regulation of the Remuneration Committee of Kredyt Bank S.A;

As of January 1, 2009 the composition of the Remuneration Committee of Kredyt Bank S.A. was as follows:

Mr. Jan Vanhevel	-Chairman of the Remuneration Committee,
Mr. Andrzej Witkowski	- Member of the Remuneration Committee,
Mr. John Hollows	- Member of the Remuneration Committee.

Due to the resignation of Mr. Jan Vanhevel from the function of the Member of the Supervisory Board and thus of the Audit Committee, the Supervisory Board during its meeting on September 16, 2009 elected to the composition of the Remuneration Committee Mr. Dirk Mampaey.

As of December 31, 2009 the composition of the Remuneration Committee of Kredyt Bank S.A. was as follows:

Mr. John Hollows	-Chairman of the Remuneration Committee,
Mr. Andrzej Witkowski	- Member of the Remuneration Committee,
Mr. Dirk Mampaey	- Member of the Remuneration Committee.

The Remuneration Committee supports the activity of the Supervisory Board of Kredyt Bank S.A. with respect to the remuneration principles of the Management Board members..

The By-laws, the Management Board Regulations and the Supervisory Board Regulations are available on the internet page of Kredyt Bank S.A. in the “Corporate Governance” bookmark.

6. Principles of amending the By-laws of Kredyt Bank S.A.

The By-laws of the Bank are created in accordance with the provisions of the Code of Commercial Companies and the Banking Law Act. The right to introduce the amendments to the By-laws is vested in the General Assembly of the Bank. The amendment to the By-laws requires the permission of the Financial Supervision Commission in the events provided for by the Banking Law Act.

In 2009 two wordings of By-laws were in force:

- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, November 2006 including the amendments passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 31, 2006, adopted by the Resolution of the Bank's Supervisory Board on July 19, 2006, registered by the Court on October 25, 2006 pursuant to the ruling of October 25, 2006 remaining in force until October 18, 2009;
- By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, October 2009 including the amendments envisaged by the Resolutions 22 and 23 passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 27, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/029552/09/592 of October 19, 2009 and WA.XII.NS-REJ.KRS/026174/09/419 of October 20, 2009, in force since October 19, 2009 (i.e. after the Resolution no. 22 of the Ordinary General Assembly of May 27, 2009) and in force since October 20, 2009 (i.e. after the Resolution no. 23 of the Ordinary General Assembly of May 27, 2009);

The amendments introduced into the By-laws were passed by the Ordinary General Assembly of the Bank on May 27, 2009 by the means of the Resolutions 22/2009 and 23/2009.

Resolution no. 22/2009 of May 27, 2009 concerned:

The amendment to § 6 of the Bank's By-laws concerning the declarations of will in relation to banking activities.

The amendment to § 8 of the Bank's By-laws concerning the tasks performed by the Bank's Headquarters and branches andd other organisational units.

The amendment to § 9 of the Bank's By-laws concerning the functioning of the management system and within thereof: the risk management system, internal audit system.

The amendment to § 24 section 1 point 7 of the Bank's By-laws concerning the approval of the organisational structure of the Bank adjusted to the size and profile of the risk borne.

The amendment to § 28 of the Bank's By-laws concerning the management of the Bank's affairs by the Bank's Management Board and representing it outside.

The amendment to § 31 of the Bank's By-laws concerning the subitting of the declarations of will on behalf of the Bank.

Resolution no. 23/2009 of May 27, 2009 concerned:

The amendment to § 11 section 4 of the Bank's By-laws concerning the convening by the Supervisory Board of the General Assembly if it deems such convening necessary.

The amendment to § 11 section 5 of the Bank's By-laws concerning the demand of convening of the Extraordinary General Assembly as well as inclusion of certain issues into the agenda of such Assembly by a shareholder representing at leas one twentieth of the share capital.

The inclusion of § 11 section 6 to the Bank's By-laws with the following wording: A shareholder or shareholders holding at least half of the Bank's share capital may convene an Extraordinary General Meeting. Shareholders appoint the chairman to preside over such Extraordinary General Meeting.

The amendment to § 12 of the Bank's By-laws concerning the issues to be subject to the General Assembly's examination which the Management Board presents to the Supervisory Board for examination.

The amendment to § 13 of the Bank's By-laws concerning the exercising the right to vote either personally of by the attorneys.

On December 16. 2009 the Extraordinary General Assembly passed the Resolution no. 1/2009

Resolution no. 1/2009 of May 27, 2009 concerned:

The amendment to § 18 of the Bank's By-laws concerning the ascertaining of the Supervisory Board's composition at seven-persons or nine-persons composition appointed and dismissed by the General Assembly.

Repealing § 20 of the Bank's By-laws.

The amendment to § 22 of the Bank's By-laws concerning the activities of the Supervisory Board

The Resolution will come into force as of the date of registration.

7. Principles of activity of General Assembly of Kredyt Bank S.A.

The General Assembly of Kredyt Banku S.A. acts pursuant to:

› By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, November 2006 including the amendments passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 31, 2006, adopted by the Resolution of the Bank's Supervisory Board on July 19, 2006, registered by the Court on October 25, 2006 pursuant to the ruling of October 25, 2006 remaining in force until October 18, 2009;

› By-laws of Kredyt Bank S.A. – Uniform wording, Warsaw, October 2009 including the amendments envisaged by the Resolutions 22 and 23 passed by the Ordinary General Assembly of Kredyt Bank S.A. on May 27, 2009, registered by the National Court Register by the rulings WA.XII.NS-REJ.KRS/029552/09/592 of October 19, 2009 and WA.XII.NS-REJ.KRS/026174/09/419 of October 20, 2009, in force since October 19, 2009 (i.e. after the Resolution no. 22 of the Ordinary General Assembly of May 27, 2009) and in force since October 20, 2009 (i.e. after the Resolution no. 23 of the Ordinary General Assembly of May 27, 2009);

› Regulation of the General Assembly– Resolution no. 3/2003 of the Extraordinary General Assembly of Kredyt Bank of April 25, 2003 – in force until December 16, 2009.

- Regulation of the General Assembly– Resolution no. 4/2009 of the Extraordinary General Assembly of Kredyt Bank of December 16, 2009 – in force from the next General Assembly;

The amendment to the Regulation of the General Assembly took place during the Extraordinary General Assembly on December 16, 2009. The Regulation that had been in force since 2003 was updated duee to the entering into fore of the amendment to the Code of Commercial Companies within the scope of organising and holding the general assemblies which was the consequence of the implementation of the Directive on the Shareholder's Rights (2007/36/EC) into the Polish law.

The Regulation of the Bank's General Assembly specifies the detailed principles of conducting the assembly and passing resolutions. Among other, the Regulation defines the principles of shareholders' participartion in the General Assembly

The text of the Regulation is available on the internet website of Kredyt Bank S.A. in the bookmark „Corporate Governance".

The General Assemblies of Kredyt Bank S.A. were convened on:

- May 27, 2009 - Ordinary General Meeting
- December 16, 2009 – Extraordinary General Meeting

All the documents related to the Assembly were made publicly known and were inserted on the internet page in the bookmark "Corporate Governance/General Assemblies".

The Ordinary General Assembly of May 27, 2009 was announced in the Court and Economic Monitor and made public by the current report no. 16/2009 of April 16, 2009. The announcement together with determination of the date, place, hour and agenda of the assembly as well as information necessary to participate in the assembly were published on the internet website of the Bank.

The Ordinary General Assembly dealt primarily with:

- Approval of financial and consolidated financial statements for the year 2008,
- The distribution of profit for the year 2008,
- Approval of the Management Board reports on the activity of Kredyt Bank and the Bank's Supervisory Board report for the year 2008,
- Granting approval of the performance of duties by the Members of the Management and Supervisory Board,
- Passing the resolutions on the amendments to the by-laws of Kredyt Bank S.A.,
- Passing the resolution on the changes in the Supervisory Board composition.

The Bank's financial statements examined by the Ordinary General Assembly, i.e. 2008 Annual Report of Kredyt Bank S.A., 2008 Consolidated Annual Report of the Capital Group of Kredyt Bank S.A. were published in a form of periodical reports on February 19, 2009 and were made available on the Bank's internet page in the bookmark ""Investor's relations/periodical reports".

The Supervisory Board of Kredyt Bank S.A. prepared its 2008 activity report. For the first time the Supervisory Board included parts concerning the activity of its committees, i.e. the Audit Committee and the Remuneration Committee. The said report included also the items concerning the assessment of activity of the Supervisory Board, assessment of the Bank's situation as well as the assessment of the internal audit system and the system of managing the risk crucial for the Bank.

The General Assembly which was audio recorded together with the transaltion into English as well as the audio-video recorded in Polish, was made available on the Bank's website in the bookmark „Corporate Governance/ Walne Zgromadzenie".

The Extraordinary General Assembly convened on December 16, 2009 was announced in accordance with the provisions of the revised Code of Commercial Companies on the internet website and revealed by the means of the current report no. 30/2009 on November 20, 2009. Together with the announcement on convening of the Extraordinary General Assembly the justifications to the draft resolutions, attachment to the draft resolution. For the first time the announcement included:

- › Description of procedures relating to participation in general assembly and exercising the voting rights, in particular:
  - › Shareholder's right to demand inclusion of certain issues into the agenda for the General Meeting.
  - › Shareholder's right to submit draft resolutions concerning the issues introduced to the agenda for the general assembly or the issues which are to be introduced to the agenda before the date of the general assembly.
  - › Shareholder's right to submit draft resolutions concerning the matters introduced into the agenda of such an assembly.
  - › The way of exercising the voting rights by the attorney, particularly by the use of forms applied during voting by the attorney and the way of informing the company with the use of means of electronic communication on the granting of power of attorney.
  - › The possibility of participation in the Extraordinary General Assembly of Kredyt Bank S.A. with the use of means of electronic communication.
  - › The way of expression with the use of means of electronic communication during the Extraordinary General Assembly of Kredyt Bank S.A.
  - › The way of exercising the voting rights by the means of correspondence or with the use of the means of electronic communication.
- › The record date mentioned in the article 406[1] of the Commercial Companies Code,
- › Information that only the persons being shareholders as of the record date may participate in the General Assembly,

- Indication where and in what way an entitled person to participate in the general assembly could obtain the full text of documentation to be presented to the general assembly as well as the draft resolutions or, in case a passing of a resolution was not envisaged, management board's or the supervisory board's remarks about the issues introduced into the agenda for the general assembly or issues to be introduced into the agenda prior to the general assembly.
- Determination of the internet website where the information concerning the general assembly is available.
- A draft power of attorney.
- A form concerning the exercising of voting rights by an attorney.
- Information on the overall number of shares and the number of votes on such shares.

The Extraordinary General Assembly dealt primarily with the following points of the agenda:

- Passing the resolutions on the amendments to the Bylaws.
- Passing the resolution on approval of the person co-opted during the term of office of the Supervisory Board as its member.
- Passing the resolution on determining the number of members of the Supervisory Board.
- Passing the resolution on the Regulation of the General Assembly.

The General Assembly was audio recorded together with the transaltion into English as well as the audio-video recorded in Polish.

The Forms making it possible to ask questions are permanently availablee on the internet website in the Polish and accordingly English Language versions. There were no questions concerning the General Assemblies asked with the use of the Forms.

Management Board of
the Bank