Interim Consolidated Financial Statements

of Kredyt Bank S.A. Capital Group

for the Fourth Quarter of 2009 Prepared in Accordance with

the International Financial Reporting Standards

Contents

1. Consolidated Income Statement

in PLN '000'	4th quarter of 2009 01.10.2009 - 31.12.2009	Four quarters of 2009 01.01.2009 - 31.12.2009	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008
Interest income	547 473	2 290 209	662 546	2 311 781
Interest expense	-273 115	-1 228 990	-370 265	-1 251 909
Net interest income	**274 358**	**1 061 219**	**292 281**	**1 059 872**
Fee and commission income	115 561	433 717	102 923	389 744
Fee and commission expense	-39 427	-129 610	-29 463	-96 614
Net fee and commission income	**76 134**	**304 107**	**73 460**	**293 130**
Dividend income	0	1 629	0	1 049
Net trading income	31 735	159 359	62 314	242 237
Net result on derivatives used as hedging instruments and hedged items	-532	25	766	1 215
Net gains from investment activities	278	4 108	-11 771	-11 589
Profit before tax from the sale of the shares of Żagiel	268 274	268 274	0	0
Other operating income	25 907	117 346	30 113	99 534
Total operating income	**676 154**	**1 916 067**	**447 163**	**1 685 448**
General and administrative expenses	-259 945	-1 023 304	-299 843	-1 104 581
Net impairment losses on financial assets, other assets and provisions	-373 531	-803 232	-38 126	-108 202
Other operating expenses	-14 341	-44 698	-20 014	-49 567
Total operating expenses	**-647 817**	**-1 871 234**	**-357 983**	**-1 262 350**
Net operating income	**28 337**	**44 833**	**89 180**	**423 098**
Share in profit (loss) of associates	319	1 824	-1 152	-2 043
Gross profit	**28 656**	**46 657**	**88 028**	**421 055**
Income tax expense	-8 519	-12 098	-23 400	-96 138
Net profit from business activities	**20 137**	**34 559**	**64 628**	**324 917**
Net profit from discontinued operations			0	0
Net profit	**20 137**	**34 559**	**64 628**	**324 917**
Including:				
attributable to the Shareholders of the Bank	**20 137**	**34 559**	**64 628**	**324 917**
Weighted average number of ordinary shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)	0.07	0.13	0.24	1.20

2. Consolidated Statement of Comprehensive Income

in PLN ‘000’	4th quarter of 2009 01.10.2009 - 31.12.2009	Four quarters of 2009 01.01.2009 - 31.12.2009	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008
Net profit/loss for the period	**20 137**	**34 559**	**64 628**	**324 917**
Valuation of financial assets available-for-sale (including deferred tax)	-3 094	-13 677	52 536	64 855
Effects of valuation of derivatives designated for future cash flow hedge (including deferred tax)	-7 869	-78 545	96 781	120 700
Other comprehensive income recognized directly in equity	**-10 963**	**-92 222**	**149 317**	**185 555**
Total comprehensive income for the period	**9 174**	**-57 663**	**213 945**	**510 472**
Including:				
attributable to the Shareholders of the Bank	**9 174**	**-57 663**	**213 945**	**510 472**

3. Consolidated Balance Sheet

in PLN '000'	31.12.2009	30.09.2009	31.12.2008	30.09.2008
Assets				
Cash and balances with Central Bank	1 175 453	894 261	827 972	941 261
Gross loans and advances to banks	190 013	222 506	340 865	851 227
Impairment losses on loans and advances to banks	-2 260	-2 260	-2 261	-2 260
Receivables arising from repurchase transactions	331 875	10 076	0	0
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	1 335 349	1 663 617	1 317 764	1 757 436
Derivatives including:	571 410	739 419	2 302 799	939 444
- Derivatives used as hedging instruments	55 741	57 538	166 954	42 051
Gross loans and advances to customers	27 297 744	27 802 979	27 660 647	22 885 496
Impairment losses on loans and advances to customers	-1 575 886	-1 229 719	-927 331	-863 131
Investment securities:	8 789 642	7 647 640	6 238 011	5 874 280
- available-for-sale	6 036 304	5 493 769	4 365 127	4 093 806
- held-to-maturity	2 753 338	2 153 871	1 872 884	1 780 474
Investments in associates valued using the equity method	11 955	11 636	10 131	11 283
Property, plant and equipment	353 534	393 802	421 866	401 151
Intangible assets	51 248	57 278	60 924	59 096
Goodwill on subordinated companies	0	36 052	36 052	36 052
Deferred tax asset	217 383	187 085	98 000	115 627
Current tax receivable	0	0	0	0
Investment properties	222 240	202 565	209 867	212 394
Other assets	106 898	118 183	135 370	148 493
Total assets	**39 076 598**	**38 755 120**	**38 730 676**	**33 367 849**

in PLN '000'	31.12.2009	30.09.2009	31.12.2008	30.09.2008
Liabilities				
Amounts due to Central Bank	1 321 802	1 568 301	1 113 275	1 611
Amounts due to banks	11 081 690	10 871 655	12 125 013	8 486 974
Derivatives including:	541 068	695 271	1 890 221	658 136
- Derivatives used as hedging instruments	3 166	482	1 708	10 903
Amounts due to customers	22 469 154	21 984 555	20 275 366	20 206 892
Liabilities arising from repurchase transactions	0	0	8 991	979 643
Current tax liability	32 282	20 314	52 303	23 009
Provisions	53 917	59 334	59 474	121 766
Deferred tax liability	1 289	1 485	855	1 092
Other liabilities	180 997	160 762	280 022	241 552
Subordinated liabilities	805 816	814 034	279 643	215 606
Total liabilities	**36 488 015**	**36 175 711**	**36 085 163**	**30 936 281**

in PLN '000'	31.12.2009	30.09.2009	31.12.2008	30.09.2008
Equity				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	784 039	806 038	604 966	604 966
Revaluation reserve	5 716	16 679	97 938	-51 379
Reserves	340 942	340 942	240 942	240 942
Currency translation differences from the translation of subordinated companies	0	0	-733	-733
Retained earnings/loss	65 033	43 034	19 189	19 189
Current net profit attributable to the Shareholders of the Bank	34 559	14 422	324 917	260 289
Total equity attributable to shareholders of the Bank	**2 588 583**	**2 579 409**	**2 645 513**	**2 431 568**
Minority interest	0	0	0	0
Total equity	**2 588 583**	**2 579 409**	**2 645 513**	**2 431 568**
Total equity and liabilities	**39 076 598**	**38 755 120**	**38 730 676**	**33 367 849**

Capital adequacy ratio (%)	12.04	11.36	8.81	9.36
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	9.53	9.50	9.74	8.95

4. Off-balance Sheet Items

in PLN '000'	31.12.2009	30.09.2009	31.12.2008	30.09.2008
Liabilities granted and received				
Liabilities granted, including:	5 803 368	5 771 440	7 219 430	6 643 412
- financial	4 008 224	3 950 748	5 389 649	5 057 384
- guarantees	1 795 144	1 820 692	1 829 781	1 586 028
Liabilities received, including:	2 409 623	2 329 511	1 829 299	1 688 862
- financial	1 185 242	930 422	521 748	516 360
- guarantees	1 224 381	1 399 089	1 307 551	1 172 502
Liabilities related to the sale/purchase transactions	**89 935 737**	**109 208 879**	**279 092 521**	**311 095 732**
Other	**7 140 633**	**6 918 031**	**5 289 553**	**4 649 164**
- collateral received	7 140 633	6 916 487	5 288 009	4 647 620
- other	0	1 544	1 544	1 544

5. Statement of Changes in Consolidated Equity

Changes in the period 01.01.2009 – 31.12.2009

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

Changes in the period 01.01.2008 – 31.12.2008

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies	Retained earnings/loss	Net profit/loss for the period	Total equity attributable to shareholders of the Bank	Minority interest	Total equity
Equity at opening balance – as of 01.01.2008	**1 358 294**	**383 711**	**-87 617**	**180 942**	**-733**	**441 707**	**0**	**2 276 304**	**0**	**2 276 304**
Valuation of financial assets available-for-sale			80 069					80 069		80 069
Effects of valuation of derivatives designated for cash flow hedge			149 012					149 012		149 012
Deferred tax on items recognized in equity			-43 526					-43 526		-43 526
Net profit/loss recognized directly in the equity			**185 555**					**185 555**		**185 555**
Net profit/loss for the period							324 917	324 917		324 917
Total of recognized income and expenses			**185 555**				**324 917**	**510 472**		**510 472**
Profit allowance		221 255		60 000		-281 255		0		0
Dividends						-141 263		-141 263		-141 263
Equity at end of period – as of 31.12.2008	**1 358 294**	**604 966**	**97 938**	**240 942**	**-733**	**19 189**	**324 917**	**2 645 513**	**0**	**2 645 513**

6. Consolidated Cash Flow Statement

in PLN '000'	**4th quarter of 2009** **01.10.2009 - 31.12.2009**	**Four quarters of 2009** **01.01.2009 - 31.12.2009**	**4th quarter of 2008** **01.10.2008 - 31.12.2008**	**Four quarters of 2008** **01.01.2008 - 31.12.2008**
Net cash flow from operating activities				
Net profit	**20 137**	**34 559**	**64 628**	**324 917**
Adjustments to net profit (loss) and net cash from operating activities:	**1 106 925**	**1 558 127**	**-1 121 063**	**-3 763 335**
Current and deferred tax recognized in financial result	8 519	12 098	23 400	96 138
Non-realised profit (loss) from currency translation differences	5 795	-21 618	-11 593	-8 622
Investing and financing activities	**120 871**	**250 234**	**115 292**	**110 533**
Depreciation	28 270	114 501	27 035	103 700
Share in profit (loss) of associates	-319	-1 824	1 152	2 043
Net increase/decrease in impairment	343 748	641 938	62 224	91 144
Dividends	0	-1 629	0	-1 049
Interest	27 178	-176 048	69 501	2 470
Net increase/decrease in provisions	-5 417	-5 557	-62 292	-101 560
Profit (loss) on disposal of investments	-272 589	-321 147	17 672	13 785
Net increase/decrease in operating assets (excluding cash)	**685 822**	**1 600 531**	**-5 628 904**	**-12 581 167**
Net increase/decrease in loans and advances to banks	-1 887	33 257	-58 004	170 544
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	493 993	1 601 122	-789 550	-2 519 127
Net increase/decrease in receivables arising from repurchase transactions	-321 799	-331 875	0	0
Net increase/decrease in gross loans and advances to customers	505 235	362 903	-4 775 151	-10 204 463
Paid income tax	-19 261	-143 098	-10 991	-41 488
Net increase/decrease in other assets	29 541	78 222	4 792	13 367
Net increase/decrease in operating liabilities	**285 918**	**-283 118**	**4 380 742**	**8 619 783**
Net increase/decrease in amounts due to Central Bank	-246 499	208 527	1 111 664	11 614
Net increase/decrease in amounts due to banks	190 910	-1 242 116	2 900 489	4 034 983
Net increase/decrease in derivatives	-156 886	-1 350 610	1 241 280	1 458 321
Net increase/decrease in amounts due to customers	484 599	2 193 788	68 474	3 186 728
Net increase/decrease in liabilities arising from repurchase transactions	0	-8 991	-970 652	-41 135
Net increase/decrease in other liabilities	13 794	-83 716	29 487	-30 728
Net cash flow from operating activities	**1 127 062**	**1 592 686**	**-1 056 435**	**-3 438 418**

in PLN '000'	4th quarter of 2009 01.10.2009 - 31.12.2009	Four quarters of 2009 01.01.2009 - 31.12.2009	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008
Net cash flow from investing activities				
Inflows	**3 436 757**	**8 582 292**	**106 860**	**688 485**
Disposal of property, plant and equipment, intangible assets and investment properties	-2 079	1 862	1 863	6 105
Disposal of interests in equity investments classified as available-for-sale (subsidiaries and associates)	350 005	350 005	0	0
Disposal of investment securities	3 051 936	7 961 693	67 545	490 298
Dividends	0	1 629	0	1 049
Interest received	36 895	267 103	37 452	191 033
Outflows	**-4 311 513**	**-10 565 216**	**-394 726**	**-1 246 277**
Acquisition of property, plant and equipment, intangible assets and investment properties	-20 600	-75 367	-49 471	-138 341
Acquisition of interests in subordinated companies	0	0	0	0
Acquisition of investment securities	-4 290 913	-10 489 849	-345 255	-1 107 936
Net cash flow from investing activities	**-874 756**	**-1 982 924**	**-287 866**	**-557 792**
Cash flow from financing activities				
Inflows	**20 000**	**1 989 087**	**726 930**	**2 976 713**
Proceeds from a subordinated loan	0	560 116	0	209 580
Proceeds from loans and advances	20 000	1 428 971	726 930	2 767 133
Outflows	**-25 493**	**-1 368 961**	**-64 284**	**-709 164**
Dividends	0	0	0	-141 263
Repayment of subordinated liabilities	0	0	0	-375 045
Repayment of loans and advances	0	-1 200 000	0	0
Other financial outflows	-25 493	-168 961	-64 284	-192 856
Net cash flow from financing activities	**-5 493**	**620 126**	**662 646**	**2 267 549**
Net increase/decrease in cash	**246 813**	**229 888**	**-681 655**	**-1 728 661**
Cash at the beginning of the period	**944 328**	**961 253**	**1 642 908**	**2 689 914**
Cash at the end of the period, including:	**1 191 141**	**1 191 141**	**961 253**	**961 253**
Restricted cash	784 875	784 875	789 493	789 493

7. Basis of preparation

Pursuant to Article 55 Clause 6a of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2002, No. 76, item 694 with further amendments) ('the Act'), effectively from 01.01.2005, consolidated financial statements of Kredyt Bank S.A. Capital Group ('the Group') have been prepared in compliance with the International Accounting Standards ('IAS') and the International Financial Reporting Standards ('IFRS') that were approved by the European Commission.

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

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

8. The Group's financial standing at the end of the fourth quarter of 2009

8.1. Income Statement

Group's net result and result before tax

In 2009, the Group generated net profit amounting to PLN 34,559 thousand, while net profit generated in 2008 amounted to PLN 324,917 thousand. The significant difference between the net profit generated in 2009 as compared to 2008 results mainly from high 'Net impairment losses on financial assets, other assets and provisions', whose negative balance as at 31.12.09 amounted to PLN 803,232 thousand, whereas, as at 31.12.08, the balance amounted to PLN 108,202 thousand, and also from lower net trading income – by PLN 82,878 thousand. The balance of impairment losses higher by PLN 695,030 thousand was partially set off with net gains from the sale of the shares of Żagiel (PLN 268,274 thousand), lower general and administrative expenses (PLN 81,277 thousand) and higher net gains from other operating income/expenses (PLN 22,681 thousand).

Despite the persisting disadvantageous macroeconomic situation in the majority of categories of net operating income in 2009 as compared to 2008, an increase was recorded. The Group's net operating income in 2009, as compared to 2008, increased by 14.4% (excluding net gains from the sale of the shares of Żagiel – a decrease by 2.0%), while general and administrative expenses decreased by 7.4%.

The Group's net profit in the fourth quarter of 2009 amounted to PLN 20,137 thousand, while net profit generated in the fourth quarter of 2008 amounted to PLN 64,628 thousand. As in the whole 2009, lower profit before tax and, as a result, lower net profit in the fourth quarter of 2009 as compared to the fourth quarter of 2008, results chiefly from high 'Net impairment losses on financial assets, other assets and provisions', whose balance in the fourth quarter of 2009 amounted to PLN 373,531 thousand, whereas, in the fourth quarter of 2008, the balance amounted to PLN 38,126 thousand, and also lower net trading income by PLN 30,579 thousand. The high balance of impairment losses in the fourth quarter of 2009 was partially set off by net gains from the sale of the shares of Żagiel (PLN 268,274 thousand) and lower general and administrative expenses (by PLN 39,898 thousand). The Group's total net operating income in the fourth quarter of 2009, as compared to the fourth quarter of 2008, increased by 54.9% (excluding net gains from the sale of the shares of Żagiel – a decrease by 7.9%), while general and administrative expenses decreased by 13.3%.

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

in PLN '000'	**4th quarter of 2009**	**4th quarter of 2008**	**Change (%)**	**Four quarters of 2009**	**Four quarters of 2008**	**Change (%)**
Net interest income	274 358	292 281	-6.1%	1 061 219	1 059 872	0.1%
Net fee and commission income	76 134	73 460	3.6%	304 107	293 130	3.7%
Net gains from trading and investment activities*	31 481	51 309	-38.6%	165 121	232 912	-29.1%
Net gains from the sale of the shares of Żagiel	268 274	0		268 274	0	
Net gains from other operating income/expenses	11 566	10 099	14.5%	72 648	49 967	45.4%
Total	**661 813**	**427 149**	**54.9%**	**1 871 369**	**1 635 881**	**14.4%**
General and administrative expenses	-259 945	-299 843	-13.3%	-1 023 304	-1 104 581	-7.4%
Net impairment losses on financial assets, other assets and provisions	-373 531	-38 126	879.7%	-803 232	-108 202	642.3%
Total	**-633 476**	**-337 969**	**87.4%**	**-1 826 536**	**-1 212 783**	**50.6%**
Share in profit (loss) of associates	319	-1 152		1 824	-2 043	
Gross profit	**28 656**	**88 028**	**-67.4%**	**46 657**	**421 055**	**-88.9%**
Income tax expense	-8 519	-23 400	-63.6%	-12 098	-96 138	-87.4%
Net profit	**20 137**	**64 628**	**-68.8%**	**34 559**	**324 917**	**-89.4%**

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

Net interest, fee and commission income

Net interest income generated by the Group in 2009 amounted to PLN 1,061,219 thousand and was at a similar level as in 2008.

Net interest income generated by the Group in the fourth quarter of 2009 amounted to PLN 274,358 thousand and was lower by 6.1% than the corresponding figure in the fourth quarter of 2008, mainly due to the decrease in interest rates.

Net fee and commission income in 2009 amounted to PLN 304,107 thousand and was higher by PLN 10,977 thousand (by 3.7%) than the net income generated in 2008, mainly due to the higher, by PLN 8,636 thousand, net income related to credit cards and payment cards processing as well as ATMs maintenance; higher, by PLN 7,668 thousand, net income related to deposit transactions; and higher, by PLN 4,266 thousand, commissions on granted guarantees; with a simultaneous decrease, by PLN 2,419 thousand, in income from lending activities and an increase in the cost of loan insurance by PLN 5,483 thousand.

Net fee and commission income in the fourth quarter of 2009 amounted to PLN 76,134 thousand and was higher, by PLN 2,674 thousand (by 3.6%), than net income generated in the fourth quarter of 2008, mainly due to the increase in net gains from deposit transactions with customers by PLN 2,450 thousand and the increase in income from the distribution and management of combined investment and insurance products by PLN 2,494 thousand, with a simultaneous decrease, by PLN 2,152 thousand, in income from lending activities. Recognizing in this item, in the fourth quarter of 2009, transaction costs of PLN 5,187 thousand related to services provided by counterparties but not yet invoiced by the end of 2009 has had a significant negative impact on net commission income in the fourth quarter and in the whole 2009.

Net gains from trading and investment activities

In 2009, net gains from trading and investment activities, including net result on derivatives used as hedging instruments and hedged items, amounted to PLN 165,121 thousand as compared to PLN 232,912 thousand generated in 2008. The net income for 2009 includes valuation write-downs of active derivatives amounting to PLN 15,682 thousand that were not recorded in 2008. In addition, the change in the parameterization of curves applied in the valuation of FX swaps carried out in the second quarter of 2009 adversely affected the result in 2009 in the above-described area of activity. Furthermore, one should remember that, from April to December 2009, the Bank did not extend mortgages in foreign currencies, which resulted in a significantly lower result on foreign exchange, which is a part of net trading income.

In the fourth quarter of 2009, net gains from trading and investment activities, including net result on derivatives used as hedging instruments and hedged items, amounted to PLN 31,481 thousand as compared to PLN 51,309 thousand recorded in the fourth quarter of 2008. Lower net trading income was mainly a derivative of a lower result on foreign exchange as compared to the corresponding period in the previous year, which, in turn, resulted both from the absence of lending activities related to mortgages in foreign currencies and the negative result on FX swaps.

Net gains from the sale of the shares of Żagiel

On 16.12.2009, Kredyt Bank S.A. entered into a sale agreement for the benefit of the parent entity, 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. Details concerning the above-mentioned transactions have been presented in section 16 below.

The impact of the transaction on the Group's consolidated net result amounted to PLN 228,608 thousand, including -(minus) PLN 39,666 thousand in ‘Income tax expense’, and PLN 268,274 thousand in ‘Net gains from the sale of the shares of Żagiel’.

Despite the change in the ownership structure of Żagiel S.A., the Bank intends to continue the cooperation with Żagiel S.A. concerning the sale of cash loans, instalment loans and credit cards.

Net gains from other operating income/expenses

Net gains from other operating activities in 2009 amounted to PLN 72,648 thousand and were higher by PLN 22,681 thousand than the figure in 2008. Rental income in Reliz is the main item which affects other operating income on a continuous basis. In 2009, the income of Reliz (after consolidation exclusions) amounted to PLN 35,065 thousand and was higher by PLN 4,673 thousand as compared to 2008 (the growth results partially from currency translation differences). In 2009, as compared to the corresponding period in the previous year, the Group recorded also higher, by PLN 23,473 thousand, inflows related to the receivables previously written off the balance sheet and higher, by PLN 7,065 thousand, debt recovery expenses.

Net gains from other operating activities in the fourth quarter of 2009 amounted to PLN 11,566 thousand and were higher by PLN 1,467 thousand than the figure in the fourth quarter of 2008. Inflows related to receivables previously written off the balance sheet higher by PLN 3,864 thousand were the main reason behind the increase in this category in the fourth quarter of 2009.

General and administrative expenses

	4th quarter of 2009	4th quarter of 2008	Change (%)	Four quarters of 2009	Four quarters of 2008	Change (%)
Staff costs	**114 101**	**140 313**	**-18.7%**	**454 060**	**536 208**	**-15.3%**
General expenses, including:	**117 573**	**132 493**	**-11.3%**	**454 743**	**464 671**	**-2.1%**
- costs of buildings maintenance and lease	38 862	36 340	6.9%	153 463	129 603	18.4%
- postal and telecommunications fees	12 972	17 769	-27.0%	58 389	62 746	-6.9%
- IT costs	15 441	8 704	77.4%	52 929	35 162	50.5%
- promotion and advertising services	5 064	12 967	-60.9%	15 087	36 220	-58.3%
- advisory costs	3 627	5 237	-30.7%	15 521	15 922	-2.5%
- transportation services	4 874	4 819	1.1%	19 678	19 429	1.3%
- purchase of other materials	2 438	5 213	-53.2%	8 235	17 497	-52.9%
- taxes and fees	24 616	24 982	-1.5%	98 370	90 784	8.4%
- other	9 679	16 462	-41.2%	33 071	57 308	-42.3%
Depreciation	**28 271**	**27 035**	**4.6%**	**114 501**	**103 700**	**10.4%**
Total	**259 945**	**299 841**	**-13.3%**	**1 023 304**	**1 104 579**	**-7.4%**

Employment *	**31.12.2009**	**31.12.2008**	**Change**	**Change (%)**
KB	4 809	5 487	-678	-12.4%
Żagiel	0	1 459	-1 459	-100.0%
Other	87	104	-17	-16.3%
Total	**4 896**	**7 050**	**-2 154**	**-30.6%**

** Figures in FTEs.*

The Group’s general and administrative expenses in 2009 amounted to PLN 1,023,304 thousand and, as compared to 2008, decreased by 7.4%. The Group’s general and administrative expenses in the fourth quarter of 2009 amounted to PLN 259,945 thousand and, as compared to the fourth quarter of 2008, decreased by 13.3%.

Staff costs decreased in 2009 by PLN 82,148 thousand (15.3%) as compared to 2008. In the fourth quarter of 2009, staff costs amounted to PLN 114,101 thousand, which means a decrease as compared to the fourth quarter of 2008 by PLN 26,212 thousand (18.7%). The decrease in staff costs in 2009 as compared to the corresponding period in 2008 results mainly from the decrease in the employment in the Group and lower provisions for bonuses.

At the end of 2009, the employment in the Group decreased by 2,154 FTEs, as compared to the end of 2008, including the decrease by 796 FTEs related to the sale of the shares of Żagiel. Furthermore, 117 former employees of Żagiel were employed in Kredyt Bank.

General expenses decreased in 2009 by PLN 9,928 thousand as compared to 2008. The decrease in general expenses resulted mainly from the decrease in:

- promotion and advertising services (PLN 21,133 thousand);
- costs of the purchase of other materials (PLN 9,262 thousand);
- other expenses (PLN 24,237 thousand), including mainly intermediation services of ca. PLN 14 million.

The decrease in the expenses in the above categories in 2009 as compared to 2008 was partially set off by the increase in:

- costs of buildings maintenance and lease (PLN 23,860 thousand), which resulted from the depreciation of the Polish zloty (the majority of rents are in EUR or USD) and the increase in the number of the Bank's outlets;
- IT costs (PLN 17,767 thousand), which resulted from the increase in costs of the maintenance of IT infrastructure (PLN 4,651 thousand) and software maintenance (PLN 10,230 thousand), and also purchases charged directly to the costs of IT materials (PLN 2,969 thousand);
- costs of taxes and fees (PLN 7,586 thousand), which resulted mainly from the increase in fees for the Bank Guarantee Fund (PLN 9,281 thousand).

In the fourth quarter of 2009, general expenses decreased by PLN 14,920 thousand as compared to the fourth quarter of 2008. The decrease in general expenses resulted mainly from the decrease in:

- promotion and advertising services (PLN 7,903 thousand);
- costs of the purchase of other materials (PLN 2,775 thousand);
- costs of postal and telecommunications fees (PLN 4,797 thousand);
- other costs (PLN 6,783 thousand),

with the simultaneous increase in:

- costs of buildings maintenance and lease (PLN 2,522 thousand);
- IT costs (PLN 6,737 thousand).

Cost/income ratio (CIR)

The cost/income ratio for 2009 amounted to 54.7% and was lower as compared to 2008 by 12.8 percentage points. In the fourth quarter of 2009, the ratio amounted to 39.3% as compared to 70.2% in the fourth quarter of 2008.

Excluding net gains from the sale of the shares of Żagiel, the cost/income ratio for 2009 amounted to 63.8% and was lower as compared to 2008 by 3.7 percentage points. In the fourth quarter of 2009, the ratio amounted to 66.1% and was lower, as compared to the fourth quarter of 2008, by 4.1 percentage points.

Net impairment losses on financial assets, other assets and provisions

Net impairment losses on financial assets, other assets and provisions	**4th quarter of 2009**	**4th quarter of 2008**	**Four quarters of 2009**	**Four quarters of 2008**
Retail Segment	-67 054	9 850	-121 083	1 288
Consumer Finance Segment	-243 430	-64 206	-496 705	-168 545
Corporate Segment	-54 145	-39 146	-171 923	-30 990
Other provisions	-8 902	55 376	-13 521	90 045
Result on provisions	**-373 531**	**-38 126**	**-803 232**	**-108 202**

In 2009, the Group recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 803,232 thousand, as compared to the negative balance in 2008 amounting to PLN 108,202 thousand.

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

The balance of other provisions in 2009 includes mainly the establishment in 2009 of a restructuring provision of PLN 8.7 million. In 2008, the balance includes mainly the reversal of provisions for litigations due to the court judgments advantageous for the Bank.

A material increase in net impairment losses in the fourth quarter of 2009 in the Consumer Finance Segment and in the Retail Segment resulted from the following factors:

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

Having regard for the above factors, in the fourth quarter of 2009, the Group recorded a negative balance of net impairment losses on financial assets, other assets and provisions of PLN 373,531 thousand, as compared to the negative balance in the fourth quarter of 2008 amounting to PLN 38,126 thousand.

Corporate income tax

The debit due to the income tax in the Group in 2009 amounted to PLN 12,098 thousand, as compared to the deduction from the Group's net profit in 2008 of PLN 96,138 thousand. The effective tax rate in 2008 was at the level of 22.8% as compared to 25.9% for 2009, where it was distorted mainly by non-tax financing costs as a result of 'thin capitalisation'.

8.2. Assets and liabilities

Gross loans and advances to customers

The value of gross loans and advances to customers at the end of the fourth quarter of 2009 decreased by 1.3% as compared to the corresponding period in the previous year. The decrease in loans and advances to customers in the previous year was related mainly to term loans of corporate customers.

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

Investment securities portfolio

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

Derivatives

At the end of 2009, the Group's net item resulting from the valuation of derivatives was open and amounted to PLN 30.3 million as compared to PLN 44.1 million at the end of the third quarter of 2009 and to PLN 412.6 million at the end of 2008. The decrease was possible mainly due to the decrease in the valuation of IRS's used in the interest rate risk management process. Net revaluation write-downs on derivative transactions and on receivables due to mature and non-settled transactions amounted in 2009 to the total amount of PLN 69 million, including PLN 16 million reported in net trading income and PLN 53 million in 'Net impairment losses on financial assets, other assets and provisions'. Credit risk for option transactions is monitored on an ongoing basis by the Bank's Credit Committee.

Amounts due to banks and subordinated liabilities

in PLN '000'	**31.12.2009**	**30.09.2009**	**31.12.2008**	**30.09.2008**
Loans and advances from KBC Group	6 818 610	6 893 537	6 763 261	4 939 845
- including loans and advances in foreign currencies	*6 216 705*	*6 311 717*	*4 991 104*	*3 228 045*
Term deposits	1 699 362	2 262 816	4 087 081	1 071 288
- including term deposits from KBC Group	*1 696 985*	*2 185 451*	*3 993 949*	*848 420*
Current accounts	2 560 645	1 709 670	1 271 449	2 469 824
Other liabilities	3 073	5 632	3 222	6 017
Total amounts due to banks	**11 081 690**	**10 871 655**	**12 125 013**	**8 486 974**
Subordinated liabilities (from KBC Group)	805 816	814 034	279 643	215 606
Total	**11 887 506**	**11 685 689**	**12 404 656**	**8 702 580**

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

Customers' deposits portfolio

Customers' deposits at the end of the fourth quarter of 2009 increased by 2.2% as compared to the end of the third quarter of 2009, and increased by 10.8% as compared to the end of the fourth quarter of 2008. In the last 12 months, the largest increase in deposits was recorded in the retail customers segment in the portfolio of current accounts by ca. PLN 3.4 billion and in the portfolio of term deposits by ca. PLN 0.6 billion.

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

8.2.1. Corporate and SME banking

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

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

in PLN '000'	**31.12.2009**	**30.09.2009**	**31.12.2008**	**30.09.2008**
Corporate and SME customers				
- overdraft facilities	1 468 747	1 609 012	1 881 957	1 911 609
- term loans*	5 464 609	5 852 197	6 564 247	5 877 694
- purchased debt	141 546	97 602	51 808	32 090
- realised guarantees	5 384	5 985	7 063	7 171
- other receivables (including leasing fees)	537 221	542 548	563 093	481 277
Total**	**7 617 507**	**8 107 344**	**9 068 168**	**8 309 841**
Budget				
- overdraft facilities	1 828	2 212	4 402	4 797
- term loans*	216 535	227 528	344 458	301 189
- other	0	0	0	466
Total**	**218 363**	**229 740**	**348 860**	**306 452**

** mainly investment loans and working capital loans*
*** in gross terms*

The lower balance of the loans of corporate customers and SMEs at the end of the fourth quarter of 2009 as compared to the third quarter of 2009 and the fourth quarter of 2008 results mainly from the strategy of a disciplined use of the capital adopted in 2009, with special attention paid to the level of the risk and realized margins in the case of new exposures.

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

in PLN '000'	**31.12.2009**	**30.09.2009**	**31.12.2008**	**30.09.2008**
Corporate and SME customers				
- current accounts	2 540 948	2 349 507	2 345 672	2 316 350
- term deposits	3 904 049	3 924 723	5 093 304	3 624 235
- including 'Warta Gwarancja' product	*968 857*	*936 190*	*1 816 873*	*1 421 533*
- loans and advances	144	145	149	0
- other	16 688	6 473	37 680	8 133
Total	**6 461 829**	**6 280 848**	**7 476 805**	**5 948 718**
Budget				
- current accounts	1 267 811	1 340 471	2 037 335	2 190 585
- term deposits	531 407	654 548	386 057	906 807
- other	0	15	0	0
Total	**1 799 218**	**1 995 034**	**2 423 392**	**3 097 392**

The value of the portfolio of term deposits of corporate customers at the end of the fourth quarter of 2008 as compared to the fourth quarter of 2008 decreased by PLN 1.2 billion, what results mainly from the decrease in the value of deposits in the Bank made by TUnŻ Warta S.A. concerning the sale of 'Warta Gwarancja' product (a decrease by PLN 0.8 billion) offered by the insurance company to retail customers, and the decrease in the value of the cash deposited by the funds managed by the companies of KBC Group – ca. PLN 0.4 billion.

As at the end of 2009, as compared to the third quarter of 2009, the value of the portfolio of deposits made by corporate customers and SMEs did not change in a significant way.

8.2.2. Retail banking

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

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

in PLN '000'	31.12.2009	30.09.2009	31.12.2008	30.09.2008
- overdraft facilities	793 184	816 904	695 814	697 699
- purchased debt	7 440	17 120	10 676	13 635
- term loans*	829 717	865 151	837 199	797 745
- instalment loans, cash loans, and cards	4 118 645	4 091 047	3 827 727	3 386 281
- mortgages	13 685 315	13 648 970	12 854 847	9 353 756
- realised guarantees	1 519	1 519	1 583	1 567
- other receivables	26 054	25 184	15 773	18 520
Total**	**19 461 874**	**19 465 895**	**18 243 619**	**14 269 203**

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

The increase in the balance of retail customers' loans as at 31.12.2009 as compared to 31.12.2008 amounted to 6.7% and, as compared to the end of the third quarter of 2009, the balance remained at a similar level.

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

in PLN '000'	31.12.2009	30.09.2009	31.12.2008	30.09.2008
- current accounts	10 109 149	10 074 976	6 797 580	8 095 038
- term deposits	4 022 658	3 519 441	3 403 116	2 890 109
- other	76 300	114 256	174 473	175 635
Total	**14 208 107**	**13 708 673**	**10 375 169**	**11 160 782**

The Bank's long-term strategy assumes the holding of a permanent deposits base sourced from customers, hence, in the second quarter and in the third quarter of 2009, Kredyt Bank offered very competitive interest rates for the Savings Account (presented in current accounts), which resulted in an increase in cash deposited in these accounts as at 31.12.2009 as compared to 31.12.2008 by PLN 3.4 billion.

As mentioned above, the cash acquired by the Bank from TunŻ Warta S.A. from the sale of 'Warta Gwarancja' product offered by the insurer to retail customers is recognized in these financial statements in the corporate segment.

Instalment and cash loans, and credit cards

Instalment and cash loans, and credit cards are offered in the network of the Bank's outlets as well as via Żagiel.

In the fourth quarter of 2008, in view of the symptoms of slower economic growth, the Bank made decisions to tighten the credit policy for instalment loans and cash loans, and, in particular, to decrease DtI (Debt to Income) ratio for the calculation of the creditworthiness. The restrictive credit policy affected mainly the loans granted via Żagiel.

The sale of retail loans and advances through Żagiel's distribution network in the fourth quarter of 2009 amounted to PLN 347 million, i.e. decreased by 5.2% as compared to the third quarter of 2009 and by 61.9% against the level in the fourth quarter of 2008. As compared to the third quarter of 2009, in the fourth quarter of 2009, the number of granted loans decreased from 176 thousand to 170 thousand, and, as compared to the fourth quarter of 2008, the number of loans decreased by 158 thousand. The decrease in sales is noticeable mainly in the group of cash loans.

Throughout 2009, the Bank undertook additional activities in order to prepare a detailed analysis and verification of the portfolio quality for instalment and cash loans. From the analyses, it seems that cash loans of the Bank's customers are of better quality than cash loans granted via Żagiel. As a result, in the case of loans granted via Żagiel, new, stricter lending and verification conditions have been introduced, which has resulted in a major limitation of the sale of cash loans for this segment. In the case of cash loans of the Bank's customers, lending and verification conditions were adjusted to the existing market situation to ensure the acceptance of the better quality of customers with a larger sales volume. Similarly, verified lending conditions in the case of instalment loans granted via Żagiel aim to ensure better quality of accepted customers for this type of product.

in PLN '000'	**4th quarter of 2009**	**3rd quarter of 2009**	**4th quarter of 2008**	**3rd quarter of 2008**
Instalment and cash loans, and cards				
Gross value of the portfolio at the end of the quarter, including:	4 118 645	4 091 047	3 827 727	3 386 281
Loans granted via Żagiel				
Gross value of the portfolio at the end of the quarter*	2 579 558	2 667 854	2 811 786	2 442 615
Number of loans granted in the quarter (in '000')**	170	176	328	319
Value of loans granted in the quarter:**	346 746	365 796	910 229	862 026
- instalment loans	345 478	364 396	575 808	542 305
- cash loans	1 268	1 400	334 421	319 721

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

At the end of the fourth quarter of 2009, as compared to the end of the third quarter of 2009, the number of credit cards decreased slightly by 0.8%, and increased by 10.7% as compared to the end of the fourth quarter of 2008.

in thousands	**31.12.2009**	**30.09.2009**	**31.12.2008**	**30.09.2008**
Credit cards (aggregate for KB and Żagiel S.A.)	528	532	477	408

Mortgages

Due to the observed fluctuations of the rates of exchange and in view of the symptoms of the slower economic growth, in April 2009, the Bank withdrew loans denominated in foreign currencies from its offer. In December 2009, the Bank restored to its offer mortgages denominated in foreign currencies for customers with the lowest risk level.

The gross value of the portfolio of mortgages in the fourth quarter of 2009 as compared to the third quarter of 2009 increased by 0.3% and, as compared to the corresponding period in the previous year, by 6.5%.

in PLN '000'	4th quarter of 2009	3rd quarter of 2009	4th quarter of 2008	3rd quarter of 2008
Mortgages				
Gross value of the portfolio at the end of the quarter	13 685 315	13 648 970	12 854 847	9 353 756
Number of loans granted in the quarter (in '000')	1.7	1.7	8.5	12.5
Value of loans granted in the quarter*	328 224	306 583	1 541 815	1 843 618

* new loans

Current accounts for individual clients

in PLN '000'	**31.12.2009**	**30.09.2009**	**31.12.2008**	**30.09.2008**
Current accounts				
Carrying amount at quarter end	10 109 149	10 074 976	6 797 580	8 095 038
Including ROR accounts *				
Number (in '000')	612	599	588	588
Carrying amount	1 123 428	1 164 492	1 216 932	1 287 729
Including Savings Account *				
Number (in '000')	496	442	370	362
Carrying amount	7 626 000	7 647 098	4 245 387	5 441 113

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

As at 31.12.2009, the number of current-savings accounts (ROR) increased by 2.2% as compared to figures at 30.09.2009 and was higher by 4.1% as compared to figures at 31.12.2008. The carrying amount of cash on ROR accounts for individual customers at the end of the fourth quarter of 2009 decreased as compared to the end of the third quarter of 2009 by 3.5% and by 7.7% as compared to the end of the fourth quarter of 2008.

At the end of the fourth quarter of 2009, the number of savings accounts increased by 12.2% as compared to the end of the third quarter of 2009, and by 34.1% as compared to the end of the fourth quarter of 2008. At the end of the fourth quarter of 2009, the value of deposited cash decreased slightly by 0.3% as compared to figures at the end of the third quarter of 2009 and increased by 79.6% as compared to the end of the fourth quarter of 2008. The high increase in the value of cash in the savings account in 2009 is an effect of Kredyt Bank's offer of competitive interest terms for the Savings Account.

Electronic distribution channels

The number of users of electronic distribution channels has been growing systematically. As of 31.12.2009, the number of KB24 users was equal to 356 thousand. As compared to figures at 30.09.2009, their number increased by 0.6%, and by 6.6% as compared to figures at 31.12.2008. As compared to the third quarter of 2009, the number of bank transfers made via KB24 in the fourth quarter of 2009, increased by 7.0%, and by 9.7% as compared to the fourth quarter of 2008.

in '000'	**31.12.2009**	**30.09.2009**	**31.12.2008**	**30.09.2008**
Number of KB 24 users	356	354	334	320
Number of transfers via KB24 in the quarter	4 461	4 169	4 066	3 735

Number of outlets

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

in units	**31.12.2009**	**30.09.2009**	**31.12.2008**	**30.09.2008**
Bank's outlets	402	407	401	395
Outlets of Żagiel S.A. ('Kredyt Punkt' outlets)	0	200	351	343

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

Total net assets of KBC TFI funds (excluding non-registered funds) sold as at 31.12.2009 via the Bank's distribution network amounted to PLN 3,390,735 thousand. As compared to figures at 30.09.2009, they increased by 1.6%, and by 21.6% as compared to figures at 31.12.2008.

in PLN '000'	**31.12.2009**	**30.09.2009**	**31.12.2008**	**30.09.2008**
Net assets of KBC TFI funds (excluding non-registered funds) sold via the Bank's distribution network	3 390 735	3 336 491	2 789 563	2 967 374
The share of net assets of funds sold via the Bank's distribution network in net assets of investment funds managed by KBC TFI S.A.	75.1%	75.6%	74.6%	77.0%

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

In the fourth quarter of 2009 and in the fourth quarter of 2008, the Bank did not issue, redeem or repay any equity securities issued by the Bank.

8.5. The quality of loans and advances portfolio

In the fourth quarter of 2009, the quality ratio for the Group's gross loans and advances amounted to 8.7% and deteriorated in this period by 2.0 percentage points. The main reasons for the deterioration of the quality ratio for the portfolio of loans and advances have been described in section 8.1. above ('Net impairment losses on financial assets, other assets and provisions').

The Group, 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 60.4% and increased by 1.0 percentage point as compared to 30.09.2009. The decrease in this ratio from 62.2% at the end of 2008 results mainly from the transfer, in 2009, of a part of receivables subject to the full impairment loss to the off-balance-sheet records.

in PLN '000'	**31.12.2009**	**30.09.2009**	**31.12.2008**	**30.09.2008**
Loans and advances with no evidence for impairment	24 919 522	25 942 815	26 310 999	21 700 580
Loans and advances with evidence for impairment	2 378 222	1 860 164	1 349 648	1 184 916
Total gross loan and advances to customers	**27 297 744**	**27 802 979**	**27 660 647**	**22 885 496**
Impairment losses on loans and advances to customers	1 575 886	1 229 719	927 331	863 131
including: impairment on loans and advances with evidence for impairment	1 435 829	1 105 124	839 644	784 271
Total net loans and advances to customers	**25 721 858**	**26 573 260**	**26 733 316**	**22 022 365**
The share of loans and advances with evidence for impairment in total gross loans and advances	8.7%	6.7%	4.9%	5.2%
Coverage of loans and advances with evidence for impairment with corresponding impairment	60.4%	59.4%	62.2%	66.2%
Coverage of gross loans and advances to customers with corresponding impairment	5.8%	4.4%	3.4%	3.8%

8.6. Capital adequacy ratio

The Group's capital adequacy ratio was calculated in compliance with the regulations of the National Bank of Poland in force and, as of 31.12.2009, amounted to 12.04% as compared to 8.81% recorded as of 31.12.2008. The increase in the adequacy ratio as compared to the state as at 31.12.2008 was possible due to the recognition of subordinated loans of PLN 75 million and CHF 165 million in the supplementary funds. The Group applies the standardized approach to credit risk calculation.

As at 31.12.2009, as compared to 30.09.2009, the capital adequacy ratio increased from 11.36% by 0.68 percentage points.

The ratio calculated only with the use of own basic capitals amounted as at 31.12.2009 to 8.95% and to 7.37% as at 31.12.2008.

8.7. Income and results by operating segments

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

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

As a result, the Group's operating activities were divided into four basic segments: Retail Segment, Corporate Segment, Consumer Finance Segment and Treasury Segment. The Bank's operations are not diversified in geographical terms. Operations are focused on the Polish market; the main customer base is composed of Polish natural and legal persons and foreign customers operating on the Polish market.

With reference to the changes described above, the Bank appropriately restated 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 consists of a wide choice of deposit, credit and insurance (bancassurance) products offered in cooperation with TUnŻ WARTA S.A. and TUiR WARTA S.A., and investment products offered by KBC TFI S.A. This offer is addressed to customers through traditional channels of distribution via the Bank's nationwide network of branches and affiliates as well as KB24 – an Internet network.

Corporate Segment

Corporate Segment, in management terms, comprises transactions with large companies (with annual sales revenue exceeding PLN 16 million) as well as state budgetary units at central and local levels. Beside such traditional products as loans, deposits, settlement and treasury services, the customers from this segment are offered specialist services. They are tailored to customers' individual needs, e.g. organizing syndicates supporting investment projects, financing real estate transactions, financing foreign trade and bulk payments. The Bank's offer in this segment is expanded by the products of Kredyt Lease, which offers a complete range of services for companies in respect of the leasing of property, plant and equipment.

Consumer Finance Segment

Consumer Finance Segment, in management terms, includes the sale of consumer loans (instalment and cash loans, credit cards) via the distribution network of Żagiel.

Treasury Segment

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

Other

Income and expenses not assigned to above segments have been presented as 'Other' segment. In 2009 and in the fourth quarter of 2009, this item also entails net gains from the sale of the shares of Żagiel. This category also includes the results of the operations of Reliz and Kredyt Trade (also of KIF for 2008). Respective eliminations were made for the presentation of the results of particular segments.

Additional clarifications

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

Net interest income includes net interest income from deposit and lending activities and the total net income from loan commissions treated, in management terms, as an element of interest margin. In addition, particular segments include the costs of financing the cash maintained in the Bank's branches.

Net commission income and other net income entails:

- commissions for the keeping of accounts and transactions;

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

Net income from treasury transactions in the Retail Segment and in the Corporate Segment is the net income from exchange operations and net income from financial transactions which are a margin on such products as repurchase transactions, bonds, IRS and FX options. The result for the Treasury Segment 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 these financial statements 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’.

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

Group's net profit for the fourth quarter of 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:	**132 685**	**87 567**	**58 233**	**27 572**	**-5 365**	**300 692**
- lending activities	92 795	87 567	43 925		-5 393	218 894
- depositing activities	42 918		15 495		29	58 442
- the cost of financing cash kept in the Bank's branches	-3 028		-1 187	4 216	-1	0
Net commission income and other net income	**48 631**	**5 662**	**11 992**	**0**	**12 652**	**78 937**
- commissions related to the keeping of accounts and transactions	28 415		7 115		302	35 832
- commissions related to cards	12 113	6 768	385			19 266
- commissions related to shares in investment funds societies	6 336		257			6 593
- commissions related to insurance products	8 868		1			8 869
- commissions related to foreign transactions	2 166		2 850		343	5 359
- other	-9 267	-1 106	1 384		12 007	3 018
Net income from treasury transactions	**12 276**	**-15**	**7 661**	**5 999**	**1 395**	**27 316**
- exchange transactions	12 237	-15	7 428	4 548	175	24 373
- derivatives and securities	39		233	1 451	1 220	2 943
Net gains from investment activities				**278**		**278**
Net gains from the sale of the shares of Żagiel					**268 274**	**268 274**
Operating income before tax	**193 592**	**93 214**	**77 886**	**33 849**	**276 956**	**675 497**
Net impairment losses on financial assets, other assets and provisions	**-71 677**	**-248 960**	**-62 857**	**0**	**-3 721**	**-387 215**
Group's general and administrative expenses, including:	**-179 484**	**-39 866**	**-26 589**	**-8 409**	**-5 597**	**-259 945**
- the costs of the operation of business functions (direct costs)	-119 504	-38 774	-18 713	-5 608	-5 597	-188 196
- allocated expenses	-59 980	-1 092	-7 876	-2 801		-71 749
Net operating income	**-57 569**	**-195 612**	**-11 560**	**25 440**	**267 638**	**28 337**
Share in profit (loss) of associates						319
Income tax expense						-8 519
Net profit/loss						**20 137**

Group's net profit for four quarters of 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**	**427 654**	**221 830**	**17 715**	**-8 101**	**1 150 435**
- lending activities	342 619	427 654	159 433		-8 227	921 479
- 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**	**23 290**	**84 755**	**0**	**49 339**	**344 412**
- 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	-2 010	46 645		46 886	46 365
Net income from treasury transactions	**54 928**	**0**	**34 065**	**83 770**	**2 303**	**175 066**
- exchange transactions	54 758		30 670	62 206	1 355	148 989
- derivatives and securities	170		3 395	21 564	948	26 077
Net gains from investment activities				**706**	**5 031**	**5 737**
Net gains from the sale of the shares of Żagiel					**268 274**	**268 274**
Operating income before tax	**733 293**	**450 944**	**340 650**	**102 191**	**316 846**	**1 943 924**
Net impairment losses on financial assets, other assets and provisions	**-132 090**	**-512 122**	**-224 132**	**0**	**-7 443**	**-875 787**
Group's general and administrative expenses, including:	**-698 246**	**-159 062**	**-106 327**	**-36 478**	**-23 191**	**-1 023 304**
- the costs of the operation of business functions (direct costs)	-459 975	-154 984	-74 235	-24 030	-23 191	-736 415
- allocated expenses	-238 271	-4 078	-32 092	-12 448		-286 889
Net operating income	**-97 043**	**-220 240**	**10 191**	**65 713**	**286 212**	**44 833**
Share in profit (loss) of associates						1 824
Income tax expense						-12 098
Net profit/loss						**34 559**

Group's net profit for the fourth quarter of 2008 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:	**120 254**	**111 326**	**38 043**	**16 461**	**7 288**	**293 372**
- lending activities	71 529	111 326	22 303		7 525	212 683
- depositing activities	54 476	0	17 875		-223	72 128
- the cost of financing cash kept in the Bank's branches	-5 751	0	-2 135	7 900	-14	0
Net commission income and other net income	**50 167**	**6 854**	**16 233**	**0**	**9 214**	**82 468**
- commissions related to the keeping of accounts and transactions	26 657		6 056		300	33 013
- commissions related to cards	14 316	4 097	418			18 831
- commissions related to shares in investment funds societies	5 573		115		1	5 689
- commissions related to insurance products	5 652		1		54	5 707
- commissions related to foreign transactions	2 172		2 784		331	5 287
- other	-4 203	2 757	6 859		8 528	13 941
Net income from treasury transactions	**56 829**	**110**	**11 553**	**1 741**	**-7 153**	**63 080**
- exchange transactions	56 559	110	8 530	16 235	-5 909	75 525
- derivatives and securities	270		3 023	-14 494	-1 244	-12 445
Net gains from investment activities				**-14 080**	**2 309**	**-11 771**
Operating income before tax	**227 250**	**118 290**	**65 829**	**4 122**	**11 658**	**427 149**
Net impairment losses on financial assets, other assets and provisions	**10 344**	**-64 206**	**-37 250**	**0**	**52 986**	**-38 126**
Group's general and administrative expenses, including:	**-201 167**	**-62 991**	**-23 942**	**-8 406**	**-3 337**	**-299 843**
- the costs of the operation of business functions (direct costs)	-142 643	-57 731	-18 211	-5 945	-3 337	-227 867
- allocated expenses	-58 524	-5 260	-5 731	-2 461		-71 976
Net operating income	**36 427**	**-8 907**	**4 637**	**-4 284**	**61 307**	**89 180**
Share in profit (loss) of associates						-1 152
Income tax expense						-23 400
Net profit/loss						**64 628**

Group's net profit for four quarters of 2008 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:	**457 749**	**375 650**	**171 552**	**80 239**	**-317**	**1 084 873**
- lending activities	248 126	375 650	108 210		100	732 086
- depositing activities	229 719	0	70 323		-373	299 669
- the cost of financing cash kept in the Bank's branches	-20 096	0	-6 981	27 121	-44	0
Net commission income and other net income	**193 982**	**25 223**	**64 372**	**0**	**34 519**	**318 096**
- 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	12 169	27 630		32 247	52 522
Net income from treasury transactions	**163 601**	**-16**	**48 909**	**39 677**	**-8 719**	**243 452**
- exchange transactions	162 388	-16	26 205	54 444	-6 247	236 774
- derivatives and securities	1 213		22 704	-14 767	-2 472	6 678
Net gains from investment activities			**4**	**-14 080**	**3 536**	**-10 540**
Operating income before tax	**815 332**	**400 857**	**284 837**	**105 836**	**29 019**	**1 635 881**
Net impairment losses on financial assets, other assets and provisions	**6 507**	**-168 545**	**-28 580**	**0**	**82 416**	**-108 202**
Group's general and administrative expenses, including:	**-738 421**	**-221 058**	**-95 234**	**-34 748**	**-15 120**	**-1 104 581**
- the costs of the operation of business functions (direct costs)	-531 645	-201 213	-72 836	-25 018	-15 120	-845 832
- allocated expenses	-206 776	-19 845	-22 398	-9 730		-258 749
Net operating income	**83 418**	**11 254**	**161 023**	**71 088**	**96 315**	**423 098**
Share in profit (loss) of associates						**-2 043**
Income tax expense						**-96 138**
Net profit/loss						**324 917**

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

in PLN '000'	**01.10.2009-31.12.2009**
Net interest income – management information	**300 692**
- commissions on loans	12 881
+ operating expenses (interest on finance lease)	-489
+ operating income (the collection of statutory interest)	1 405
+ commissions related to foreign transactions	76
+ adjustment of the accrual of interest based on net investments	-14 607
+ other	162
Net interest income – financial statements	**274 358**
Net commission income and other net income – management information	**78 937**
+ commissions on loans	12 881
- reversal of provisions related to the sale of debt	2 964
- operating expenses (interest on finance lease)	-489
- operating income (the collection of statutory interest)	1 405
- commissions related to foreign transactions	76
- other	162
Net commission income and other income – financial statements – presented as:	**87 700**
Net fee and commission income	76 134
Other operating income	25 907
Other operating expenses	-14 341
Net income from treasury transactions – management information	**27 316**
+ provision for potential losses related to active derivatives	3 887
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**31 203**
Net trading income	31 735
Net result on derivatives used as hedging instruments and hedged items	-532
Net gains from investment activities – management information	**278**
Net gains from investment activities and dividend income – financial statements – presented as:	**278**
Net gains from investment activities	278
Dividend income	0
Operating income before tax – management information	**675 497**
+ provision for potential losses related to active derivatives	3 887
+ adjustment of the accrual of interest based on net investments	-14 607
- reversal of provisions related to the sale of debt	2 964
Operating income before tax – financial statements – presented as:	**661 813**
Total operating income	676 154
Other operating expenses	-14 341

in PLN '000'	**01.10.2009-31.12.2009**
Net impairment losses on financial assets, other assets and provisions – management information	**-387 215**
- provision for potential losses related to active derivatives	3 887
- adjustment of the accrual of interest based on net investments	-14 607
+ reversal of provisions related to the sale of debt	2 964
Net impairment losses on financial assets, other assets and provisions – financial statements	**-373 531**

in PLN '000'	**01.01.2009-31.12.2009**
Net interest income – management information	**1 150 435**
- 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	**1 061 219**
Net commission income and other net income – management information	**344 412**
+ 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:	**376 755**
Net fee and commission income	304 107
Other operating income	117 346
Other operating expenses	-44 698
Net income from treasury transactions – management information	**175 066**
+ 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:	**159 384**
Net trading income	159 359
Net result on derivatives used as hedging instruments and hedged items	25
Net gains from investment activities – management information	**5 737**
Net gains from investment activities and dividend income - financial statements – presented as:	**5 737**
Net gains from investment activities	4 108
Dividend income	1 629

in PLN '000'	**01.01.2009-31.12.2009**
Operating income before tax – management information	**1 943 924**
+ 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:	**1 871 369**
Total operating income	1 916 067
Other operating expenses	-44 698
Net impairment losses on financial assets, other assets and provisions – management information	**-875 787**
- 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	**-803 232**

in PLN '000'	**01.10.2008-31.12.2008**
Net interest income – management information	**293 372**
- commissions on loans	10 603
+ operating expenses (interest on finance lease)	-652
+ operating income (the collection of statutory interest)	2 782
+ commissions related to foreign transactions	58
+ other	7 324
Net interest income – financial statements – financial statements	**292 281**
Net commission income and other net income – management information	**82 468**
+ commissions on loans	10 603
- operating expenses (interest on finance lease)	-652
- operating income (the collection of statutory interest)	2 782
- commissions related to foreign transactions	58
- other	7 324
Net commission income and other income – financial statements – presented as:	**83 559**
Net fee and commission income	73 460
Other operating income	30 113
Other operating expenses	-20 014
Net income from treasury transactions – management information	**63 080**
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**63 080**
Net trading income	62 314
Net result on derivatives used as hedging instruments and hedged items	766
Net gains from investment activities – management information	**-11 771**
Net gains from investment activities and dividend income – financial statements – presented as:	**-11 771**
Net gains from investment activities	-11 771
Dividend income	0

in PLN '000'	**01.10.2008-31.12.2008**
Operating income before tax – management information	**427 149**
Operating income before tax – financial statements – presented as:	**427 149**
Total operating income	447 163
Other operating expenses	-20 014

in PLN '000'	**01.01.2008-31.12.2008**
Net interest income – management information	**1 084 873**
- 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 – financial statements	**1 059 872**
Net commission income and other net income – management information	**318 096**
+ 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:	**343 097**
Net fee and commission income	293 130
Other operating income	99 534
Other operating expenses	-49 567
Net income from treasury transactions – management information	**243 452**
Net trading income and net result on derivatives used as hedging instruments – financial statements – presented as:	**243 452**
Net trading income	242 237
Net result on derivatives used as hedging instruments and hedged items	1 215
Net gains from investment activities – management information	**-10 540**
Net gains from investment activities and dividend income – financial statements – presented as:	**-10 540**
Net gains from investment activities	-11 589
Dividend income	1 049
Operating income before tax – management information	**1 635 881**
Operating income before tax – financial statements – presented as:	**1 635 881**
Total operating income	1 685 448
Other operating expenses	-49 567

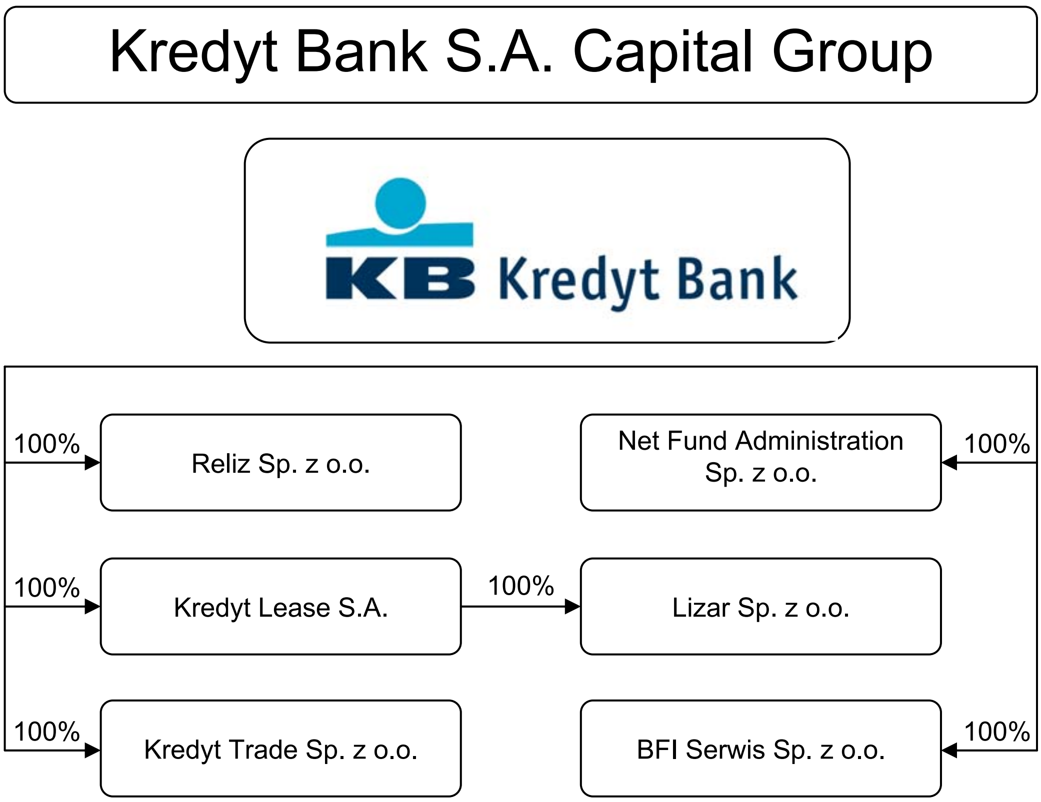
9. Information on dividend

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 paid.

10. Group's structure

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

Below, we present the composition and ownership structure of the Group as of 31.12.2009.



As of 31.12.2009, the following companies were consolidated with the full method: Kredyt Lease S.A., Kredyt Trade Sp. z o.o. and Reliz Sp. z o.o.

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.

Due to the immateriality of their operations and financial figures, the Group does not consolidate financial statements of the following entities: Lizar Sp. z o.o., Net Fund Administration Sp. z o.o. (former Net Banking Sp. z o.o.), BFI Serwis Sp. z o.o.

On 30.09.2009, the Extraordinary General Meeting of Shareholders of Net Banking Sp. z o.o. adopted a resolution on the change in the company's objects and of its name to Net Fund Administration Sp. z o.o. At present, the core business of the company comprises activities supporting insurance and pension funds. In particular, the company plays the role of a transfer agent.

11. Description of applied accounting principles and material accounting estimates

The Group did not introduce any material changes in the applied accounting principles and methods of performing accounting estimates as compared to the principles and methods described in the Group's published consolidated financial statements as of 31.12.2008, except for the change in the parameterization of the curves applied in the valuation of FX swaps carried out in the second quarter of 2009 and the expansion of the catalogue of the evidence for impairment for cash loans in the fourth quarter of 2009. The preparation of financial statements in line with the IFRS requires a professional judgment of the Bank's Management Board and Management Boards of the Group's companies on the adopted accounting principles and accounting estimates applied with respect to balance sheet items and income statement items. Estimates are related to uncertain future events and are made basing on historical data and a number of assumptions based on the facts available as at the balance sheet date, resulting from internal and external conditions. The actual results of future business operations may differ from the present accounting estimates as at the balance sheet date. Therefore, accounting estimates are verified on a regular basis. Changes in estimates are recognized in the financial statements in the period they were introduced. If such changes are also related to future periods, the assumptions being the basis for the estimates for future periods are also adjusted.

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

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

11.1. Classification and measurement of financial assets and liabilities

Financial assets and liabilities at fair value through profit or loss

This category includes:

- held-for-trading assets or liabilities, i.e. those acquired or contracted with the intention to sell or repurchase them in the nearest future. This category comprises financial assets and liabilities portfolios managed jointly in order to generate profits in a short time horizon, and 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 Group's investment strategy.

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

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

Outflows from assets disposal are calculated with the FIFO method.

Financial derivatives are recognized at fair value, without deductions of transaction expenses that can be incurred at the disposal. The transaction price is the best indicator of fair value at the initial recognition of a derivative. The valuation of derivatives also includes credit risk; the respective charges are recognized in the income statement. Derivatives with positive fair value as at the date of measurement are recognized in the balance sheet as assets, and derivatives with negative value from measurement – as liabilities.

Held-to-maturity investments

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable cash flow 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 includes 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.

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 losses are recognized in the income statement in correspondence with accounts of provisions which adjust assets value.

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

Outflows from assets disposal are calculated with the FIFO method.

Financial liabilities not held for trading

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

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

Hedge accounting

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

- upon the inception of hedge, the Group officially determines and documents hedging relations as well as the purpose of risk management and the strategy of hedge; the documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk and the method of the Group's assessment of hedging instrument effectiveness in offsetting the risk of changes in fair value of the hedged item or cash flow related to the hedged risk;
- the hedging is expected to be highly effective in achieving offsetting changes in fair value (or cash flow) attributable to the hedged risk, according to the initially documented risk management strategy related to a specific hedging relationship;
- the hedge effectiveness may be assessed reliably, i.e. fair value or cash flows attributable to the hedged item resulting from the hedged risk and the fair value of the hedging instrument may be measured reliably;
- the hedge is assessed on an ongoing basis and is found highly effective in all reporting periods in which the hedge was established.

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

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

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

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

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

Effective interest rate method

Since 01.01.2005, as a result of adopting the method of measuring financial assets and liabilities at amortised cost with the use of the effective interest rate, the Group has been amortising, into income statement, fee and commission income and expenses as well as certain external expenses connected with the measured financial assets and liabilities in accordance with the stipulations provided in IAS 39.

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

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

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

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

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

The items included in the commissions/fees settled over time include, e.g. fees for a positive appraisal of a loan application, commissions for granting a credit, commissions for releasing a credit, fees for establishing additional collateral, fees paid to 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.

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

At each balance sheet date (at least once per quarter), the Group analyses whether there is an objective 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 the initial recognition of the asset and that loss event or events have an impact on the future cash flow generated by the financial asset or the group of financial assets, assuming that reliable estimation is possible. Expected future losses are not taken into account in estimates of impairment.

If the Group identifies an evidence for impairment, an 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 flow discounted using the initial effective interest rate of contracts. Impairment loss is recognized in the income statement in correspondence with the provision account which adjusts assets value.

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

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:

- significant financial problems of an issuer or a debtor;
- a breach of contract, e.g. failure to pay or delaying payment of interest or the principal amount;
- 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;

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

Measurement of individual impairment

Individual impairment is measured mainly for loan receivables over a specific exposure level, for which certain individual evidence indicating impairment was identified. The process of estimating future, expected cash flow 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 control process.

Measurement of collective impairment

A collective analysis is conducted in the following cases:

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

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

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

In the fourth quarter of 2009, the Group carried out the verification of the impairment of loan receivables. Details concerning the undertaken measures and their impact upon the Group's income statement have been presented in section 8.1.

11.3. Value 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.

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

11.4. Investment properties

In the fourth quarter of 2009, the Group 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 19,933 thousand. Under IAS 40 and pursuant to the policy of the Group's main shareholder, the Group values investment properties at cost.

11.5. Goodwill

Due to the sale of the shares of Żagiel, no goodwill is recognized in the Group's balance sheet as at 31.12.2009.

12. Events after the Reporting Period

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

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

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 – a subsidiary of KBC Bank NV *	Brokerage house	11 751 771	4.32
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.*

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

Sofina SA 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 SA 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 SA 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 4.32% 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. 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: 4.32% 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 limited 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 its 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 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.

In addition, 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 to be assimilated are the assigned the code: PLKRDTB00011. At the same time, the shares were admitted, under the ordinary procedure, to public trading on the main market.

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

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

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

In the fourth quarter of 2009, the companies of the Group were not a party to any proceedings before a court, an authority competent for arbitration proceedings or a public administration authority, where the amount(s) claimed would amount to at least 10% of the Bank's (issuer's) equity.

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

- Two court proceedings regarding a credit granted to Laboratorium Frakcjonowania Osocza Sp. z o.o. in Mielec ('LFO'). The Bank is the leader of the syndicate of five banks, which, under the agreement of 04.03.1997, granted a syndicated loan to LFO. The loan was secured by, among others, a registered pledge on the company's property, plant and equipment and the surety of the State Treasury up to 60% of the drawn amount of the loan and accrued interest. As the investment project for which the loan was extended had not been completed and the dates of the payment of commitments had not been met, the Bank, representing the syndicate, terminated the agreement under its terms and conditions and called LFO to pay claims.
  - The State Treasury requested for determination whether the syndicated loan agreement concluded between LFO and the syndicate of five banks had expired on 28.02.1998 as a result of the occurrence of a contractual condition, and, as a result, the commitment of the State Treasury as the guarantor of the loan under the guarantor's agreement had expired as well. The State Treasury is represented by the General Public Prosecutor's Office of the State Treasury. Experts' opinions and auxiliary opinions were prepared and additional witnesses were questioned. In the first quarter of 2007, the State Treasury changed the lawsuit and claimed PLN 8,207 thousand including interest. The parties exchanged pleadings. In the fourth quarter of 2008, the court requested the Bank to submit documents concerning the debt collection process carried out against the State Treasury on the basis of a banking executory title with the enforceability clause. The Bank delivered the required documents to the court.
  - 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 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 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 disadvantageous solution of the case under the fraudulent conveyance charge, the risk of the satisfaction of claims by MZH from Reliz real property is estimated only as the part of the amount subject to the fraudulent conveyance charge.
- 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 filed in the Bank on 22.09.2009. The plaintiff has the opportunity to file the last resort appeal.

- 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 hearing will be designated by the court ex officio.
- 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.

16. 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 KPMG Advisory, a consulting company, upon the order of the Management Board of Kredyt Bank S.A., the financial conditions of the sale of the shares of Żagiel S.A. 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.

Other transactions made by the Bank or its subsidiaries with related entities were also concluded on market terms.

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

As of 31.12.2009 and 31.12.2008, neither the Bank nor its subsidiaries issued guarantees with the total value of at least 10% of the Bank's equity, to one company or entities of one capital group.

18. Seasonality or cyclical nature of operations

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

19. Non-typical factors and events

Apart from the transaction presented in section 16, both in the fourth quarter of 2009 and in the fourth quarter of 2008, no other untypical events occurred in the Group (not related to operating activities) that would affect the structure of balance sheet items and the financial result to a large extent, and which were not presented in this report.

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

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 membership in the Management Board of Kredyt Bank S.A.

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

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

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

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

- slower growth of household income due to the substantial decrease in the demand for labour (expected maintenance of the negative real growth rate of the wages fund and an increase in unemployment), which, in medium term, limits the chances for the fast recovery of the consumer demand and, in the short term, may translate to further deterioration of 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 information from BIK by the banking sector, and hence giving the opportunity to obtain many credits and loans by the same customer in multiple institutions, which may result in the insolvency of these customers;
- the 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 cost of long-term liquidity both in PLN and in foreign currencies;
- high costs 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 commitment of the Bank's customers to currency derivative transactions and the deterioration of the quality of the loans portfolio in foreign currencies;
- despite the significant improvement of sentiments on financial markets, the reconstruction of the demand for investment products offered by the Group seems to be quite unlikely in view of the persisting high aversion of customers to risk and in view of the still attractive deposit offer of the Bank.

23. Standalone condensed financial statements of Kredyt Bank S.A.

23.1. Income Statement

in PLN '000'	4th quarter of 2009 01.10.2009 - 31.12.2009	Four quarters of 2009 01.01.2009 - 31.12.2009	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008
Interest income	501 001	2 085 727	607 634	2 126 354
Interest expense	-271 642	-1 228 080	-368 385	-1 250 775
Net interest income	**229 359**	**857 647**	**239 249**	**875 579**
Fee and commission income	113 037	415 251	99 979	379 623
Fee and commission expense	-39 419	-129 573	-29 463	-96 534
Net fee and commission income	**73 618**	**285 678**	**70 516**	**283 089**
Dividend income	0	120 792	0	10 067
Net trading income	31 406	157 242	62 046	240 988
Net result on derivatives used as hedging instruments and hedged items	-532	25	766	1 215
Net gains from investment activities	278	4 704	-11 771	-11 593
Profit before tax from the sale of the shares of Żagiel	350 000	350 000	0	0
Other operating income	9 896	62 662	16 296	53 723
Total operating income	**694 025**	**1 838 750**	**377 102**	**1 453 068**
General and administrative expenses	-219 990	-859 961	-239 085	-890 846
Net impairment losses on financial assets, other assets and provisions	-359 169	-784 291	-61 256	-133 084
Other operating expenses	-12 375	-37 894	-15 402	-39 759
Total operating expenses	**-591 534**	**-1 682 146**	**-315 743**	**-1 063 689**
Net operating income	**102 491**	**156 604**	**61 359**	**389 379**
Gross profit	**102 491**	**156 604**	**61 359**	**389 379**
Income tax expense	-3 012	8 697	-21 840	-88 307
Net profit from business activities	**99 479**	**165 301**	**39 519**	**301 072**
Net profit from discontinued operations	0	0	0	0
Net profit	**99 479**	**165 301**	**39 519**	**301 072**
Including:				
attributable to the Shareholders of the Bank	**99 479**	**165 301**	**39 519**	**301 072**
Weighted average number of ordinary shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)	0.37	0.61	0.15	1.11

23.2. Statement of Comprehensive Income

in PLN '000'	4th quarter of 2009 01.10.2009 - 31.12.2009	Four quarters of 2009 01.01.2009 - 31.12.2009	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008
Net profit/loss for the period	**99 479**	**165 301**	**39 519**	**301 072**
Valuation of financial assets available-for-sale (including deferred tax)	-3 094	-13 677	52 536	64 855
Effects of valuation of derivatives designated for future cash flow hedge (including deferred tax)	-7 869	-78 545	96 781	120 700
Other comprehensive income recognized directly in equity	**-10 963**	**-92 222**	**149 317**	**185 555**
Total comprehensive income for the period	**88 516**	**73 079**	**188 836**	**486 627**
Including:				
attributable to the Shareholders of the Bank	**88 516**	**73 079**	**188 836**	**486 627**

23.3. Balance Sheet

in PLN '000'	31.12.2009	30.09.2009	31.12.2008	30.09.2008
Assets				
Cash and balances with Central Bank	1 175 451	894 259	827 956	941 250
Gross loans and advances to banks	190 013	222 499	340 859	851 227
Impairment losses on loans and advances to banks	-2 260	-2 260	-2 261	-2 260
Receivables arising from repurchase transactions	331 875	10 076	0	0
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	1 316 786	1 645 204	1 347 027	1 740 151
Derivatives including:	571 410	739 419	2 302 799	939 444
- Derivatives used as hedging instruments	55 741	57 538	166 954	42 051
Gross loans and advances to customers	27 312 467	27 880 649	27 853 155	23 112 476
Impairment losses on loans and advances to customers	-1 540 231	-1 199 214	-927 457	-866 328
Investment securities:	8 785 579	7 643 573	6 232 624	5 868 907
- available-for-sale	6 032 241	5 489 702	4 359 740	4 088 433
- held-to-maturity	2 753 338	2 153 871	1 872 884	1 780 474
Investments in subsidiaries, associates and jointly controlled entities	65 995	66 000	66 075	66 061
Property, plant and equipment	360 238	368 797	398 201	379 355
Intangible assets	53 553	52 565	57 854	56 659
Deferred tax asset	179 266	142 943	44 509	65 666
Investment properties	9 893	0	0	0
Other assets	102 508	89 778	79 781	84 208
Total assets	**38 912 543**	**38 554 288**	**38 621 122**	**33 236 816**

in PLN '000'	31.12.2009	30.09.2009	31.12.2008	30.09.2008
Liabilities				
Amounts due to Central Bank	1 321 802	1 568 301	1 113 275	1 611
Amounts due to banks	10 831 690	10 641 655	11 915 013	8 336 974
Derivatives including:	541 068	695 271	1 890 221	658 136
- Derivatives used as hedging instruments	3 166	482	1 708	10 903
Amounts due to customers	22 521 686	22 068 791	20 555 309	20 400 997
Liabilities arising from repurchase transactions	0	0	8 991	979 643
Current tax liability	31 833	19 653	28 916	1 229
Provisions	31 409	35 381	30 379	66 180
Other liabilities	174 940	147 419	220 155	186 056
Subordinated liabilities	805 816	814 034	279 643	215 606
Total liabilities	**36 260 244**	**35 990 505**	**36 041 902**	**30 846 432**

in PLN '000'	31.12.2009	30.09.2009	31.12.2008	30.09.2008
Equity				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	782 046	782 046	580 974	580 974
Revaluation reserve	5 716	16 679	97 938	-51 379
Reserves	340 942	340 942	240 942	240 942
Retained earnings/loss	0	0	0	0
Current net profit (loss) attributable to the Shareholders of the Bank	165 301	65 822	301 072	261 553
Total equity	**2 652 299**	**2 563 783**	**2 579 220**	**2 390 384**
Total equity and liabilities	**38 912 543**	**38 554 288**	**38 621 122**	**33 236 816**

Capital adequacy ratio (%)	12.31	11.64	8.93	9.52
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	9.76	9.44	9.49	8.80

23.4. Off-balance Sheet Items

in PLN '000'	**31.12.2009**	**30.09.2009**	**31.12.2008**	**30.09.2008**
Liabilities granted and received				
Liabilities granted, including:	5 879 963	5 826 270	7 222 060	6 658 176
- financial	4 094 569	4 014 385	5 401 454	5 079 329
- guarantees	1 785 394	1 811 885	1 820 606	1 578 847
Liabilities received, including:	2 452 623	2 329 511	1 836 299	1 688 862
- financial	1 228 242	930 422	528 748	516 360
- guarantees	1 224 381	1 399 089	1 307 551	1 172 502
Liabilities related to the sale/purchase transactions	**89 935 738**	**109 208 878**	**279 092 521**	**311 095 732**
Other	**6 574 059**	**6 356 773**	**4 742 296**	**4 138 039**
- collateral received	6 574 059	6 356 773	4 742 296	4 138 039

23.5. Statement of Changes in Equity

Changes in the period 01.01.2009 – 31.12.2009

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

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings/loss	Net profit/loss for the period	Total equity
Equity at opening balance – as of 01.01.2008	**1 358 294**	**381 718**	**-87 617**	**180 942**	**400 519**	**0**	**2 233 856**
Valuation of financial assets available-for-sale			80 069				80 069
Effects of valuation of derivatives designated for cash flow hedge			149 012				149 012
Deferred tax on items recognized in equity			-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		
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**

23.6. Cash Flow Statement

in PLN '000'	4th quarter of 2009 01.10.2009 - 31.12.2009	Four quarters of 2009 01.01.2009 - 31.12.2009	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008
Net cash flow from operating activities				
Net profit	**99 479**	**165 301**	**39 519**	**301 072**
Adjustments to net profit (loss) and net cash from operating activities:	**1 060 712**	**1 362 065**	**-1 098 459**	**-3 710 424**
Current and deferred tax recognized in financial result	3 012	-8 697	21 840	88 307
Non-realised profit (loss) from currency translation differences	5 796	-21 618	-11 593	-8 622
Investing and financing activities	**83 107**	**66 304**	**138 067**	**110 857**
Depreciation	24 726	98 521	22 402	84 998
Net increase/decrease in impairment	339 282	611 698	63 609	89 813
Dividends	0	-120 792	0	-10 067
Interest	28 662	-172 054	70 774	8 155
Net increase/decrease in provisions	-3 972	1 030	-35 801	-75 345
Profit (loss) on disposal of investments	-305 591	-352 099	17 083	13 303
Net increase/decrease in operating assets (excluding cash)	**678 548**	**1 755 019**	**-5 650 673**	**-12 496 290**
Net increase/decrease in loans and advances to banks	-1 886	33 258	-58 004	170 544
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	494 145	1 648 949	-836 098	-2 564 918
Net increase/decrease in receivables arising from repurchase transactions	-321 799	-331 875	0	0
Net increase/decrease in gross loans and advances to customers	568 182	540 688	-4 740 679	-10 115 103
Paid/received income tax	-42 808	-136 855	-7 781	-30 500
Net increase/decrease in other assets	-17 286	-854	-8 111	43 687
Net increase/decrease in operating liabilities	**290 249**	**-428 943**	**4 403 900**	**8 595 324**
Net increase/decrease in amounts due to Central Bank	-246 499	208 527	1 111 664	11 614
Net increase/decrease in amounts due to banks	190 910	-1 242 116	2 840 489	3 854 983
Net increase/decrease in derivatives	-156 886	-1 350 610	1 241 280	1 458 321
Net increase/decrease in amounts due to customers	452 895	1 966 377	154 312	3 374 578
Net increase/decrease in liabilities arising from repurchase transactions	0	-8 991	-970 652	-41 135
Net increase/decrease in other liabilities	49 829	-2 130	26 807	-63 037
Net cash flow from operating activities	**1 160 191**	**1 527 366**	**-1 058 940**	**-3 409 352**

in PLN '000'	4th quarter of 2009 01.10.2009 - 31.12.2009	Four quarters of 2009 01.01.2009 - 31.12.2009	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008
Net cash flow from investing activities				
Inflows	**3 439 157**	**8 700 028**	**105 053**	**693 361**
Disposal of property, plant and equipment and intangible assets	321	435	56	1 963
Disposal of interests in equity investments classified as available-for-sale (subsidiaries and associates)	350 005	350 005	0	0
Disposal of investment securities	3 051 936	7 961 693	67 545	490 298
Dividends	0	120 792	0	10 067
Interest received	36 895	267 103	37 452	191 033
Outflows	**-4 321 492**	**-10 567 414**	**-387 971**	**-1 269 599**
Acquisition of property, plant and equipment and intangible assets	-30 579	- 77 565	-42 716	-161 663
Acquisition of investment securities	-4 290 913	-10 489 849	-345 255	-1 107 936
Net cash flow from investing activities	**-882 335**	**-1 867 386**	**-282 918**	**-576 238**
Cash flow from financing activities				
Inflows	**0**	**1 949 087**	**726 930**	**2 976 713**
Proceeds from a subordinated loan	0	560 116	0	209 580
Proceeds from loans and advances	0	1 388 971	726 930	2 767 133
Outflows	**-31 036**	**-1 379 159**	**-66 738**	**-719 785**
Repayment of subordinated liabilities	0	0	0	-375 045
Dividends	0	0	0	-141 263
Repayment of loans and advances	0	-1 200 000	0	0
Other financial outflows	-31 036	-179 159	-66 738	-203 477
Net cash flow from financing activities	**-31 036**	**569 928**	**660 192**	**2 256 928**
Net increase/decrease in cash	**246 820**	**229 908**	**-681 666**	**-1 728 662**
Cash at the beginning of the period	**944 319**	**961 231**	**1 642 897**	**2 689 893**
Cash at the end of the period, including:	**1 191 139**	**1 191 139**	**961 231**	**961 231**
Restricted cash	784 875	784 875	789 493	789 493

23.7. Notes to the standalone condensed financial statements

Accounting principles and methods of carrying accounting estimates adopted at the preparation of the standalone condensed interim financial statements of the Bank comply with the accounting principles adopted for the interim consolidated financial statements of Kredyt Bank S.A. Capital Group, which were described in section 11.

Signatures of the Members of the Management Board

date	11.02.2010	Lidia Jabłonowska – Luba	Vice President of the Management Board	....
date	11.02.2010	Krzysztof Kokot	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	11.02.2010	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....