Interim Consolidated Financial Statements

of Kredyt Bank S.A. Capital Group for the First Half of 2008 Ended 30.06.2008 with Independent Auditor's Review Report

Independent Auditor's Review Report
on the Interim Consolidated Financial Statements
for the six month period ended 30 June 2008

To the Supervisory Board of Kredyt Bank S.A.

1. We have reviewed the attached interim consolidated financial statements of Kredyt Bank S.A. Capital Group ('the Group') where Kredyt Bank S.A. is the dominant entity ('the Bank'), and is located in Warsaw at 2/8 Kasprzaka Street, including:
   - the interim consolidated income statement for the period from 1 January 2008 to 30 June 2008 with a net profit amounting to 144.808 thousand zlotys,
   - the interim consolidated balance sheet as of 30 June 2008 with total assets amounting to 30.188.970 thousand zlotys,
   - the interim statement of changes in consolidated equity for the period from 1 January 2008 to 30 June 2008 with a net decrease of equity amounting to 90.588 thousand zlotys,
   - the interim consolidated cash flow statement for the period from 1 January 2008 to 30 June 2008 with a net cash outflow amounting to 739.084 thousand zlotys and
   - the interim explanatory notes

   ('the attached interim consolidated financial statements').

2. The truth and fairness[1] of the attached interim consolidated financial statements prepared in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ('IAS 34') and the proper maintenance of the consolidation documentation are the responsibility of the Bank's Management Board. Our responsibility is to issue a report on these financial statements based on our review.

3. We conducted our review in accordance with the provisions of the law binding in Poland and auditing standards issued by the National Council of Statutory Auditors ("the standards"). These standards require that we plan and perform our review in such a way as to obtain moderate assurance as to whether the financial statements are free of material misstatement. The review was mainly based on applying analytical procedures to the financial data, review of documentation supporting the amounts and disclosures in the consolidated financial statements and discussions with the management of the Bank as well as its employees. The scope of work[2] of a review differs significantly from an audit of financial statements, the objective of which is to express an opinion on the truth and fairness[3] of the financial statements. Review provides less assurance than an audit. We have not performed an audit of the attached interim consolidated financial statements and, accordingly, do not express an audit opinion.

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[1] Translation of the following expression in Polish language: "prawidlowość, *rzetelność i jasność*"

[2] In Polish language two expressions are used ("*zakres i metoda*"] that in English language translation are covered by one expression "the scope of work";

[3] Translation of the following expression in Polish language: "*prawidłowo, rzetelnie i jasno*"

4. Our review did not reveal the need to make material changes for the attached interim consolidated financial statements to present truly and fairly[4] in all material respects the financial position of the Group as at 30 June 2008 and the financial result, for the 6 months ended 30 June 2008 in accordance with IAS 34.

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

Certified Auditor
Registration No. 9667/7232

Dorota Snarska - Kuman

Dominik Januszewski
Certified Auditor
Registration No. 9707/7255

Warsaw, 26 August 2008

[4] Translation of the following expression in Polish language: "*rzetelny, prawidłowy i jasny*"

Interim Consolidated Financial Statements

of Kredyt Bank S.A. Capital Group for the First Half of 2008 Ended 30.06.2008

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1. Consolidated Income Statement

in PLN ‘000’	Note	01.01.2008 - 30. 06.2008 *non-audited*	Comparable data 01.01.2007 - 30.06.2007 *non-audited*
Interest income	10	1 041 717	719 616
Interest expense	11	-548 409	-313 069
Net interest income		**493 308**	**406 547**
Fee and commission income	12	184 280	175 741
Fee and commission expense	13	-40 688	-26 316
Net fee and commission income		**143 592**	**149 425**
Dividend income	14	648	1 328
Net trading income	15	101 767	75 338
Net result on derivatives used as hedging instruments and hedged items	16	-2 874	-1 505
Net gains from investment activity	17	234	3 189
Other operating income	19	40 809	35 329
Total operating income		**777 484**	**669 651**
General and administrative expenses	20	-535 829	-453 895
Net impairment losses on financial assets, other assets and provisions	21	-33 050	33 873
Other operating expenses	22	-20 120	-19 898
Total operating expenses		**-588 999**	**-439 920**
Net operating income		**188 485**	**229 731**
Share of profit (loss) of associates		-912	1 141
Profit before tax		**187 573**	**230 872**
Income tax expense	23	-42 765	-49 251
Net profit from business activities		**144 808**	**181 621**
Net profit from discontinued operations		0	0
Net profit		**144 808**	**181 621**
Including:			
attributable to the Shareholders of the Bank	**24**	**144 808**	**181 621**
per minority interests		0	0
Weighted average number of ordinary shares		271 658 880	271 658 880
Earnings per ordinary share (in PLN)	**25**	**0.53**	**0.67**

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

Consolidated income statement should be analysed with notes, which form an integral part of these financial statements

2. Consolidated Balance Sheet

in PLN '000'	Note	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Assets				
Cash and balances with Central Bank	26	1 365 384	611 690	555 167
Gross loans and advances to banks	27	985 910	2 456 352	2 921 670
Impairment losses on loans and advances to banks	28	-2 260	-2 260	-2 260
Receivables arising from repurchase transactions	29	12 523	0	0
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	30	982 493	465 027	355 333
Derivatives including:	31	838 843	495 095	336 449
- derivatives used as hedging instruments	36	5 658	34 025	13 739
Gross loans and advances to customers	32,34	20 123 292	17 456 184	14 509 497
Impairment losses on loans and advances to customers	33,34	-835 722	-834 327	-992 564
Investment securities:	35	5 685 402	5 482 335	5 483 977
- available-for-sale		3 930 594	3 437 169	3 340 059
- held-to-maturity		1 754 808	2 045 166	2 143 918
Investments in associates valued using the equity method	37	11 262	12 174	11 802
Property, plant and equipment	38	404 218	396 446	385 944
Intangible assets	39, 40	62 415	67 212	74 465
Goodwill on subordinated companies	41	36 052	36 052	36 052
Deferred tax asset	23	164 809	150 658	164 711
Current tax receivable		0	1 309	2 458
Non-current assets classified as held for sale	42	0	767	185 470
Investment properties	44	215 320	219 509	0
Other assets	43	139 029	113 957	137 385
Total assets		**30 188 970**	**27 128 180**	**24 165 556**

Consolidated Balance Sheet (cont.)

in PLN '000'	**Note**	**30.06.2008** *non-audited*	**Comparable data 31.12.2007**	**Comparable data 30.06.2007** *non-audited*
Liabilities				
Amounts due to Central Bank	45	1 590	1 101 661	2 061
Amounts due to banks	46	7 157 731	5 301 449	3 148 703
Derivatives including:	31	787 484	474 370	312 915
- derivatives used as hedging instruments	36	57 832	44 178	22 635
Amounts due to customers	47	19 338 765	17 088 638	17 147 910
Liabilities arising from repurchase transactions	48	0	50 126	543 135
Current tax liability		20 478	7 228	15 312
Provisions	49	122 672	161 034	165 586
Deferred tax liability	23	1 317	872	1 174
Other liabilities	50	364 417	272 263	298 417
Subordinated liabilities	51	208 800	394 235	414 349
Total liabilities		**28 003 254**	**24 851 876**	**22 049 562**

in PLN '000'	**Note**	**30.06.2008** *non-audited*	**Comparable data 31.12.2007**	**Comparable data 30.06.2007** *non-audited*
Equity				
Share capital	52	1 358 294	1 358 294	1 358 294
Share premium	52	604 966	383 711	383 711
Revaluation reserve	52	-181 750	-87 617	-39 074
Reserves	52	240 942	180 942	180 942
Currency translation differences from the translation of subordinated companies and foreign branches	52	-733	-733	-668
Retained earnings/loss		19 189	51 168	51 168
Current net profit attributable to the Shareholders of the Bank		144 808	390 539	181 621
Total equity attributable to shareholders of the Bank		**2 185 716**	**2 276 304**	**2 115 994**
Minority interest		**0**	**0**	**0**
Total equity		**2 185 716**	**2 276 304**	**2 115 994**
Total equity and liabilities		**30 188 970**	**27 128 180**	**24 165 556**

3. Off-balance Sheet Items

in PLN '000'	Note	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Contingent liabilities, granted and received		**8 167 311**	**8 226 499**	**4 973 111**
Liabilities granted, including:	53	6 577 740	6 002 445	4 640 289
- financial	53	5 248 116	4 374 464	3 223 444
- guarantees	53	1 329 624	1 627 981	1 416 845
Liabilities received, including:		1 589 571	2 224 054	332 822
- financial		479 175	902 441	50 642
- guarantees		1 110 396	1 321 613	282 180
Liabilities related to the sale/purchase transactions		**295 127 547**	**218 165 219**	**170 082 745**
Other:		**4 361 792**	**3 211 824**	**2 970 785**
- collateral received		4 360 248	3 210 280	2 969 238
- other		1 544	1 544	1 547

4. Statement of Changes in Consolidated Equity

Changes in the period from 1 January to 30 June 2008

non-audited

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies and foreign branches	Retained earnings (losses)	Net profit/loss for the period	Total equity attributable to shareholders of the Bank	Total equity attributable to minority shareholders	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			-62 749					-62 749		-62 749
Effects of valuation of derivatives designated for cash flow hedge			-53 465					-53 465		-53 465
Deferred tax on items recognized in equity			22 081					22 081		22 081
Net profit recognized directly in the equity			**-94 133**					**-94 133**		**-94 133**
Net profit/loss for the period							144 808	144 808		144 808
Total of recognized income and expenses			**-94 133**				**144 808**	**50 675**		**50 675**
Profit distribution		221 255		60 000		-281 255				
Dividend to be paid						-141 263		-141 263		-141 263
Equity at end of period – as of 30.06.2008	**1 358 294**	**604 966**	**-181 750**	**240 942**	**-733**	**19 189**	**144 808**	**2 185 716**	**0**	**2 185 716**

Changes in the period from 1 January to 31 December 2007 (comparable data)

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies and foreign branches	Retained earnings (losses)	Net profit/loss for the period	Total equity attributable to shareholders of the Bank	Total equity attributable to minority shareholders	Total equity
Equity at opening balance – as of 01.01.2007	**1 358 294**	**104 789**	**18 275**	**120 942**	**-646**	**490 604**	**0**	**2 092 258**	**0**	**2 092 258**
Valuation of financial assets available-for-sale			-89 090					-89 090		-89 090
Effects of valuation of derivatives designated for cash flow hedge			-41 641					-41 641		-41 641
Deferred tax on items recognized in equity			24 839					24 839		24 839
Net profit recognized directly in the equity			**-105 892**					**-105 892**		**-105 892**
Net profit/loss for the period							390 539	390 539		390 539
Total of recognized income and expenses			**-105 892**				**390 539**	**284 647**		**284 647**
Profit distribution		278 922		60 000		-338 922				
Dividend paid						-100 514		-100 514		-100 514
Currency translation differences					-87			-87		-87
Equity at end of period – as of 31.12.2007	**1 358 294**	**383 711**	**-87 617**	**180 942**	**-733**	**51 168**	**390 539**	**2 276 304**	**0**	**2 276 304**

Changes in the period from 1 January to 30 June 2007 (comparable data)

non-audited

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies and foreign branches	Retained earnings (losses)	Net profit/loss for the period	Total equity attributable to shareholders of the Bank	Total equity attributable to minority shareholders	Total equity
Equity at opening balance – as of 01.01.2007	**1 358 294**	**104 789**	**18 275**	**120 942**	**-646**	**490 604**	**0**	**2 092 258**	**0**	**2 092 258**
Valuation of financial assets available-for-sale			-49 219					-49 219		-49 219
Effects of valuation of derivatives designated for cash flow hedge			-21 582					-21 582		-21 582
Deferred tax on items recognized in equity			13 452					13 452		13 452
Net profit recognized directly in the equity			**-57 349**					**-57 349**		**-57 349**
Net profit/loss for the period							**181 621**	**181 621**		**181 621**
Total of recognized income and expenses			**-57 349**				**181 621**	**124 272**		**124 272**
Profit distribution		278 922		60 000		-338 922				
Dividend to be paid						-100 514		-100 514		-100 514
Currency translation differences					-22			-22		-22
Equity at end of period – as of 30.06.2007	**1 358 294**	**383 711**	**-39 074**	**180 942**	**-668**	**51 168**	**181 621**	**2 115 994**	**0**	**2 115 994**

5. Consolidated Cash Flow Statement

in PLN '000'	Note	01.01.2008 - 30.06.2008 *non-audited*	Comparable data 01.01.2007 - 30.06.2007 *non-audited*
Net cash flow from operating activities			
Net profit		**144 808**	**181 621**
Adjustments to net profit and net cash from operating activities:		**-1 301 877**	**112 356**
Current and deferred tax recognized in financial result		42 765	49 251
Non-realised profit (loss) from currency translation differences	63b	-81 672	-28 101
Investing and financing activities		**-2 633**	**-89 011**
Depreciation		49 674	49 729
Share in profit (loss) of associates		912	-1 141
Net increase/decrease in impairment	63c	971	-70 197
Dividends		-648	-1 328
Interest	63d	-12 801	-58 649
Net increase/decrease in provisions		-38 362	-3 640
Profit (loss) on disposal of investments	63e	-2 379	-3 785
Net increase/decrease in operating assets (excluding cash)		**-3 649 393**	**-1 639 488**
Net increase/decrease in gross loans and advances to banks	63f	-22 336	48 246
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	63g	-878 046	234 892
Net increase/decrease in gross loans and advances to customers		-2 667 108	-1 865 654
Paid/received income tax		-21 194	-17 803
Net increase/decrease in other assets	63h	-60 709	-39 169
Net increase/decrease in operating liabilities		**2 389 056**	**1 819 705**
Net increase/decrease in amounts due to Central Bank		-1 100 071	71
Net increase/decrease in amounts due to banks	63i	1 022 369	1 009 949
Net increase/decrease in derivatives		313 114	16 441
Net increase/decrease in amounts due to customers		2 250 127	1 340 647
Net increase/decrease in liabilities arising from repurchase transactions		-50 126	-490 790
Net increase/decrease in other liabilities	63j	-46 357	-56 613
Net cash flow from operating activities		**-1 157 069**	**293 977**

in PLN '000'	Note	01.01.2008 - 30.06.2008 *non-audited*	Comparable data 01.01.2007 - 30.06.2007 *non-audited*
Net cash flow from investing activities			
Inflows		**532 342**	**1 748 807**
Disposal of property, plant and equipment and intangible assets		1 282	1 309
Disposal of investment securities	63k	416 771	1 603 534
Dividends		648	1 328
Interest received	63k	113 641	142 636
Outflows		**-783 531**	**-1 336 287**
Acquisition of property, plant and equipment and intangible assets		-64 126	-42 900
Acquisition of investment securities	63k	-719 405	-1 293 387
Net cash flows from investing activities		**-251 189**	**412 520**
Cash flow from financing activities			
Inflows		**1 125 278**	**0**
Proceeds from a subordinated loan	63m	209 580	0
Proceeds from loans and advances		915 698	0
Outflows		**-456 104**	**-28 560**
Dividends		0	0
Repayment of subordinated liabilities	63m	-375 045	0
Redemption of own issue bonds		0	0
Repayment of loans and advances		0	0
Other financial outflows	63l	-81 059	-28 560
Net cash flow from financing activities		**669 174**	**-28 560**
Net increase/decrease in cash		**-739 084**	**677 937**
Cash at the beginning of the period		**2 689 914**	**2 269 870**
Cash at the end of the period, including:	**63a**	**1 950 830**	**2 947 807**
restricted cash		688 368	570 207

6. General information

Kredyt Bank Spółka Akcyjna (‘Kredyt Bank S.A.’, ‘Bank’, ‘parent company’) with its registered office in Warsaw, (Poland), ul. Kasprzaka 2/8, was established in 1990 and entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw under No. 0000019597. These financial statements of Kredyt Bank S.A. Capital Group (‘Capital Group’ or ‘Group’) as at 30.06.2008 comprise the financial statements of the Bank and its subsidiaries.

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

These consolidated financial statements of Kredyt Bank S.A. Capital Group were approved for publication by the Management Board of Kredyt Bank S.A. on 26.08.2008.

These financial statements were reviewed by Ernst & Young Audit Sp. z o.o., an independent licensed certified auditor. The review was performed in accordance with the Polish law and the certified auditors’ professional standards issued by the National Council of Auditors in Poland.

Below, we present subsidiaries, which, as at 30.06.2008, along with Kredyt Bank S.A., their parent company, form Kredyt Bank S.A. Capital Group.

Parent company	Seat			
Kredyt Bank S.A.	Warsaw			
Subsidiary	**Seat**	**Share (%) in votes at GMS as at 30.06.2008**	**Share (%) in votes at GMS as at 31.12.2007**	**Share (%) in votes at GMS as at 30.06.2007**
1. Reliz Sp. z o.o.	Katowice	100.00	100.00	100.00
2. Żagiel S.A.	Lublin	100.00	100.00	100.00
3. Kredyt International Finance BV	Amsterdam	100.00	100.00	100.00
4. Kredyt Lease S.A.	Warsaw	100.00	100.00	100.00
5. Kredyt Trade Sp. z o.o.	Warsaw	100.00	100.00	100.00
6. Lizar Sp. z o.o.	Warsaw	100.00	100.00	100.00
7. Net Banking Sp. z o.o.	Warsaw	100.00	100.00	100.00
8. BFI Serwis Sp. z o.o.	Warsaw	100.00	100.00	100.00
9. Inwestia Sp. z o.o.	Warsaw	100.00	100.00	100.00

On 15.06.2007, a company named ‘Kredyt Bank Spółka Akcyjna i Towarzystwo Ubezpieczeń i Reasekuracji WARTA Spółka Akcyjna’ Spółka Jawna was entered into the National Court Register – Register of Entrepreneurs in the District Court in Warsaw. The company was established by Kredyt

Bank and WARTA with the main objective to perform auxiliary activities and support the banking and insurance business. Both Kredyt Bank and WARTA contributed PLN 50 thousand each, and the interests of both companies in the new entity correspond to the value of their contributions. As at 30.06.2008, the company did not run any operating activity.

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

Associate	Seat	Share (%) in votes at GMS as at 30.06.2008	Share (%) in votes at GMS as at 31.12.2007	Share (%) in votes at GMS as at 30.06.2007
1. KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Warsaw	30.00	30.00	30.00

KBC Banking and Insurance Capital Group

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

KBC Group focuses on bancassurance-type operations for individual customers, provides services for businesses, is involved in assets management and other types of market activities. It is one of the three largest banking and insurance companies on its home market in Belgium and one of the leading financial groups in Europe; geographically, its operations are focused in Central Europe.

In Poland, KBC Group is also a sole shareholder of TUiR WARTA S.A.

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

7.1. Declaration of compliance with the IFRS

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

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

These consolidated financial statements of the Group for the first half of 2008 ended 30.06.2008 have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) in force as at 30.06.2008 and approved by the European Commission. Matters not governed by the above-mentioned standards are regulated by the

Accounting Act of 29 September 1994 (Journal of Laws of 2002 No. 76 item 694 as amended) and executive regulations thereto, and the Ordinance of the Minister of Finance of 19 October 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005 No. 209 item 1744).

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

The new IFRIC 11 IFRS 2: Group and Treasury Share Transactions have not affected these consolidated financial statements.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, however are not in force yet:

- IFRS 8 Operating Segments (applicable to annual periods beginning after 01.01.2009).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Exposures Qualifying for Hedge Accounting (applicable to annual periods beginning after 01.07.2009) – as at the date of these financial statements, these amendments have not been approved by the European Union yet.
- An amendment to IAS 23 Borrowing Costs (in force since 01.01.2009) – as at the date of these financial statements, the amendment has not been approved by the European Union yet.
- An amendment to IAS 1 Presentation of Financial Statements (applicable to annual periods beginning after 01.01.2009) – as at the date of these financial statements, this amendment has not been approved by the European Union yet.
- An amendment to IFRS 3 Business Combinations (applicable to annual periods beginning after 01.07.2009) – as at the date of these financial statements, this amendment has not been approved by the European Union yet.
- An amendment to IAS 27 Consolidated and Separate Financial Statements (applicable to annual periods beginning after 01.07.2009) – as at the date of these financial statements, this amendment has not been approved by the European Union yet.
- An amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations (applicable to annual periods beginning after 01.01.2009) – as at the date of these financial statements, this amendment has not been approved by the European Union yet.
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (applicable to annual periods beginning after 01.01.2009) – as at the date of these financial statements, these amendments have not been approved by the European Union yet.
- Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (applicable to annual periods beginning after 01.01.2009) – as at the date of these financial statements, these amendments have not been approved by the European Union yet.

- IFRIC 12: Service Concession Arrangements (applicable to annual periods beginning after 01.01.2008) – as at the date of these financial statements, this interpretation has not been approved by the European Union yet.
- IFRIC 13: Customer Loyalty Programmes (applicable to annual periods beginning after 01.07.2008) – as at the date of these financial statements, this interpretation has not been approved by the European Union yet.
- IFRIC 14: IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable to annual periods beginning after 01.01.2008) – as at the date of these financial statements, this interpretation has not been approved by the European Union yet.
- IFRIC 15: Agreements for the Construction of Real Estate (applicable to annual periods beginning after 01.01.2009) – as at the date of these financial statements, this interpretation has not been approved by the European Union yet.
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation (applicable to annual periods beginning after 01.10.2008) – as at the date of these financial statements, this interpretation has not been approved by the European Union yet.
- Amendments resulting from the annual IFRS review – applicable to annual periods beginning after 1 January 2009 or later – by the date of the approval of these financial statements, they have not been approved by the European Union yet.

The Management Board does not predict that the introduction of the above standards or interpretations will materially affect the Bank's accounting principles (policy).

7.2. Basis of preparation

The figures in these financial statements have been presented in PLN thousands (thousand PLN), unless stated otherwise.

These consolidated financial statements were prepared based on the assumption that the Group's companies remain a going concern in the foreseeable future, i.e. for the period of at least one year from the balance sheet date. As at the approval date of these financial statements by the Management Board, there are no circumstances which could threaten the continuation of the business of the Group's companies, except for Kredyt International Finance BV, for which, pursuant to the decision of the General Meeting of Shareholders of this company, liquidation proceedings were launched. As Kredyt International Finance BV has not been carrying any business activities since July 2005, this issue does not significantly affect these financial statements.

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

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

7.3. Consolidation of financial statements

These consolidated financial statements include the financial statements of Kredyt Bank S.A. and the financial statements of its subsidiaries for the period of 6 months ended 30.06.2008. Financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the parent company.

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

7.3.1. Subsidiaries

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

7.3.2. Associates

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

7.4. Transactions in foreign currencies

The items included in the financial statements of particular Group companies are recognized in the currency in which a given business operates.

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

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

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

	30.06.2008	31.12.2007	30.06.2007
EUR	3.3542	3.5820	3.7658
USD	2.1194	2.4350	2.7989
CHF	2.0907	2.1614	2.2730

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

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

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

7.6. Derecognition of financial assets from the balance sheet

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

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

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

7.7. Classification and measurement of financial assets and liabilities

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

This category includes:

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

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

7.7.2. Held-to-maturity investments

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

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

7.7.3. Loans and receivables

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

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

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

7.7.4. Available-for-sale financial assets

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

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

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

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

Outflows from assets disposal are calculated with the FIFO method.

7.7.5. Financial liabilities not held for trading

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

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

7.7.6. Hedge accounting

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

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

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

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

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

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

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

7.7.7. Embedded derivatives

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

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

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and the risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- a hybrid (combined) instrument is not carried at fair value and changes in fair value are not recognized in the income statement.

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

7.8. Finance lease receivables

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

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

7.9. Offsetting financial instruments

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

7.10. Sale and repurchase agreements

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

7.11. Property, plant and equipment

7.11.1. Owned property, plant and equipment

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

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

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

7.11.2. Capital expenditure incurred in future periods

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

7.11.3. Depreciation

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

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

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

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

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

7.12. Intangible assets

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

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

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

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

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

7.12.1. Computer software

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

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

7.12.2. Other intangible assets

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

7.12.3. Amortisation

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

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

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

7.13. Investment properties

In 2007, as the sale of certain assets in the time-limit set forth in the IFRS, i.e. within one year from their classification as non-current assets held for sale (IFRS 5), was not possible, the Group reclassified them into ‘investment properties’. Under IAS 40 and pursuant to the policy of the Group’s main shareholder, the Group values investment properties at cost.

7.14. Goodwill

Goodwill represents an excess of the cost of an acquisition over the fair value of the Group’s share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in the balance sheet in ‘goodwill on subordinated companies’. Goodwill on acquisitions of associates is included in ‘investments in associates’. Goodwill is not amortised, only analysed in terms of the risk of impairment.

At least once a year, the Group performs a goodwill impairment test based on the models developed in cooperation with the Bank’s major shareholder.

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

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

7.15.1. Measurement of recoverable amount

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

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

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

7.15.2. Reversal of impairment

Impairment loss on goodwill is not reversed.

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

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

7.16. Trade and other receivables

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

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

7.17. Assets taken over for debts

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

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

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

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

7.19. Deferred tax asset and liability

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

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

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

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

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

7.20. Cash and cash equivalents

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

7.21. Provisions

The Group recognizes provisions in the balance sheet when:

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

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

7.21.1. Restructuring provision

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

7.21.2. Employee benefits

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

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

7.22. Equity

Share capital is recognized at nominal value in the amount compliant with the Bank's Memorandum and Articles of Association and the entry in the Court Register. Other equity is recognized in the balance sheet by types as required by law and Memorandums and Articles of Association of the Bank and of particular subsidiaries. Equity also comprises net profit/loss for the period and retained profit or loss as well as the result of the measurement of financial assets carried through revaluation reserve (in the case of subsidiaries, the Group's equity also comprises net profit/loss of such companies generated from the date of their acquisition by the parent company).

7.23. Granted off-balance sheet liabilities

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

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

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

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

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

7.24. Company Social Benefit Fund (CSBF)

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

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

7.25. Net interest income

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

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

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

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

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

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

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

The items included in the commissions/fees settled over time include, e.g. fees for a positive appraisal of a loan application, commissions for granting a credit, commissions for releasing a credit, fees for establishing additional collateral, fees paid to loans extension intermediaries. The collection of the above commissions and fees constitutes an integral part of the return generated by a specific financial instrument. This category also includes fees and costs of changes in contractual terms, what modifies the value of the 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.

7.26. Net fee and commission income

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

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

7.27. Net trading income

Net trading income comprises gains or losses on the disposal or change in the fair value of financial assets and liabilities measured at fair value through profit or loss. This item also includes foreign exchange and interest on swaps.

7.28. Dividends

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

7.29. Other operating income and expenses

Other operating income and expenses include items not related directly to the Group's operations. These are in particular income and expenses on sale and liquidation of property, plant and equipment, received and paid indemnities, income and expenses on other services provided or acquired by the Group to a marginal extent.

7.30. Income tax expense

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

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

Details on the method of calculating deferred tax are presented in Note 7.19.

7.31. Comparable data

Accounting principles adopted to prepare this financial statement are applied in a continuous manner in all presented periods. The description of adjustments of comparable data has been presented in Note 71.

8. Accounting estimates

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

The most important accounting estimates prepared for the purpose of this financial statement refer to:

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

8.1. Valuation of financial assets and liabilities at fair value

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

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

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

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

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

8.2.1. Evidence for impairment

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

A list of objective evidence includes:

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

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

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

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

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

8.2.2. Measurement of individual impairment

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

Expected future cash flows from collateral are estimated on the basis of a 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 the debt collection process, recovered amounts from hedging and their value determined in the valuation.

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

8.2.3. Measurement of collective impairment

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. In the second quarter of 2008, the Group changed the method of allocating impairment losses calculated collectively to particular subgroups subject to the collective analysis. However, this change has not affected the total value of impairment losses which are evaluated collectively. The above change does not constitute a change in accounting principles, hence comparable data presented for previous reporting periods were not restated.

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

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

8.2.4. Available-for-sale financial assets

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

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

8.3. The values of deferred tax assets

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

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

9. Segment reporting

The Group's operation, as in the previous reporting periods, was divided into four basic sector segments: corporate, retail, treasury and investment. 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.

Corporate Segment

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

Retail Segment

Retail Segment, in management terms, incorporates products targeted at individual customers as well as Small and Medium-sized Enterprises (SME), whose annual sales revenue does not exceed PLN 16 million. The products on offer comprise a wide range of deposit and loan products, insurance products (bancassurance and assurebanking) offered in co-operation with WARTA S.A. as well as clearing services. This offer is addressed at customers through traditional channels of distribution via the Bank's nationwide network of branches as well as KB24 – an Internet network. The results of this segment also comprise the result of Żagiel S.A. (Consumer Finance) specialising in the sale of instalment loans as well as in intermediation in the distribution of the selected services that are found in the Bank's and WARTA's offers. Furthermore, the Bank's offer for this segment includes products offered by KBC TFI with regard to the sale of shares in investment funds.

Treasury Segment

Treasury Segment, in management terms, comprises the result of the transactions performed by the Group 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.

Investment Segment

Investment Segment, in management terms, incorporates the Group's equity investments in shares of companies whose core business is focused on generating added value for the Group by specialising in non-banking areas of operation, and also on investments in the shares of companies with an expected high long-term rate of return. In addition, the segment focuses on custodian services.

The segment's income and expenses had been determined before inter-segmental eliminations were made. The selling prices exercised among segments are calculated on the basis of the transfer pricing methodology.

Assets and liabilities which cannot be reasonably assigned to one of the defined segments are presented as 'unallocated' in 'Other' column.

Consolidated income statement for the period 01.01.2008–30.06.2008

non-audited

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	327 781	727 990	304 382	3 300	6 002	0	**1 369 455**
2. Segment income (internal)	138 100	335 564	479 604	0	6	-953 274	**0**
3. Total segment income	**465 881**	**1 063 554**	**783 986**	**3 300**	**6 008**	**-953 274**	**1 369 455**
4. Segment expenses (external)	-109 820	-338 066	-228 042	-11 607	-24 370	0	**-711 905**
4a. Allocated expenses	-50 928	-360 851	-5 072	-464	-18 700	0	**-436 015**
5. Segment expenses (internal)	-214 239	-254 196	-473 671	-1 871	-9 297	953 274	**0**
6. Total segment expenses	**-374 987**	**-953 113**	**-706 785**	**-13 942**	**-52 367**	**953 274**	**-1 147 920**
7. Net operating income for the segment	**90 894**	**110 441**	**77 201**	**-10 642**	**-46 359**	**0**	**221 535**
8. Net impairment losses on financial assets, other assets and provisions	**-17 497**	**-51 780**	**0**	**-1 347**	**37 574**	**0**	**-33 050**
9. Segment share in profit (loss) of associates	**0**	**0**	**0**	**-912**	**0**	**0**	**-912**
10. Profit before tax for the segment	**73 397**	**58 661**	**77 201**	**-12 901**	**-8 785**	**0**	**187 573**
11. Income tax expense							**-42 765**
12. Net profit/loss							**144 808**

Consolidated balance sheet as at 30.06.2008

non-audited

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations and consolidation adjustments	Total
1. Segment assets	8 111 215	12 034 302	9 819 017	596 018	0	-881 736	**29 678 816**
2. Segment investments in associates measured with equity method	0	0	0	11 262	0	0	**11 262**
3. Other assets (unallocated)	0	0	0	0	498 892	0	**498 892**
4. Total assets	**8 111 215**	**12 034 302**	**9 819 017**	**607 280**	**498 892**	**-881 736**	**30 188 970**
5. Segment liabilities	6 384 822	13 736 413	8 038 096	320 247	0	-881 736	**27 597 842**
6. Equity	0	0	0	2 185 716	0	0	**2 185 716**
7. Unallocated liabilities	0	0	0	0	405 412	0	**405 412**
8. Total liabilities and equity	**6 384 822**	**13 736 413**	**8 038 096**	**2 505 963**	**405 412**	**-881 736**	**30 188 970**
1. Investments (costs of assets acquisition)	0	0	0	0	64 126	0	**64 126**
2. Depreciation	0	0	0	0	49 674	0	**49 674**

Consolidated balance sheet as at 31.12.2007

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations and consolidation adjustments	Total
1. Segment assets	7 687 432	9 662 031	9 469 612	603 331	0	-778 641	**26 643 765**
2. Segment investments in associates measured with equity method	0	0	0	12 174	0	0	**12 174**
3. Other assets (unallocated)	0	0	0	0	472 241	0	**472 241**
4. Total assets	**7 687 432**	**9 662 031**	**9 469 612**	**615 505**	**472 241**	**-778 641**	**27 128 180**
5. Segment liabilities	5 261 286	12 211 802	7 274 731	312 351	0	-778 641	**24 281 529**
6. Equity	0	0	0	2 276 304	0	0	**2 276 304**
7. Unallocated liabilities	0	0	0	0	570 347	0	**570 347**
8. Total liabilities and equity	**5 261 286**	**12 211 802**	**7 274 731**	**2 588 655**	**570 347**	**-778 641**	**27 128 180**
1. Investments (costs of assets acquisition)	0	0	0	0	118 477	0	**118 477**
2. Depreciation	0	0	0	0	110 663	0	**110 663**

Consolidated income statement for the period 01.01.2007–30.06.2007 (comparable data)

non-audited

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	243 211	491 275	261 832	37 452	19 248	-31 164	**1 021 854**
2. Segment income (internal)	97 919	259 053	259 341	0	7	-616 320	**0**
3. Total segment income	**341 130**	**750 328**	**521 173**	**37 452**	**19 255**	**-647 484**	**1 021 854**
4. Segment expenses (external)	-79 893	-223 041	-109 676	-23 420	-11 842	31 164	**-416 708**
4a. Allocated expenses	-55 269	-321 193	-5 026	-670	-15 817	0	**-397 975**
5. Segment expenses (internal)	-125 687	-126 954	-356 979	-2 356	-4 344	616 320	**0**
6. Total segment expenses	**-260 849**	**-671 188**	**-471 681**	**-26 446**	**-32 003**	**647 484**	**-814 683**
7. Net operating income for the segment	**80 281**	**79 140**	**49 492**	**11 006**	**-12 748**	**0**	**207 171**
8. Net impairment losses on financial assets, other assets and provisions	**60 880**	**-35 119**	**0**	**-3 201**	**0**	**0**	**22 560**
9. Segment share in profit of associates	**0**	**0**	**0**	**1 141**	**0**	**0**	**1 141**
10. Profit before tax for the segment	**141 161**	**44 021**	**49 492**	**8 946**	**-12 748**	**0**	**230 872**
11. Income tax expense							**-49 251**
12. Net profit/loss							**181 621**

Consolidated balance sheet as at 30.06.2007 (comparable data)

non-audited

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations and consolidation adjustments	Total
1. Segment assets	6 949 391	7 160 043	9 617 933	614 058	0	-656 492	**23 684 933**
2. Segment investments in associates measured with equity method	0	0	0	11 802	0	0	**11 802**
3. Other assets (unallocated)	0	0	0	0	468 821	0	**468 821**
4. Total assets	**6 949 391**	**7 160 043**	**9 617 933**	**625 860**	**468 821**	**-656 492**	**24 165 556**
5. Segment liabilities	5 142 862	12 195 807	4 377 071	303 241	0	-656 492	**21 362 489**
6. Equity	0	0	0	2 115 994	0	0	**2 115 994**
7. Unallocated liabilities	0	0	0	0	687 073	0	**687 073**
8. Total liabilities and equity	**5 142 862**	**12 195 807**	**4 377 071**	**2 419 235**	**687 073**	**-656 492**	**24 165 556**
1. Investments (costs of assets acquisition)	0	0	0	0	42 900	0	**42 900**
2. Depreciation	0	0	0	0	49 729	0	**49 729**

10. Interest income

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
On account of:		
Loans and advances to banks	68 760	62 236
Loans and advances to customers, including:	757 201	472 205
- from financial sector	21 675	7 786
- from non-financial sector	721 617	451 026
- from the budgetary sector	13 909	13 393
Lease receivables	13 946	7 615
Securities:	161 237	161 960
- at fair value through profit or loss	11 307	8 998
- available-for-sale	93 768	85 234
- held-to-maturity	56 162	67 728
Receivables arising from repurchase transactions	415	164
Interest on hedging instruments	40 158	15 436
Total	**1 041 717**	**719 616**

Interest income comprises cash interest and interest calculated on an accrual basis on receivables for which evidence for impairment was identified. Interest was calculated with the effective interest rate applied in discounting expected cash flows for the purpose of estimating the impairment loss on loan receivables. The amount of interest on receivables for which individual evidence for impairment was identified recognized in interest income for the first half of 2008 amounts to PLN 6,342 thousand as compared to PLN 9,199 thousand for the first half of 2007. Accrued interest was taken into consideration when estimating impairment losses on such receivables.

11. Interest expense

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
On account of:		
Amounts due to banks	151 212	47 869
Amounts due to customers	339 149	222 654
- from financial sector	37 932	19 835
- from non-financial sector	245 008	174 967
- from the budgetary sector	56 209	27 852
Liabilities arising from repurchase transactions	2 079	8 499
Other subordinated liabilities	9 342	10 572
Interest on hedging instruments	46 627	12 529
Other	0	10 946
Total	**548 409**	**313 069**
Net interest income	**493 308**	**406 547**

12. Fee and commission income

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Fees and commissions on loans	19 874	20 224
Fees and commissions on deposit-related transactions with customers	62 804	65 474
Fees and commissions due for the maintanance of payment cards and ATMs	61 874	40 011
Fees and commissions on foreign clearing operations	8 395	7 924
Fees and commissions on guarantee commitments	6 698	4 896
Commissions on distribution and management of combined investment and insurance products	19 927	32 860
Commissions on other custodian services	1 468	1 213
Other fees and commissions	3 240	3 139
Total	**184 280**	**175 741**

13. Fee and commission expense

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Brokerages	1 536	618
Fees and commissions due for the maintanance of payment cards and ATMs	26 480	15 548
Fees related to loan guarantees	6 561	3 339
Other fees and commissions	6 111	6 811
Total	**40 688**	**26 316**

Net fee and commission income	**143 592**	**149 425**

14. Dividend income

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Available-for-sale shares	648	1 328
Total	**648**	**1 328**

15. Net trading income

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Net trading income, including:		
- debt securities, including:	-5 556	-3 599
- held for trading	-5 526	-1 451
- at fair value through profit or loss	-30	-2 148
- on derivatives	-64 098	49 959
- foreign exchange	171 421	28 978
Total	**101 767**	**75 338**

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

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Result on cash flows hedge	**-2 854**	**-1 454**
- on hedging derivatives**	-2 854	-1 454
- on hedged financial assets	0	0
Result on fair value hedge	**-20**	**-51**
- on hedging derivatives	635	775
- on hedged financial assets	-655	-826
Total *	**-2 874**	**-1 505**

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

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

17. Net gains from investment activity

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Available-for-sale financial assets:	**229**	**2 682**
- equity instruments	-215	1 921
- debt instruments	444	761
Held-to-maturity assets:	**5**	**507**
- equity instruments	0	0
- debt instruments	5	507
Total	**234**	**3 189**

18. Result for particular categories of financial assets and liabilities

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
- at fair value through profit or loss, including:	-60 011	47 752
- held for trading	-60 495	-10 044
- hedging instruments	-9 343	0
- available-for-sale	93 997	81 861
- held-to-maturity	56 167	64 017
- loans and credits, leasing	839 907	542 056
- amounts due to banks and customers	-490 361	-270 523
- subordinated liabilities, issue of securities	-9 342	-10 572
Total *	**421 014**	**454 591**

* the item comprises net interest income, net trading income net of result on exchange item, result on derivatives used as hedging instruments and hedged items, profit/loss from investment activity.

19. Other operating income

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Sale or liquidation of property, plant and equipment and assets to be disposed	1 066	3 295
Recovered bad debts, including reimbursed debt recovery costs	9 202	7 007
Indemnities, penalties and fines received	439	740
Side income	3 111	2 280
Reversal of impairment losses on receivables from other debtors	2 051	1 038
Lease income	17 038	14 594
Other operating income	7 902	6 375
Total	**40 809**	**35 329**

20. General and administrative expenses

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Staff costs, including:	**270 586**	**236 386**
- salaries and wages	217 946	188 008
- salaries and wages mark-up	39 600	36 142
- employee benefits	7 219	6 973
- training expenses	5 821	5 263
Operating expense, including:	**215 569**	**167 780**
- costs of buildings maintenance and lease	57 298	52 245
- postal and telecommunication expenses	26 406	27 003
- IT systems operation costs	13 835	13 658
- promotion and advertising services	17 880	12 765
- costs of machinery repairs and services provided under warranties	5 705	6 812
- property protection costs	4 486	5 056
- costs of balance sheet audit, consulting and advisory	6 628	4 930
- transportation costs	7 774	5 711
- other banking services	9 953	10 322
- materials purchase	2 473	3 384
- business trips costs	2 787	2 236
- taxes and fees*	41 942	10 318
- other	18 402	13 340
Depreciation and amortisation, including:	**49 674**	**49 729**
- property, plant and equipment	32 931	29 874
- investment real estates	5 145	0
- intangible assets	11 598	19 855
Total	**535 829**	**453 895**

* The figures for the first half of 2008 comprise costs of VAT which in 2007 were reported in breakdown into particular expenses by nature, hence the comparability of particular expense categories is limited.

Operating lease rentals

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

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

Gross leasing payments paid by the Group and recognized in particular reporting periods as operating expense were as follows (rent + non-deductible VAT):

	01.01.2008-30.06.2008 *non-audited*	**Comparable data 01.01.2007-30.06.2007** *non-audited*
Leasing payments	40 415	45 166

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

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

	30.06.2008 *non-audited*	**Comparable data 30.06.2007** *non-audited*
Future gross minimum lease payments		
- not later than one year	80 766	70 620
- later than one year and not later than five years	183 177	171 769
- later than 5 years	30 065	62 593
Total	**294 008**	**304 982**

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

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

Recognition of impairment on assets and provisions

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Recognition of impairment on assets		
Loans and advances	558 145	271 729
Assets to be disposed, property, plant and equipment and intangible assets	383	2 389
Total impairment	**558 528**	**274 118**
Additions of provisions		
Provision for restructuring	0	226
Provisions for employee benefits	291	0
Provisions for liabilities	8 780	15 689
Provision for off-balance sheet liabilities	27 961	24 173
Total provisions	**37 032**	**40 088**
Total	**595 560**	**314 206**

Reversal of impairment for assets and provisions

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Reversal of impairment losses on assets		
Loans and advances	487 002	316 752
Assets to be disposed, property, plant and equipment and intangible assets	2 612	3 678
Other assets	0	0
Total impairment	**489 614**	**320 430**
Reversal of provisions		
Provision for restructuring	1 637	11
Provisions for employee benefits	0	0
Provisions for liabilities	42 434	3 481
Provision for off-balance sheet liabilities	28 825	24 157
Total provisions	**72 896**	**27 649**
Total	**562 510**	**348 079**

Net impairment losses on financial assets, other assets and provisions	**-33 050**	**33 873**

22. Other operating expenses

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Written off receivables and debt recovery expenses	9 770	10 375
Other impairment	1 663	1 084
Disposal or liquidation of property, plant and equipment and intangible assets	2 389	810
Indemnities, penalties and fines paid	1 080	122
Other expenses	5 218	7 507
Total	**20 120**	**19 898**

23. Taxation

	01.01.2008-30.06.2008 *non-audited*	01.01.2007-30.06.2007 *non-audited*
Profit before tax	**187 573**	**230 872**
Share of profit of associates	**912**	**-1 141**
Income tax expense at basic tax rate (19%)	**35 813**	**43 649**
Permanent differences, including:	**7 217**	**5 789**
loss on the sale of receivables	4 745	3 970
dividends received	-123	-253
provisions and impairment losses	-5 700	2 497
other permanent differences*	8 295	-425
Deducted retained losses not recognized in deferred tax asset	**0**	**-585**
Additional asset resulting from the change in the calculation method for the asset on temporary provisions	**0**	**0**
Recognized asset surplus related to differences from previous periods	**-265**	**398**
Actual deductions from net profit	**42 765**	**49 251**
Effective tax rate	**22.80%**	**21.33%**

Income tax expense in the income statement	01.01.2008-30.06.2008 *non-audited*	01.01.2007-30.06.2007 *non-audited*
Current income tax	34 236	46 583
Deferred income tax	8 529	2 668
Deductions from net profit	**42 765**	**49 251**

* in the first half of 2008, also depreciation and non-deductible provisions of PLN 2,533 thousand.

Deferred tax on the valuation of available-for-sale securities, cash flow hedge instruments, charged to revaluation reserve	01.01.2008-30.06.2008 *non-audited*	01.01.2007-30.06.2007 *non-audited*
Equity instruments	0	0
Debt instruments	-24 790	-5 291
Cash flow hedge instruments	-17 843	-3 874
Total	**-42 633**	**-9 165**

Deferred tax asset	30.06.2008 *non-audited*	31.12.2007	30.06.2007 *non-audited*	change in the first half of 2008 *non-audited*
Loans portfolio write-downs	66 330	78 100	101 496	-11 770
Impairment of property, plant and equipment	6 766	7 082	5 377	-316
Accruals	16 776	20 747	15 751	-3 971
Interest on deposits	12 912	9 808	6 473	3 104
Commissions and interest settled according to EIR	50 330	35 674	24 171	14 656
Income taxed in advance	1 642	2 985	4 334	-1 343
Derivatives	138 419	71 084	61 212	67 335
Costs of debt securities	33 116	32 915	30 208	201
Finance lease	16 981	17 765	9 223	-784
Valuation of available-for-sale securities	44 062	21 977	10 634	22 085
Tax losses to be deducted in future periods	1 511	2 171	848	-660
Other negative temporary differences	16 020	3 660	5 424	12 360
Total asset, including:	**404 865**	**303 968**	**275 151**	**100 897**
an asset recognized with the income statement (in the period and in previous periods)	360 803	281 991	264 517	78 812
an asset recognized with revaluation reserve	44 062	21 977	10 634	22 085

Deferred tax liability	30.06.2008 *non-audited*	31.12.2007	30.06.2007 *non-audited*	change in the first half of 2008 *non-audited*
Accrued income from securities	-30 241	-33 180	-25 891	2 939
Accrued interest on receivables	-22 058	-20 809	-19 798	-1 249
Derivatives	-168 599	-79 426	-54 432	-89 173
Depreciation	-3 907	-6 834	-8 851	2 927
Other negative temporary differences	-15 140	-12 506	-1 174	-2 634
Valuation of available-for-sale securities	-1 428	-1 424	-1 468	-4
Total liability, including:	**-241 373**	**-154 179**	**-111 614**	**-87 194**
a liability recognized with the income statement (in the period and in previous periods)	-239 945	-152 755	-110 146	-87 190
a liability recognized with revaluation reserve	-1 428	-1 424	-1 468	-4

Presented as			
Deferred tax asset	**164 809**	**150 658**	**164 711**
Deferred tax liability	**1 317**	**872**	**1 174**

24. Net profit attributable to the shareholders of the Bank

	01.01.2008-30.06.2008 *non-audited*	**Comparable data 01.01.2007-30.06.2007** *non-audited*
Net profit of the parent company for 6 months	153 110	179 904
Net profit (loss) of subsidiaries for 6 months	58 946	-3 599
Consolidation adjustments	-67 248	5 316
Net profit attributable to the shareholders of the Bank	**144 808**	**181 621**

25. Earnings per share (EPS)

	01.01.2008-30.06.2008 *non-audited*	**Comparable data 01.01.2007-30.06.2007** *non-audited*
Net profit	144 808	181 621
Weighted average number of ordinary shares	271 658 880	271 658 880
Net profit (loss) per share (in PLN)	**0.53**	**0.67**

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

26. Cash and balances with Central Bank

By types

	30.06.2008 *non-audited*	**Comparable data 31.12.2007**	**Comparable data 30.06.2007** *non-audited*
Cash in hand	483 932	505 232	377 721
Current account in the Central Bank	881 452	106 458	177 446
Total	**1 365 384**	**611 690**	**555 167**

27. Gross loans and advances to banks

By types

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Current accounts	11 680	20 641	31 387
Deposits in other banks	882 774	2 361 935	2 786 358
Loans and advances to banks	74 394	67 281	72 688
Purchased debt	11 195	3 488	24 995
Other	5 867	3 007	6 242
Total	**985 910**	**2 456 352**	**2 921 670**

By maturity dates

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	513 390	1 760 459	2 211 653
- 1-3 months	109 196	357 434	248 697
- 3-6 months	277 454	189 870	163 227
- 6 months to 1 year	12 123	81 703	172 872
- 1 - 3 years	66 464	63 968	88 866
- 3 - 5 years	0	658	34 095
- 5 - 10 years	5 023	0	0
- past due	2 260	2 260	2 260
Total	**985 910**	**2 456 352**	**2 921 670**

Classification due to impairment

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Loans and advances with no individual evidence for impairment	983 650	2 454 092	2 919 410
Loans and advances with individual evidence for impairment	2 260	2 260	2 260
Total	**985 910**	**2 456 352**	**2 921 670**

28. Impairment losses on loans and advances to banks

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Impairment on loans and advances to banks at period beginning	2 260	2 753	2 753
a) increase	0	0	0
b) decrease	0	493	493
- reversal of impairment	0	493	493
c) utilisation	0	0	0
Period end	**2 260**	**2 260**	**2 260**

29. Receivables arising from repurchase transactions

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	12 523	0	0
Period end	**12 523**	**0**	**0**

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

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Debt securities held for trading	**863 085**	**341 948**	**200 932**
Treasury securities	862 848	341 672	200 617
- bonds	862 848	336 612	186 931
- bills	0	5 060	13 686
Central Bank securities	0	0	0
Other securities	237	276	315
- bonds	237	276	315
Equity securities	0	0	0
Financial assets at fair value through profit or loss	**119 408**	**123 079**	**154 401**
Treasury securities	59 032	60 300	111 024
- bonds	59 032	60 300	111 024
Central Bank securities	0	0	0
Other securities	43 395	46 251	27 220
- bonds	43 395	46 251	27 220
Shares in investment funds	16 981	16 528	16 157
Equity securities	0	0	0
Total	**982 493**	**465 027**	**355 333**

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Listed	**982 493**	**418 776**	**355 333**
- bonds	965 512	397 188	325 490
- bills	0	5 060	13 686
- shares in investment funds	16 981	16 528	16 157
Non-listed	**0**	**46 251**	**0**
- bonds	0	46 251	0
Total	**982 493**	**465 027**	**355 333**

By maturity dates

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	0	2 403	369
- 1-3 months	483 779	198	4 875
- 3-6 months	324 785	1 039	7 030
- 6 months to 1 year	3 461	41 550	33 344
- 1 - 3 years	49 484	122 230	107 097
- 3 - 5 years	47 931	54 294	80 372
- 5 - 10 years	0	126 921	49 635
- 10 - 20 years	35 533	99 864	56 454
- over 20 years	20 539	0	0
- with unspecified maturity dates	16 981	16 528	16 157
Total	**982 493**	**465 027**	**355 333**

31. Derivatives

Derivatives (by types)

	30.06.2008 *non-audited*		Comparable data 31.12.2007		Comparable data 30.06.2007 *non-audited*	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate transactions	**660 919**	**536 235**	**357 179**	**341 052**	**244 305**	**254 862**
Options purchased	1 152	0	75	0	0	0
Options sold	0	1 151	0	75	0	0
IRS	393 925	322 441	207 605	209 515	178 462	189 420
FRA	265 842	212 643	149 499	131 462	65 843	65 442
Foreign exchange transactions	**177 505**	**251 249**	**136 143**	**133 318**	**91 470**	**58 053**
FX swap	68 429	65 076	46 892	37 635	25 008	12 161
CIRS	5 517	58 406	19 029	14 086	26 303	2 635
Forward	7 672	31 819	6 138	17 824	9 096	12 847
Options purchased	92 904	0	62 916	0	30 163	0
Options sold	0	92 752	0	62 816	0	29 671
Other	2 983	3 196	1 168	957	900	739
Futures	**0**	**0**	**0**	**0**	**0**	**0**
Embedded instruments*	**419**	**0**	**1 773**	**0**	**674**	**0**
Total*	**838 843**	**787 484**	**495 095**	**474 370**	**336 449**	**312 915**

Derivatives (by maturity dates)

	30.06.2008 *non-audited*		Comparable data 31.12.2007		Comparable data 30.06.2007 *non-audited*	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate transactions (fair value)	**660 919**	**536 235**	**357 179**	**341 052**	**244 305**	**254 862**
Interest rate transactions (nominal value)	**144 992 490**	**127 099 489**	**108 870 932**	**90 038 880**	**79 141 454**	**71 891 159**
- up to 1 month	4 643 230	4 161 000	2 308 200	740 000	1 136 800	1 215 000
- 1-3 months	10 157 910	12 626 500	4 221 750	4 554 029	1 125 000	2 933 290
- 3-6 months	34 386 130	27 978 130	20 402 500	20 352 675	16 084 710	13 821 710
- 6 months to 1 year	53 357 745	42 424 745	47 704 000	34 601 500	24 279 665	23 569 580
- 1 - 3 years	39 841 985	35 420 545	32 251 525	26 584 640	34 948 679	29 344 984
- 3 - 5 years	1 922 640	3 353 530	1 517 373	2 456 500	1 135 000	733 995
- 5 - 10 years	682 850	1 135 039	465 584	749 536	431 600	272 600
Foreign exchange transactions (fair value)	**177 505**	**251 249**	**136 143**	**133 318**	**91 470**	**58 053**
Foreign exchange transactions (nominal value)	**11 341 419**	**11 418 382**	**9 608 170**	**9 611 264**	**8 635 641**	**8 592 567**
- up to 1 month	5 353 163	5 352 855	4 493 926	4 485 410	2 910 706	2 890 259
- 1-3 months	1 524 310	1 532 300	1 105 254	1 105 900	1 827 812	1 825 962
- 3-6 months	2 056 590	2 100 217	1 391 650	1 394 516	2 065 487	2 060 758
- 6 months to 1 year	1 882 430	1 900 195	2 117 549	2 122 882	1 380 858	1 370 618
- 1 - 3 years	507 506	515 401	462 081	463 404	450 778	444 970
- 3 - 5 years	0	0	11 517	11 984	0	0
- 5 - 10 years	17 420	17 414	26 193	27 168	0	0
Futures (fair value)	**0**	**0**	**0**	**0**	**0**	**0**
Futures (nominal value)	**0**	**0**	**0**	**0**	**0**	**0**
- 1-3 months	0	0	0	0	0	0
Total fair value*)	**838 424**	**787 484**	**493 322**	**474 370**	**335 775**	**312 915**
Total nominal value)**	**156 333 909**	**138 517 871**	**118 479 102**	**99 650 144**	**87 777 095**	**80 483 726**

* net of embedded derivatives

** the item ‘Liabilities related to the sale/purchase transactions’ in Note 3 also comprises current currency exchange transactions and transactions on securities.

32. Gross loans and advances to customers

By types

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Loans and advances	19 640 930	17 050 533	14 145 225
Purchased debt	33 992	38 489	43 655
Realised guarantees and sureties	9 148	10 912	20 596
Other receivables	439 222	356 250	300 021
- including lease receivables	419 925	336 849	274 322
Total	**20 123 292**	**17 456 184**	**14 509 497**

By maturity dates

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	738 443	2 612 640	786 617
- 1-3 months	751 524	538 680	705 950
- 3-6 months	1 037 489	486 978	793 131
- 6 months to 1 year	4 570 406	2 646 233	2 880 487
- 1 - 3 years	2 411 144	2 301 364	2 165 841
- 3 - 5 years	1 894 619	1 977 836	1 676 096
- 5 - 10 years	2 726 336	2 199 306	1 767 807
- 10 - 20 years	2 709 976	2 186 040	1 744 250
- over 20 years	2 467 672	1 633 074	1 045 962
- past due	815 683	874 033	943 356
Total	**20 123 292**	**17 456 184**	**14 509 497**

By customer types

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Natural persons*	**12 049 768**	**9 627 336**	**7 514 957**
- overdraft facilities	651 684	594 784	569 433
- purchased debt	11 006	7 041	17 096
- term loans**	863 748	1 073 564	1 011 880
- cash and instalment loans	2 860 238	2 063 331	1 656 298
- mortgages	7 643 442	5 876 171	4 246 524
- realised guarantees	1 548	1 519	1 637
- other receivables	18 102	10 926	12 089
Corporate customers	**7 737 222**	**7 421 935**	**6 534 011**
- overdraft facilities	1 843 602	1 602 633	1 316 648
- term loans**	5 441 908	5 433 141	4 883 930
- purchased debt	22 986	31 438	26 542
- realised guarantees	7 600	9 393	18 959
- other receivables, including leasing fees	421 126	345 330	287 932
Budget	**336 302**	**406 913**	**460 529**
- overdraft facilities	623	932	11 602
- term loans**	335 679	405 971	448 910
- purchased debt	0	10	17
Total	**20 123 292**	**17 456 184**	**14 509 497**

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

Receivables in breakdown by customer types and by impaired and non-impaired receivables (as at 30.06.2008)

non-audited

	Gross receivables	Impaired gross receivables	Impairment excluding IBNR	Non-impaired gross receivables by days of delay in payment					
				Total	no delay	up to 30 days	31 - 60 days	61 - 90 days	over 90 days
Natural persons*	**12 049 768**	**490 470**	**340 379**	**11 559 299**	**10 595 229**	**817 941**	**111 507**	**32 455**	**2 167**
- overdraft facilities	651 684	73 381	63 751	578 303	488 351	78 890	9 612	1 399	51
- purchased debt	11 006	6 361	6 340	4 645	4 411	234	0	0	0
- term loans**	863 748	96 832	85 739	766 917	671 186	90 276	3 236	141	2 078
- cash and instalment loans	2 860 238	207 048	142 859	2 653 191	2 323 175	231 736	70 419	27 823	38
- mortgages	7 643 442	105 120	40 621	7 538 321	7 090 184	416 805	28 240	3 092	0
- realised guarantees	1 548	1 548	889	0	0	0	0	0	0
- other receivables	18 102	180	180	17 922	17 922	0	0	0	0
Corporate customers	**7 737 222**	**619 522**	**444 840**	**7 117 699**	**6 312 872**	**798 160**	**3 721**	**471**	**2 475**
- overdraft facilities	1 843 602	56 016	34 280	1 787 586	1 721 337	66 222	0	27	0
- term loans**	5 441 908	513 357	371 779	4 928 551	4 263 247	662 372	13	444	2 475
- purchased debt	22 986	5 489	4 460	17 496	12 977	3 543	976	0	0
- realised guarantees	7 600	7 600	4 295	0	0	0	0	0	0
- other receivables, including leasing fees	421 126	37 060	30 026	384 066	315 311	66 023	2 732	0	0
Budget	**336 302**	**0**	**0**	**336 302**	**194 662**	**141 640**	**0**	**0**	**0**
- overdraft facilities	623	0	0	623	623	0	0	0	0
- term loans**	335 679	0	0	335 679	194 039	141 640	0	0	0
- purchased debt	0	0	0	0	0	0	0	0	0
Total	**20 123 292**	**1 109 992**	**785 219**	**19 013 300**	**17 102 763**	**1 757 741**	**115 228**	**32 926**	**4 642**

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

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

Receivables in breakdown by customer types and by impaired and non-impaired receivables (as at 31.12.2007)

	Gross receivables	Impaired gross receivables	Impairment excluding IBNR	Non-impaired gross receivables by days of delay in payment					
				Total	no delay	up to 30 days	31 - 60 days	61 - 90 days	over 90 days
Natural persons*	**9 627 336**	**494 672**	**354 637**	**9 132 664**	**8 433 014**	**615 028**	**59 943**	**24 018**	**661**
- overdraft facilities	594 784	76 520	69 463	518 264	446 804	67 183	2 393	1 382	502
- purchased debt	7 041	6 379	6 334	662	606	56	0	0	0
- term loans**	1 073 564	186 631	131 900	886 933	798 538	82 897	4 362	1 083	53
- cash and instalment loans	2 063 331	131 687	98 645	1 931 644	1 722 418	157 318	32 761	19 103	44
- mortgages	5 876 171	91 936	46 776	5 784 235	5 453 722	307 574	20 427	2 450	62
- realised guarantees	1 519	1 519	1 519	0	0	0	0	0	0
- other receivables	10 926	0	0	10 926	10 926	0	0	0	0
Corporate customers	**7 421 935**	**648 937**	**437 440**	**6 772 998**	**6 231 932**	**537 131**	**903**	**128**	**2 904**
- overdraft facilities	1 602 633	49 511	26 020	1 553 122	1 529 660	23 278	184	0	0
- term loans**	5 433 141	552 009	368 599	4 881 132	4 427 534	450 212	354	128	2 904
- purchased debt	31 438	6 090	5 772	25 348	21 059	4 083	206	0	0
- realised guarantees	9 393	9 393	8 025	0	0	0	0	0	0
- other receivables, including leasing fees	345 330	31 934	29 024	313 396	253 679	59 558	159	0	0
Budget	**406 913**	**10**	**10**	**406 903**	**406 813**	**90**	**0**	**0**	**0**
- overdraft facilities	932	0	0	932	932	0	0	0	0
- term loans**	405 971	0	0	405 971	405 881	90	0	0	0
- purchased debt	10	10	10	0	0	0	0	0	0
Total	**17 456 184**	**1 143 619**	**792 087**	**16 312 565**	**15 071 759**	**1 152 249**	**60 846**	**24 146**	**3 565**

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

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

Receivables in breakdown by customer types and by impaired and non-impaired receivables (comparable data as at 30.06.2007)

non-audited

	Gross receivables	Impaired gross receivables	Impairment excluding IBNR	Non-impaired gross receivables by days of delay in payment					
				Total	no delay	up to 30 days	31 - 60 days	61 - 90 days	over 90 days
Natural persons*	**7 514 957**	**567 605**	**413 829**	**6 947 354**	**6 642 386**	**226 659**	**72 183**	**5 838**	**288**
- overdraft facilities	569 433	78 748	71 028	490 684	454 023	30 934	3 870	1 821	36
- purchased debt	17 096	17 085	17 039	12	12	0	0	0	0
- term loans**	1 011 880	214 444	138 924	797 312	749 831	38 636	8 070	767	8
- cash and instalment loans	1 656 298	164 047	139 486	1 492 375	1 433 024	12 673	45 297	1 381	0
- mortgages	4 246 524	91 644	46 372	4 154 882	3 993 407	144 416	14 946	1 869	244
- realised guarantees	1 637	1 637	980	0	0	0	0	0	0
- other receivables	12 089	0	0	12 089	12 089	0	0	0	0
Corporate customers	**6 534 011**	**968 765**	**524 603**	**5 565 244**	**5 255 920**	**280 445**	**28 094**	**453**	**332**
- overdraft facilities	1 316 648	53 828	25 428	1 262 819	1 241 430	20 458	705	226	0
- term loans**	4 883 930	847 884	434 678	4 036 044	3 803 281	232 352	382	0	29
- purchased debt	26 542	5 443	5 121	21 099	16 352	2 942	1 805	0	0
- realised guarantees	18 959	18 960	17 827	0	0	0	0	0	0
- other receivables, including leasing fees	287 932	42 650	41 549	245 282	194 857	24 693	25 202	227	303
Budget	**460 529**	**17**	**17**	**460 512**	**443 659**	**16 853**	**0**	**0**	**0**
- overdraft facilities	11 602	0	0	11 602	11 602	0	0	0	0
- term loans**	448 910	0	0	448 910	432 057	16 853	0	0	0
- purchased debt	17	17	17	0	0	0	0	0	0
Total	**14 509 497**	**1 536 387**	**938 449**	**12 973 110**	**12 341 965**	**523 957**	**100 277**	**6 291**	**620**

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

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

Impairment is measured for all loan receivables in the case of which certain individual evidence for impairment was identified with regard to all evidence for impairment for a given exposure and a given borrower, including mainly the credit risk and the risk of a borrower's insolvency, the probability of recovering amounts due, the transferability of assets being material collateral and the period of recovering amounts due and the collection of collateral.

As at 30.06.2008, the amount of non-amortised loan commissions settled with the effective interest rate method, which, according to the concept of the measurement of financial assets at amortised cost, decreases the value of gross receivables, amounted to PLN 212,292 thousand, as compared to PLN 135,664 thousand as at 30.06.2007, and PLN 163,023 thousand as at 31.12.2007. The amounts have already been recognized in total gross loans and advances.

Receivables quality ratio

in PLN '000'	**30.06.2008** *non-audited*	**Comparable data 31.12.2007**	**Comparable data 30.06.2007** *non-audited*
Loans and advances with no evidence for impairment, including interest	19 013 300	16 312 565	12 973 110
Loans and advances with evidence for impairment, including interest	1 109 992	1 143 619	1 536 387
Total gross loan and advances to customers	**20 123 292**	**17 456 184**	**14 509 497**
Impairment losses on loans and advances to customers	835 722	834 327	992 564
including: impairment losses on loans and advances with evidence for impairment	785 219	792 087	938 449
Total net loans and advances to customers	**19 287 570**	**16 621 857**	**13 516 933**
The share of loans and advances with evidence for impairment in total gross loans and advances	**5.5%**	**6.6%**	**10.6%**
Coverage of loans and advances with evidence for impairment with impairment losses	**70.7%**	**69.3%**	**61.1%**
Coverage of gross loans and advances to customers with corresponding impairment losses	**4.2%**	**4.8%**	**6.8%**

Over 6 months, the value of impaired receivables, i.e. for which evidence for impairment was identified, decreased by 3%, as a result of the sale of receivables, writing down receivables, the improvement of the borrowers' financial standing and repayments of receivables following the restructuring measures. As a result of the above-mentioned situation and the material increase in loans portfolio, over the last 6 months, the quality ratio for the Bank's gross receivables portfolio improved by 1.1 p.p.

Receivables assessed individually (data as at 30.06.2008)

Gross receivables	Impairment	Net receivables
432 601	287 323	145 278

Receivables assessed individually (comparable data as at 31.12.2007)

Gross receivables	Impairment	Net receivables
440 240	286 527	153 713

Receivables assessed individually (comparable data as at 30.06.2007)

Gross receivables	Impairment	Net receivables
715 511	350 542	364 969

Loan collateral accepted by the Bank

In the case of receivables for which impairment was identified, the total value of collateral approved by the Group considered in estimated future cash flow is presented in the table below.

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Value of approved collateral	279 833	339 899	464 394

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

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

Carrying amount of restructured receivables

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Carrying amount	88 452	98 346	141 471

33. Impairment losses on loans and advances to customers

	Impairment 31.12.2007	Recognized	Reversed	Written off	Other changes	Impairment 30.06.2008 *non-audited*
Natural persons	**386 092**	**394 375**	**-352 544**	**-46 310**	**-3 087**	**378 526**
overdraft facilities	70 803	36 914	-39 300	-922	0	67 495
purchased debt	6 334	57	-33	0	-1	6 357
term loans	134 747	66 251	-111 800	-356	-2 013	86 829
cash and instalment loans	105 251	234 012	-121 881	-44 828	0	172 554
mortgages	67 258	55 963	-77 722	-204	-1 073	44 222
realised guarantees	1 519	579	-1 209	0	0	889
other receivables	180	599	-599	0	0	180
Corporate customers	**447 470**	**162 351**	**-133 187**	**-20 910**	**560**	**456 284**
overdraft facilities	28 148	32 004	-23 261	-869	0	36 022
purchased debt	5 851	402	-714	-1 070	0	4 469
term loans	374 545	126 968	-104 538	-18 444	1 093	379 624
realised guarantees	8 025	288	-3 491	-527	0	4 295
other receivables	30 901	2 689	-1 183	0	-533	31 874
Budget	**765**	**1 419**	**-1 271**	**-1**	**0**	**912**
overdraft facilities	0	38	-37	0	0	1
term loans	755	1 381	-1 225	0	0	911
purchased debt	10	0	-9	-1	0	0
Total	**834 327**	**558 145**	**-487 002**	**-67 221**	**-2 527**	**835 722**

In the second quarter of 2008, the Group changed the method of allocating impairment losses calculated collectively to particular subgroups subject to the collective analysis. However, this change has not affected the total value of impairment losses which are evaluated collectively. The above change does not constitute a change in accounting principles, hence comparable data presented for previous reporting periods were not restated.

	Impairment 31.12.2006	Recognized	Reversed	Written off	Other changes	Impairment 31.12.2007 *non-audited*
Natural persons	**431 334**	**392 514**	**-318 863**	**-114 002**	**-4 891**	**386 092**
overdraft facilities	73 975	13 558	-16 730	0	0	70 803
purchased debt	17 208	914	-1 124	-10 553	-111	6 334
term loans	167 056	221 826	-212 944	-36 300	-4 891	134 747
cash and instalment loans	110 355	103 232	-42 192	-66 255	111	105 251
mortgages	61 770	52 009	-45 627	-894	0	67 258
realised guarantees	970	795	-246	0	0	1 519
other receivables	0	180	0	0	0	180
Corporate customers	**656 106**	**263 673**	**-402 315**	**-68 226**	**-1 768**	**447 470**
overdraft facilities	33 290	20 341	-25 483	0	0	28 148
purchased debt	5 778	992	-550	0	-369	5 851
term loans	542 093	226 496	-336 273	-56 372	-1 399	374 545
realised guarantees	30 306	8 335	-30 616	0	0	8 025
other receivables	44 639	7 509	-9 393	-11 854	0	30 901
Budget	**22**	**2 460**	**-1 710**	**-7**	**0**	**765**
overdraft facilities	0	24	-24	0	0	0
term loans	4	2 436	-1 685	0	0	755
purchased debt	18	0	-1	-7	0	10
Total	**1 087 462**	**658 647**	**-722 888**	**-182 235**	**-6 659**	**834 327**

	Impairment 31.12.2006	Recognized	Reversed	Written off	Other changes	Impairment 30.06.2007
Natural persons	**431 334**	**166 952**	**-138 041**	**-9 828**	**-1 105**	**449 312**
overdraft facilities	73 975	9 619	-4 380	-6 775	0	72 439
purchased debt	17 208	94	-192	0	-72	17 038
term loans	167 056	59 862	-81 048	-930	-1 160	143 780
cash and instalment loans	110 355	83 151	-44 666	-2 123	127	146 844
mortgages	61 770	14 080	-7 619	0	0	68 231
realised guarantees	970	146	-136	0	0	980
other receivables	0	0	0	0	0	0
Corporate customers	**656 106**	**103 322**	**-177 994**	**-36 871**	**-2 564**	**541 999**
overdraft facilities	33 290	13 330	-15 157	-24	0	31 439
purchased debt	5 778	167	-742	0	0	5 203
term loans	542 093	86 668	-146 922	-36 847	-2 025	442 967
realised guarantees	30 306	571	-12 556	0	-494	17 827
other receivables	44 639	2 586	-2 617	0	-45	44 563
Budget	**22**	**1 455**	**-224**	**0**	**0**	**1 253**
overdraft facilities	0	6	-6	0	0	0
term loans	4	1 448	-216	0	0	1 236
purchased debt	18	1	-2	0	0	17
Total	**1 087 462**	**271 729**	**-316 259**	**-46 699**	**-3 669**	**992 564**

IBNR

Impairment for incurred but not reported (IBNR) credit losses for homogenous balance sheet and off-balance sheet receivables portfolios as at 30.06.2008 amounted to PLN 55,051 thousand, including PLN 4,548 thousand related to off-balance sheet liabilities; and PLN 57,072 thousand as at 30.06.2007, including PLN 2,957 thousand related to off-balance sheet liabilities, and PLN 47,427 thousand as at 31.12.2007, including PLN 5,187 thousand related to off-balance sheet liabilities.

34. Finance lease receivables and change in charges for lease receivables

	30.06.2008 *non-audited*	**Comparable data 31.12.2007**	**Comparable data 30.06.2007** *non-audited*
Gross investments in finance lease	483 952	386 122	311 106
Unrealised future financial income	64 027	49 273	36 784
Investments in finance lease (gross carrying amount)	419 925	336 849	274 322
Gross investments in finance lease for each period	483 952	386 122	311 106
- not later than one year	130 900	111 919	75 445
- later than one year and not later than five years	325 382	249 620	197 730
- later than 5 years	27 670	24 583	37 931
Investments in finance lease for each period	419 925	336 849	274 322
- not later than one year	116 148	92 046	68 302
- later than one year and not later than five years	277 750	221 487	170 626
- later than 5 years	26 027	23 316	35 394

Impairment losses on lease receivables

	01.01.2008-30.06.2008 *non-audited*	**Comparable data 01.01.2007-31.12.2007**	**Comparable data 01.01.2007-30.06.2007** *non-audited*
Period beginning	30 901	44 540	44 540
a) recognition	1 680	5 095	2 586
- impairment losses on lease receivables	1 680	5 089	2 586
- other changes	0	6	0
b) reversal	1 716	6 880	2 637
- reversal of impairment losses on lease receivables	1 183	6 880	2 586
- other changes (inter-account movements)	533	0	51
c) utilisation	0	11 854	0
- loan receivables written off in the period as bad debts	0	11 854	0
Period end	**30 865**	**30 901**	**44 489**

35. Investment securities

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Available-for-sale securities	**3 930 594**	**3 437 169**	**3 340 059**
Treasury securities	3 174 583	2 658 096	2 562 776
- bonds	3 174 583	2 658 096	2 562 776
- bills	0	0	0
Central Bank securities	326 445	331 544	324 865
- bonds	326 445	331 544	324 865
- bills	0	0	0
Other securities	422 360	441 626	446 562
- bonds	422 360	441 626	446 562
- shares in investment funds	0	0	0
Equity securities	7 206	5 903	5 856
Held-to-maturity securities	**1 754 808**	**2 045 166**	**2 143 918**
Treasury securities	1 754 808	2 045 166	2 143 918
- bonds	1 754 808	2 045 166	2 143 918
Central Bank securities	0	0	0
Total	**5 685 402**	**5 482 335**	**5 483 977**

All investment securities classified in the portfolio of available-for-sale financial assets are measured at fair value, except for NBP bonds issued for the purpose of statutory reserve of banks and non-listed equity investments. NBP bonds are measured at amortised cost, as there is no active market for them, and NBP bonds may only be redeemed by the issuer. Non-listed equity investments are recognized at cost, having regard for impairment losses, as there is also no active market for them and their fair value cannot be determined reliably.

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Available-for-sale securities	**3 930 594**	**3 437 169**	**3 340 059**
Listed	**3 596 943**	**2 658 096**	**3 003 651**
- shares	0	0	0
- bonds	3 596 943	2 658 096	3 003 651
- bills	0	0	0
- shares in investment funds	0	0	0
Non-listed	**333 651**	**779 073**	**336 408**
- shares	7 206	5 903	5 856
- bonds	326 445	773 170	330 552
Held-to-maturity securities	**1 754 808**	**2 045 166**	**2 143 918**
Listed	**1 754 808**	**2 045 166**	**2 143 918**
- bonds	1 754 808	2 045 166	2 143 918
Total	**5 685 402**	**5 482 335**	**5 483 977**

Maturities of available-for-sale investment securities

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	0	2 100	18 430
- 1-3 months	0	0	72 635
- 3-6 months	0	0	0
- 6 months to 1 year	426 800	0	319 720
- 1 - 3 years	1 064 207	959 052	736 609
- 3 - 5 years	1 215 794	1 563 337	1 720 892
- 5 - 10 years	1 216 587	702 391	431 574
- 10 - 20 years	0	204 386	34 343
- with unspecified maturity dates	7 206	5 903	5 856
Total	**3 930 594**	**3 437 169**	**3 340 059**

Maturities of held-to-maturity investment securities

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	0	0	11 371
- 1-3 months	0	0	99 454
- 3-6 months	0	350 423	0
- 6 months to 1 year	255 926	0	341 339
- 1 - 3 years	1 202 700	1 037 634	554 643
- 3 - 5 years	0	433 213	906 438
- 5 - 10 years	296 182	223 896	189 734
- 10 - 20 years	0	0	40 939
Total	**1 754 808**	**2 045 166**	**2 143 918**

36. Financial assets subject to hedge accounting

The Group applies hedge accounting for fair value hedge for asset swaps. The purpose of hedge accounting is to hedge fixed interest rate bonds with IRS, on which the Group pays a fixed interest rate and receives a floating interest rate.

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

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

The rules of recognizing and measuring the effectiveness of the hedges for transactions subject to hedge accounting are described in Note 7.7.6 of these financial statements.

As at 30.06.2008

Financial assets subject to cash flow hedge accounting

- bonds

Hedged assets - available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment
100 000	24.09.2011	variable 6.33% (30.06.2008)	every 6 months
50 000	24.09.2011	variable 6.33% (30.06.2008)	every 6 months
36 000	24.09.2011	variable 6.33% (30.06.2008)	every 6 months
70 000	25.01.2018	variable 5.96% (30.06.2008)	every 6 months
50 000	25.01.2018	variable 5.96% (30.06.2008)	every 6 months
80 000	25.01.2018	variable 5.96% (30.06.2008)	every 6 months

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
36 000	23.03.2009	fixed 4.38%	WIBOR 6M	annually	every 6 months	-802	0
100 000	24.09.2009	fixed 5.32%	WIBOR 6M	annually	every 6 months	591	9
50 000	25.09.2008	fixed 5.25%	WIBOR 6M	annually	every 6 months	1 014	11
70 000	23.01.2009	fixed 5.30%	WIBOR 6M	annually	every 6 months	-810	-16
50 000	25.07.2010	fixed 5.5075%	WIBOR 6M	annually	every 6 months	48	14
80 000	29.08.2011	fixed 5.66%	WIBOR 6M	annually	every 6 months	-316	-1
					Total	**-275**	**17**

- <u>loans portfolio</u>

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

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
50 000	14.12.2009	fixed 4.78%	WIBOR 3M	annually	every quarter	-306	-33
50 000	13.09.2008	fixed 6.25%	WIBOR O/N	every quarter	every quarter	-21	
50 000	18.12.2009	fixed 4.78%	WIBOR 3M	annually	every quarter	-304	-42
50 000	18.09.2008	fixed 6.27%	WIBOR O/N	every quarter	every quarter	-22	
100 000	05.01.2009	fixed 4.6875%	WIBOR 3M	annually	every quarter	-292	-30
100 000	04.07.2008	fixed 6.15%	WIBOR O/N	every quarter	every quarter	-15	
50 000	01.03.2013	fixed 5.11%	WIBOR 6M	annually	every 6 months	-3 251	-39
50 000	03.09.2008	fixed 6.09%	WIBOR O/N	every 6 months	every 6 months	-22	
25 000	03.03.2014	fixed 5.12%	WIBOR 6M	annually	every 6 months	-1 817	-20
25 000	03.09.2008	fixed 6.09%	WIBOR O/N	every 6 months	every 6 months	-11	
25 000	02.03.2015	fixed 5.14%	WIBOR 6M	annually	every 6 months	-1 966	-23
25 000	03.09.2008	fixed 6.09%	WIBOR O/N	every 6 months	every 6 months	-11	
50 000	03.09.2008	fixed 6.09%	WIBOR O/N	every 6 months	every 6 months	-22	-34
50 000	02.03.2012	fixed 5.09%	WIBOR 6M	annually	every 6 months	-2 810	
100 000	21.03.2011	fixed 4.9275%	WIBOR 3M	annually	every quarter	-3 446	-83
100 000	18.09.2008	fixed 6.27%	WIBOR O/N	every quarter	every quarter	-45	
100 000	30.03.2009	fixed 4.80%	WIBOR 3M	annually	every quarter	-312	
100 000	30.06.2008	fixed 6.05%	WIBOR O/N	every quarter	every quarter	14	4
100 000	30.09.2008	fixed 6.37%	WIBOR O/N	every quarter	every quarter	-27	
50 000	30.03.2011	fixed 5.00%	WIBOR 6M	annually	every 6 months	-2 385	-34
50 000	30.09.2008	fixed 6.15%	WIBOR O/N	every 6 months	every 6 months	-42	
50 000	30.03.2012	fixed 5.03%	WIBOR 6M	annually	every 6 months	-2 941	-40
50 000	30.09.2008	fixed 6.15%	WIBOR O/N	every 6 months	every 6 months	-42	
50 000	30.03.2010	fixed 4.94%	WIBOR 6M	annually	every 6 months	-1 719	-51
50 000	30.09.2008	fixed 6.15%	WIBOR O/N	every 6 months	every 6 months	-42	
50 000	04.04.2012	fixed 5.03%	WIBOR 6M	annually	every 6 months	-2 946	-11

50 000	04.10.2008	fixed 6.25%	WIBOR O/N	every 6 months	every 6 months	-25	
100 000	01.08.2013	fixed 5.075%	WIBOR 3M	annually	every quarter	-3 053	-25
100 000	04.08.2008	fixed 6.15%	WIBOR O/N	every quarter	every quarter	1	
25 000	15.09.2014	fixed 5.085%	WIBOR 3M	annually	every quarter	-954	-27
25 000	18.09.2008	fixed 6.27%	WIBOR O/N	every quarter	every quarter	-11	
25 000	22.06.2015	fixed 5.09%	WIBOR 3M	annually	every quarter	-2 015	-16
25 000	18.09.2008	fixed 6.27%	WIBOR O/N	every quarter	every quarter	-11	
70 000	13.06.2012	fixed 5.4475%	WIBOR 6M	annually	every 6 months	-3 113	-51
70 000	13.12.2008	fixed 6.45%	WIBOR O/N	every 6 months	every 6 months	-74	
30 000	13.06.2012	fixed 5.4475%	WIBOR 6M	annually	every 6 months	-1 334	-12
30 000	13.12.2008	fixed 6.45%	WIBOR O/N	every 6 months	every 6 months	-32	
50 000	09.07.2013	fixed 5.675%	WIBOR 6M	annually	every 6 months	-704	-20
50 000	09.07.2008	fixed 5.78%	WIBOR O/N	every 6 months	every 6 months	-19	
50 000	09.07.2014	fixed 5.67%	WIBOR 6M	annually	every 6 months	-913	-24
50 000	09.07.2008	fixed 5.78%	WIBOR O/N	every 6 months	every 6 months	-19	
					Total	**-37 079**	**-611**

Hedged assets – mortgage loans of PLN 1,340,000 thousand.

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
100 000	09.07.2012	fixed 5.6975%	WIBOR 3M	annually	every quarter	593	-35
100 000	13.08.2012	fixed 5.615%	WIBOR 3M	annually	every quarter	183	-87
50 000	13.08.2012	fixed 5.615%	WIBOR 3M	annually	every quarter	91	-43
120 000	10.09.2011	fixed 5.65%	WIBOR 3M	annually	every quarter	1 116	-94
20 000	10.09.2011	fixed 5.65%	WIBOR 3M	annually	every quarter	186	-16
150 000	09.11.2012	fixed 5.75%	WIBOR 3M	annually	every quarter	-1 229	-182
30 000	17.12.2014	fixed 5.90%	WIBOR 3M	annually	every quarter	-199	-38
75 000	10.01.2013	fixed 5.94%	WIBOR 3M	annually	every quarter	-1 159	-95
100 000	07.02.2011	fixed 5.73%	WIBOR 3M	annually	every quarter	-1 278	-110
85 000	08.02.2013	fixed 5.63%	WIBOR 3M	annually	every quarter	-2 442	-448
85 000	20.02.2015	fixed 5.85%	WIBOR 3M	annually	every quarter	-2 108	-254
100 000	04.03.2013	fixed 6.01%	WIBOR 3M	annually	every quarter	-1 251	-262
70 000	05.03.2015	fixed 5.9%	WIBOR 3M	annually	every quarter	-1 520	-308
50 000	15.04.2013	fixed 5.92%	WIBOR 3M	annually	every quarter	-1 580	-68
50 000	17.04.2013	fixed 5.85%	WIBOR 3M	annually	every quarter	-1 725	-41
50 000	17.04.2012	fixed 5.92%	WIBOR 3M	annually	every quarter	-1 410	-34
30 000	08.05.2012	fixed 5.94%	WIBOR 3M	annually	every quarter	-825	-50
75 000	16.05.2013	fixed 6.01%	WIBOR 3M	annually	every quarter	-2 084	-95
					Total	**-16 641**	**-2 260**

Financial assets subject to fair value hedge accounting

- bonds

Hedged assets - available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment	Valuation for 2008 in income statement
25 389	24.10.2013	fixed 5%	annually	-654

IRS's hedging fair value of bonds

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
26 000	03.10.2013	WIBOR 6M	fixed 4.595%	every 6 months	annually	1 821	635
					Total	**1 821**	**635**

As at 31.12.2007 (comparable data)

Financial assets subject to cash flow hedge accounting

- bonds

Hedged assets-available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment
100 000	24.09.2011	variable 5.23% (31.12.2007)	every 6 months
50 000	24.09.2011	variable 5.23% (31.12.2007)	every 6 months
36 000	24.09.2011	variable 5.23% (31.12.2007)	every 6 months
70 000	25.01.2018	variable 4.93% (31.12.2007)	every 6 months
50 000	25.01.2018	variable 4.93% (31.12.2007)	every 6 months
80 000	25.01.2018	variable 4.93% (31.12.2007)	every 6 months

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate – Coupon received	Interest rate – Coupon paid	Coupon rate payment – Coupon received	Coupon rate payment – Coupon paid	Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
100 000	24.09.2009	fixed 5.32%	WIBOR 6M	annually	every 6 months	-1 298	-69
50 000	25.09.2008	fixed 5.25%	WIBOR 6M	annually	every 6 months	-268	-28
36 000	23.03.2009	fixed 4.38%	WIBOR 6M	annually	every 6 months	-4	-13
70 000	23.01.2009	fixed 5.30%	WIBOR 6M	annually	every 6 months	-477	-82
50 000	25.07.2010	fixed 5.5075%	WIBOR 6M	annually	every 6 months	-612	-117
80 000	29.08.2011	fixed 5.66%	WIBOR 6M	annually	every 6 months	-888	-153
					Total	**-3 547**	**-462**

- loans portfolio

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

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate – Coupon received	Interest rate – Coupon paid	Coupon rate payment – Coupon received	Coupon rate payment – Coupon paid	Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
70 000	13.06.2012	fixed 5.4475%	WIBOR 6M	annually	every 6 months	301	229
70 000	13.06.2008	fixed 5.78%	WIBOR O/N	every 6 months	every 6 months	-21	
30 000	13.06.2012	fixed 5.4475%	WIBOR 6M	annually	every 6 months	129	66
30 000	13.06.2008	fixed 5.78%	WIBOR O/N	every 6 months	every 6 months	-9	
50 000	01.03.2013	fixed 5.11%	WIBOR 6M	annually	every 6 months	-593	77
50 000	03.03.2008	fixed 5.11%	WIBOR O/N	every 6 months	every 6 months	-17	
25 000	03.03.2014	fixed 5.12%	WIBOR 6M	annually	every 6 months	-378	41
25 000	03.03.2008	fixed 5.11%	WIBOR O/N	every 6 months	every 6 months	-9	
25 000	02.03.2015	fixed 5.14%	WIBOR 6M	annually	every 6 months	-425	35
25 000	03.03.2008	fixed 5.11%	WIBOR O/N	every 6 months	every 6 months	-9	
100 000	01.08.2013	fixed 5.075%	WIBOR 3M	annually	every quarter	-2 892	248
100 000	02.02.2008	fixed 5.05%	WIBOR O/N	every quarter	every quarter	-29	
25 000	22.06.2015	fixed 5.09%	WIBOR 3M	annually	every quarter	-558	99
25 000	18.03.2008	fixed 5.56%	WIBOR O/N	every quarter	every quarter	2	

50 000	18.12.2009	fixed 4.78%	WIBOR 3M	annually	every quarter	-1 297	101
50 000	18.03.2008	fixed 5.56%	WIBOR O/N	every quarter	every quarter	4	
100 000	05.01.2009	fixed 4.6875%	WIBOR 3M	annually	every quarter	1 983	36
100 000	04.01.2008	fixed 5.02%	WIBOR O/N	every quarter	every quarter	-22	
50 000	02.03.2012	fixed 5.09%	WIBOR 6M	annually	every 6 months	-406	13
50 000	03.03.2008	fixed 5.11%	WIBOR O/N	every 6 months	every 6 months	-17	
100 000	21.03.2011	fixed 4.9275%	WIBOR 3M	annually	every quarter	319	301
100 000	18.03.2008	fixed 5.56%	WIBOR O/N	every quarter	every quarter	8	
100 000	30.03.2009	fixed 4.8%	WIBOR 3M	annually	every quarter	1 942	100
100 000	31.03.2008	fixed 5.45%	WIBOR O/N	every quarter	every quarter	-27	
50 000	30.03.2011	fixed 5.00%	WIBOR 6M	annually	every 6 months	-313	52
50 000	31.03.2008	fixed 5.15%	WIBOR O/N	every 6 months	every 6 months	-42	
50 000	30.03.2012	fixed 5.03%	WIBOR 6M	annually	every 6 months	-577	79
50 000	31.03.2008	fixed 5.15%	WIBOR O/N	every 6 months	every 6 months	-42	
50 000	30.03.2010	fixed 4.94%	WIBOR 6M	annually	every 6 months	-20	33
50 000	31.03.2008	fixed 5.15%	WIBOR O/N	every 6 months	every 6 months	-42	
50 000	04.04.2012	fixed 5.03%	WIBOR 6M	annually	every 6 months	-576	173
50 000	04.04.2008	fixed 5.12%	WIBOR O/N	every 6 months	every 6 months	-72	
25 000	15.09.2014	fixed 5.085%	WIBOR 3M	annually	every quarter	-832	76
25 000	18.03.2008	fixed 5.56%	WIBOR O/N	every quarter	every quarter	2	
50 000	09.07.2013	fixed 5.675%	WIBOR 6M	annually	every 6 months	-531	150
50 000	09.01.2008	fixed 4.90%	WIBOR O/N	every 6 months	every 6 months	8	
50 000	09.07.2014	fixed 5.67%	WIBOR 6M	annually	every 6 months	-532	136
50 000	09.01.2008	fixed 4.90%	WIBOR O/N	every 6 months	every 6 months	8	
50 000	14.12.2009	fixed 4.78%	WIBOR 3M	annually	every quarter	-1 294	77
50 000	13.03.2008	fixed 5.48%	WIBOR O/N	every quarter	every quarter	2	
100 000	02.01.2008	fixed 4.99%	WIBOR O/N	every quarter	every quarter	30	0
					Total	**-6 844**	**2 122**

Hedged assets – mortgage loans of PLN 570,000 thousand.

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate – Coupon received	Interest rate – Coupon paid	Coupon rate payment – Coupon received	Coupon rate payment – Coupon paid	Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
100 000	09.07.2012	fixed 5.6975%	WIBOR 3M	annually	every quarter	261	178
100 000	13.08.2012	fixed 5.615%	WIBOR 3M	annually	every quarter	-152	176
50 000	13.08.2012	fixed 5.615%	WIBOR 3M	annually	every quarter	-76	88
120 000	10.09.2011	fixed 5.65%	WIBOR 3M	annually	every quarter	1	297
20 000	10.09.2011	fixed 5.65%	WIBOR 3M	annually	every quarter	0	50
150 000	09.11.2012	fixed 5.75%	WIBOR 3M	annually	every quarter	-1 476	288
30 000	17.12.2014	fixed 5.90%	WIBOR 3M	annually	every quarter	-29	0
					Total	**-1 471**	**1 077**

Financial assets subject to fair value hedge accounting

- bonds

Hedged assets-available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment	Valuation for 2007 in income statement
25 389	24.10.2013	fixed 5%	annually	-1 136

IRS's hedging fair value of bonds

Nominal value	Maturity date	Interest rate – Coupon received	Interest rate – Coupon paid	Coupon rate payment – Coupon received	Coupon rate payment – Coupon paid	Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
26 000	03.10.2013	WIBOR 3M	fixed 4.595%	every quarter	annually	1 709	1 668
					Total	**1 709**	**1 668**

As at 30.06.2007

Financial assets subject to cash flow hedge accounting

- bonds

Hedged assets-available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment
100 000	24.09.2011	variable 4.39% (30.06.2007)	every 6 months
50 000	24.09.2011	variable 4.39% (30.06.2007)	every 6 months
36 000	24.09.2011	variable 4.39% (30.06.2007)	every 6 months

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
100 000	24.09.2009	fixed 5.32%	WIBOR 6M	annually	every 6 months	-579	-6
50 000	25.09.2008	fixed 5.25%	WIBOR 6M	annually	every 6 months	1 420	0
36 000	23.03.2009	fixed 4.38%	WIBOR 6M	annually	every 6 months	2 631	-72
					Total	**3 472**	**-78**

- loans portfolio

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

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
50 000	14.12.2009	fixed 4.78%	WIBOR 3M	annually	every quarter	393	-19
50 000	13.09.2007	fixed 4.40%	WIBOR O/N	Payment at transaction closure, i.e. 13.09.2007	Payment at transaction closure, i.e. 13.09.2007	-34	
50 000	18.12.2009	fixed 4.78%	WIBOR 3M	annually	every quarter	389	-24
50 000	18.09.2007	fixed 4.40%	WIBOR O/N	Payment at transaction closure, i.e. 19.09.2007	Payment at transaction closure, i.e. 19.09.2007	-36	
50 000	01.03.2013	fixed 5.11%	WIBOR 6M	annually	every 6 months	-1 173	-72
50 000	03.09.2007	fixed 4.215%	WIBOR O/N	Payment at transaction closure, i.e. 04.09.2007	Payment at transaction closure, i.e. 04.09.2007	-44	
100 000	05.01.2009	fixed 4.6875%	WIBOR 3M	annually	every quarter	256	-13
100 000	04.07.2007	fixed 4.30%	WIBOR O/N	Payment at transaction closure, i.e. 04.07.2007	Payment at transaction closure, i.e. 04.07.2007	7	
25 000	03.03.2014	fixed 5.12%	WIBOR 6M	annually	every 6 months	-678	-38
25 000	03.09.2007	fixed 4.215%	WIBOR O/N	Payment at transaction closure, i.e. 04.09.2007	Payment at transaction closure, i.e. 04.09.2007	-22	
25 000	02.03.2015	fixed 5.14%	WIBOR 6M	annually	every 6 months	-743	-33
25 000	03.09.2007	fixed 4.215%	WIBOR O/N	Payment at transaction closure, i.e. 04.09.2007	Payment at transaction closure, i.e. 04.09.2007	-22	
50 000	02.03.2012	fixed 5.09%	WIBOR 6M	annually	every 6 months	-975	-8
50 000	03.09.2007	fixed 4.245%	WIBOR O/N	Payment at transaction closure, i.e. 03.09.2007	Payment at transaction closure, i.e. 03.09.2007	-37	
100 000	21.03.2011	fixed 4.9275%	WIBOR 3M	annually	every quarter	-983	-280
100 000	18.09.2007	fixed 4.40%	WIBOR O/N	Payment at transaction closure, i.e. 18.09.2007	Payment at transaction closure, i.e. 18.09.2007	-72	
100 000	30.03.2009	fixed 4.8%	WIBOR 3M	annually	every quarter	222	-76
100 000	28.09.2007	fixed 4.55%	WIBOR O/N	Payment at transaction closure, i.e. 28.09.2007	Payment at transaction closure, i.e. 28.09.2007	-70	
50 000	30.03.2011	fixed 5.0%	WIBOR 6M	annually	every 6 months	-922	-50
50 000	28.09.2007	fixed 4.40%	WIBOR O/N	Payment at transaction closure, i.e. 01.10.2007	Payment at transaction closure, i.e. 01.10.2007	-21	
50 000	30.03.2012	fixed 5.03%	WIBOR 6M	annually	every 6 months	-1 165	-62
50 000	28.09.2007	fixed 4.40%	WIBOR O/N	Payment at transaction closure, i.e. 01.10.2007	Payment at transaction closure, i.e. 01.10.2007	-21	
50 000	30.03.2010	fixed 4.94%	WIBOR 6M	annually	every 6 months	-656	-41
50 000	28.09.2007	fixed 4.40%	WIBOR O/N	Payment at transaction closure, i.e. 01.10.2007	Payment at transaction closure, i.e. 01.10.2007	-21	
50 000	04.04.2012	fixed 5.03%	WIBOR 6M	annually	every 6 months	-1 168	-124

50 000	04.10.2007	fixed 4.40%	WIBOR O/N	Payment at transaction closure, i.e. 04.10.2007	Payment at transaction closure, i.e. 04.10.2007	-25	
100 000	01.08.2013	fixed 5.075%	WIBOR 3M	annually	every quarter	-2 471	-188
100 000	14.08.2007	fixed 4.295%	WIBOR O/N	Payment at transaction closure, i.e. 14.08.2007	Payment at transaction closure, i.e. 14.08.2007	-55	
25 000	15.09.2014	fixed 5.085%	WIBOR 3M	annually	every quarter	-584	-62
25 000	04.07.2007	fixed 4.30%	WIBOR O/N	Payment at transaction closure, i.e. 04.07.2007	Payment at transaction closure, i.e. 04.07.2007	-18	
25 000	22.06.2015	fixed 5.09%	WIBOR 3M	annually	every quarter	-915	-86
25 000	18.09.2007	fixed 4.40%	WIBOR O/N	Payment at transaction closure, i.e. 18.09.2007	Payment at transaction closure, i.e. 18.09.2007	-18	
70 000	13.06.2012	fixed 5.4475%	WIBOR 6M	annually	every 6 months	-519	-151
70 000	13.12.2007	fixed 4.55%	WIBOR O/N	Payment at transaction closure, i.e. 13.12.2007	Payment at transaction closure, i.e. 13.12.2007	-103	
30 000	13.06.2012	fixed 5.4475%	WIBOR 6M	annually	every 6 months	-222	-67
30 000	13.12.2007	fixed 4.55%	WIBOR O/N	Payment at transaction closure, i.e. 13.12.2007	Payment at transaction closure, i.e. 13.12.2007	-44	
					Total	**-12 570**	**-1 394**

Financial assets subject to fair value hedge accounting

- bonds

Hedged assets-available-for-sale bonds

Bond nominal value	**Maturity date**	**Interest rate**	**Coupon rate payment**	**Valuation for 2007 in income statement**
25 389	24.10.2013	fixed 5%	annually	-826

IRS's hedging fair value of bonds

Nominal value	**Maturity date**	**Interest rate**		**Coupon rate payment**		**Balance sheet valuation with interest**	**Valuation in income statement (interest presented in net interest income)**
		Coupon received	**Coupon paid**	**Coupon received**	**Coupon paid**		
26 000	03.10.2013	WIBOR 3M	fixed 4.595%	every quarter	annually	1 430	775
					Total	**1 430**	**775**

In the case of cash flow hedge, the amount recognized in equity in the first half of 2008 was – PLN 100,426 thousand, and the amount derecognized from equity and recognized in the income statement (ineffective part) amounted to PLN 6,516 thousand. The amount recognized in equity at the end of 2007 was – PLN 44,108 thousand, and the amount derecognized from equity and recognized in the income statement (ineffective part) amounted to PLN 3,662 thousand. The amount recognized in equity in the first half of 2007 was – PLN 22,007 thousand, and the amount derecognized from equity and recognized in the income statement (ineffective part) amounted to – PLN 1,620 thousand.

Summary of valuations of hedging derivatives

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Total positive valuations (with interest)	5 658	34 025	13 739
including positive valuations net of interest on cash flow hedge	-17 210	30	0
Total negative valuations (with interest)	-57 832	-44 178	-22 635
including negative valuations net of interest on cash flow hedge	-83 216	-44 138	-22 007

37. Investments in associates valued using the equity method

Investments in associates measured with the equity method																				
	a	b	c	d	e							f			g			h	i	j
No.	Company	Line of business	Carrying ammount of shares	Assets	Equity, including:							Liabilities, including:			Receivables, including:			Sales	Bank's stake in capital (%)	Bank's share (%) in votes at GMS
						Share capital	Subscribed unpaid share capital (negative sign)	Reserve capital	Other, including:				Short-term	Long-term		Short-term	Long-term			
										Retained earnings	Net profit		liabilities	liabilities		receivables	receivables			
Associates																				
30.06.2008																				
1.	KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Fund's asset management	11 262	50 143	37 542	25 258	0	16 069	-3 785	0	-3 785	12 601	12 601	0	28 805	28 805	0	33 062	30,00	30,00
TOTAL			11 262	50 143																
31.12.2007																				
1.	KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Fund's asset management	12 174	79 626	40 580	25 258	0	11 335	3 987	0	3 987	39 046	39 046	0	56 917	56 917	0	98 809	30,00	30,00
RAZEM			12 174	79 626																
30.06.2007 (non-audited)																				
1.	KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Fund's asset management	11 802	785 493	39 341	25 258	0	11 335	2 748	0	2 748	746 151	746 151	0	770 973	770 973	0	41 654	30,00	30,00
RAZEM			11 802	785 493																

38. Property, plant and equipment

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Property, plant and equipment, including:	353 314	333 045	339 552
- land	14 179	14 179	14 379
- buildings and premises	196 549	178 369	181 830
- plant and machinery	76 716	64 022	55 135
- motor vehicles	1 689	1 001	18 784
- other property, plant and equipment	80 222	75 474	69 424
Construction in progress	50 904	63 401	46 392
Total	**404 218**	**396 446**	**385 944**

Movement on property, plant and equipment

For the period of 6 months ended 30.06.2008
non-audited

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2008	18 797	265 825	471 427	3 781	162 314	63 562	985 706
b) increase	0	2 382	36 123	1 117	13 950	3 006	56 578
- acquisition	0	2 336	33 770	609	13 794	2 991	53 500
- other increase	0	46	2 353	508	156	15	3 078
c) decrease	0	2 185	33 662	1 026	610	15 503	52 986
- sale	0	0	1 420	197	92	0	1 709
- liquidation	0	4	31 045	218	508	0	31 775
- other decrease	0	2 181	1 197	611	10	15 503	19 502
d) gross property, plant and equipment as at 30.06.2008	18 797	266 022	473 888	3 872	175 654	51 065	989 298
e) accumulated depreciation of property, plant and equipment as at 01.01.2008	1 477	68 926	406 173	2 550	85 613	-200	564 539
f) net property, plant and equipment as at 01.01.2008	14 179	178 369	64 022	1 001	75 474	63 401	396 446
g) changes in depreciation	106	3 841	-16 397	-531	8 751	200	-4 030
- depreciation	0	3 552	20 149	300	8 930	0	32 931
- sale	0	0	-242	-185	0	0	-427
- liquidation	0	0	-31 045	-35	-261	0	-31 341
- other changes	106	289	-5 259	-611	82	200	-5 193
h) accumulated depreciation as at 30.06.2008	1 583	72 767	389 776	2 019	94 364	0	560 509
i) impairment as at 01.01.2008	3 141	18 530	1 232	230	1 227	361	24 721
- increases	0	0	6 214	0	0	0	6 214
- decreases	106	5 783	50	66	159	200	6 364
j) impairment as at 30.06.2008	3 035	12 747	7 396	164	1 068	161	24 571
Net property, plant and equipment as at 30.06.2008	**14 179**	**180 508**	**76 716**	**1 689**	**80 222**	**50 904**	**404 218**

For the period of 12 months ended 31.12.2007 (comparable data)

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2007	16 433	268 929	484 994	23 045	140 605	50 799	984 805
b) increase	2 930	7 263	75 950	559	27 330	18 682	132 714
- acquisition	0	1 787	49 122	167	27 055	9 682	87 813
- other increase	2 930	5 476	26 828	392	275	9 000	44 901
c) decrease	566	10 367	89 517	19 823	5 621	5 919	131 813
- sale	566	5 536	23 284	1 618	615	0	31 619
- liquidation	0	144	59 101	0	2 215	18	61 478
- other decrease	0	4 687	7 132	18 205	2 791	5 901	38 716
d) gross property, plant and equipment as at 31.12.2007	18 797	265 825	471 427	3 781	162 314	63 562	985 706
e) accumulated depreciation of property, plant and equipment as at 01.01.2007	1 291	66 087	429 452	8 376	73 132	0	578 338
f) net property, plant and equipment as at 01.01.2007	14 841	186 495	53 168	14 420	66 295	50 438	385 657
g) changes in depreciation	186	2 839	-23 279	-5 826	12 481	-200	-13 799
- depreciation	0	7 042	38 222	650	16 582	0	62 496
- sale	-8	-1 855	-22 244	-1 497	-301	0	-25 905
- liquidation	0	-49	-49 572	0	-1 343	0	-50 964
- other changes	194	-2 299	10 315	-4 979	-2 457	-200	574
h) accumulated depreciation as at 31.12.2007	1 477	68 926	406 173	2 550	85 613	-200	564 539
i) impairment as at 01.01.2007	301	16 347	2 374	249	1 178	361	20 810
- increases	2 840	2 246	190	14	346	0	5 636
- decreases	0	63	1 332	33	297	0	1 725
j) impairment as at 31.12.2007	3 141	18 530	1 232	230	1 227	361	24 721
Net property, plant and equipment as at 31.12.2007	**14 179**	**178 369**	**64 022**	**1 001**	**75 474**	**63 401**	**396 446**

For the period of 6 months ended 30.06.2007 (comparable data)

non-audited

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2007	16 433	268 929	484 994	23 045	140 605	50 799	984 805
b) increase	23	1 426	26 811	6 734	12 061	5 582	52 637
- acquisition	0	701	11 953	4 108	11 787	5 582	34 131
- other increase	23	725	14 858	2 626	274	0	18 506
c) decrease	366	4 219	26 654	1 211	2 162	9 828	44 440
- sale	366	580	2 184	161	358	0	3 649
- liquidation	0	137	22 727	0	1 342	18	24 224
- other decrease	0	3 502	1 743	1 050	462	9 810	16 567
d) gross property, plant and equipment as at 30.06.2007	16 090	266 136	485 151	28 568	150 504	46 553	993 002
e) accumulated depreciation of property, plant and equipment as at 01.01.2007	1 291	66 087	429 452	8 376	73 132	0	578 338
f) net property, plant and equipment as at 01.01.2007	14 841	186 495	53 168	14 420	66 295	50 438	385 657
g) changes in depreciation	225	1 480	-2 171	1 178	6 746	0	7 458
- depreciation	0	3 414	16 516	2 185	7 759	0	29 874
- sale	0	-40	-2 118	-139	-43	0	-2 340
- liquidation	0	-48	-22 498	0	-789	0	-23 335
- other changes	225	-1 846	5 929	-868	-181	0	3 259
h) accumulated depreciation as at 30.06.2007	1 516	67 567	427 281	9 554	79 878	0	585 796
i) impairment as at 01.01.2007	301	16 347	2 374	249	1 178	361	20 810
- increases	0	706	917	0	279	0	1 902
- decreases	106	314	556	19	255	200	1 450
j) impairment as at 30.06.2007	195	16 739	2 735	230	1 202	161	21 262
Net property, plant and equipment as at 30.06.2007	**14 379**	**181 830**	**55 135**	**18 784**	**69 424**	**46 392**	**385 944**

39. Intangible assets

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Patents, licenses and similar rights, including:	38 331	42 326	42 421
- software	38 239	42 205	42 392
Other intangible assets	24 084	24 886	32 044
Total	**62 415**	**67 212**	**74 465**

40. Movement on intangible assets

For the period of 6 months ended 30.06.2008

	Patents, licenses and similar rights	including: software	Other intangible assets	Total intangible assets
a) gross intangible assets as at 01.01.2008	278 932	276 413	50 032	328 964
b) increase	7 777	7 777	2 134	9 911
- acquisition	7 498	7 498	2 134	9 632
- other increase	279	279	0	279
c) decrease	9 676	9 676	2 504	12 180
- sale	0	0	0	0
- liquidation	9 297	9 297	0	9 297
- other decrease	379	379	2 504	2 883
d) gross intangible assets as at 30.06.2008	277 033	274 514	49 663	326 695
e) accumulated amortisation as at 01.01.2008	232 080	229 682	20 863	252 943
f) net intangible assets as at 01.01.2008	42 326	42 205	24 886	67 212
g) amortisation in the period	2 752	2 723	50	2 802
- amortisation	11 548	11 519	50	11 598
- sale	0	0	0	0
- liquidation	-8 641	-8 641	0	-8 641
- other changes	-155	-155	0	-155
h) accumulated amortisation as at 30.06.2008	234 832	232 405	20 913	255 745
i) impairment as at 01.01.2008	4 526	4 526	4 283	8 809
- increases	0	0	383	383
- decreases	657	657	0	657
j) impairment as at 30.06.2008	3 869	3 869	4 666	8 535
Net intangible assets as at 30.06.2008	**38 331**	**38 239**	**24 084**	**62 415**

For the period of 12 months ended 31.12.2007 (comparable data)

	Patents, licenses and similar rights	including: software	Other intangible assets	Total intangible assets
a) gross intangible assets as at 01.01.2007	265 539	263 052	47 243	312 782
b) increase	20 258	19 663	10 925	31 183
- acquisition	13 619	13 485	10 874	24 493
- other increase	6 639	6 178	51	6 690
c) decrease	6 865	6 302	8 136	15 001
- sale	34	0	0	34
- liquidation	6 260	5 731	1 915	8 175
- other decrease	571	571	6 221	6 792
d) gross intangible assets as at 31.12.2007	278 932	276 413	50 032	328 964
e) accumulated amortisation as at 01.01.2007	200 121	197 667	22 457	222 578
f) net intangible assets as at 01.01.2007	60 822	60 789	24 786	85 608
g) amortisation in the period	31 959	32 015	-1 594	30 365
- amortisation	37 584	37 564	320	37 904
- sale	-7	0	0	-7
- liquidation	-5 797	-5 728	-1 915	-7 712
- other changes	179	179	1	180
h) accumulated amortisation as at 31.12.2007	232 080	229 682	20 863	252 943
i) impairment as at 01.01.2007	4 596	4 596	0	4 596
- increases	501	501	4 283	4 784
- decreases	571	571	0	571
j) impairment as at 31.12.2007	4 526	4 526	4 283	8 809
Net intangible assets as at 31.12.2007	**42 326**	**42 205**	**24 886**	**67 212**

For the period of 6 months ended 30.06.2007 (comparable data)

	Patents, licenses and similar rights	including: software	Other intangible assets	Total intangible assets
a) gross intangible assets as at 01.01.2007	265 539	263 052	47 243	312 782
b) increase	1 797	1 336	7 435	9 232
- acquisition	1 334	1 334	7 435	8 769
- other increase	463	2	0	463
c) decrease	6 095	5 634	224	6 319
- liquidation	5 503	5 042	192	5 695
- other decrease	592	592	32	624
d) gross intangible assets as at 30.06.2007	261 241	258 754	54 454	315 695
e) accumulated amortisation as at 01.01.2007	200 121	197 667	22 457	222 578
f) net intangible assets as at 01.01.2007	60 822	60 789	24 786	85 608
g) amortisation in the period	14 672	14 668	-47	14 625
- amortisation	19 711	19 707	144	19 855
- liquidation	-5 039	-5 039	-192	-5 231
- other changes	0	0	1	1
h) accumulated amortisation as at 30.06.2007	214 793	212 335	22 410	237 203
i) impairment as at 01.01.2007	4 596	4 596	0	4 596
- decreases	569	569	0	569
j) impairment as at 30.06.2007	4 027	4 027	0	4 027
Net intangible assets as at 30.06.2007	**42 421**	**42 392**	**32 044**	**74 465**

41. Goodwill on subordinated companies

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Goodwill - subsidiaries	36 052	36 052	36 052
Total	**36 052**	**36 052**	**36 052**

As stated in the section on the accounting principles adopted by the Group, goodwill is not amortised; it is only analysed for impairment risk. At least once a year, the Group performs a net goodwill impairment test based on the models developed in cooperation with the Bank's major shareholder. The models are based on guidelines included in IAS 36.

42. Non-current assets classified as held for sale

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Gross non-current assets classified as held for sale	0	767	227 442
Impairment losses	0	0	41 972
Net non-current assets classified as held for sale	**0**	**767**	**185 470**

43. Other assets

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Inventory	1 608	314	541
Various debtors* (including):	109 554	94 747	97 386
- gross various debtors	137 843	117 254	126 278
- impairment losses	-28 289	-22 507	-28 892
Prepaid expenses	27 540	18 688	37 048
Other assets, including:	327	208	2 410
- gross assets taken over for debts	327	1 057	1 286
- impairment on assets taken over for debts	0	-849	-959
- other	0	0	2 083
Total	**139 029**	**113 957**	**137 385**

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

44. Investment properties

In 2007, as the sale of certain assets classified as non-current assets held for sale (IFRS 5) was not possible, the Group reclassified them into investment properties. Under IAS 40 and pursuant to the policy of the Group's main shareholder, the Group values investment properties at cost.

In the first half of 2008, income from rent related to the investment properties amounted to PLN 14,685 thousand. The direct operating expenses related to the investment properties and incurred in the period amounted to PLN 4,661 thousand.

The building being the main part of the property is depreciated on a straight-line basis for 40 years (annual depreciation rate is 2.5%) and other plant and machinery are depreciated at 7%, 10%, 14% and 18% rates.

The table below presents changes in the investment properties in the first half of 2008 and in 2007:

Investment properties

Gross value as at 01.01.2008	**268 219**
Increases	994
Decreases	39
Gross value as at 30.06.2008	**269 174**
Depreciation as at 01.01.2008	**48 710**
Depreciation	5 145
Decreases	1
Depreciation as at 30.06.2008	**53 854**
Carrying amount as at 30.06.2008	**215 320**

Investment properties

Gross value as at 01.01.2007	**0**
Increase, including:	269 584
reclassification of non-current assets classified as held for sale	267 618
including expenditure in 2007 incurred till the reclassification date	3 035
other increases	1 966
Decreases	1 365
Gross value as at 31.12.2007	**268 219**
Depreciation as at 01.01.2007	**0**
Increase, including:	48 711
reclassification of non-current assets classified as held for sale	46 152
including depreciation in 2007 till the reclassification date	7 704
other increases (depreciation from the reclassification date till 31.12.2007)	2 559
Decreases	1
Depreciation as at 31.12.2007	**48 710**
Carrying amount as at 31.12.2007	**219 509**

As at 30.06.2008, the Group did not hold any assets classified as investment properties.

45. Amounts due to Central Bank

By types

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Lombard loan	0	1 100 000	0
Liabilities	1 590	1 661	2 061
Total	**1 590**	**1 101 661**	**2 061**

By maturity dates

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	19	1 101 661	41
- 1-3 months	0	0	2 020
- 3-6 months	1 571	0	0
Total	**1 590**	**1 101 661**	**2 061**

46. Amounts due to banks

By types

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Current accounts	38 344	28 114	153 943
Term deposits	3 460 352	2 517 509	2 077 018
Loans and advances	3 655 012	2 750 710	911 292
Other amounts due	4 023	5 116	6 450
Total	**7 157 731**	**5 301 449**	**3 148 703**

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

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	3 148 563	2 362 562	1 964 185
- 1-3 months	252 187	130 793	169 388
- 3-6 months	101 409	56 782	50 057
- 6 months to 1 year	560	602	55 504
- 1 - 3 years	1 610 697	865 715	0
- over 3 years	2 044 315	1 884 995	909 569
Total	**7 157 731**	**5 301 449**	**3 148 703**

47. Amounts due to customers

By types

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Current accounts	12 746 540	10 860 534	10 363 059
Term deposits	6 385 941	6 113 779	6 642 634
Loans and advances	0	0	0
Other amounts due	206 284	114 325	142 217
Total	**19 338 765**	**17 088 638**	**17 147 910**

By maturity dates

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	15 992 795	14 586 807	15 097 981
- 1-3 months	1 431 886	1 229 160	1 136 805
- 3-6 months	1 085 669	541 260	504 757
- 6 months to 1 year	510 240	417 963	292 795
- 1 - 3 years	33 667	21 806	26 564
- 3 - 5 years	258 976	262 602	61 580
- 5 - 10 years	24 678	28 197	26 432
- 10 - 20 years	854	843	996
- over 20 years	0	0	0
Total	**19 338 765**	**17 088 638**	**17 147 910**

Liabilities by customer types

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Natural persons*	**11 361 040**	**10 298 896**	**9 881 280**
- in current account	8 290 887	7 039 089	6 958 020
- term deposits	2 870 830	3 154 154	2 876 982
- other	199 323	105 653	46 278
Corporate customers	**5 229 527**	**4 732 553**	**5 204 392**
- in current account	2 428 190	2 483 669	2 258 108
- term deposits	2 794 376	2 240 212	2 850 345
- other	6 961	8 672	95 939
Budget	**2 748 198**	**2 057 189**	**2 062 238**
- in current account	2 027 463	1 337 776	1 146 931
- term deposits	720 735	719 413	915 307
- loans and advances	0	0	0
- other	0	0	0
Total	**19 338 765**	**17 088 638**	**17 147 910**

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

48. Liabilities arising from repurchase transactions

Liabilities

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	0	50 126	543 135
Total	**0**	**50 126**	**543 135**

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

49. Provisions

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Employee benefits provision	938	778	895
Provision for off-balance sheet items	10 813	15 009	16 244
Restructuring provision	2 145	5 256	4 247
Provision for litigation	108 776	139 991	144 200
Total	**122 672**	**161 034**	**165 586**

Movement on provisions

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-31.12.2007	Comparable data 01.01.2007-30.06.2007 *non-audited*
Period beginning	**161 034**	**169 226**	**169 226**
- employee benefits provision	778	1 004	1 004
- provision for off-balance sheet items	15 009	17 594	17 594
- restructuring provision	5 256	10 988	10 988
- provision for litigation	139 991	139 640	139 640
a) increases	37 032	117 565	40 088
- employee benefits provision	291	0	0
- provision for off-balance sheet items	27 961	79 883	24 173
- restructuring provision	0	2 780	226
- provision for litigation	8 780	34 902	15 689
b) decreases - utilization	-1 716	-20 176	-14 242
- employee benefits provision	-131	-231	-109
- provision for off-balance sheet items	0	0	0
- restructuring provision	-1 474	-8 502	-6 956
- provision for litigation	-111	-11 443	-7 177
c) decreases - releases	-72 896	-99 978	-27 649
- employee benefits provision	0	0	0
- provision for off-balance sheet items	-28 825	-84 993	-24 157
- restructuring provision	-1 637	-10	-11
- provision for litigation	-42 434	-14 975	-3 481
d) other changes	-782	-5 603	-1 837
- employee benefits provision	0	5	0
- provision for off-balance sheet items	-3 332	2 525	-1 366
- restructuring provision	0	0	0
- provision for litigation	2 550	-8 133	-471
Period end (by items)	**122 672**	**161 034**	**165 586**
- employee benefits provision	938	778	895
- provision for off-balance sheet items	10 813	15 009	16 244
- restructuring provision	2 145	5 256	4 247
- provision for litigation	108 776	139 991	144 200
Period end	**122 672**	**161 034**	**165 586**

Major items recognized in the provision for litigation are as follows: a security in the case of a negative result of litigation in cases against the Group, including security for payment of the fine imposed by the President of the Office for Competition and Customer Protection.

The restructuring provision entails the costs of employment and property, plant and equipment restructuring to be incurred while performing the next stage of the rebuilding of the Group's structure resulting from the Group's strategy implemented.

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

50. Other liabilities

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Amounts due to the State Treasury	35 951	20 967	25 201
Various creditors	88 188	122 031	97 203
Dividend payable	141 277	0	100 514
Expenses and income settled over time	81 766	101 741	59 911
Inter-bank clearings	17 235	25 934	15 588
Other	0	1 590	0
Total	**364 417**	**272 263**	**298 417**

51. Subordinated liabilities

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Subordinated liabilities	208 800	394 235	414 349
Total	**208 800**	**394 235**	**414 349**

As at 30.06.2008

Entity	Loan value by currencies	Loan value in '000'	Interest rate terms	Maturity date	Subordinated liabilities	Accrued interest
KBC Bank N.V. O/Dublin	CHF	100 000	CHFLIBOR + 1.6 p.p.	14.06.2018	208 409	391
Total					**208 409**	**391**

As at 31.12.2007 (comparable data)

Entity	Loan value by currencies	Loan value in '000'	Interest rate terms	Maturity date	Subordinated liabilities	Accrued interest
KBC Bank NV O/Dublin	EUR	110 000	3M EURIBOR + 1.20 p.p.	25.05.2008	393 973	262
Total					**393 973**	**262**

As at 30.06.2007 (comparable data)

Entity	Loan value by currencies	Loan value in '000'	Interest rate terms	Maturity date	Subordinated liabilities	Accrued interest
KBC Bank N.V. O/Dublin	EUR	110 000	3M EURIBOR + 1.20 p.p.	25.05.2008	414 216	133
Total					**414 216**	**133**

52. Equity

Share capital

As at 30.06.2008, the parent company's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares of nominal value PLN 5.00 each. The parent company's shares are registered shares and bearer shares, but not preference shares. Each share entitles its holder to one vote at the parent company's General Meeting of Shareholders. The parent company's shares are admitted to public trading on the main market of the Warsaw Stock Exchange. The share capital did not change in the first half of 2008.

The analysis of registered shares and bearer shares presented below was prepared as at 30.06.2008.

Registered shares

The parent company's Shareholders hold 66,443 registered shares, what accounts for 0.02% of the share capital. Registered shares as at 30.06.2008:

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

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

Bearer shares

The parent company's Shareholders hold 271,592,437 bearer shares, what accounts for 99.98% of the share capital. Originally, the number of bearer shares amounted to 264,204,350. In addition, as a result of the conversion of registered shares into bearer shares, there are 7,388,087 bearer shares. Bearer shares as at 30.06.2008:

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

As at 30.06.2008, as many as 271,592,437 bearer shares were traded on the primary market of the Warsaw Stock Exchange. And, as at 30.06.2007, the number of shares traded on the stock exchange amounted to 271,590,820.

The shareholding structure changed as compared to the structure as at 30.06.2007 and as at 31.12.2007 presented in the Group's financial reports for 2007 and for the first half of 2007.

The table below presents Shareholders of Kredyt Bank S.A. holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 30.06.2008.

Shareholder	Line of business	Number of shares and votes at GMS	Share in votes and in share capital (in %)
KBC Bank N.V.*	Banking	217 327 103	80.00
KBC Securities – related party of KBC Bank NV *	Brokerage house	6 890 966**	2.54
Sofina S.A.	Investment company	15 014 772	5.53

* 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.
** A memorandum from KBC Bank NV of 6 May 2008.

On 18 December 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 December 2007, PPIM had 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 SA and PPIM.

PPIM notified, on behalf of the funds it managed, of the increase in the interest of the said funds to 5.001% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. (The said investment funds are shareholders who jointly hold the above-mentioned number of votes at the General Meeting of Shareholders. Portfolios of investment funds are a sub-group of all portfolios of PPIM's Customers.)

The total interest of PPIM, as at 18 December 2007, amounted to 13,674,064 shares of Kredyt Bank S.A. which account for 5.03% of total votes and share capital of Kredyt Bank S.A. (All Customers of Pioneer Pekao Investment Management S.A., related to portfolios managed by PPIM, are shareholders who jointly hold the above-mentioned number of votes at the General Meeting of Shareholders).

Share premium

	30.06.2008 *non-audited*	**Comparable data 31.12.2007**	**Comparable data 30.06.2007** *non-audited*
Profit allowance	604 966	383 711	383 711
Total share premium	**604 966**	**383 711**	**383 711**

The Bank's net profit for 2007 amounting to PLN 400,519,095.19 was allocated to:

- reserves – PLN 60,000,000.00;
- dividend payment – PLN 141,262,617.60;
- share premium – PLN 199,256,477.59.

Revaluation reserve

	30.06.2008 *non-audited*	**Comparable data 31.12.2007**	**Comparable data 30.06.2007** *non-audited*
Valuation of available-for-sale financial assets	-130 473	-67 724	-27 852
Valuation of derivatives designated for cash flow hedge	-93 910	-40 446	-20 387
Deferred tax on items recognized in equity	42 633	20 553	9 165
Total revaluation reserve	**-181 750**	**-87 617**	**-39 074**

Reserves

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
General banking risk reserve created from profit	240 942	180 942	180 942
Total reserves	**240 942**	**180 942**	**180 942**

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

Currency translation differences from the translation of subordinated companies

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Capitals from translation of subordinated companies	-733	-733	-668
Total other capitals from translation of subordinated companies	**-733**	**-733**	**-668**

53. Contingent liabilities granted

For financing

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	553 822	380 148	228 779
- 1-3 months	228 513	181 268	222 996
- 3-6 months	601 513	228 173	528 754
- 6 months to 1 year	874 357	988 888	655 301
- 1 - 3 years	963 969	787 954	516 736
- 3 - 5 years	276 887	456 037	547 797
- over 5 years	1 749 055	1 351 996	523 081
Total	**5 248 116**	**4 374 464**	**3 223 444**

Guarantees

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
- up to 1 month	59 691	91 574	54 086
- 1-3 months	77 293	54 380	57 294
- 3-6 months	79 835	110 315	91 805
- 6 months to 1 year	235 871	159 764	229 396
- 1 - 3 years	268 623	399 719	342 966
- 3 - 5 years	249 892	460 112	199 752
- over 5 years	358 419	352 117	441 546
Total	**1 329 624**	**1 627 981**	**1 416 845**

By types

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
For financing	**5 248 116**	**4 374 464**	**3 223 444**
- undrawn credit lines	3 206 461	2 430 146	1 535 585
- undrawn overdraft facilities	1 416 154	1 367 647	1 246 329
- limits on credit cards	535 976	343 645	291 990
- opened import letters of credit	80 525	73 026	81 322
- term deposits to be released	9 000	160 000	68 218
Guarantees	**1 329 624**	**1 627 981**	**1 416 845**
- for bills of exchange	0	0	0
- guarantees granted	1 326 629	1 626 433	1 415 991
- export letters of credit	2 995	1 548	854
Total	**6 577 740**	**6 002 445**	**4 640 289**

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

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

As at 30.06.2008, the estimated provision for the guarantees granted and unconditional financing liabilities amounted to PLN 10,813 thousand. This amount is presented in Note 49 as 'provision for off-balance sheet items'.

54. Capital adequacy ratio

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Capital requirement, including:	**1 894 010**	**1 699 879**	**1 377 044**
- credit risk	1 620 896	1 633 045	1 343 806
- market risk	73 101	51 212	20 655
- operational risk	200 013	0	0
- other risk*	0	15 622	12 583
Own funds and short-term capital	**2 313 831**	**2 062 670**	**1 943 921**
- share capital	1 358 294	1 358 294	1 358 294
- share premium	604 966	383 711	383 711
- revaluation reserve included in equity	-106 062	-56 148	-24 538
- other reserves	240 942	180 942	180 942
- currency translation differences from the translation of subordinated companies and foreign branches	-733	-733	-668
- subordinated liabilities	209 070	78 804	82 848
- shares in financial entities	-13 461	-14 343	-11 749
- goodwill	-36 052	-36 052	-36 052
- intangible assets	-62 046	-66 431	-73 273
- retained earnings (loss)	19 189	51 168	51 168
- short-term capital	99 724	66 834	33 238
- net profit included in the calculation of capital adequacy ratio	0	116 624	0
Capital adequacy ratio (%)	**9.77**	**9.71**	**11.29**

* Pursuant to new regulations, since 2008, it is recognized in credit risk (see Note 75.3.1.5 'Settlement risk and counterparty risk')

Capital adequacy ratio was calculated as required by the regulations of the National Bank of Poland in force as at 30.06.2008, 31.12.2007 and 30.06.2007.

The first half of 2008 is a period when the new principles concerning the capital adequacy ratio (known as Basel II) were applied for the first time. At present, the Bank is expecting the decision of regulators concerning the application of the advanced approach to credit risk; as a result, the Group's capital adequacy ratio was calculated with the standardized approach. The application of new regulations has not affected the capital adequacy ratio to a large extend.

55. Risk metrics underlying the calculations of the capital requirements for credit risk set forth in the Banking Law

As at 30.06.2008

Balance sheet instruments

Instrument	Carrying amount	Risk weighted value
Banking portfolio		
Cash	483 932	0
Receivables	**21 152 672**	**15 627 442**
Net loans and advances to banks (including Central Bank)	1 865 102	367 101
Loans and advances to customers	19 287 570	15 260 341
Natural persons*	**11 671 242**	**8 511 842**
- overdraft facilities	584 189	479 556
- purchased debt	4 649	4 642
- term loans	776 919	650 820
- cash and instalment loans	2 687 684	1 971 157
- mortgages	7 599 220	5 387 086
- realised guarantees	659	659
- other receivables	17 922	17 922
Corporate customers	**7 280 938**	**6 668 855**
- overdraft facilities	1 807 580	1 751 807
- term loans	5 062 284	4 520 670
- purchased debt	18 517	18 517
- realised guarantees	3 305	3 305
- other receivables, including leasing fees	389 252	374 556
Budget	**335 390**	**79 644**
- overdraft facilities	622	277
- term loans	334 768	79 367
- purchased debt	0	0
Debt securities	5 780 622	222 078
Other securities, shares	45 010	43 377
Property, plant and equipment	619 538	619 538
Intangible assets (including goodwill)	62 415	0
Other	352 424	151 101
Total banking portfolio	**28 496 613**	**16 663 536**
Trading portfolio	**1 692 357**	**810**
Total balance sheet instruments	**30 188 970**	**16 664 346**

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

Off-balance sheet instruments in the Banking Book

Instrument	Nominal value	Balance sheet equivalent	Risk weighted value
Interest rate instruments	4 163 600	18 289	6 650
Foreign exchange instruments	7 897	79	79
Total derivatives	**4 171 497**	**18 368**	**6 729**

Other off–balance sheet items – banking portfolio

Instrument	Carrying amount	Credit equivalent	Risk weighted value
Credit lines	5 186 044	2 343 560	2 096 598
Guarantees granted	1 288 493	978 648	961 483
Letters of credit	83 505	41 752	41 009
Other	10 544	10 544	3 344
Total	**6 568 586**	**3 374 504**	**3 102 434**

	Risk weighted value	Capital requirement
Total credit risk exposure (banking portfolio)	**19 772 699**	**1 581 816**

As at 31.12.2007 (comparable data)

Balance sheet instruments

Instrument	**Carrying amount**	**Risk weighted value**
Banking portfolio		
Cash	505 232	0
Receivables	19 182 406	16 204 828
Loans and advances to banks (including Central Bank)	2 560 549	488 118
Loans and advances to customers	**16 621 857**	**15 716 710**
Natural persons*	**9 241 244**	**8 818 508**
- overdraft facilities	523 981	513 680
- purchased debt	707	691
- term loans	938 817	891 322
- cash and instalment loans	1 958 080	1 956 197
- mortgages	5 808 913	5 445 872
- realised guarantees	0	0
- other receivables	10 746	10 746
Corporate customers	**6 974 465**	**6 824 502**
- overdraft facilities	1 574 485	1 547 822
- term loans	5 058 596	4 935 379
- purchased debt	25 587	25 504
- realised guarantees	1 368	1 368
- other receivables	314 429	314 429
Budget	**406 148**	**73 700**
- overdraft facilities	932	190
- term loans	405 216	73 510
- purchased debt	0	0
Debt securities	5 582 984	487 878
Other securities, shares	34 606	20 263
Property, plant and equipment	616 722	616 722
Intangible assets (including goodwill)	67 212	781
Other	341 708	57 083
Total banking portfolio	**26 330 870**	**17 387 555**
Trading portfolio	**797 310**	**276**
Total balance sheet instruments	**27 128 180**	**17 387 831**

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

Off-balance sheet instruments in the Banking Book

Instrument	Nominal value	Balance sheet equivalent	Risk weighted value
Interest rate instruments	3 393 600	24 880	4 976
Foreign exchange instruments	8 733	87	44
Total derivatives	**3 402 333**	**24 967**	**5 020**

Other off–balance sheet items – banking portfolio

Instrument	Carrying amount	Credit equivalent	Risk weighted value
Credit lines	4 169 140	1 655 005	1 578 790
Guarantees granted	1 583 723	1 348 563	1 334 100
Letters of credit	74 574	74 574	74 057
Other	161 544	161 544	33 544
Total	**5 988 981**	**3 239 686**	**3 020 491**

	Risk weighted value	Capital requirement
Total credit risk exposure (banking portfolio)	**20 413 066**	**1 633 045**

As at 30.06.2007 (comparable data)

Balance sheet instruments

Instrument	Carrying amount	Risk weighted value
Banking portfolio		
Cash	377 721	0
Receivables	16 613 789	13 566 317
Loans and advances to banks (including Central Bank)	3 096 856	596 622
Loans and advances to customers	**13 516 933**	**12 969 695**
Natural persons*	**7 065 645**	**6 917 486**
- overdraft facilities	496 994	489 447
- purchased debt	58	42
- term loans	868 100	830 040
- cash and instalment loans	1 509 454	1 509 069
- mortgages	4 178 293	4 076 142
- realised guarantees	657	657
- other receivables	12 089	12 089
Corporate customers	**5 992 012**	**5 968 563**
- overdraft facilities	1 285 209	1 264 761
- term loans	4 440 963	4 438 044
- purchased debt	21 339	21 257
- realised guarantees	1 132	1 132
- other receivables	243 369	243 369
Budget	**459 276**	**83 646**
- overdraft facilities	11 602	2 320
- term loans	447 674	81 326
- purchased debt	0	0
Debt securities	5 616 369	468 100
Other securities, shares	33 815	3 262
Property, plant and equipment	571 414	571 414
Intangible assets (including goodwill)	110 517	1 192
Other	321 585	69 259
Total banking portfolio	**23 645 210**	**14 679 544**
Trading portfolio	520 346	330
Total balance sheet instruments	**24 165 556**	**14 679 874**

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

Off-balance sheet instruments in the Banking Book

Instrument	Nominal value	Balance sheet equivalent	Risk weighted value
Interest rate instruments	2 898 600	17 631	3 526
Foreign exchange instruments	10 714	107	54
Other instruments	0	0	0
Total derivatives	**2 909 314**	**17 738**	**3 580**

Other off–balance sheet items – banking portfolio

Instrument	Carrying amount	Credit equivalent	Risk weighted value
Credit lines	3 067 074	1 145 402	1 087 171
Guarantees granted	1 406 195	1 162 749	930 010
Letters of credit	82 558	82 558	82 041
Other	274 326	274 326	15 229
Total	**4 830 153**	**2 665 035**	**2 114 451**

	Risk weighted value	Capital requirement
Total credit risk exposure (banking portfolio)	**16 797 575**	**1 343 806**

56. Discontinued operations

The Group did not carry out operations that were discontinued in 2008.

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

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

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

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

	30.06.2008 *non-audited*	Comparable data 31.12.2007	Comparable data 30.06.2007 *non-audited*
Employee cash loans	6 554	5 462	6 128
Cash on CSBF's bank accounts	12 749	9 353	11 588
Fund-related payables	19 303	14 815	17 716
Charges to the Fund in the period	2 860	3 472	1 722

58. Employee benefits

58.1. Employee Stock Ownership Plan

No employee stock ownership plan is implemented in the Group.

58.2. Retirement benefits and other benefits after retirement

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

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-31.12.2007	Comparable data 01.01.2007-30.06.2007 *non-audited*
Period beginning	778	1 004	1004
Provision recognized	291	0	0
Paid benefits	-131	-231	-109
Provision reversed	0	0	0
Other changes	0	5	0
Total	**938**	**778**	**895**

58.3 Benefits related to the dissolution of employment

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-31.12.2007	Comparable data 01.01.2007-30.06.2007 *non-audited*
Period beginning	3 200	8 059	8 059
Increases	0	2 555	0
Decreases - releases	0	0	10
Decreases - utilization	1 475	7 414	5 859
Period end *	**1 725**	**3 200**	**2 190**

*restructuring provisions presented in Note 49 also include network restructuring provisions of PLN 420 thousand for the first half of 2008, and of PLN 2,056 thousand for 2007 and PLN 2,057 thousand for the first half of 2007.

59. Related party transactions

On 7 February 2008, Kredyt Bank S.A. executed, with Kredietbank S.A. Luxembourgeoise, a multicurrency loan agreement up to the amount equivalent to EUR 200 million (i.e. PLN 719,580,000 at the average exchange rate of the NBP of 7 February 2008). The agreement was concluded on market terms with the repayment period of two years and one day.

On 19 March 2008, Kredyt Bank S.A. executed, with KBC Bank NV Dublin Branch, a subordinated loan agreement up to the amount equivalent to CHF 100 million. The subordinated loan agreement was concluded on market terms with the repayment period of ten years from the release of the financial resources. On 3 June 2008, the Bank received the decision of the Polish Financial Supervision Authority (KNF) of 26 May 2008, regarding its consent to include cash of CHF 100,000,000 (i.e. PLN 210,520,000 at the average exchange rate of the NBP of 26 May 2008) in the Bank’s supplementary funds.

On 19 June 2008, Kredyt Bank S.A. executed, with KBL European Private Bankers S.A. (formerly Kredietbank S.A. Luxembourgeoise), a multicurrency loan agreement up to the amount equivalent to EUR 200 million (i.e. PLN 673,700,000.00 at the average exchange rate of the NBP of 19 June 2008).The loan agreement was concluded on market terms with the repayment period of three years. The loan can be drawn in EUR, CHF or PLN. The interest rate is based on LIBOR/WIBOR rates + margin. The amount of cash received under the above-mentioned loan agreement exceeds 10% of the Bank's equity. Cash obtained under the above-mentioned loan will be used to finance the Bank’s current operations.

Apart from the above transactions, in the first half of 2008, no significant non-standard transactions had place with related parties whose total value, in the period from the beginning of the financial year, would be equal to or exceed PLN equivalent of EUR 500 thousand, and whose nature and terms were not related to current operations.

As at 30.06.2008

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2008
Loans and advances to banks	0	81 568	181 005	**262 573**
Derivatives	0	104 904	4 402	**109 306**
Loans and advances to customers	0	0	180 399	**180 399**
Other assets	1 118	137	29 672	**30 927**
Total assets	**1 118**	**186 609**	**395 478**	**583 205**

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2008
Amounts due to banks	0	3 787 806	1 678 260	**5 466 066**
Derivatives	0	152 782	578	**153 360**
Amounts due to customers	23 091	0	1 408 071	**1 431 162**
Subordinated liabilities	0	208 800	0	**208 800**
Other liabilities	0	1 081	31 847	**32 928**
Total liabilities	**23 091**	**4 150 469**	**3 118 756**	**7 292 316**

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2008
Granted financing liabilities	0	0	159 488	**159 488**
Guarantees granted	0	3 720	15 936	**19 656**
Guarantees received	0	997 447	35 974	**1 033 421**
Derivatives	0	23 141 050	680 734	**23 821 784**
Liabilities related to the sale/purchase transactions	0	0	0	**0**
Total off-balance sheet items	**0**	**24 142 217**	**892 132**	**25 034 349**

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2008
Interest income	0	11 570	15 302	**26 872**
Fee and commission income	5 189	27	139 224	**144 440**
Net trading income	0	24 676	-2 768	**21 908**
Other operating income	14	159	2 908	**3 081**
Total income	**5 203**	**36 432**	**154 666**	**196 301**

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2008
Interest expense	627	93 219	43 282	**137 128**
Fee and commission expense	0	43	-4 281	**-4 238**
General and administrative expenses	0	1 992	4 174	**6 166**
Total expenses	**627**	**95 254**	**43 175**	**139 056**

* including WARTA S.A.

As at 31.12.2007 (comparable data)

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2007
Loans and advances to banks	0	170 059	614 023	**784 082**
Derivatives	0	66 862	1 052	**67 914**
Loans and advances to customers	0	0	205 242	**205 242**
Other assets	1 724	0	27 641	**29 365**
Total assets	**1 724**	**236 921**	**847 958**	**1 086 603**

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2007
Amounts due to banks	0	3 430 678	968 169	**4 398 847**
Derivatives	0	85 516	248	**85 764**
Amounts due to customers	27 340	0	63 417	**90 757**
Subordinated liabilities	0	394 235	0	**394 235**
Other liabilities	0	807	21 080	**21 887**
Total liabilities	**27 340**	**3 911 236**	**1 052 914**	**4 991 490**

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2007
Guarantees granted	0	2 252	15 194	**17 446**
Guarantees received	0	1 230 172	0	**1 230 172**
Derivatives	0	13 854 400	396 925	**14 251 325**
Liabilities related to the sale/purchase transactions	0	0	0	**0**
Total off-balance sheet items	**0**	**15 086 824**	**412 119**	**15 498 943**

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2007
Interest income	0	11 854	39 110	**50 964**
Fee and commission income	12 520	13	197 003	**209 536**
Other operating income	74	31	4 828	**4 933**
Total income	**12 594**	**11 898**	**240 941**	**265 433**

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2007
Interest expense	1 314	102 182	23 115	**126 611**
Fee and commission expense	0	48	486	**534**
General and administrative expenses	0	1 129	6 077	**7 206**
Total expenses	**1 314**	**103 359**	**29 678**	**134 351**

* including WARTA S.A.

As at 30.06.2007 (comparable data)

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2007
Loans and advances to banks	0	184 048	785 278	**969 326**
Derivatives	0	65 312	102 706	**168 018**
Loans and advances to customers	0	0	175 319	**175 319**
Other assets	2 105	0	19 354	**21 459**
Total assets	**2 105**	**249 360**	**1 082 657**	**1 334 122**

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2007
Amounts due to banks	0	1 048 057	95 784	**1 143 841**
Derivatives	0	61 505	0	**61 505**
Amounts due to customers	770 973	0	407 161	**1 178 134**
Issued debt securities	0	0	0	**0**
Subordinated liabilities	0	414 349	0	**414 349**
Other liabilities	0	81 154	8 333	**89 487**
Total liabilities	**770 973**	**1 605 065**	**511 278**	**2 887 316**

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2007
Guarantees granted	0	5 780	3 147	**8 927**
Guarantees received	0	11 714	0	**11 714**
Derivatives	0	15 365 180	604 052	**15 969 232**
Liabilities related to the sale/purchase transactions	0	0	96 550	**96 550**
Total off-balance sheet items	**0**	**15 382 674**	**703 749**	**16 086 423**

Income	**Associates**	**Parent company - KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total as at 30.06.2007**
Interest income	0	3 385	7 805	**11 190**
Fee and commission income	5 606	4	78 753	**84 363**
Other operating income	302	1	1 514	**1 817**
Total income	**5 908**	**3 390**	**88 072**	**97 370**

Expenses	**Associates**	**Parent company - KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total as at 30.06.2007**
Interest expense	573	27 718	8 661	**36 952**
Fee and commission expense	0	0	19	**19**
General and administrative expenses	0	118	751	**869**
Total expenses	**573**	**27 836**	**9 431**	**37 840**

* including WARTA S.A.

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

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

Bank's Management Board	01.01.2008 – 30.06.2008 *non-audited*	01.01.2007 – 31.12.2007	01.01.2007 – 30.06.2007 *non-audited*
Basic pays	2 363	4 516	2 493
Bonuses	795	846	747
Other benefits	1481	1 386	715
Severance pays	4 125	2 559	2 559
Total	**8 764**	**9 307**	**6 514**

Bank's Supervisory Board	01.01.2008 – 30.06.2008 *non-audited*	01.01.2007 – 31.12.2007	01.01.2007 – 30.06.2007 *non-audited*
Basic pays and other benefits	1 123	2 151	1 024
Total	**1 123**	**2 151**	**1 024**

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

Management Boards of Group's Companies	Gross remuneration in the period 01.01.2008-30.06.2008 *non-audited*	Gross remuneration in the period 01.01.2007-31.12.2007	Gross remuneration in the period 01.01.2007-30.06.2007 *non-audited*
Reliz Sp. z o.o.	120	292	135
Żagiel S.A.	1 290	1 533	439
Kredyt International Finance BV	0	0	0
Kredyt Lease S.A.	717	756	438
Kredyt Trade Sp. z o.o.	291	494	266
BFI Serwis Sp. z o.o.	13	26	13
Net Banking Sp. z o.o.	0	0	0
Lizar Sp. z o.o.	0	0	0
Total	**2 431**	**3 101**	**1 291**

Total remuneration for each category of benefits paid to the Members of the Supervisory Board and the Management Board of Kredyt Bank S.A.

Benefit	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-31.12.2007	Comparable data 01.01.2007-30.06.2007 *non-audited*
Short-term employee benefits	5 425	8 725	4 969
Benefits paid after employment termination	251	10	10
Severance pays	4 211	2 723	2 559
Total	**9 887**	**11 458**	**7 538**

In the first half of 2008 and of 2007, the Members of the Bank's Management Board and the Members of the Bank's Supervisory Board did not receive remuneration for performing their functions in subsidiaries (except for Michał Oziembło, Vice-President of the Management Board).

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

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

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

As at 30.06.2008, total indebtness related to loans and advances, and cash loan granted by the Group amounted to:

- for Members of the Bank's Management Board – PLN 1,049 thousand;
- for Members of the Bank's Supervisory Board – PLN 728 thousand;
- for the Bank's employees – PLN 181,740 thousand.

As at 31.12.2007, total indebtness related to loans and advances, and cash loan granted by the Group amounted to:

- for Members of the Bank's Management Board – PLN 1,071 thousand;
- for Members of the Bank's Supervisory Board – PLN 773 thousand;
- for the Bank's employees – PLN 176,628 thousand.

As at 30.06.2007, total indebtness related to loans and advances, and cash loan granted by the Group amounted to:

- for Members of the Bank's Management Board – PLN 1,432 thousand;
- for Members of the Bank's Supervisory Board – PLN 794 thousand;
- for the Bank's employees – PLN 153,292 thousand.

As at 30.06.2008, the total indebtness of Members of the Management Board and Supervisory Board of the Bank is paid on a regular basis, due indebtness is not present. Past due debts of employees amount to PLN 740 thousand.

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

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

62. Employment structure

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-31.12.2007	Comparable data 01.01.2007-30.06.2007 *non-audited*
Bank	5 652	5 579	5 403
- Head Office	1 972	2 073	2 093
- branches and affiliates	3 680	3 506	3 310
Companies	1497	1400	1 041
Total	**7 149**	**6 979**	**6 444**

63. Consolidated cash flow statement – additional information

a) Cash and cash equivalents

	30.06.2008 *non-audited*	Comparable data 30.06.2007 *non-audited*
Cash and balances with Central Bank	1 365 384	555 167
Due from other banks (up to 3 months)	585 446	2 392 640
Cash and cash equivalents	**1 950 830**	**2 947 807**

In 'Cash and cash equivalents', the Bank presents obligatory reserve held in line with the adequate regulations, on NBP account, presented as restricted cash.

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

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Currency translation differences from the translation of subordinated companies	4	-22
Currency translation differences for investment securities	20 987	5 961
Currency translation differences from held-for-trading financial assets	4 309	-499
Currency translation differences on subordinated liabilities	-20 101	-7 241
Currency translation differences for received loans	-86 871	-26 300
Total	**-81 672**	**-28 101**

c) Operating activities – net increase/decrease in impairment losses

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Net increase/decrease in impairment losses on loans and advances to banks	0	-493
Net increase/decrease in impairment losses on loans and advances to customers	1 395	-94 898
Net increase/decrease in impairment losses on property, plant and equipment and intangible assets	-424	25 194
Net increase/decrease in impairment of investment securities	0	0
Total	**971**	**-70 197**

d) Operating activities – interest

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Interest on investment securities	-97 264	-84 796
Interest on borrowed loans	75 143	15 525
Interest on issued debt securities	0	0
Interest on subordinated liabilities	9 320	10 622
Total	**-12 801**	**-58 649**

e) Operating activities – gains/losses from the sale of investments

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Sale of equity investments	0	0
Gains (losses) from the sale of available-for-sale investment securities	-444	-761
Gains (losses) from the sale of held-to-maturity investment securities	-5	-507
Profit/loss on sale of property, plant and equipment and intangible assets	-1 930	-2 517
Total	**- 2 379**	**-3 785**

f) Loans and advances to banks

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Net balance sheet change	1 470 442	-715 760
Change in Nostro accounts - cash	-1 351	-12 165
Change in term deposits up to 3 months - cash	-1 491 427	775 678
Impairment	0	493
Total	**-22 336**	**48 246**

g) Financial assets at fair value through profit or loss, including held-for-trading financial assets and valuation of derivatives

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Balance sheet change in financial assets at fair value through profit or loss, including held-for-trading financial assets	-517 466	273 415
Balance sheet change in receivables arising from repurchase transactions	-12 523	0
Balance sheet change in derivatives	-343 748	-39 022
Currency translation differences in operating activities	-4 309	499
Total	**-878 046**	**234 892**

h) Operating activities – net increase/decrease in other assets

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Balance sheet change in other assets	-25 072	-21 046
Net increase/decrease in property, plant and equipment held for sale	767	9 301
Net increase/decrease in investment real estates	4 189	0
Other net increase/decrease in property, plant and equipment, intangible assets and investment real estates	12 549	-19 959
Other changes	-53 142	-7 465
Total	**-60 709**	**-39 169**

i) Amounts due to banks

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Balance sheet change	1 856 282	983 877
Currency translation differences from borrowed loans in operating activity	86 871	26 300
Proceeds from loans and advances	-915 698	0
Interest on borrowed loans in operating activity	-75 143	-15 525
Paid interest on borrowed loans – presentation in financial activity	70 057	15 297
Total	**1 022 369**	**1 009 949**

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

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Balance sheet change in other liabilities	92 154	56 077
Dividend payable	-141 263	-100 514
Payment of leasing payables from financial activity	1 813	2 612
Other changes	939	-14 788
Total	**-46 357**	**-56 613**

k) Net increase/decrease in investment securities

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Acquisition in investment activity	-719 405	-1 293 387
Disposal in investment activity	416 771	1 603 534
Interest received in investment activity	113 641	142 636
Net increase/decrease in interest receivables in operating activities	-97 264	-84 796
Net increase/decrease in available-for-sale financial assets in operating activities	63 509	48 755
Net increase/decrease in impairment of investment securities	0	0
Balance sheet change in equity investments classified as available-for-sale	-1 306	0
Currency translation differences in operating activities	20 987	5 961
Balance sheet change	**-203 067**	**422 703**

l) Financing activity – other financing expenses

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Interest repayment on loans received	-70 057	-15 297
Interest repayment on BGF loan	0	0
Interest repayment on subordinated liabilities	-9 189	-10 651
Interest payment on own issue payables	0	0
Payment of leasing payables	-1 813	-2 612
Total	**-81 059**	**-28 560**

m) Subordinated liabilities

	01.01.2008-30.06.2008 *non-audited*	Comparable data 01.01.2007-30.06.2007 *non-audited*
Balance sheet change	-185 435	-7 270
Repayment of interest on subordinated liabilities – presentation in financial activities	9 189	10 651
Accrued interest on subordinated liabilities – presentation in operating activities	-9 320	-10 622
Currency translation differences on subordinated liabilities – presentation in operating activities	20 101	7 241
Total	**-165 465**	**0**

64. Disposal of subordinated companies

No subordinated companies were sold in the first half of 2008 and in 2007.

65. Assets pledged as collateral

As at 30.06.2008, the following assets in the form of Treasury bills and bonds were collateral for the Group’s own liabilities:

- Treasury bonds of the nominal value of PLN 50,070 thousand and of the carrying amount of PLN 50,965 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds of the nominal value of PLN 390,000 thousand and of the carrying amount of PLN 395,929 thousand as security for possible borrowing of a lombard loan in the National Bank of Poland (NBP);

As at 31.12.2007, the following assets in the form of Treasury bills and bonds were collateral for the Group’s own liabilities:

- Treasury bonds of the nominal value of PLN 42,080 thousand and of the carrying amount of PLN 44,061 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds of the nominal value of PLN 1,850,000 thousand and of the carrying amount of PLN 2,121,754 thousand as security for possible borrowing of a lombard loan in the National Bank of Poland (NBP);
- Treasury bonds of the nominal value of PLN 48,620 thousand and of the carrying amount of PLN 50,286 thousand pledged in relation to REPO transactions with customers.

As at 30.06.2007, the following assets in the form of Treasury bills and bonds were collateral for the Group’s own liabilities:

- Treasury bonds of the nominal value of PLN 42,080 thousand and of the carrying amount of PLN 42,867 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds of the nominal value of PLN 450,000 thousand and of the carrying amount of PLN 458,246 thousand as security for possible borrowing of a lombard loan in the National Bank of Poland (NBP);
- Treasury bonds of the nominal value of PLN 521,933 thousand and of the carrying amount of PLN 531,290 thousand pledged in relation to REPO transactions with customers.

66. Changes in the Management and Supervisory Boards of Kredyt Bank S.A. in the first half of 2008

On 18 December 2007, at the session of the Bank's Supervisory Board, Mr. Maciej Bardan was appointed the President of the Management Board of Kredyt Bank S.A. as of 1 March 2008. At the same time, the Supervisory Board addressed the Commission for Banking Supervision to grant its consent to the appointment of Mr. Maciej Bardan as the President of the Bank's Management Board. By the publication date of this report, the Polish Financial Supervision Authority ('KNF'), which, on 1 January 2008, took over the responsibilities of the Commission for Banking Supervision ('KNB'), has failed to express its formal consent to the appointment of Mr. Maciej Bardan as the President of the Bank's Management Board.

The Supervisory Board of Kredyt Bank S.A., at its session on 4 April 2008, under § 25 item 2 of the Articles of Association of Kredyt Bank S.A., decided that, from 15 April 2008, the Management Board of Kredyt Bank would be composed of five members.

At the same session, the Supervisory Board appointed, as from 15 April 2008, Ms. Lidia Jabłonowska-Luba as a Member and Vice-President of the Management Board of Kredyt Bank S.A. responsible for finances and risk.

As at 30.06.2008, the Management Board of Kredyt Bank S.A. was composed of:

Mr Maciej Bardan	– President of the Management Board, CEO
Mr Umberto Arts	– Vice President of the Management Board, Vice CEO
Ms Lidia Jabłonowska-Luba	– Vice President of the Management Board, Vice CEO
Mr Krzysztof Kokot	– Vice President of the Management Board, Vice CEO
Mr Michał Oziembło	– Vice President of the Management Board, Vice CEO

No changes had place in the composition of the Bank's Supervisory Board in the first half of 2008.

As at 30.06.2008, the Supervisory Board of Kredyt Bank S.A. was composed of:

Mr Andrzej Witkowski	– Chairman of the Supervisory Board
Mr Adam Noga	– Vice Chairman of the Supervisory Board
Mr Francois Gillet	– Member of the Supervisory Board
Mr John Hollows	– Member of the Supervisory Board
Mr Feliks Kulikowski	– Member of the Supervisory Board
Mr Marek Michałowski	– Member of the Supervisory Board
Mr Luc Philips	– Member of the Supervisory Board
Mr Jan Vanhevel	– Member of the Supervisory Board
Mr Krzysztof Trębaczkiewicz	– Member of the Supervisory Board

67. Seasonality or cyclical nature of operations

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

68. Non-typical factors and events

In the first half of 2008, no untypical events occurred in the Group (not related to operating activities) that would affect the structure of balance sheet items and the financial result.

69. Dividends paid and declared

On 28 May 2008, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted a resolution on the allocation of PLN 141,262,617.60 from the distribution of profit for 2007 for the payment of dividend. Gross dividend per share amounted to PLN 0.52. The right to dividend was established on 3 July 2008. The payment of dividend was effected on 18 July 2008.

In 2007 (i.e. from net profit generated in 2006), the Bank paid gross dividend of PLN 0.37 per share. The total amount of dividend was PLN 100,513,785.60.

70. Post-balance sheet events

In July 2008, one of the Bank's customers, for whom the exposure as at the balance sheet date was significant, notified us of the commencement of a legal procedure, similar to the Polish rehabilitation proceedings, against its parent company abroad and its subsidiaries (including the Bank's customer). According to the above-mentioned notification, the commencement of the said proceedings against the Bank's customer is not associated with the customer's present financial situation and with the parent company's financial standing. According to the Bank's Management Board, as at the date of this report, having regard for, among other things, the previous timely debt service, the risk of default for this customer is insignificant. The above issue, including further developments, is strictly monitored within the Bank's credit risk management process.

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

71. Comparable data

The comparable data included in these financial statements for previous reporting periods include the presentation changes which were introduced to the financial statements as at 30.06.2008.

	Published data	Changes	Comparable data	Explanations
	30.06.2007		30.06.2007	
INCOME STATEMENT				
Net income from sale of receivables	11 313	-11 313	N/A	a)
Net impairment losses on financial assets, other assets and provisions	22 560	11 313	33 873	a)

	Published data	Changes	Comparable data	Explanations
	30.06.2007		30.06.2007	
ASSETS				
Investment securities:	5 480 020	3 957	5 483 977	b)
- available-for-sale	3 336 102	3 957	3 340 059	b)
Equity investments classified as available-for-sale	3 957	-3 957	0	b)
TOTAL ASSETS	**24 165 556**	**0**	**24 165 556**	

Clarification of major reclassifications:

a) the reclassification of net income from sale of receivables to 'Net impairment losses on financial assets, other assets and provisions';
b) changes in the presentation of equity investments classified as available-for-sale.

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

72.1. Fair value

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

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

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

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

30.06.2008

non-audited

	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	**1 365 384**	**1 365 384**
Net loans and advances to banks	**983 650**	**971 293**
Net loans and advances to customers	**19 287 570**	**18 695 818**
Natural persons*	**11 671 242**	**11 167 414**
- overdraft facilities	584 189	584 808
- purchased debt	4 649	4 578
- term loans	776 919	772 944
- cash and instalment loans	2 687 684	2 598 796
- mortgages	7 599 220	7 187 750
- realised guarantees	659	616
- other receivables	17 922	17 922
Corporate customers	**7 280 938**	**7 201 343**
- overdraft facilities	1 807 580	1 809 381
- term loans	5 062 284	4 981 109
- purchased debt	18 517	18 443
- realised guarantees	3 305	3 161
- other receivables	389 252	389 249
Budget	**335 390**	**327 061**
- overdraft facilities	622	633
- term loans	334 768	326 428
- purchased debt	0	0
Investment securities:	**2 081 253**	**2 033 204**
Available-for-sale securities	326 445	326 445
Held-to-maturity securities	1 754 808	1 706 759

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

	Carrying amount	Fair value
Liabilities		
Amounts due to banks and Central Bank	7 159 321	7 159 539
Amounts due to customers	19 338 765	19 323 694
Other financial liabilities recognized in the balance sheet at amortised cost**	208 800	208 800

** The item contains: issued debt securities, subordinated liabilities and liabilities arising from repurchase transactions

31.12.2007 (comparable data)

	Carrying amount	**Fair value**
Assets		
Cash and balances with Central Bank	611 690	611 690
Net loans and advances to banks	2 454 092	2 453 917
Net loans and advances to customers	**16 621 857**	**16 721 474**
Natural persons*	**9 241 244**	**9 365 834**
- overdraft facilities	523 981	528 643
- purchased debt	707	1 493
- term loans	938 817	937 535
- cash and instalment loans	1 958 080	2 105 720
- mortgages	5 808 913	5 781 697
- realised guarantees	0	0
- other receivables	10 746	10 746
Corporate customers	**6 974 465**	**6 958 620**
- overdraft facilities	1 574 485	1 576 592
- term loans	5 058 596	5 039 555
- purchased debt	25 587	26 772
- realised guarantees	1 368	1 272
- other receivables	314 429	314 429
Budget	**406 148**	**397 020**
- overdraft facilities	932	933
- term loans	405 216	396 087
Investment securities:	**2 376 710**	**2 358 260**
Available-for-sale securities	331 544	331 544
Held-to-maturity securities	2 045 166	2 026 716

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

	Carrying amount	**Fair value**
Liabilities		
Amounts due to banks and Central Bank	6 403 110	6 402 079
Amounts due to customers	17 088 638	17 069 198
Other financial liabilities recognized in the balance sheet at amortised cost**	444 361	444 361

** The item contains: issued debt securities, subordinated liabilities and liabilities arising from repurchase transactions

30.06.2007 (comparable data)

non-audited

	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	**555 167**	**555 167**
Net loans and advances to banks	**2 919 410**	**2 919 410**
Net loans and advances to customers	**13 516 933**	**13 437 454**
Natural persons*	**7 065 645**	**7 015 090**
- overdraft facilities	496 994	499 932
- purchased debt	58	854
- term loans	868 100	851 680
- cash and instalment loans	1 509 454	1 500 698
- mortgages	4 178 293	4 149 277
- realised guarantees	657	560
- other receivables	12 089	12 089
Corporate customers	**5 992 012**	**5 971 454**
- overdraft facilities	1 285 209	1 285 898
- term loans	4 440 963	4 418 211
- purchased debt	21 339	22 927
- realised guarantees	1 132	1 108
- other receivables	243 369	243 310
Budget	**459 276**	**450 910**
- overdraft facilities	11 602	11 594
- term loans	447 674	439 316
- purchased debt	0	0
Investment securities:	**2 468 783**	**2 481 437**
Available-for-sale securities	324 865	324 865
Held-to-maturity securities	2 143 918	2 156 572

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

	Carrying amount	Fair value
Liabilities		
Amounts due to banks and Central Bank	3 150 764	3 150 764
Amounts due to customers	17 147 910	17 147 983
Other financial liabilities recognized in the balance sheet at amortised cost**	957 484	957 484

** The item contains: issued debt securities, subordinated liabilities and liabilities arising from repurchase transactions

72.2 Loans and advances to banks and to customers

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

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

72.3 Held-to-maturity investments and available-for-sale financial assets

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

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

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

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

72.5 Financial liabilities not held for trading

As stated in Note 46 and Note 47, the bulk of deposits made in banks and customer deposits are deposits on current accounts and term deposits with balance sheet maturities of less than three months.

On the basis of the assumptions adopted for the measurement models, estimated fair value of financial liabilities not held for trading is not considerably different from their carrying amount.

73. Information on proceedings before courts or public administration authority

In the first half of 2008, the Bank was not a party to any proceedings before court or public administration authority, where the amount(s) claimed would amount to at least 10% of the Bank's equity.

Below are presented those proceedings, in which the amounts claimed are the highest.

73.1 The cases in which the Group's companies are defendants

The highest claim cases are as follows:

- 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. At the last hearing, the parties exchanged pleadings.
    - 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. The proceedings are still suspended. 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. The appeal court overruled the judgment of the court of first instance and referred the case to be re-examined by the circuit court. The first hearing at which the positions of the parties were established was held on 25.07.2008. The next hearing is scheduled on 10.10.2008.

- A suit filed by MSG Investment Sp. z o.o. in liquidation. The plaintiff claims that, as a result of debt recovery measures taken by the Bank, he lost PLN 25 million (no calculations are presented in the lawsuit). In the Bank's opinion, the basis for claims specified in the lawsuit are doubtful. On 14.03.2008, the court dismissed the lawsuit of MSG for the Bank to pay PLN 25 million. MSG Investment appealed against this decision, however, on 30.06.2008, the appeal court in Łódź dismissed the appeal.
- On 17.01.2001, the President of the Office for Competition and Customer Protection, upon the request of Polska Organizacja Handlu i Dystrybucji, initiated proceedings concerning competition-restricting practices on 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. Multiple pleadings are being exchanged prior to the determination of the date of the first hearing. The circuit court forwarded the reply of the President of the Office for Competition and Customer Protection and POHID to the Bank, along with the request to the Bank to express their opinion on the positions described in the letters.
- In relation to a loan transaction to finance the construction of Altus building in Katowice, the Bank and Reliz Sp. z o.o. (the owner of the building) are involved in certain disputes of legal nature. The Bank owns 100% shares of Reliz. The said disputes are related to claims of the guarantor of the loan to finance the building, i.e. Mostostal Zabrze Holding S.A., against the Bank and the owner of the building. In the second quarter of 2008, due to the advantageous

court judgment for the Bank in one of litigations, the provision for any potential related liabilities was reversed.

- From May to August 2005, the Bank entered into nine framework agreements concerning the conclusion of term exchange transactions. The transaction result amounts to PLN 7,986.5 thousand. The transactions were negotiated by the Bank's employee with customers' consent. As a result of a change in trends on the market, the majority of forwards resulted in huge losses. Customers who were requested to additionally hedge the transaction challenge the concluded transactions. Eight proceedings are pending in these cases, where four proceedings were combined and will be heard jointly: at the hearing of 21.12.2007, the court awarded the total amount (with interest) of PLN 5.7 million to four customers, to be paid by the Bank. An appeal against the whole judgment was lodged on 11.02.2008. Two further proceedings were combined to be examined jointly and the hearing will be held in September 2008. In the seventh case, the court announced its judgment on 29.07.2008, i.e. the court dismissed the lawsuit and awarded the proceedings costs to the Bank. In the eighth case, the lawsuit was lodged in January 2008, the hearing was held on 15.07.2008, however, the court adjourned it until 26.08.2008.
- The trustee in bankruptcy for a company from the media industry claims damages of PLN 4,350 thousand due to improper performance by Inwestycyjny Dom Maklerski Kredyt Banku S.A. of the firm commitment underwriting agreement for the shares of the said company by alleged improper settlement of proceeds from the issue of such shares. At the hearing on 24.09.2007, the court obliged the Bank and KBC Securities (the legal successor of Inwestycyjny Dom Maklerski since 01.04.2005) to present documents in the case. At the hearing on 11.01.2008, the court dismissed the lawsuit. On 14.03.2008, the Bank received the plaintiff's appeal. The plaintiff appeals against the whole judgment of the circuit court stating that the rules of procedure and the substantive law were violated. The Bank replied to the appeal. The sentence is not legally valid.
- 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. The first hearing was held on 8.06.2008: the court suspended the proceedings due to formal deficiencies in the company's power of attorney. Under its decision of 27.06.2008, the court re-opened the proceedings. 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.
- Kredyt Lease S.A., a company of KB Group, remains in dispute with tax authorities concerning the proper reinvoicing of insurance costs of a leased item to the lessee. The company burdens the lessee with the insurance costs under on the basis of an accounting note. Following the check by the tax office concerning the settlement of VAT for February 2006, the company

received a decision stating that insurance costs were elements of the leasing fee and should be taxed with VAT at 22%. The Company appealed against the tax office's decision to the appeal authority, i.e. the Tax Chamber. By the publication date of this report, tax authorities have failed to issue the final decision in the pending tax proceedings.

The Bank's Management Board is of the opinion that any risks related to the proceedings before courts or public administration authorities are properly secured by the provisions established by the Bank.

74. Custodian services

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

- The Bank holds an authorization of the Polish Securities and Exchange Commission to maintain securities accounts; it is also a direct participant of the National Depository for Securities (KDPW) as a Depository and a participant of the Securities Register (RPW) managed by the National Bank of Poland (NBP). On these basis, the Bank maintains accounts for securities admitted to public trading, deposited in KDPW or RPW. The Custody Department in the Bank's Head Office is the Bank's business unit providing the said services.

In the first half 2008, income related to the maintanance of securities accounts and registers as well as the services of an issue sponsor amounted to PLN 3,382 thousand as compared to PLN 1,339 thousand in the first half of 2007.

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

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

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

Particular risks are dealt with directly by specialised Committees:

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

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

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

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

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

75.1 Credit risk

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

The credit risk management process in Kredyt Bank Group entails the following phases:

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

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

- Supervisory Board;
- Audit Committee;
- Bank's Management Board;
- Credit Risk Committee;
- Credit Risk Office in the Risk Management Department;
- SME and Corporate Credits Department;
- Retail Credits Department;

- business lines managers;
- Audit and Inspection Department.

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

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

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

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

As at 30.06.2008, the limits of the concentration were not exceeded.

The Bank's exposure towards 10 major corporate customers

As at 30.06.2008

Company	Share (%) in the portfolio
Customer 1	3.0
Customer 2	2.6
Customer 3	2.6
Customer 4	2.5
Customer 5	2.4
Customer 6	2.3
Customer 7	2.2
Customer 8	2.2
Customer 9	2.1
Customer 10	1.7
Total	**23.6**

As at 31.12.2007

Company	Share (%) in the portfolio
Customer 1	3.5
Customer 2	3.3
Customer 3	2.9
Customer 4	2.8
Customer 5	2.6
Customer 6	2.5
Customer 7	2.4
Customer 8	2.4
Customer 9	2.3
Customer 10	2.2
Total	**26.9**

As at 30.06.2007

Company	Share (%) in the portfolio
Customer 1	3.8
Customer 2	3.0
Customer 3	2.9
Customer 4	2.4
Customer 5	2.4
Customer 6	2.2
Customer 7	1.9
Customer 8	1.8
Customer 9	1.7
Customer 10	1.6
Total	**23.7**

The Bank's exposure in industrial segments

Industry	Exposure % 30.06.2008 *non-audited*	Comparable data Exposure % 31.12.2007	Comparable data Exposure % 30.06.2007 *non-audited*
Production activities	31.5	33.5	28.0
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	22.4	20.8	21.3
Financial intermediation	15.3	17.8	15.0
Real estate administration and lease	10.0	9.0	11.3
Construction	5.6	4.1	4.4
Transport, storing and communication	4.7	3.9	5.5
Public administration and national defence, legally guaranteed social care	3.0	4.0	5.1
Agriculture, hunting and forestry	1.9	1.9	2.0
Mining	1.5	1.0	0.1
Health care and social care	1.1	1.0	1.0
Other services for municipalities, social and individual services	1.0	1.0	1.0
Hotels and restaurants	0.8	0.9	1.1
Supplies of electricity, gas and water	0.8	0.8	3.9
Education	0.2	0.3	0.3
Total	**100**	**100**	**100**

The Bank's exposure in geographical segments

Province	Gross loans structure (%) 30.06.2008 *non-audited*	Comparable data Gross loans structure (%) 31.12.2007	Comparable data Gross loans structure (%) 30.06.2007 *non-audited*
Mazowieckie	23.2	23.9	23.2
Lubelskie	14.8	13.6	14.3
Dolnośląskie	10.7	10.6	10.5
Wielkopolskie	8.4	9.1	9.5
Małopolskie	7.2	7.8	6.6
Pomorskie	6.8	6.9	6.7
Śląskie	6.7	6.8	8.6
Zachodniopomorskie	4.4	4.3	3.5
Łódzkie	3.9	3.8	3.6
Podlaskie	3.2	3.1	3.3
Kujawsko-pomorskie	2.7	2.5	2.5
Podkarpackie	2.6	2.3	2.4
Warmińsko-mazurskie	2.2	2.3	2.2
Lubuskie	1.3	1.1	1.0
Świętokrzyskie	1.2	1.2	1.3
Opolskie	0.7	0.6	0.6
Non-resident	0.2	0.1	0.2
Total	**100**	**100**	**100**

To limit the risk of exposure concentration, the Bank tries to expand loan extending activities for SMEs and individual customers.

Except for standard forms of loan collateral included in loan agreements which are in line with the practices in the industry (mortgages, transfers of ownership to secure a loan, registered pledges, sureties, guarantees and assignment of receivables), the Bank does not apply any other forms of loan collateral, e.g. credit derivatives.

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

With regard to the Bank's application of the approach referred to in paragraph 14 of the Resolution of the Commission for Banking Supervision No. 1/2007 dated 13 March 2007, since 1 January 2008, the Bank has applied the standardized approach to calculate the credit risk requirement.

As at 30.06.2008, the coverage of the Bank's balance sheet and off-balance sheet loans and advances to counterparties other than banks and governments with internal ratings amounted to 95.82%:

30.06.2008

Internal PD rating	Standard & Poors	Total
PD 1	AAA - A-	3%
PD 2	BBB+	9%
PD 3	BBB	19%
PD 4	BBB-/BB+	23%
PD 5	BB	23%
PD 6	BB-	9%
PD 7	B+/B	4%
PD 8	B-	2%
PD 9	CCC+ lower	1%
PD 10		2%
PD 11		1%
PD 12		3%
Total		**100%**

31.12.2007

Internal PD rating	Standard & Poors	Total
PD 1	AAA - A-	7%
PD 2	BBB+	8%
PD 3	BBB	22%
PD 4	BBB-/BB+	17%
PD 5	BB	18%
PD 6	BB-	8%
PD 7	B+/B	7%
PD 8	B-	4%
PD 9	CCC+ lower	2%
PD 10		1%
PD 11		2%
PD 12		4%
Total		**100%**

30.06.2007

Internal PD rating	Standard & Poors	Total
PD 1	AAA - A-	3%
PD 2	BBB+	23%
PD 3	BBB	14%
PD 4	BBB-/BB+	19%
PD 5	BB	16%
PD 6	BB-	5%
PD 7	B+/B	8%
PD 8	B-	1%
PD 9	CCC+ lower	2%
PD 10		2%
PD 11		0%
PD 12		7%
Total		**100%**

The Group's maximum exposure to credit risk

Balance sheet instruments	30.06.2008 Carrying amount	31.12.2007 Carrying amount	30.06.2007 Carrying amount
Debt securities:	**6 660 689**	**5 941 459**	**5 833 454**
- available-for-sale	3 923 388	3 431 266	3 334 203
- held-to-maturity	1 754 808	2 045 166	2 143 918
- financial assets at fair value through profit or loss (including financial assets held for trading)	982 493	465 027	355 333
Loans and advances	**21 152 672**	**19 182 407**	**16 613 789**
- net loans and advances to banks (including Central Bank)	**1 865 102**	**2 560 550**	**3 096 856**
- net loans and advances to customers, including:	**19 287 570**	**16 621 857**	**13 516 933**
Natural persons*	**11 671 242**	**9 241 244**	**7 065 645**
- overdraft facilities	584 189	523 981	496 994
- purchased debt	4 649	707	58
- term loans	776 919	938 817	868 100
- cash and instalment loans	2 687 684	1 958 080	1 509 454
- mortgages	7 599 220	5 808 913	4 178 293
- realised guarantees	659	0	657
- other receivables	17 922	10 746	12 089
Corporate customers	**7 280 938**	**6 974 465**	**5 992 012**
- overdraft facilities	1 807 580	1 574 485	1 285 209
- term loans	5 062 284	5 058 596	4 440 963
- purchased debt	18 517	25 587	21 339
- realised guarantees	3 305	1 368	1 132
- other receivables	389 252	314 429	243 369
Budget	**335 390**	**406 148**	**459 276**
- overdraft facilities	622	932	11 602
- term loans	334 768	405 216	447 674
- purchased debt	0	0	0
Various debtors (receivables recognized in other assets)	**109 554**	**94 747**	**97 386**
Total	**27 922 915**	**25 218 613**	**22 544 629**

Contingent liabilities granted	30.06.2008	31.12.2007	31.12.2006
Financial	5 248 116	4 374 464	3 223 444
Guarantees	1 329 624	1 627 981	1 416 845
Total liabilities granted	**6 577 740**	**6 002 445**	**4 640 289**
Total	**34 500 655**	**31 221 058**	**27 184 918**

75.2 Operational risk

The Group defines the operational risk as a possibility of an unexpected influence upon the financial result, as a consequence of maladjustment or unreliability of internal processes, people, technical systems as well as a consequence of external incidents.
To calculate the capital requirement for operational risk, the Bank applies the Basic Indicator Approach.
As a result, the Bank, inter alia:

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

The Bank takes measures to apply the Standardized Approach through, inter alia, the reinforcement of the operational risk assessment and management system, which is strictly related to the Bank's risk management process. The aim is to effectively include the outcome of risk assessment in the monitoring and control process for Kredyt Bank's operational risk profile.

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

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

75.3 Market risk and ALM

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

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

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

75.3.1 Trading Book

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

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

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

	Limit	30.06.2008	Data for the first half of 2008		
			Average	Minimum	Maximum
VaR	3 000.0	1 171.29	1 047.35	478.29	2 120.42

Comparable data as at 31.12.2007

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

	Limit	31.12.2007	Data for 2007		
			Average	Minimum	Maximum
VaR	3 000.0	1 100.42	508.06	175.86	1 212.45

Comparable data as at 30.06.2007

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

	Limit	30.06.2007	Data for the first half of 2007		
			Average	Minimum	Maximum
VaR	3 000.0	522.91	372.30	175.86	1 214.45

75.3.1.1 Interest rate risk

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

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

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

VaR for particular sections – in EUR '000'

	Limit	30.06.2008	Data for the first half of 2008		
			Average	Minimum	Maximum
Short term Desk	1 300.0	986.47	923.20	366.68	1 794.54
Long Term Desk	1 300.0	277.08	270.31	104.59	828.87

Comparable data as at 31.12.2007

VaR for particular sections – in EUR '000'

	Limit	31.12.2007	Data for 2007		
			Average	Minimum	Maximum
Short term Desk	1 300.0	472.86	324.09	96.87	825.02
Long Term Desk	1 300.0	319.03	378.40	84.05	1 039.42

Comparable data as at 30.06.2007

VaR for particular sections – in EUR '000'

	Limit	30.06.2007	Data for the first half of 2006		
			Average	Minimum	Maximum
Short term Desk	1 300.0	220.79	281.75	96.87	803.92
Long Term Desk	1 300.0	349.91	325.77	84.05	882.65

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

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

	30.06.2008	Data for the first half of 2008		
		Average	Minimum	Maximum
Trading	1 192.70	1 011.48	452.43	1 958.19

Comparable data as at 31.12.2007

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

	31.12.2007	Data for 2007		
		Average	Minimum	Maximum
Trading	514.91	495.95	137.07	1 263.95

Comparable data as at 30.06.2007

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

	30.06.2007	Data for the first half of 2007		
		Average	Minimum	Maximum
Trading	597.32	371.15	137.05	1 263.95

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

Interest rate options

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

75.3.1.2 Currency risk

Position in currencies

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

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

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

	30.06.2008	Data for the first half of 2008		
		Average	Minimum	Maximum
Trading	295.41	268.31	17.49	824.73

Comparable data as at 31.12.2007

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

	31.12.2007	Data for 2007		
		Average	Minimum	Maximum
Trading	810.23	118.93	2.57	864.57

Comparable data as at 30.06.2007

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

	30.06.2007	Data for the first half of 2007		
		Average	Minimum	Maximum
Trading	94.34	58.69	2.57	214.53

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

Currency options

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

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

Consolidated Balance Sheet (as at 30.06.2008)
non-audited

in PLN '000'	CHF	EUR	GBP	USD	PLN	other currencies	Total
Assets							
Cash and balances with Central Bank	1 257	22 988	4 413	19 122	1 317 096	508	**1 365 384**
Gross loans and advances to banks	48 227	241 619	1 400	275 983	406 754	11 927	**985 910**
Impairment losses on loans and advances to banks	0	0	0	0	-2 260	0	**-2 260**
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	0	2 233	47	25 010	955 203	0	**982 493**
Derivatives	1 061	61 449	4 728	123 884	647 586	135	**838 843**
Receivables arising from repurchase transactions	0	0	0	0	12 523	0	**12 523**
Gross loans and advances to customers	4 554 318	1 335 651	1 437	145 208	14 084 257	2 421	**20 123 292**
Impairment losses on loans and advances to customers	-4 011	-23 328	-2	-429	-807 767	-185	**-835 722**
Investment securities:	0	338 843	0	12 147	5 334 412	0	**5 685 402**
- available-for-sale	0	286 357	0	12 147	3 632 090	0	**3 930 594**
- held-to-maturity	0	52 486	0	0	1 702 322	0	**1 754 808**
Investments in associates valued using the equity method	0	0	0	0	11 262	0	**11 262**
Property, plant and equipment	0	0	0	0	404 218	0	**404 218**
Intangible assets	0	0	0	0	62 415	0	**62 415**
Goodwill on subordinated companies	0	0	0	0	36 052	0	**36 052**
Deferred tax asset	0	0	0	0	164 809	0	**164 809**
Current tax receivable	0	0	0	0	0	0	**0**
Non-current assets classified as held-for-sale	0	0	0	0	0	0	**0**
Investment real estates	0	0	0	0	215 320	0	**215 320**
Other assets	0	6 739	62	2 782	129 424	22	**139 029**
Total assets	**4 600 852**	**1 986 194**	**12 085**	**603 707**	**22 971 304**	**14 828**	**30 188 970**

(as at 30.06.2008)
non-audited

Consolidated Balance Sheet (cont.)

in PLN '000'	CHF	EUR	GBP	USD	PLN	other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	1 590	0	**1 590**
Amounts due to banks	1 783 332	1 518 768	5 186	651 408	3 191 517	7 520	**7 157 731**
Derivatives	751	49 230	22 331	158 971	556 201	0	**787 484**
Amounts due to customers	8 774	1 494 688	100 373	955 754	16 773 955	5 221	**19 338 765**
Issued debt securities	0	0	0	0	0	0	**0**
Liabilities arising from repurchase transactions	0	0	0	0	0	0	**0**
Current tax liability	0	0	0	0	20 478	0	**20 478**
Provisions	130	1 152	0	244	121 146	0	**122 672**
Deferred tax liability	0	0	0	0	1 317	0	**1 317**
Other liabilities	5	7 796	66	576	355 923	51	**364 417**
Subordinated liabilities	208 800	0	0	0	0	0	**208 800**
Total liabilities	**2 001 792**	**3 071 634**	**127 956**	**1 766 953**	**21 022 127**	**12 792**	**28 003 254**

Off-balance Sheet Items (as at 30.06.2008)

non-audited

in PLN '000'	CHF	EUR	GBP	USD	PLN	other currencies	Total
Off-balance sheet items							
Contingent liabilities, granted and received	**520 300**	**1 623 157**	**10 438**	**255 449**	**5 735 000**	**22 967**	**8 167 311**
Liabilities granted, including:	417 890	1 152 372	9 702	185 131	4 789 882	22 763	**6 577 740**
- financial	417 799	572 718	698	101 661	4 154 985	255	**5 248 116**
- guarantees	91	579 654	9 004	83 470	634 897	22 508	**1 329 624**
Liabilities received, including:	**102 410**	**470 785**	**736**	**70 318**	**945 118**	**204**	**1 589 571**
- financial	100 354	96 805	736	14 768	266 308	204	**479 175**
- guarantees	2 056	373 980	0	55 550	678 810	0	**1 110 396**
Liabilities related to the sale/purchase transactions	**3 155 235**	**7 829 779**	**290 592**	**7 814 357**	**276 029 697**	**7 887**	**295 127 547**
Other:	940 903	217 366	0	96 151	3 106 251	1 121	**4 361 792**
- collateral received	940 903	217 366	0	96 151	3 104 707	1 121	**4 360 248**
- other	0	0	0	0	1 544	0	**1 544**

Consolidated Balance Sheet (as at 31.12.2007 comparable data)

in PLN '000'	CHF	EUR	GBP	USD	PLN	other currencies	Total
Assets							
Cash and balances with Central Bank	1 335	38 923	11 380	17 266	541 500	1 286	**611 690**
Gross loans and advances to banks	39 333	1 070 042	12 420	431 335	890 872	12 350	**2 456 352**
Impairment losses on loans and advances to banks	0	0	0	0	-2 260	0	**-2 260**
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	0	2 348	54	28 489	434 136	0	**465 027**
Derivatives	32	73 207	580	64 242	356 796	238	**495 095**
Gross loans and advances to customers	2 843 145	1 325 299	1 968	155 446	13 126 602	3 724	**17 456 184**
Impairment losses on loans and advances to customers	-17 488	-38 891	-1	-12 449	-765 251	-247	**-834 327**
Investment securities:	0	330 656	0	13 963	5 137 716	0	**5 482 335**
- available-for-sale	0	272 910	0	13 963	3 150 296	0	**3 437 169**
- held-to-maturity	0	57 746	0	0	1 987 420	0	**2 045 166**
Investments in associates valued using the equity method	0	0	0	0	12 174	0	**12 174**
Property, plant and equipment	0	0	0	0	396 446	0	**396 446**
Intangible assets	0	0	0	0	67 212	0	**67 212**
Goodwill on subordinated companies	0	0	0	0	36 052	0	**36 052**
Deferred tax asset	0	0	0	0	150 658	0	**150 658**
Current tax receivable	0	0	0	0	1 309	0	**1 309**
Non-current assets classified as held-for-sale	0	0	0	0	767	0	**767**
Investment real estates	0	0	0	0	219 509	0	**219 509**
Other assets	0	6 684	51	563	106 638	21	**113 957**
Total assets	**2 866 357**	**2 808 268**	**26 452**	**698 855**	**20 710 876**	**17 372**	**27 128 180**

(As at 31.12.2007 comparable data)

Consolidated Balance Sheet (cont.)

in PLN '000'	CHF	EUR	GBP	USD	PLN	other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	1 101 661	0	**1 101 661**
Amounts due to banks	1 242 596	919 457	2 749	240 483	2 891 124	5 040	**5 301 449**
Derivatives	30	36 319	8 085	82 347	347 398	191	**474 370**
Amounts due to customers	8 299	1 513 117	144 301	1 152 739	14 267 674	2 508	**17 088 638**
Issued debt securities	0	0	0	0	0	0	**0**
Liabilities arising from repurchase transactions	0	0	0	0	50 126	0	**50 126**
Current tax liability	0	0	0	0	7 228	0	**7 228**
Provisions	145	1 365	0	0	159 524	0	**161 034**
Deferred tax liability	0	0	0	0	872	0	**872**
Other liabilities	9	5 702	39	431	265 720	362	**272 263**
Subordinated liabilities	0	394 235	0	0	0	0	**394 235**
Total liabilities	**1 251 079**	**2 870 195**	**155 174**	**1 476 000**	**19 091 327**	**8 101**	**24 851 876**

Off-balance Sheet Items (as at 31.12.2007 comparable data)

in PLN '000'	CHF	EUR	GBP	USD	PLN	other currencies	Total
Off-balance sheet items							
Contingent liabilities, granted and received	**535 724**	**1 733 065**	**129 588**	**255 426**	**5 417 783**	**154 913**	**8 226 499**
Liabilities granted, including:	**199 194**	**869 127**	**129 588**	**170 638**	**4 481 220**	**152 678**	**6 002 445**
- financial	198 972	328 257	804	63 268	3 781 367	1 796	**4 374 464**
- guarantees	222	540 870	128 784	107 370	699 853	150 882	**1 627 981**
Liabilities received, including:	**336 530**	**863 938**	**0**	**84 788**	**936 563**	**2 235**	**2 224 054**
- financial	336 530	82 893	0	17 332	463 451	2 235	**902 441**
- guarantees	0	781 045	0	67 456	473 112	0	**1 321 613**
Liabilities related to the sale/purchase transactions	**2 055 580**	**8 854 269**	**177 094**	**4 870 563**	**202 005 559**	**202 154**	**218 165 219**
Other:	**639 713**	**258 991**	**0**	**86 378**	**2 225 329**	**1 413**	**3 211 824**
- collateral received	639 713	258 991	0	86 378	2 223 785	1 413	**3 210 280**
- other	0	0	0	0	1 544	0	**1 544**

Consolidated Balance Sheet (as at 30.06.2007 comparable data)

non-audited

in PLN '000'	CHF	EUR	GBP	USD	PLN	other currencies	Total
Assets							
Cash and balances with Central Bank	899	21 132	4 211	16 040	512 335	550	**555 167**
Gross loans and advances to banks	35 434	333 171	4 415	1 000 562	1 538 564	9 524	**2 921 670**
Impairment losses on loans and advances to banks	0	0	0	0	-2 260	0	**-2 260**
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	0	1 877	187	34 670	318 599	0	**355 333**
Derivatives	41	58 767	710	37 931	238 999	1	**336 449**
Gross loans and advances to customers	2 092 120	1 414 157	1 441	242 866	10 758 913	0	**14 509 497**
Impairment losses on loans and advances to customers	-29 178	-56 265	-1	-19 007	-888 113	0	**-992 564**
Investment securities:	0	290 309	0	24 159	5 169 509	0	**5 483 977**
- available-for-sale	0	230 742	0	12 787	3 096 530	0	**3 340 059**
- held-to-maturity	0	59 567	0	11 372	2 072 979	0	**2 143 918**
Investments in associates valued using the equity method	0	0	0	0	11 802	0	**11 802**
Property, plant and equipment	0	0	0	0	385 944	0	**385 944**
Intangible assets	0	0	0	0	74 465	0	**74 465**
Goodwill on subordinated companies	0	0	0	0	36 052	0	**36 052**
Deferred tax asset	0	0	0	0	164 711	0	**164 711**
Current tax receivable	0	0	0	0	2 458	0	**2 458**
Non-current assets classified as held-for-sale	0	0	0	0	185 470	0	**185 470**
Other assets	0	0	0	0	137 385	0	**137 385**
Total assets	**2 099 316**	**2 063 148**	**10 963**	**1 337 221**	**18 644 833**	**10 075**	**24 165 556**

(as at 30.06.2007 comparable data)
non-audited

Consolidated Balance Sheet (cont.)

in PLN '000'	CHF	EUR	GBP	USD	PLN	other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	2 061	0	**2 061**
Amounts due to banks	439 256	916 573	169	182 601	1 600 990	9 114	**3 148 703**
Derivatives	0	25 482	947	30 981	255 428	77	**312 915**
Amounts due to customers	9 285	1 571 695	102 360	1 375 986	14 088 584	0	**17 147 910**
Issued debt securities	0	0	0	0	0	0	**0**
Liabilities arising from repurchase transactions	0	0	0	0	543 135	0	**543 135**
Current tax liability	0	0	0	0	15 312	0	**15 312**
Provisions	206	9 703	0	131	155 546	0	**165 586**
Deferred tax liability	0	0	0	0	1 174	0	**1 174**
Other liabilities	39	3 774	285	480	293 390	449	**298 417**
Subordinated liabilities	0	414 349	0	0	0	0	**414 349**
Total liabilities	**448 786**	**2 941 576**	**103 761**	**1 590 179**	**16 955 620**	**9 640**	**22 049 562**

Off-balance Sheet Items (as at 30.06.2007 comparable data)

non-audited

in PLN '000'	CHF	EUR	GBP	USD	PLN	other currencies	Total
Off-balance sheet items							
Contingent liabilities, granted and received	**14 516**	**1 097 967**	**56 853**	**253 868**	**3 526 842**	**23 065**	**4 973 111**
Liabilities granted, including:	**3 606**	**1 005 749**	**51 168**	**179 889**	**3 380 692**	**19 185**	**4 640 289**
- financial	3 372	464 197	3 165	117 352	2 630 121	5 237	**3 223 444**
- guarantees	234	541 552	48 003	62 537	750 571	13 948	**1 416 845**
Liabilities received, including:	**10 910**	**92 218**	**5 685**	**73 979**	**146 150**	**3 880**	**332 822**
- financial	10 910	0	5 685	612	29 555	3 880	**50 642**
- guarantees	0	92 218	0	73 367	116 595	0	**282 180**
Liabilities related to the sale/purchase transactions	**2 399 006**	**11 320 197**	**372 629**	**6 717 607**	**149 266 359**	**6 947**	**170 082 745**
Other:	**501 978**	**406 659**	**0**	**122 969**	**1 939 179**	**0**	**2 970 785**
- collateral received	501 978	406 659	0	122 969	1 937 632	0	**2 969 238**
- other	0	0	0	0	1 547	0	**1 547**

75.3.1.3 Capital market risk

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

75.3.1.4 Commodity price risk

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

75.3.1.5 Capital requirements

The capital requirements for the Trading Book as of 30.06.2007, 31.12.2007 and 30.06.2008 are as follows:

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

	30.06.2008	Comparable data 31.12.2007	Comparable data 30.06.2007
Equity securities price risk	0	0	0
Specific risk of debt instruments	20	22	25
General interest rate risk	68 999	46 748	12 676
Settlement risk and counterparty risk	39 080	15 622	12 582
Currency risk (total for the Trading Book and the Banking Book)	3 827	4 476	0
Total capital requirement in the Trading Book	**111 926**	**66 868**	**25 283**

The increase in the value of capital requirements for the Trading Book results from the increase in the trading activity on interest rate derivatives in 1-2 years.

75.3.2 Banking Book

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

75.3.2.1 Interest rate risk

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

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

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

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

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

The following positions are present in the Banking Book:

- Hedging – a position resulting from the operation of branches (including derivatives used as hedging instruments), including:
  - benchmark portfolios of current accounts in PLN, EUR and USD;
  - the benchmark portfolio of savings accounts in PLN;
  - branch position, excluding stable parts of current accounts and savings accounts;
- Transformation, including:
  - the benchmark portfolio of Free Capital;
  - a position with credit risk (Credit Book);
  - ALCO portfolio – a portfolio of tactical investments.

<u>Interest rate risk analysis</u>

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

- a stable part of current accounts in PLN and of accounts in foreign currencies (EUR and USD) is cyclically invested for the period of:
  1. 8 years for PLN;
  2. 5 years for EUR;
  3. 2 years for USD.
- two stable portions are separated from savings accounts in PLN; the first portion is invested cyclically (monthly) for 6 months, and the second part is invested for 5 years (also monthly);
- unstable parts of current accounts in PLN, EUR and USD, and current accounts in other currencies are classified in the shortest time horizon;
- unstable parts of savings accounts in PLN and savings accounts in other currencies are classified in the shortest time horizon;
- the methodology of including free capital has changed – although free capital approved for the whole year is still invested cyclically for the period of 10 years (with 1/120th of the free capital invested monthly), an excess or shortage compared to an actual amount of free capital is

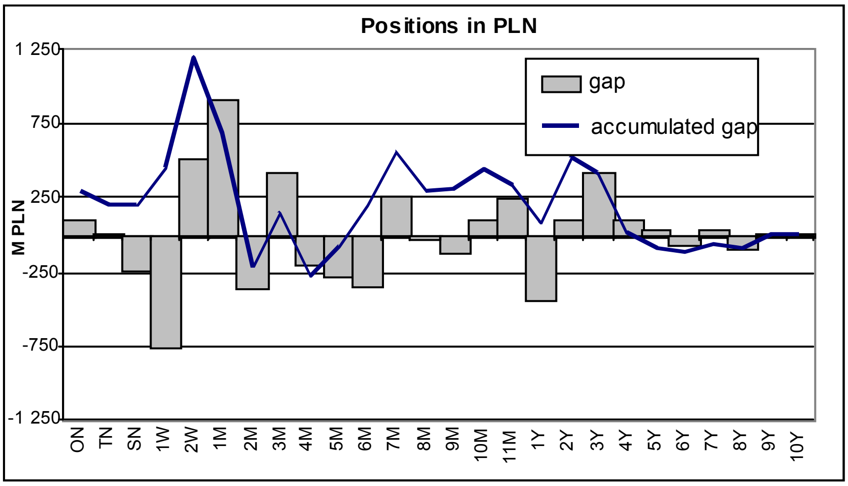
classified in the shortest time horizon, and the passive portion of the free capital portfolio is deemed as insensitive to changes in interest rates;

- benchmark is applied to non-working loans (40% – ON, 30% – 1M, 30% – 3M);
- loans are recognized in net terms;
- loans are presented according to repayment schedules;
- the gap report, apart from for nominal flows, also presents known future interest flows;
- each flow is divided proportionally into two parts which are classified in adjoining nodes of the curve;
- a cumulative gap is calculated from the longest to the shortest term periods.

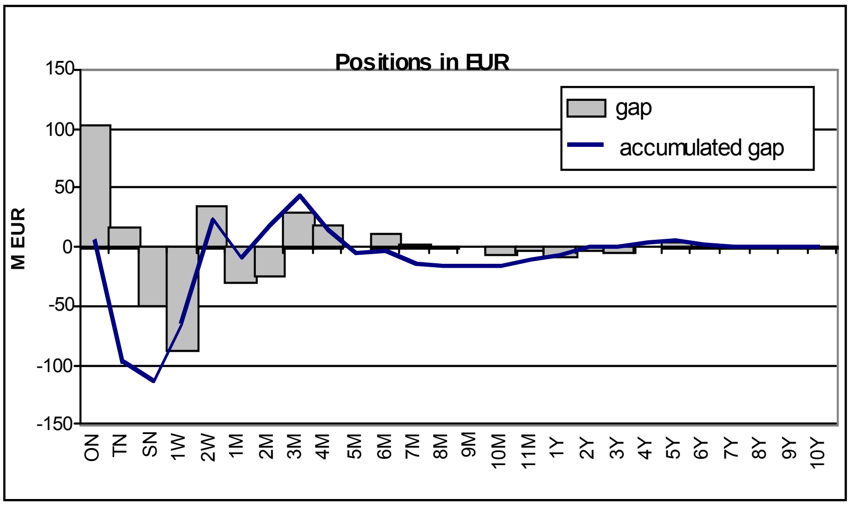
The interest rate gaps diagrams for the position resulting from the operation of branches (including derivatives used as hedging instruments) based on an internal system of transfer rates in particular currencies: PLN, EUR, USD, CHF and GBP, are presented below.
The diagrams present the mismatch between the repricing periods for assets and liabilities in time ranges: from ON time range (overnight) to 10Y time range (10 years). The accumulated gap presents the total mismatch for a given time horizon; the gaps are accumulated beginning from the most remote date. The most noticeable mismatch both in particular time ranges and accumulated ranges appear in time ranges up to 3 months. It is related to the structure of the Bank's balance sheet, namely customers' floating interest rate loans portfolio with repricing periods of 1 month and 3 months is the main position affecting the interest rate gap.
The Bank actively mitigates the risk resulting from the mismatch between balance sheet assets and liabilities, closing the positions with derivatives and applying hedge accounting.

Data for the Bank as at 30.06.2008:

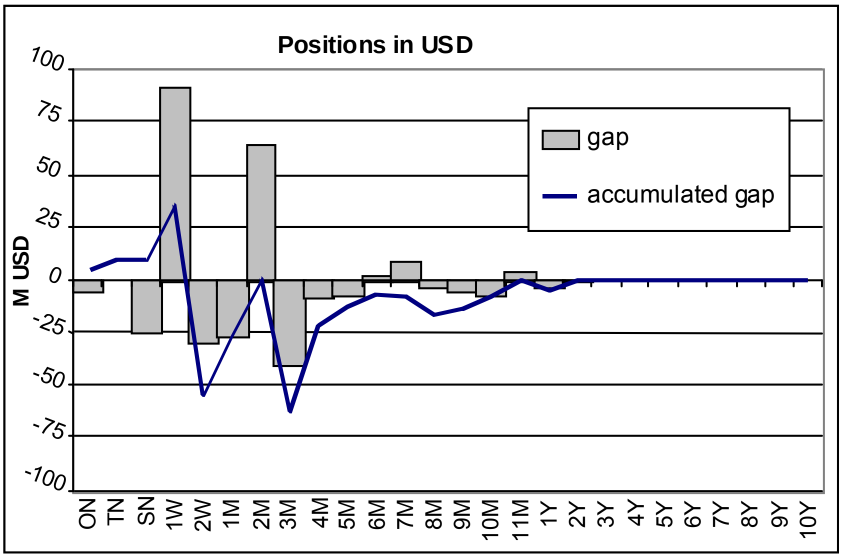
- PLN



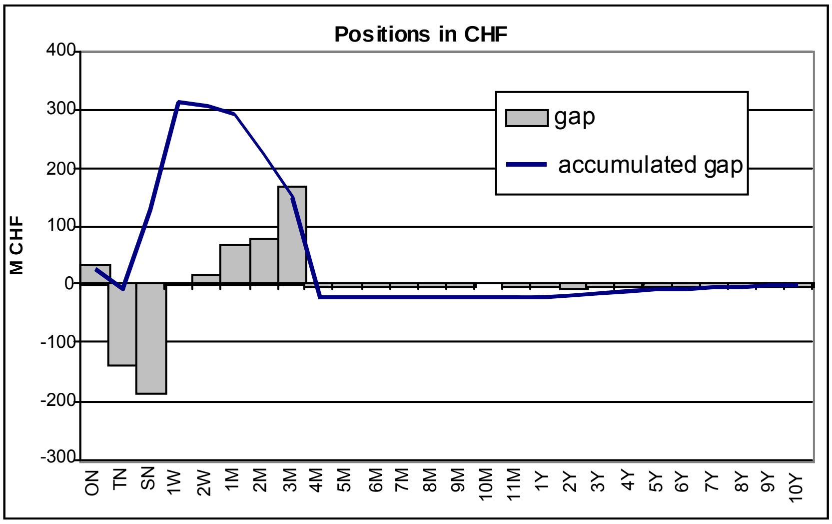
- EUR


Positions in EUR
gap
accumulated gap
M EUR
150
100
50
0
-50
-100
-150
ON
TN
SN
1W
2W
1M
2M
3M
4M
5M
6M
7M
8M
9M
10M
11M
1Y
2Y
3Y
4Y
5Y
6Y
7Y
8Y
9Y
10Y

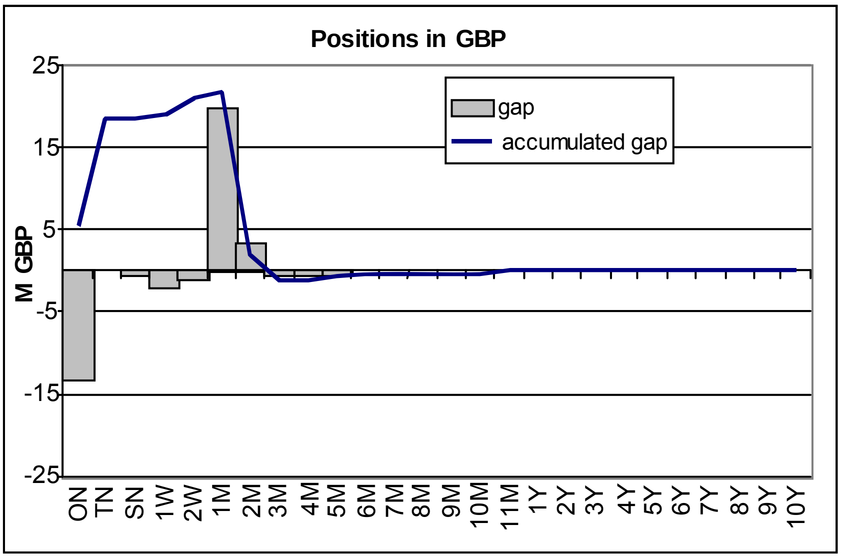
- USD


Positions in USD
gap
accumulated gap
M USD
100
75
50
25
0
-25
-50
-75
-100
ON
TN
SN
1W
2W
1M
2M
3M
4M
5M
6M
7M
8M
9M
10M
11M
1Y
2Y
3Y
4Y
5Y
6Y
7Y
8Y
9Y
10Y

- CHF


Positions in CHF
gap
accumulated gap
M CHF
400
300
200
100
0
-100
-200
-300
ON
TN
SN
1W
2W
1M
2M
3M
4M
5M
6M
7M
8M
9M
10M
11M
1Y
2Y
3Y
4Y
5Y
6Y
7Y
8Y
9Y
10Y

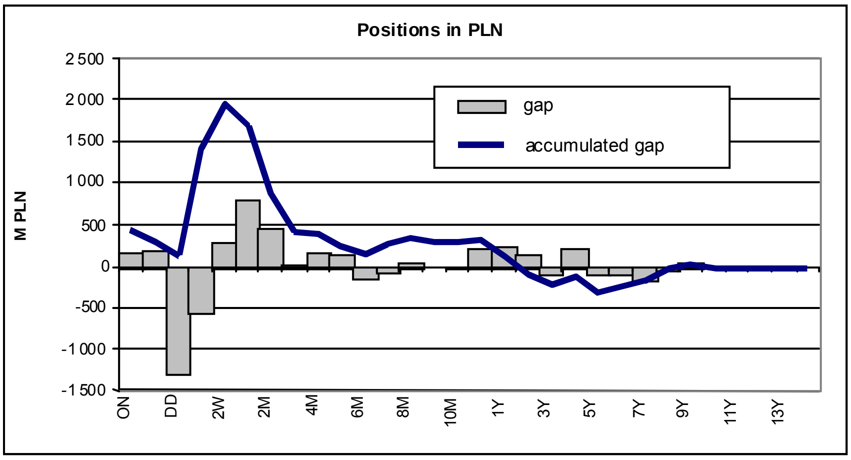
-GBP



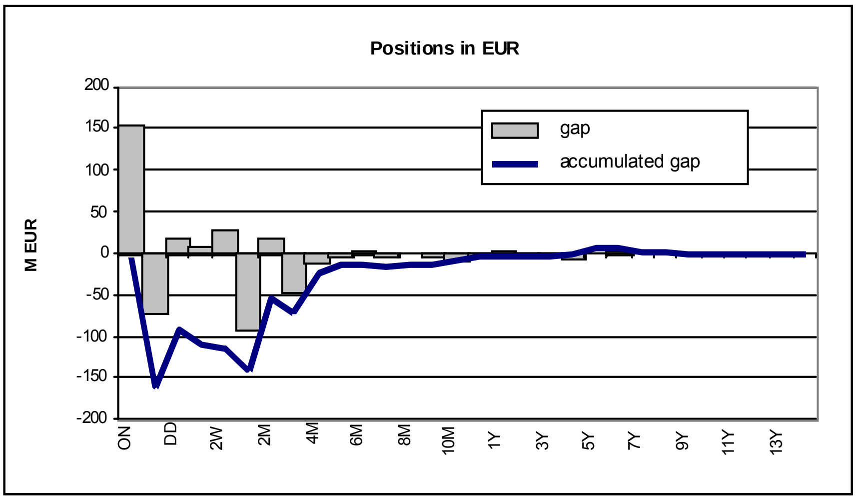
Comparable data for the Bank as at 30.06.2007:

As 30.06.2007 fell on Saturday, the gap for the last working day preceding the last day of June, i.e. 29.06.2007, was presented.

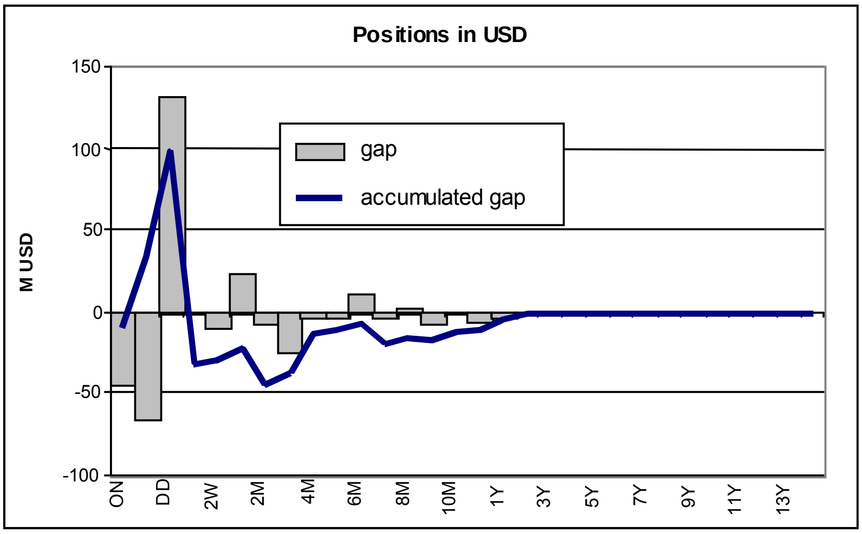
- PLN



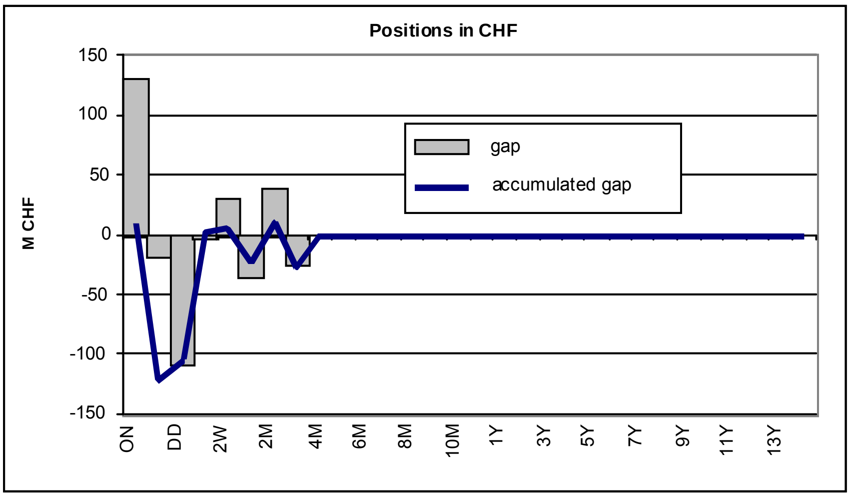
- EUR


Positions in EUR
M EUR
200
150
100
50
0
-50
-100
-150
-200
gap
accumulated gap
ON
DD
2W
2M
4M
6M
8M
10M
1Y
3Y
5Y
7Y
9Y
11Y
13Y

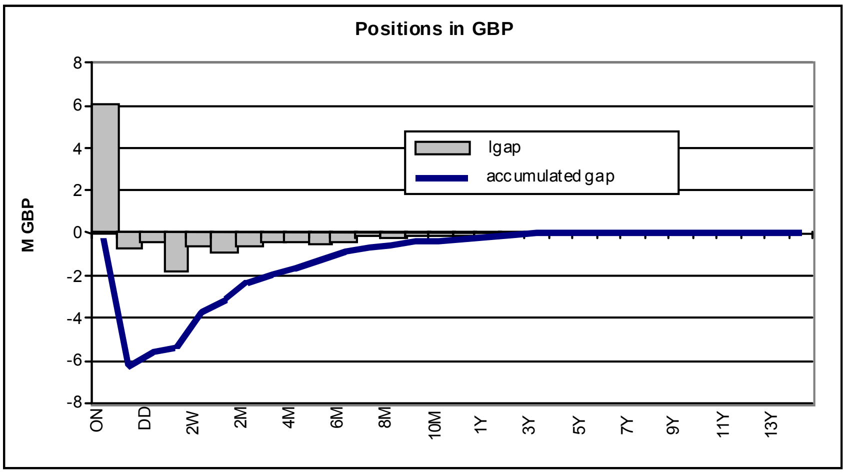
- USD


Positions in USD
M USD
150
100
50
0
-50
-100
gap
accumulated gap
ON
DD
2W
2M
4M
6M
8M
10M
1Y
3Y
5Y
7Y
9Y
11Y
13Y

- CHF


Positions in CHF
M CHF
150
100
50
0
-50
-100
-150
gap
accumulated gap
ON
DD
2W
2M
4M
6M
8M
10M
1Y
3Y
5Y
7Y
9Y
11Y
13Y

-GBP



The tables below illustrate the Bank's basis point value (BPV) accompanied with the parallel shift in interest rates by 10 b.p. up for particular currencies.

Data as at 30.06.2008:

BPV in millions of a currency	1 M	3M	6M	12M	3Y	5Y	over 5Y	TOTAL
PLN	-0.086	-0.061	0.574	0.062	-2.254	-0.657	0.734	-1.687
EUR	0.003	-0.003	-0.011	0.012	0.011	-0.009	-0.010	-0.008
USD	0.002	-0.001	0.004	0.008	0.001	0.000	0.000	0.015
CHF	-0.005	-0.056	0.001	0.003	0.013	0.013	0.042	-0.017
GBP	-0.002	0.000	0.000	0.000	0.000	0.000	0.000	-0.002

Data as at 31.12.2007:

BPV in millions of a currency	1 M	3M	6M	12M	3Y	5Y	over 5Y	TOTAL
PLN	-0.169	-0.122	0.143	0.216	-1.223	0.065	1.019	-0.071
EUR	-0.008	0.004	0.003	-0.001	0.012	0.003	-0.017	-0.004
USD	0.006	-0.002	0.004	0.016	0.000	0.000	0.000	0.024
CHF	-0.007	-0.017	0.000	0.001	0.003	0.003	0.000	-0.017
GBP	-0.002	0.000	0.000	0.000	0.000	0.000	0.000	-0.002

Comparable data as at 30.06.2007:

BPV in millions of a currency	1 M	3M	6M	12M	3Y	5Y	over 5Y	TOTAL
PLN	-0.038	-0.056	0.013	-0.297	0.210	-0.207	1.960	1.975
EUR	-0.006	0.008	0.003	0.007	0.007	0.019	-0.028	0.022
USD	0.002	-0.007	-0.003	0.013	0.002	0.000	0.000	0.017
CHF	-0.002	-0.000	0.000	0.001	0.001	0.000	0.000	-0.004
GBP	0.000	-0.000	0.000	0.000	0.000	0.000	0.000	0.001

The total BPV for the Banking Book is presented below. It is calculated as total BPV for particular currencies and portfolios; contrary to the Bank's basis point value in breakdown into particular time ranges presented above, the 'liabilities' portion of the Free Capital portfolio is not taken into account. It results from the BPV calculation methodology for limits and the assumption of the insensitivity of the 'liabilities' side of the Free Capital to changes in interest rates. (The rule is effective from 1 May 2007. Previously, global BPV for the Banking Book was calculated as the total value of absolute BPVs for particular portfolios, including the 'liabilities' side of the Free Capital).

		30.06.2008	Comparable data 31.12.2007	Comparable data 30.06.2007
BPV in millions of EUR (calculation to limit)	Present rules (effective since May 2007)	-2.128	-1.571	-1.036

75.3.2.2 Hedge accounting

Fair value hedging accounting

In the first half of 2008, the Bank continued to apply hedge accounting for fair value hedge for asset swaps. The purpose of hedge accounting is to hedge fixed interest rate bonds with an IRS, on which the Bank pays a fixed interest rate and receives a floating interest rate.

Hedge accounting of cash flows

As at 30.06.2008, the Bank continued to apply hedge accounting of cash flows for asset swaps which consists in hedging cash flows resulting from floating interest rate bonds (which involves the conclusion of an IRS in which the Bank receives fixed and pays floating interest flows).

As at 30.06.2008, the Bank continued to apply hedge accounting also as regards the part of the loans portfolio based on O/N rate. The hedge consists in creating swap structure composed of a revolving OIS (the Bank pays cash flow based on O/N rate) and a standard IRS in which the Bank pays cash flow based on a floating interest rate adjusted to OIS maturity date and receives fixed interest flows. The hedged risk in this case is an interest rate risk resulting from a change in short-term interest rates.

In the second half of 2007, the Bank began to apply hedge accounting for the portion of mortgage loans based on 3M WIBOR, which involves the conclusion of IRS in which the Bank receives fixed and pays floating interest flows. Interest rate risk resulting from a change in the 3-month interest rate is the hedged risk in this case.

75.3.2.3 Currency risk

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

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

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

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

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

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

75.3.3 Liquidity risk

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

The Bank hedges the liquidity risk by:

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

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

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

Amounts due to customers as at 30.06.2008 – contractual flows (interest flows according to the methodology of FSA (Financial Services Authority – the British financial regulator) are recognized up to 6 months); the stable part of savings and current accounts is recognized according to a benchmark method.

Liquidity gap report

Data as at 30.06.2008 (in millions of PLN) – data for the Bank and the most significant companies in the Group:

	up to 1M	1 - 3M	3 - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	over 5Y	Total
Current accounts/savings accounts	3266.79	375.59	520.57	794.49	1408.42	1271.52	2282.32	937.50	**10857.18**
Deposits	4981.32	1508.13	1068.22	455.94	31.76	1.95	256.19	1.22	**8304.73**
Inter-bank deposits	3598.85	253.56	103.81	0.00	0.00	0.00	0.00	0.00	**3956.21**
Perpetual bonds and cash loans	14.45	32.38	49.69	0.00	685.48	816.73	2034.18	209.02	**3841.94**
LORO	26.38	0.18	0.27	0.00	0.00	0.00	0.00	0.00	**26.84**
REPO	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Free capital*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1619.82	**1619.82**
Other	0.61	72.38	0.00	95.38	0.00	0.00	0.00	0.00	**168.37**
Derivatives - cash flows to be received									
Swaps - sale	1889.75	984.94	183.09	211.76	16.35	0.00	0.00	0.00	**3285.90**
IRS/CCIRS	618.54	389.12	952.05	509.43	109.77	8.87	5.54	40.95	**2634.27**
FRA	32.46	62.84	68.28	74.48	43.21	0.00	0.00	0.00	**281.26**
Derivatives - cash flows to be paid									
Swaps - purchase	1882.24	1005.62	161.33	214.63	17.02	0.00	0.00	0.00	**3280.85**
IRS/CCIRS	622.63	506.81	966.16	522.56	111.16	9.65	6.00	43.58	**2788.55**
FRA	32.53	46.89	52.60	60.72	34.21	0.00	0.00	0.00	**226.96**
TOTAL	**11 237.86**	**2 296.76**	**1 735.52**	**1 055.03**	**1 313.72**	**2 110.08**	**4 021.67**	**2 256.66**	**26 027.30**

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

Comparable data as at 31.12.2007 (in millions of PLN):

	up to 1M	1 - 3M	3 - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	over 5Y	Total
Current accounts/savings accounts	2 491.46	876.09	599.89	579.72	1 299.94	1 246.38	1 914.33	719.17	**9 726.98**
Deposits	6 280.46	1 196.28	546.74	393.41	18.37	2.44	260.56	1.28	**8 699.54**
Inter-bank deposits	2 376.90	131.77	57.54	0.60	0.00	0.00	0.00	0.00	**2 566.81**
Perpetual bonds and cash loans	13.39	24.99	432.25	0.00	0.00	861.26	1 846.31	0.00	**3 178.20**
LORO	23.71	0.17	0.27	0.00	0.00	0.00	0.00	0.00	**24.15**
REPO	50.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**50.10**
Free capital*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 535.23	**1 535.23**
Other	0.13	64.93	0.00	87.89	0.00	0.00	0.00	0.00	**152.95**
Derivatives - cash flows to be received									
Swaps – sale	2 485.64	123.92	14.43	114.26	0.81	0.00	0.00	0.00	**2 739.06**
IRS/CCIRS	426.32	389.10	761.63	505.54	0.00	0.00	11.51	26.19	**2 120.29**
FRA	13.44	25.50	41.13	51.87	16.17	-	-	-	**148.11**
Derivatives - cash flows to be paid									
Swaps – purchase	2 477.29	123.87	13.55	113.90	0.72	0.00	0.00	0.00	**2 729.33**
IRS/CCIRS	437.00	391.31	864.55	507.72	0.00	0.00	11.98	27.17	**2 239.73**
FRA	12.82	25.87	37.92	43.46	11.67	-	-	-	**131.74**
TOTAL	**11 237.86**	**2 296.76**	**1 735.52**	**1 055.03**	**1 313.72**	**2 110.08**	**4 021.67**	**2 256.66**	**26 027.30**

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

Comparable data as at 30.06.2007 (in millions of PLN):

	up to 1M	1 - 3M	3 - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	over 5Y	Total
Current accounts/savings accounts	2 567.02	424.01	643.61	639.83	1 253.30	1 182.94	1 946.82	676.67	**9 334.20**
Deposits	5 887.20	1 157.31	520.48	261.71	20.84	2.25	63.61	1.74	**7 915.14**
Inter-bank deposits	1 800.34	170.81	57.06	55.00	0.00	0.00	0.00	0.00	**2 083.21**
Perpetual bonds and cash loans	87.52	234.80	3.67	414.24	0.00	0.00	905.95	0.00	**1 646.18**
LORO	148.08	0.95	1.88	0.00	0.00	0.00	0.00	0.00	**150.91**
REPO	543.34	101.95	0.00	0.00	0.00	0.00	0.00	0.00	**645.29**
Free capital*	100.00	0.00	0.00	0.00	0.00	0.00	0.00	1 557.15	**1 657.15**
Other	2.22	73.72	0.00	126.80	44.31	0.00	0.00	0.00	**247.05**
Derivatives - cash flows to be received									
Swaps - sale	679.56	289.98	213.44	90.53	2.26	0.00	0.00	0.00	**1 275.77**
IRS/CCIRS	21.96	19.25	15.11	123.39	21.47	0.00	0.00	0.00	**201.18**
FRA	3.70	10.65	11.20	0.00	0.00	0.00	0.00	0.00	**25.55**
Derivatives - cash flows to be paid									
Swaps – purchase	678.59	290.16	204.55	86.92	2.16	0.00	0.00	0.00	**1 262.38**
IRS/CCIRS	17.08	20.21	15.19	121.76	20.29	0.00	0.00	0.00	**194.53**
FRA	4.13	10.21	11.19	0.00	0.00	0.00	0.00	0.00	**26.33**
TOTAL	**11 130.30**	**2 164.25**	**1 218.68**	**1 492.34**	**1 317.17**	**1 185.19**	**2 916.38**	**2 235.56**	**23 659.87**

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

At the end of the first half of 2008, as compared to the corresponding period in 2007, the following changes in the structure of the Bank's financial liabilities can be observed:

- an increase in the balance of current accounts and savings accounts (by PLN 1130.2 million);
- the amount of accepted inter-bank deposits increased by PLN 1389.4 million;
- at the beginning of 2008, the Bank also slightly decreased its activeness on the interest rate derivatives market.

The Bank's financial liquidity is also monitored on the basis of a system of ratios reflecting the structure of liabilities and receivables for time ranges from 7 days to 5 years.

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

In the first half of 2008, the Bank introduced liquidity metrics and limits for the ranges of 3, 6 and 12 months. The Bank's liquidity in the range of 1 month is presented by the set of regulatory liquidity ratios instead of LMR ratio.

The Bank continues works on the methodology of making a liquidity gap report real. The process of making the gap real is aimed at presenting a true picture of liquidity; the Bank models customers' behaviour (the quantity of revolving term deposits, amounts of extended but still undrawn loans) and takes into account results of those analyses in the picture of the Bank's liquidity.

75.3.3.1 Regulatory liquidity ratios

On 1.01.2008, Resolution No. 9/2007 of the Commission for Banking Supervision of 13.03.2007 concerning the establishment of mandatory liquidity standards for banks came into effect. Since 30.06.2008, the Bank is required to maintain the ratios listed in the said resolution above the established minimum limit.

Data for the Bank as at 30.06.2008:

	Assets	**in PLN '000'**
A1	Basic liquidity reserve	6 759 003.05
A2	Supplementary liquidity reserve	3 049 302.10
A3	Other transactions on the wholesale financial market	9 012 320.16
A4	Limited liquidity assets	19 722 988,39
A5	Non-liquid assets	554 984.30
	Liabilities	**in PLN '000'**
B1	Own funds less total capital requirements related to market risk, and to settlement risk and counterparty risk	1 908 948.20
B2	Stable external financing	20 635 641.16
B3	Other liabilities on the wholesale financial market	8 971 449.18
B4	Other liabilities	166 328.65
B5	Unstable external financing	8 592 694.92

	Liquidity ratios	Minimum value	Value
M1	Short-term liquidity gap: ((A1+A2)-B5)	0.00	1 215 610.23
M2	Short-term liquidity ratio:((A1+A2)/B5)	1.00	1.14
M3	Own funds to non-liquid assets: (B1/A5)	1.00	3.44
M4	Own funds and stable external financing to non-liquid assets and limited liquidity assets:((B1+B2)/(A5+A4))	1.00	1.11

75.3.3.2 The stability of the deposits base

A stable deposit base, not affected by seasonal phenomena, is the basic source of the Bank's financing.

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

	30.06.2008	Comparable data 31.12.2007	Comparable data 30.06.2007
- individual customers	52%	52%	51%
- financial institutions	10%	9%	9%
- business entities	26%	28%	28%
- budgetary sector	12%	12%	12%
Total	**100%**	**100%**	**100%**

	30.06.2008	Comparable data 31.12.2007	Comparable data 30.06.2007
- current deposits	24%	27%	25%
- negotiable term deposits	34%	34%	36%
- term deposits	10%	10%	10%
- savings accounts	32%	28%	29%
Total	**100%**	**100%**	**100%**

The structure of term deposits (except for interbank term deposits and negotiable term deposits) is advantageous from the point of view of an initial maturity date. As at 30.06.2008, 31.12.2007 and 30.06.2007, it was as follows:

	30.06.2008	Comparable data 31.12.2007	Comparable data 30.06.2007
- up to 1 week	21%	26%	24%
- up to 1 month	6%	8%	8%
- up to 3 months	11%	18%	25%
- up to 6 months	32%	23%	16%
- up to 12 months	23%	17%	19%
- up to 24 months	2%	3%	2%
- other	5%	6%	6%
Total	**100%**	**100%**	**100%**

In terms of a currency type, the structure of the deposit base as at 30.06.2008, 31.12.2007 and 30.06.2007 was as follows:

	30.06.2008	Comparable data 31.12.2007	Comparable data 30.06.2007
PLN	86%	84%	82%
USD	5%	7%	8%
EUR	8%	9%	9%
GBP	1%	1%	1%
CHF	0%	0%	0%
Other	0%	0%	0%
Total	**100%**	**100%**	**100%**

Signatures of all Management Board Members

date	26.08.2008	Maciej Bardan	Acting President of the Management Board	....
date	26.08.2008	Umberto Arts	Vice President of the Management Board	....
date	26.08.2008	Lidia Jabłonowska-Luba	Vice President of the Management Board	....
date	26.08.2008	Krzysztof Kokot	Vice President of the Management Board	....
date	26.08.2008	Michał Oziembło	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	26.08.2008	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....

The Management Board's Report

on the Operations of

Kredyt Bank S.A. Capital Group

for the First Half of 2008 Ended 30.06.2008

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1. Factors affecting the results of Kredyt Bank S.A. Capital Group in the first half of 2008

In the first half of 2008, Kredyt Bank S.A. Group generated PLN 757,364 thousand of net operating income (understood as total operating income less other operating expenses). It was higher by 16.6% than net operating income generated in the first half of 2007. Net profit amounted to PLN 144,808 thousand (20.3% less than in the corresponding period in the previous year). The result allowed for generating ROE of 15.9%.

The most important factor which had an impact on the comparison of the financial result with the previous year's figures was the deduction of PLN 33,050 thousand of net impairment losses on financial assets, other assets and provisions from the result for the first half of 2008, as compared to the first half of 2007, when net impairment losses were positive and increased profit before tax by PLN 33,873 thousand. The increase in impairment losses was recorded mainly for retail customers.

Basic financial ratios and figures	30.06.2008*	30.06.2007*
Net profit	144 808	181 621
Profit before tax	187 573	230 872
ROE	15.9%	17.2%
ROA	1.3%	1.6%
CIR	70.7%	69.9%
Capital adequacy ratio	9.8%	11.3%
Impaired loans/total gross loans and advances	5.5%	10.6%

* ROE and ROA were calculated including net profit actually generated over the last 12 months

The most essential factors (except for the above-mentioned net impairment losses on financial assets, other assets and provisions) that affected the financial result for the first half of 2008, include:

- Further fast growth of the value of the loans portfolio. As compared to the end of June 2007, net loans and advances to customers increased by 42.7%, i.e. by PLN 5,770.6 million, and by 16.0%, i.e. by PLN 2,665.7 million, as compared to the end of 2007. The increase in the sale of loans was recorded especially for mortgages and consumer loans.
- Improved acquisition of customers' deposits. Total amounts due to customers increased as compared to the end of June 2007 by 12.8%, and by 13.2% as compared to the end of 2007.
- Net income from banking activities (understood as total operating income less other operating income) higher than in the first half of 2007. The improvement by 16.1% was associated with an increase in net interest income and higher net trading income.
- Increased general and administrative expenses. As compared to the first half of 2007, general and administrative expenses increased by 18.1%. It resulted both from the increase in staff costs, which is associated with the economic situation in Poland and changes in the management and incentive schemes as well as the increase in general expenses, including an increase in the costs of the development of the distribution network of both Kredyt Bank

S.A. and Żagiel S.A. and the increase in IT and telecommunications expenses related to the development of infrastructure and the need to upgrade IT systems.

The strengthening of positive trends in sales on 'Assets' side of the balance sheet in the first half of 2008 contributed to the increase in the Group's shares in the loans market.

Measures aimed at the reduction of the non-performing loans portfolio allowed for further improvement of the quality of the loan portfolio measured with the share of loans and advances with individual evidence for impairment in total gross loan and advances. At the end of June 2008, the ratio amounted to 5.5%, as compared to 10.6% as at the end of June 2007 and 6.6% as at the end of 2007.

Organic growth is the basic method of implementation of the strategic objectives of Kredyt Bank S.A. Capital Group. In this context, the most important factors and events affecting the operations of the Group in the second half of 2008, include:

- Closer cooperation within KBC Group in Poland, primarily in the area of bancassurance in collaboration with WARTA S.A.
- Further development of the consumer finance segment, including, particularly, the full utilisation of the expanded distribution network of Żagiel S.A.
- Further expansion of the network of Kredyt Bank S.A. As at the end of June 2008, the Bank operated 83 outlets launched under this programme.
- Ensuring the financing of the further development of lending activities through an access to the resources of KBC Bank NV, i.e. the major shareholder of Kredyt Bank S.A.

2. Business conditions in Poland and the banking sector in the first half of 2008

Overall economic conditions in Poland in the first half of 2008

Following the successful year 2007, the first half of the current year brought about the long-awaited symptoms of a worse economic situation. Available data demonstrate that, in the second quarter of 2008, an economic growth rate declined to ca. 5.5% y/y from 6.1% y/y in the first quarter and was the lowest for almost two years.

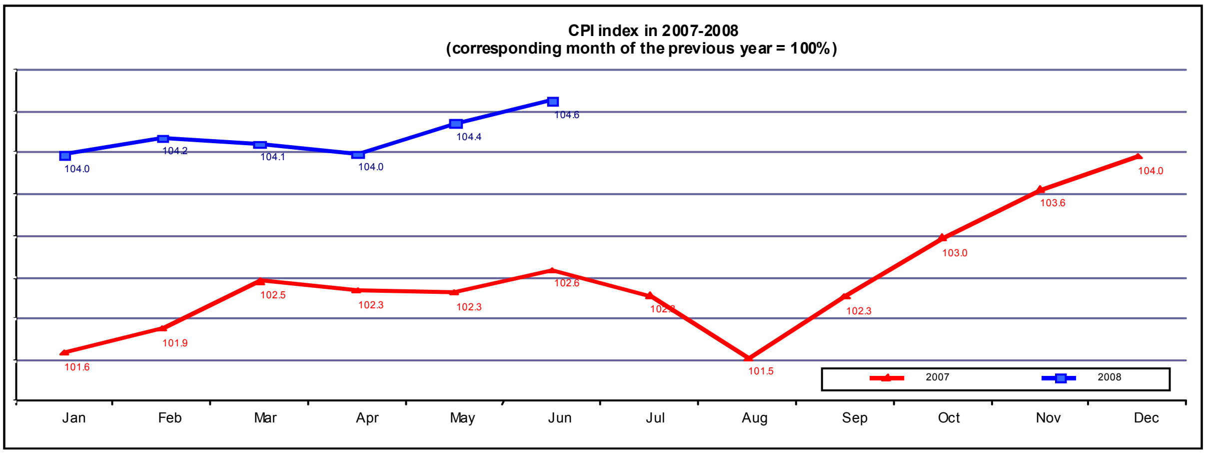
The growth structure in this period remained relatively stable. In the context of the contribution from investments which was declining recently, the contribution of private consumption was gradually more and more noticeable. The trends are grounded in the broadly-understood economic environment. Growing financing costs and an increase in global aversion to risk after July 2007 curbed the rate of the inflow of direct foreign investments, what, despite the persisting flow of resources applied in the EU infrastructure projects, translated into the decreasing growth rate of investments. Simultaneously, a significant improvement on the labour market was advantageous for the maintenance of the pressure on the rise of wages, hence driving private consumption. High resilience of the export sector to the effects of turbulences in the global economy was the biggest positive surprise and, at the same time, the key factor triggering the growth in recent quarters. Such good results are attributed to a good financial situation of Polish enterprises and good economic situation of Poland's main trading partners persisting from the beginning of the year. We can presume that the second half of the year is going to be much harsher for Polish exporters. However, not the appreciation of the Polish zloty and increased employment costs will become the main barrier, but the limited foreign demand (mainly from old EU states) as a result of a probable depression or, at best, a significant slump in the economic situation.

We expect that the so far low negative contribution of net export to growth will deteriorate in the quarters to come, what will be reflected in a more and more declining growth rate of real GDP on a year-to-year basis to (or a little below) 5.0% in the second half of the year. The worsening of the external demand and further growth of the cost of money, combined with the persisting, relatively significant aversion to risk on a global scale, may result in further reduction in the growth rate of investments. Nevertheless, the growth rate will remain double-digit due to the expected acceleration of infrastructure investments co-financed by the EU. The room to improve the situation on the labour market has been shrinking slowly as the real unemployment rate is decreasing and the pressure on margins growing, however, in our opinion, in the months to come, wages will continue to grow fast. Despite the gradual decline in labour demand and the lower employment growth rate, the real payroll budget growing at an almost double-digit rate will remain a driving force behind the private consumption for a longer time. This year, the economic growth rate may reach 5.4% y/y.

The major factors having a positive impact upon the macroeconomic environment are as follows:

- fast growth of domestic demand;
- ongoing growth of the share of investments in GDP;
- steady and high financial profitability of enterprises;
- safe implementation of the budget of the public finances sector (the deficit on the level significantly lower than scheduled for 2008, a surplus in the budgets of local government units).

In the first half of 2008, a consumer prices growth rate increased considerably (on a year-to-year basis), what resulted directly from an increase in energy prices, including both crude oil on global markets and natural gas and electricity following the decision of the Energy Regulatory Office (URE), and an increase in food prices faster than the year before. However, a strong increase in the annual inflation rate was recorded in all main categories, including goods and services from the net base inflation pool. Hence, although, over recent years, fluctuations in the inflation rate were triggered almost exclusively by supply-related factors, the year 2008 is marked by an upward demand pressure. The figure below presents the consumer prices in the first half of 2008 as compared to the figures recorded in the corresponding period in 2007.



The following factors are listed among the worrying macroeconomic tendencies and negative phenomena:

- high inflation of consumer prices;
- persisting low level of working activeness of Poles;
- the risk of a price/wage spiral (second-round effects);
- lower financial profitability of export enterprises.

In the context of the deteriorating competitiveness of the Polish economy, the effective combat against supply-related restrictions on the labour market is a key issue from the point of view of maintaining a strong economic growth rate in medium term. From the standpoint of an increase in effectiveness, a greater share of investments in GDP is also crucial. Effective use of the EU financial aid, especially under the new budget perspective for the years 2007–2013, will be of particular importance in this respect.

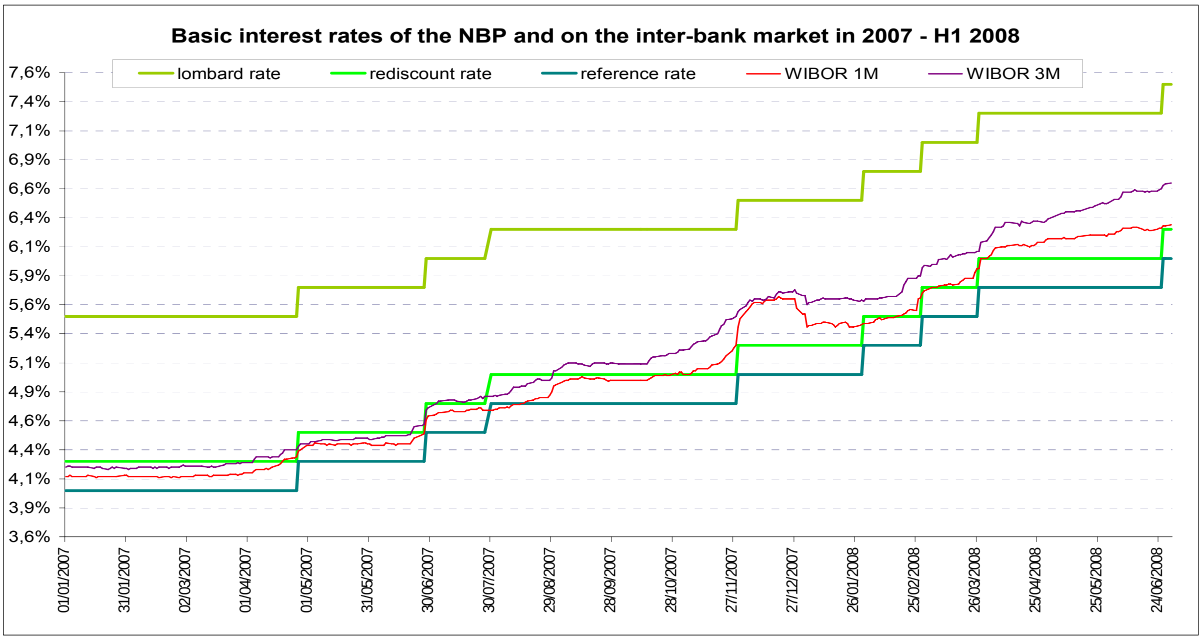
Monetary policy of the National Bank of Poland (NBP) in the first half of 2008

In the first half of 2008, the Monetary Policy Council continued the cycle of tightening the monetary policy commenced in April 2007. A series of four interest rate rises (by the total of 100 b.p.), at the end of the second quarter inflated the reference rate to 6.0%. This was a response to the disadvantageous balance of risks for the future inflation, continuing despite the appreciation of the Polish zloty and the previous rises. The wage pressure and related concerns regarding the second-round effects in the context of the growing inflation of food and energy prices is the most crucial medium-term threat for inflation.

At the end of July 2008, the basic interest rates of the central bank were as follows:

- reference rate – 6.00% p.a.;
- lombard rate – 7.50% p.a.;
- rediscount rate – 6.25% p.a.;
- NBP deposit rate – 4.5% p.a.

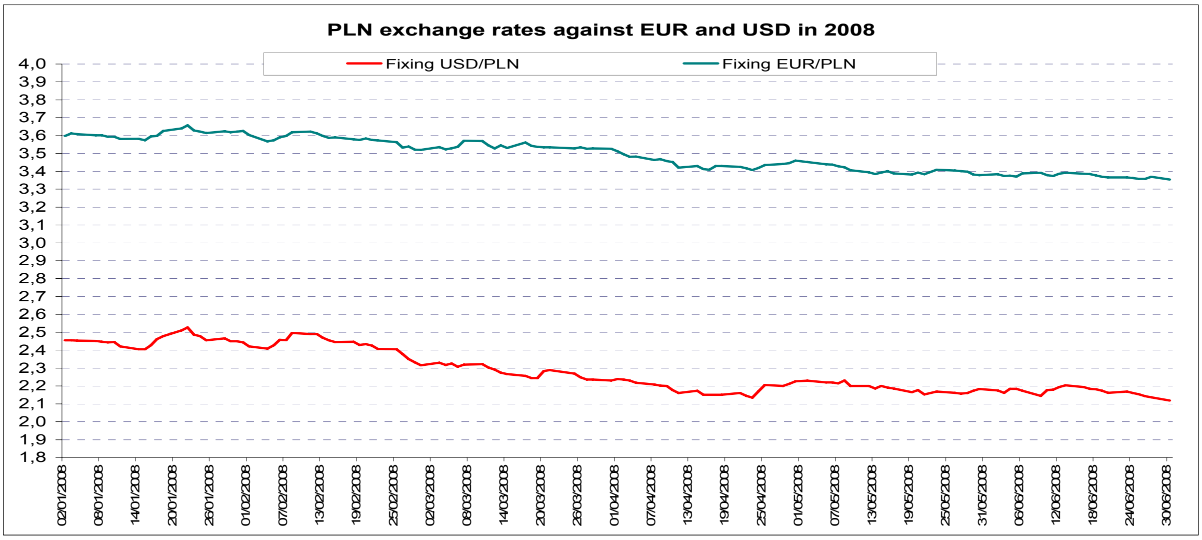
The diagram below shows the basic interest rates of the National Bank of Poland against inter-bank interest rates in 2007 and in the first half of 2008.



The currency market in the first half of 2008

The increase in global risk aversion due to the disturbances on global financial markets caused by the mortgage crisis in the USA has not adversely affected the Polish zloty. Both very good business results, including fast growth of GDP and moderate inflation, and a surprisingly low budget deficit at the central level and in the whole public finances sector, contributed to the inflow of foreign capital. In addition, the attractiveness of the Polish zloty grew with the increase in basic interest rates of the NBP and of the profitability of Treasury securities. From the beginning of the year until July, the Polish zloty gained almost 11% against euro and 17% against the depreciating the US dollar.

The scale of the appreciation raises questions about future prospects. On the one hand, in the years to come, the Polish economy will probably develop faster than economies of the majority of countries from the Eurozone. Combined with the forecasted increase in the flow of EU subsidiaries, it may indicate the stable potential of the Polish zloty to appreciate. On the other hand, the growth rate of productivity, although higher than in the EU, will probably be lower than in previous years due to increased employment costs. In addition, the deepening imbalance in the balance of trade and a more limited inflow of foreign investments raises concerns about the proper condition of the balance of payments.



Banking sector in the first half of 2008

The first half of 2008 was yet another period of high results of the banking sector. According to the preliminary data of the Polish Financial Supervision Authority (KNF), net profit as at the end of June 2008 exceeded PLN 8.6 million and was higher by 20% than in the first half of 2007. The banks maintained the high growth rate of basic income. Its growth was mainly affected by the improved net interest income and foreign exchange transactions. It neutralised the negative impact of worse business conditions on the capital market on net commission income and net income from the banks' financial transactions. Growing loans and deposits volumes were the most important factor contributing to the sector's profit.

Due to the increased business activeness, banks' total assets increased to PLN 881 billion (as at the end of June 2008). Further growth in employment and the development of the distribution network reflected the expansion of the banking sector. As a result, the overall savings potential on the expenses base decreased. The fast growth of employment and average wages contributed to the stabilisation of the non-performing loans portfolio. At the same time, greater payroll budget in the economy contributed to the emergent demand for various financial services.

The fast growth of lending activities was the most important factor for the development of banks in the first half of 2008:

- due to greater incomes of customers, the significance of household loans increased. At the end of June, their annual growth rate was at the level of 35.5%. It was achieved mainly due to very high results of the sale of mortgages (110.2 thousand loan agreements for the total amount of over PLN 21 billion[1]). At the end of the 6-month period, mortgages accounted for almost 47% of household debts in banks.
- in the period, the banks also recorded high activeness on the consumer finance market, triggered by the demand for durable goods, increasing along with the improved security of borrowers' employment. At the end of June 2008[2], the annual growth rate for consumer loans exceeded 32%.
- advantageous real conditions shaped the growth trend for loans for institutional customers. In 2008, companies' demand for the financing of operations increased substantially. On an annual basis, debts of business entities in the banking sector increased by 22%.

The first half of 2008 was characterised by a relatively high (as compared to previous years) increase in the deposits base:

- in 6 months, the value of household deposits increased by over PLN 28 million. It was a result of both increased interest rates and worse conditions on the stock exchange, which discouraged investors to make risky investments in shares and products of investment funds societies. At the end of June 2008, the annual growth rate for household deposits in banks amounted to 22%.
- the growing demand of enterprises for loans, associated with a high growth rate of investments, resulted in a lower growth rate of the resources of institutional customers on bank accounts. At the end of June 2008, its annual rate was at the level of 11% (against 28% at the end of June 2007).

The successes of banks related to the absorption of resources withdrawn by households from the capital market were not, however, sufficient to avert the negative trend for the structural liquidity of the sector caused by the excessive, in relation to the deposits base, scale of the growth of credit exposures.

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[1] Data of the Polish Bank Association (ZBP) for the period January-May 2008. The sales were similar to the sales generated in five months of 2007.

[2] The high, an over 30%, growth rate of the market of easily available consumer loans maintained by July 2007.

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

The Group's main strategic objective is to increase the number of its customers and the share in the banking services market in Poland. The chief assumption is to improve the effectiveness of operations and generated returns without an increase in the operating risk. Having regard for the high cost of the external growth in Poland, Kredyt Bank S.A. Capital Group prefers the business model which involves organic growth. However, it does not mean that the internal growth will not be supplemented by acquisitions of entities from the financial sector.

The Group's strategic goals:

In Retail Segment:

- cross-sale of banking and insurance products addressed at the present customers of Kredyt Bank S.A. Group and WARTA S.A. Group;
- focusing on mass customers and upper mass customers, including consumer finance customers;
- increased share in the market, including consumer loans market.

In Corporate Segment:

- focus on services to medium-sized companies, including customers of other KBC Group members operating in Poland;
- focus on the increase in customer relations efficiency.

In terms of financial standing (objectives for the whole KBC Group):

- a medium-term goal entails the achievement of ROE at the level of 18.5%;
- a medium-term goal entails the achievement of cost/income ratio at the level of 55%.

Methods of the goals accomplishment:

- close cooperation with entities of KBC Group in Poland to provide the customers with a complete, professional and modern offer of financial services with limited costs of its development;
- further implementation of the bancassurance model in cooperation with WARTA S.A. Group on the basis of the major shareholder's experience, and cooperation regarding the distribution of banking and insurance products;
- in terms of retail loan products, focusing on the sale of mortgages, consumer loans and credit cards;
- in terms of the acquisition of financial resources of retail customers, the change from the product-oriented approach to the portfolio-oriented approach which will facilitate easy and flexible customers' access to various investment options;
- separation and development of the business line dedicated to lower-income customers;
- in the corporate segment, focusing on the development of the sale of products supplementing the traditional loan and deposit offer, such as: cash management, trade financing, market risk management instruments and leasing;

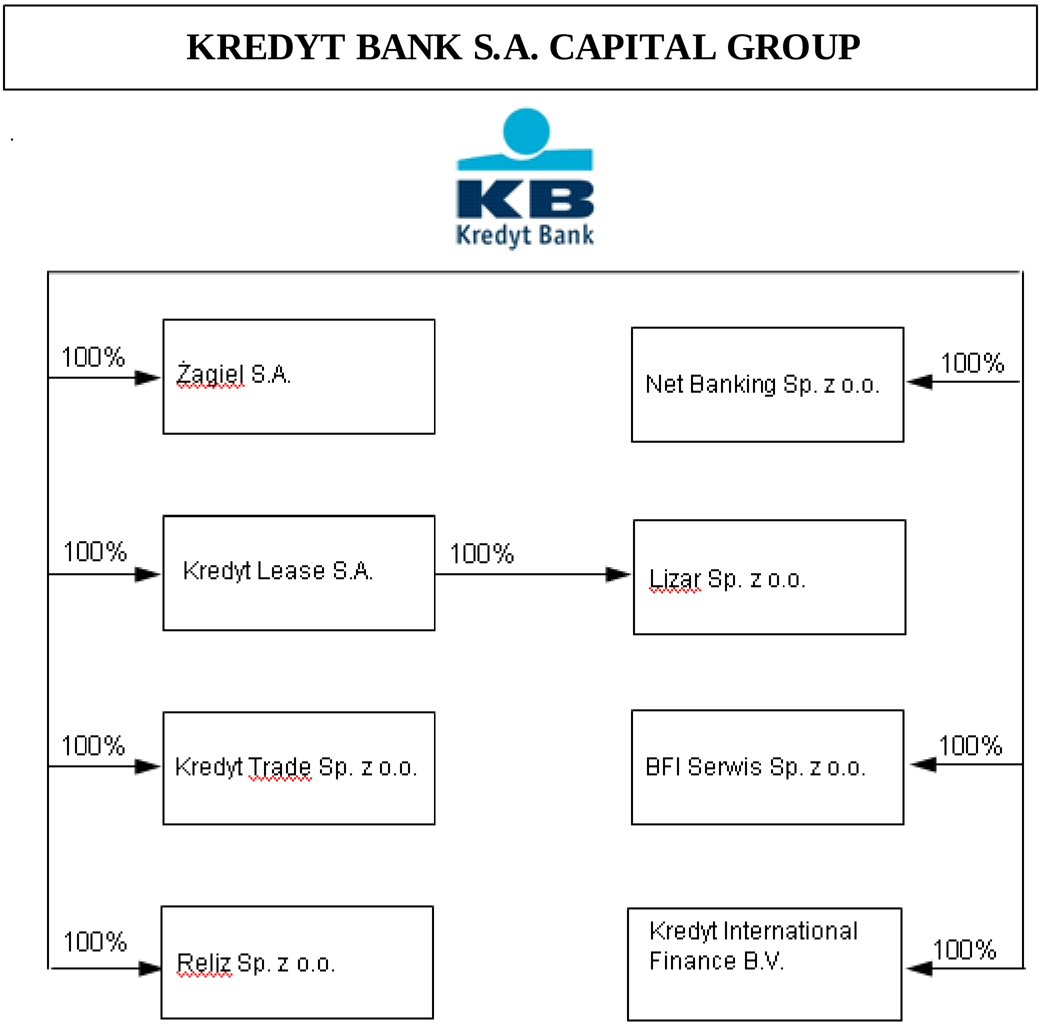
- increasing network effectiveness and its expansion (the final implementation of the plan to create new outlets that was launched in 2006), opening alternative distribution channels, high quality of services and customer satisfaction;
- improvement of the effectiveness of the main customer service processes and the implementation of integrated IT solutions in this area.

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

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

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

The Group's companies and ownership structure as at 30.06.2008 was as follows:



As of 30.06.2008, the following companies were consolidated with the full method: Kredyt Lease S.A., Kredyt Trade Sp. z o.o., Żagiel S.A. and Reliz Sp. z o.o. Due to the immateriality of their operations and financial figures, the Group does not consolidate financial statements of the following entities: Lizar Sp. z o.o., Kredyt International Finance B.V, Net Banking Sp. z o.o., BFI Serwis Sp. z o.o. BFI Serwis Sp. z o.o. and Inwestia Sp. z o.o. were merged in the first half of 2008.

Investment plans, including equity investments

According to the Group's development strategy which provides for the development of a universal banking and insurance group, the Bank will focus on operations other than investment banking. However, because, one of the basic objectives of the Group's strategy is to increase its share in the financial services market, it may also be accomplished through equity investments in entities from the financial sector. In each such potential case, undertaken measures are lawful and analysed in terms of economic and organizational conditions.

As at 30.06.2008, equity investments made outside the Group were mainly investments in shares of such companies as KIR S.A., BIK S.A., G.P.W. S.A., SWIFT and of companies acquired in the course of debt recovery and restructuring processes. As at 30.06.2008, their share in the Group's balance sheet was immaterial. A detailed list of equity investments in subsidiaries, associates and entities valued with the equity method is presented in Section 6 and Note 37 to the interim consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2008.

Related party transactions

Apart from the transactions described in Section 4.4 'Events and contracts material for the Group's operations in the first half of 2008', in the said period, no significant non-standard transactions had place with related parties whose total value, in the period from the beginning of the financial year, would be equal to or exceed PLN equivalent of EUR 500 thousand, and whose nature and terms were not related to current operations. Transactions volumes and related income and expenses are presented in Note 59 to the interim consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2008.

4.2 Shareholding structure of the Group's parent company

As at 30.06.2008, the Bank's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares with the nominal value of PLN 5.00 each. The Bank's shares are registered shares and bearer shares; they are not preference shares and each share entitles its holder to one vote at the Bank's General Meeting of Shareholders. All the Bank's shares are admitted to public trading on the regulated market. In comparison with share capital as at 31.12.2007, the Bank's share capital did not change.

The Bank's Management Board is not aware of any contracts under which the proportion of shares held by existing shareholders may change in the future.

The table below presents Shareholders of Kredyt Bank S.A. holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 30.06.2008.

Shareholder	Line of business	Number of shares and votes at GMS	Share in votes and in share capital (in %)
KBC Bank N.V.*	Banking	217 327 103	80.00
KBC Securities – related party of KBC Bank NV *	Brokerage house	6 890 966**	2.54
Sofina S.A.	Investment company	15 014 772	5.53

**/ 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.*

***/ A memorandum from KBC Bank NV of 6 May 2008.*

On 18 December 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 December 2007, PPIM had 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 SA and PPIM.

PPIM notified, on behalf of the funds it managed, of the increase in the interest of the said funds to 5.001% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. (The said investment funds are shareholders who jointly hold the above-mentioned number of votes at the General Meeting of Shareholders; portfolios of investment funds are a subgroup of all portfolios of PPIM Customers).

The total interest of PPIM amounts to 13,674,064 shares of Kredyt Bank S.A. which account for 5.03% of total votes and share capital of Kredyt Bank S.A. (All Customers of Pioneer Pekao Investment Management S.A., related to portfolios managed by PPIM, are shareholders who jointly hold the above-mentioned number of votes at the General Meeting of Shareholders).

The quotations of shares of Kredyt Bank S.A. at the Warsaw Stock Exchange in the first half of 2008

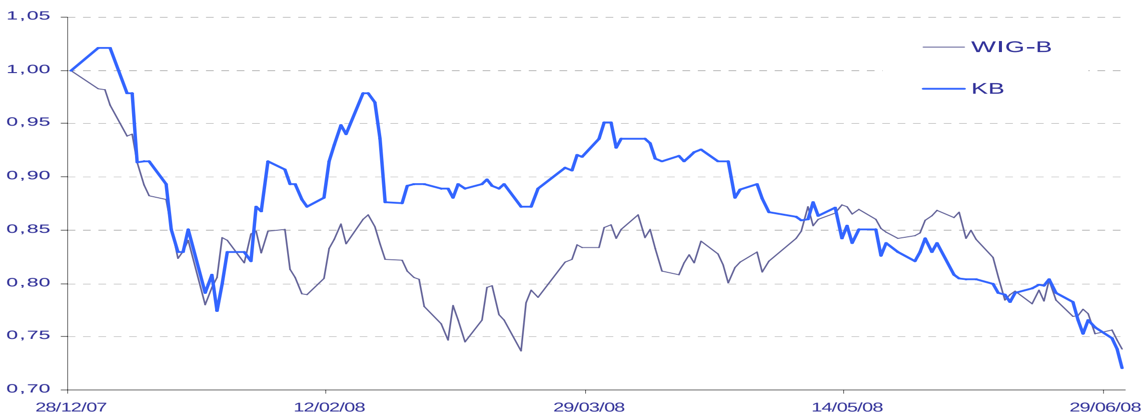
Despite positive macroeconomic figures in the first half of 2008, the capital market suffered from a successive decline in investors’ trust. As a result, in the first half of 2008, all main stock exchange indices decreased in a few waves. The prices of shares of KB S.A. were also falling.

The Bank’s market value at the closing price on the last stock exchange session of the first half of 2008 (30 June) amounted to PLN 4,781 million, and the P/BV was at the level of 2.1 For comparison purposes, at the last session in June 2007, the Bank’s shares were valued at the total of PLN 7,606 million at P/BV of 3.5 Hence, the market value of KB S.A. decreased by ca. 37% p.a. For comparison purposes, WIG index was almost 38% lower than the quotations at the end of the first half of 2007, and WIG Banks index lost ca. 32% in this period.

	30.06.2008	29.06.2007	change (%)
KB S.A. share price (PLN)	17.60	28.00	-37.1%
WIG	41 146	66 078	-37.7%
WIG Banks	6 010	8 784	-31.6%
Earnings per share* (in PLN)	0.53	0.67	-20.9%
Book value per share* (in PLN)	8.05	7.79	3.3%

* computed on the basis of consolidated figures

KB share prices against WIG-Banks index in the first half of 2008



4.3 The authorities of the Group's parent company

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

On 18 December 2007, Mr. Ronald Richardson, the President of the Bank's Management Board, resigned from his position of the President of the Bank's Management Board, and from the membership in the Bank's Management Board as of 29 February 2008. On 18 December 2007, at the session of the Bank's Supervisory Board, Mr. Maciej Bardan was appointed the President of the Management Board of Kredyt Bank S.A. as of 1 March 2008.

The Supervisory Board of Kredyt Bank S.A., at its session on 4 April 2008, under § 25 item 2 of the Articles of Association of Kredyt Bank S.A., decided that, from 15 April 2008, the Management Board of Kredyt Bank would be composed of five members. At the same session, the Supervisory Board appointed, as from 15 April 2008, Ms. Lidia Jabłonowska-Luba as a Member and Vice-President of the Bank's Management Board responsible for finances and risk.

As at 30.06.2008, the Management Board of Kredyt Bank S.A. was composed of:

Mr. Maciej Bardan	– acting President of the Management Board
Mr. Umberto Arts	– Vice-President of the Management Board
Ms. Lidia Jabłonowska-Luba	– Vice-President of the Management Board
Mr. Krzysztof Kokot	– Vice-President of the Management Board
Mr. Michał Oziembło	– Vice-President of the Management Board

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

As at 30.06.2008, the Supervisory Board of Kredyt Bank S.A. was composed of:

Mr. Andrzej Witkowski	– Chairman of the Supervisory Board
Mr. Adam Noga	– Vice Chairman of the Supervisory Board
Mr. Francois Gillet	– Member of the Supervisory Board
Mr. John Hollows	– Member of the Supervisory Board
Mr. Feliks Kulikowski	– Member of the Supervisory Board
Mr. Marek Michałowski	– Member of the Supervisory Board
Mr. Luc Philips	– Member of the Supervisory Board
Mr. Krzysztof Trębaczkiewicz	– Member of the Supervisory Board
Mr. Jan Vanhevel	– Member of the Supervisory Board

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

As at the date of the publication of this report, i.e. 26.08.2008, as compared to the situation as at the publication date of the annual consolidated financial report for 2007, the number of the Bank's shares held by Members of the Bank's Management Board decreased by 5000 shares. This change is a result of the fact that on 18 December 2007, Mr. Ronald Richardson resigned from his position of the President of the Bank's Management Board, and from the membership in the Bank's Management Board, as of 29 February 2008.

The number of the Bank's shares held by Members of the Bank's Supervisory Board did not change. The number and value of shares in the Group's parent company and shares in subsidiaries and associates held by Members of the Management Board and Members of the Supervisory Board of Kredyt Bank S.A. is presented below.

	Shares of Kredyt Bank S.A.		Shares of subsidiaries and associates	
	Number of shares	Nominal value (in PLN '000')	Number of shares	Nominal value (in PLN '000')
Management Board Members	0	0	0	0
Supervisory Board Members	1 000	5	0	0
Marek Michałowski	1 000	5	0	0

4.4 Events and contracts material for the Group's activity in the first half of 2008

The following events were material for the Group's operations in the first half of 2008:

- On 07.02.2008, Kredyt Bank S.A. executed, with Kredietbank S.A. Luxembourgeoise, a multicurrency loan agreement up to the amount equivalent to EUR 200 million. The agreement was concluded on market terms with the repayment period of two years and one day. Cash obtained under the above-mentioned loan agreement was used to finance the Bank's current operations.
- On 29 February 2008, the Bank was notified by Fitch Ratings of the upgrade of the Individual Rating for Kredyt Bank from D to C/D. Other ratings have been affirmed at previous levels, i.e. Issuer Default Rating (IDR): A+ (single A with a plus), Short-term Rating: F1, Support Rating: 1.The outlook for the rating remains Stable.
- On 19 March 2008, Kredyt Bank S.A. executed, with KBC Bank NV Dublin Branch, a subordinated loan agreement up to the amount equivalent to CHF 100 million. The subordinated loan agreement was concluded on market terms with the repayment period of 10 years from the payment of the resources. The interest rate is based on the LIBOR rate + margin. The agreement provides for the possibility of an earlier repayment, upon the Bank's request, of the subordinated loan amount, however, not earlier than five years following the release of resources. The earlier repayment will call for the consent of the Polish Financial Supervision Authority. The agreement contains a condition precedent which involves the submission to the Lender, i.e. KBC Bank NV Dublin Branch, by the Borrower, i.e. Kredyt Bank, of the authorization of the Polish Financial Supervision Authority to include the amount of the said subordinated loan in the Bank's equity.
- On 3 June 2008, the Bank received the decision of the Polish Financial Supervision Authority of 26 May 2008, on its consent to include an amount of CHF 100,000,000 in the Bank's supplementary funds, according to the terms and conditions of the said subordinated loan agreement.
- On 26 March 2008, the Management Board of Kredyt Bank S.A. resolved to recommend the draft Resolution concerning the distribution of profit for 2007, to be later discussed at the General Meeting of Shareholders of Kredyt Bank S.A., to be examined by the Supervisory Board. The above-mentioned draft assumed the payment of gross dividend to shareholders of PLN 0.52 per share. The proposed day of establishing the right to dividend is 3 July 2008, and the proposed dividend payment date is 18 July 2008.
- On 4 April 2008, the Supervisory Board of Kredyt Bank S.A., under § 24 Clause 1 item 3 of the Bank's Articles of Association, upon the request of the Bank's Management Board, appointed the certified auditor, Ernst & Young Audit Sp. z o.o., with its registered office in Warsaw, Rondo ONZ 1, registry No. 130, to perform an independent review and audit of financial statements of Kredyt Bank S.A. and of consolidated financial statements of Kredyt Bank S.A. Capital Group as of 30.06.2008 and 31.12.2008.
- On 28.05.2008, the General Meeting of the Shareholders of Kredyt Bank S.A. adopted a resolution on the payment of gross dividend for the financial year 2007 amounting to PLN 0.52 per share, i.e. the total amount of PLN 141,262,617.60. Holders of 271,658,880 Bank's series A to W shares were entitled to dividend from such stocks. The right to dividend was established on 3 July 2008. The payment of dividend was effected on 18 July 2008.

- On 19 June 2008, Kredyt Bank S.A. executed, with KBL European Private Bankers S.A., a multicurrency loan agreement up to the amount equivalent to EUR 200 million. The loan agreement was concluded on market terms with the repayment period of three years. Cash obtained under the above-mentioned loan was used to finance the Bank's current operations.

In the first half of 2008, the Bank did not enter into any material agreements with the central bank or the regulatory authorities.

Major post-balance sheet events:

The General Meeting of Shareholders of Kredyt International Finance B.V. (KIF B.V.), with its registered office in Amsterdam (a wholly-owned subsidiary of Kredyt Bank S.A.), adopted a resolution on the commencement of the liquidation proceedings of KIF B.V. on 15 July 2008. Mr. Michał Dwurzyński was appointed the liquidator of KIF B.V. KIF B.V. has not been running any operational activities since July 2005.

Kredyt International Finance B.V. was registered on 14 February 2001 to carry out and provide service of the issue of bonds in euro and was involved in the acquisition of financial resources on foreign markets.

Contracts entered into by the Issuer with an entity authorized to audit financial statements

On 09.04.2008, the Bank entered into an agreement with Ernst&Young Audit Sp. z o.o. in Warsaw, an entity authorized to audit financial statements, on the review of the semi-annual condensed, standalone and consolidated financial statements of the Bank and of the Group for the first half of 2008 and the audit of the standalone and consolidated financial statements of the Bank and of the Group for 2008. The total net remuneration under this agreement amounted to PLN 1,416 thousand (as compared to PLN 1,416 thousand in 2007 under the agreement of 10.05.2007). Furthermore, the Bank entered into an agreement with an entity authorized to audit financial statements concerning the performance of agreed procedures related to the quarterly consolidated financial statements for the first and the third quarter of 2008 with net remuneration under this agreement amounting to PLN 520 thousand (cf. PLN 520 thousand in 2007) and an agreement concerning the performance of agreed procedures related to the financial result and net assets of Reliz Sp.z o.o., the Bank's subsidiary, whose net value amounted to PLN 75 thousand (cf. PLN 75 thousand in 2007).

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

5.1 Retail banking

5.1.1 Business area, distribution channels and results of the retail banking segment

The Retail Segment in Kredyt Bank S.A. Group provides services to individual customers as well as Small and Medium-size Enterprises (SME) (SME – annual income below PLN 16 million).

The traditional network of the Bank's branches is the main channel of distribution. As at 30.06.2008, it comprised 391 branches, sub-branches, banking outlets and agencies located all over Poland. Retail customers can also obtain access to banking products and services through KB24 internet system.

The Bank's network is supplemented by the distribution network of Żagiel S.A. composed of two distribution channels. The first channel utilized mainly to sell instalment loans, is composed of affiliates, representatives and cooperating shops. The second channel dedicated to the sale of cash loans, credit cards and selected services from the Bank's and WARTA S.A.'s offers is composed of a network of small outlets called 'Kredyt Punkt' ('Credit Point'), which, at the end of the first half of 2008, comprised 312 outlets.

Due to their specific nature, services for the Private Banking customers are provided separately within the retail banking segment, by 11 branches reporting directly to the Private Banking Department in the Bank's Head Office.

Small and Medium-sized Enterprises (SMEs) that keep full accounting records are served by mobile customer service teams, operating in all large cities. It allows for a direct and fast contact with customers, particularly as regards loan products.

The retail branches also carry out cash transactions, also for corporate customers.

Measures aimed at enabling the sale of banking facilities through the distribution network of WARTA S.A. Group are continued. This project is a pivotal measure concerning the implementation of the cross-sale of banking and insurance products.

As at the end of June 2008, Kredyt Bank S.A. provided services to 985,000 individual customers and SMEs.

in '000'	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007	As at 30.09.2007	As at 30.06.2007
Individual customers	902	880	869	863	849
SMEs	83	82	82	82	81
Total customers	985	962	951	945	930

At the end of June 2008, the number of KB 24 users amounted to 306,000 as compared to 252,000 at the end of June 2007 (an increase by 21.4%).

in '000'	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007	As at 30.09.2007	As at 30.06.2007
Number of KB24 users	306	292	278	265	252
Number of transfers via KB24 in the quarter	3 674	3 457	3 340	2 994	2 892

The retail segment's profit before tax in the first half of 2008 amounted to PLN 58,661 thousand as compared to PLN 44,021 thousand in the corresponding period of the previous year. The result comprises respectively: – PLN 51,780 thousand and – PLN 35,119 thousand of net impairment losses on financial assets, other assets and provisions.

5.1.2 Product strategy in retail banking area

Kredyt Bank S.A. Capital Group offers a full range of financial services, due to close cooperation of the Bank, the Group's companies and entities of KBC Group in Poland. The offer entails:

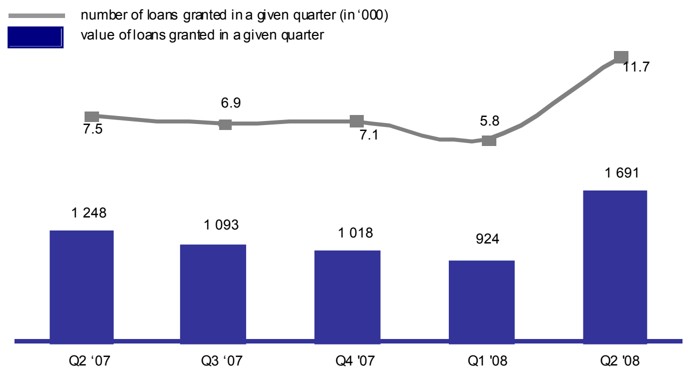
- traditional banking facilities;
- SME products;
- consumer finance products, in collaboration with Żagiel S.A.;
- insurance products offered in cooperation with WARTA S.A. Group;
- KBC TFI products (shares in investment funds);
- leasing products of Kredyt Lease;
- mortgage loans.

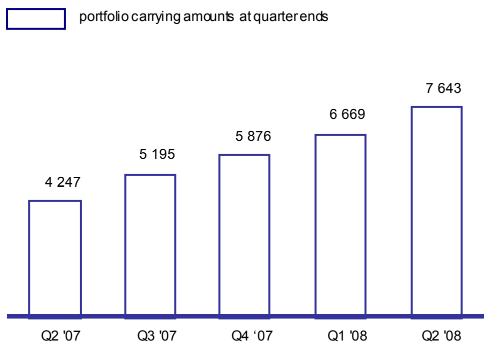
In the first half of 2008, Kredyt Bank Group continued its action aiming at the development of the retail banking, pursuant to the strategy adopted in autumn 2005. The basic elements of the product strategy are as follows:

- the sale of mortgages;
- the sale of instalment loans and cash loans;
- credit cards;
- traditional deposit products – personal accounts and savings accounts,
- products dedicated to SMEs;
- the launch of new bancassurance products in cooperation with WARTA Group and the development of cross-selling banking and insurance products;
- the sale of shares in KBC TFI investment funds, including capital guaranteed funds.

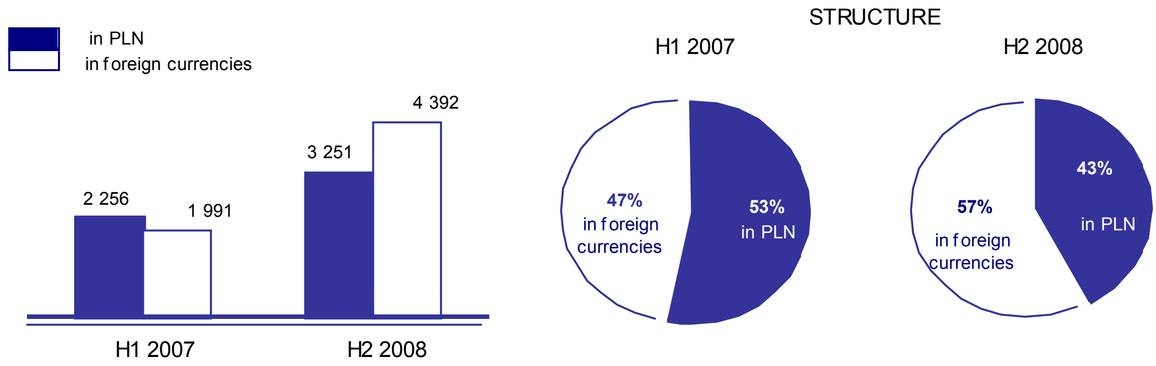
Mortgages

In the first half of 2008, the Bank extended 17.5 thousand mortgages; the total sales in this period amounted to PLN 2,615.3 million. As compared to the corresponding period in the previous year, the sales of loans increased by 46.9%. The debt resulting from mortgages amounted to PLN 7,643.4 million (an increase by 80.0%). The diagrams below present the mortgages portfolio volume and sale in PLN '000' and in thousands of facilities.





The diagrams below present the value of the mortgages portfolio in breakdown into PLN loans and foreign currency loans in PLN '000' and the portfolio structure at the end of the first half of 2007 and of the first half of 2008.

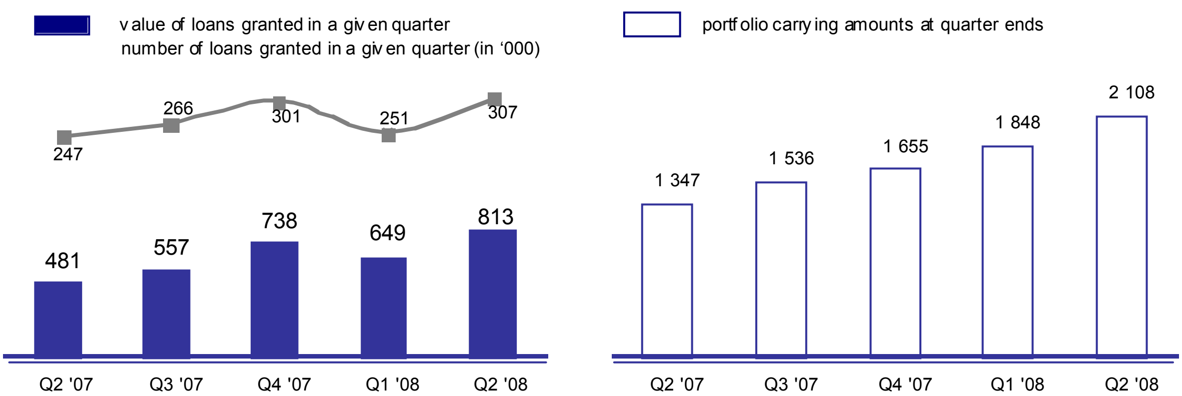


Retail and cash loans – cooperation with Żagiel S.A.

In the first half of 2008, Kredyt Bank S.A. Group continued the development of Consumer Finance, a separate business line. They aimed at the upgrade of management as well as further development of the distribution network, product offer and the IT platform. The works were carried out on the basis of Żagiel S.A. and the organisational structure of Kredyt Bank S.A.

Żagiel S.A. operates two basic distribution channels, i.e. dedicated to the sale of instalment loans and to the sale of cash loans, credit cards and selected products of Kredyt Bank S.A. Group and of Warta S.A. Group.

In the first half of 2008, total sales of loan products via Żagiel S.A. amounted to PLN 1,462.0 million, i.e. increased by 65.4% as compared to the first half of 2007. The diagrams below present the volume



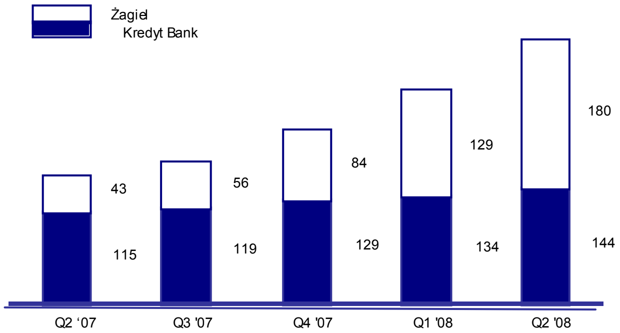
of loans portfolio and sale in PLN '000' and in thousands of facilities.

Cash loans are also sold via the network of outlets of Kredyt Bank S.A. As at 30.06.2008, the portfolio of cash loans sold by the Bank's branches amounted to PLN 752.3 million (an increase by 143%).

Credit cards

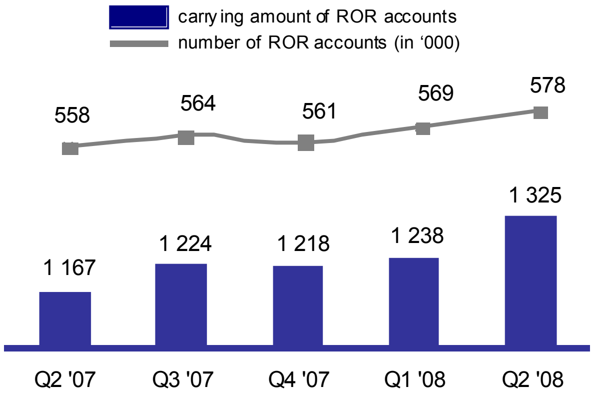
At the end of the first half of 2008, the number of credit cards of Kredyt Bank S.A. Group amounted to 324 thousand (an increase by 105.1% as compared to figures recorded at the end of the first half of

2007). About 56% of all those credit cards were sold via Żagiel. The diagram below presents credit cards at the end of the period in thousands of cards.

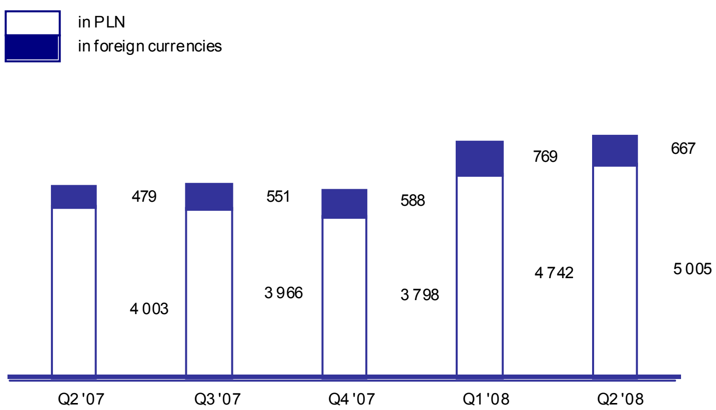


Traditional deposit products

As at 30.06.2008, the number of current accounts was higher by 3.6% as compared to figures at 30.06.2007. The value of deposits on these accounts was higher by 13.5% as compared to the end of the first half of 2006 (see the diagram, period end values in PLN '000).

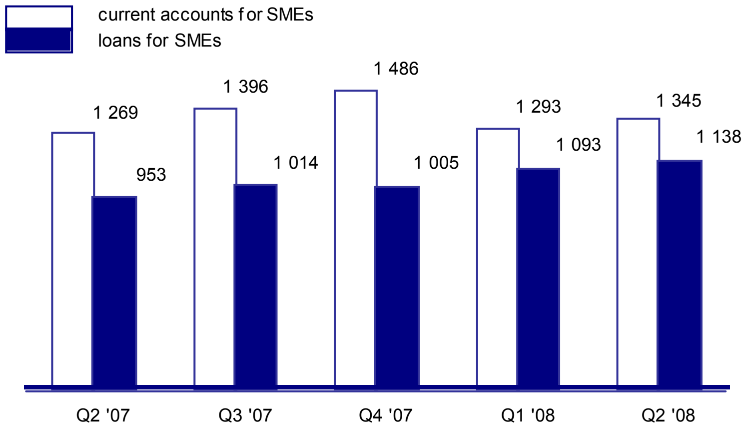


The volumes on the Savings Account, which is one of the basic depositary products, are growing on a continuous basis; at the end of the first half of 2008, the value of deposited cash was almost PLN 5.7 billion, i.e. it increased by 26.4% as compared to figures at the end of the first half of 2007. The diagram below presents cash deposited on savings accounts in PLN and foreign currencies at the end of period in PLN '000'.



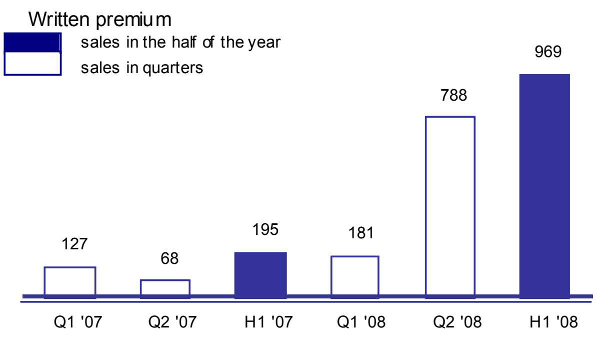
SMEs

At the end of the first half of 2008, the value of loans granted to small and medium-sized enterprises increased by 19% as compared to figures at the end of the first half of 2007. The cash on current accounts of SME customers after two quarters of 2008 was higher than the cash at the end of June 2007 by 6%. Cash deposited in current accounts of SMEs and indebtedness related to loans, in PLN '000', at the end of the period are presented on the diagram below.



Bancassurance – cooperation with TUiR WARTA Group

Extension of the bancassurance products offer and the sale of insurance products through the Bank's chain are the basic assumptions of Kredyt Bank S.A. Group's strategy. In the first half of 2008, the value of gross written premium under life and property insurance agreements of WARTA S.A. Group sold by the Group increased almost fivefold as compared to the results recorded in the first half of 2007 and amounted to PLN 969 million. The increase resulted, to a large extent, from excellent results of the sale of 'WARTA GWARANCJA Lokata Ubezpieczniowa' product (a 6- or 12-month life insurance or endowment insurance from TUnŻ WARTA) in the second quarter of 2008. The income from the sale contributes to the Bank's net interest income.



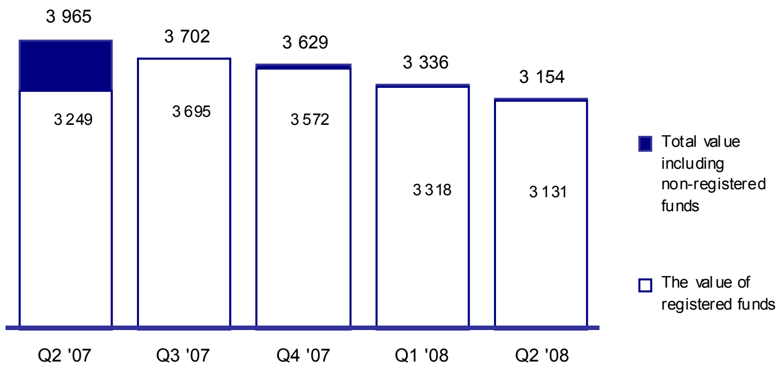
Basic groups of products sold through the chain of Kredyt Bank S.A. Group are as follows:

- combined investment-insurance products – deposits connected with life insurance, open-end and close-end investment funds with life insurance;
- insurance linked with loans – insurance agreements for borrowers of loans of Żagiel S.A.;
- embedded insurance – life insurance within mortgages and cash loans, insurance for credit cards holders, owners of personal accounts and current accounts for SMEs;

- insurance – standalone products (house or car insurance, personal insurance, property insurance for SMEs).

Investment funds – cooperation with KBC TFI

As at 30.06.2008, the total value of net assets of investment funds and unit-linked funds sold via the Group's distribution network and managed by KBC TFI S.A. amounted to PLN 3,154.1 million (including non–registered funds). As compared to figures at 30.06.2007, net assets decreased by 20.5%. The diagram below demonstrates funds' net assets as at the end of the period in PLN '000'.



At the end of the first half of 2008, KBC TFI managed assets of the total value of PLN 7.3 billion. The value of assets in investment funds managed by KBC TFI amounted to PLN 4.2 billion, which, as at the end of June 2008, accounted for the Society's market share of 4.3%. The Society was ranked fifth among all investment funds societies in Poland. Due to the product structure (a significant share of close-end capital guaranteed investment funds), the rate of the decrease in the value of assets of KBC TFI was much lower than the average rate on the market. To compare, at the end of the first half of 2007, the Society's share in the market was at the level of 3.1% and it was ranked tenth on the Polish market. At the end of the first half of 2008, KBC TFI S.A. managed the total of 32 investment funds.

5.2 Corporate banking

5.2.1 Business area, distribution channels and results of the corporate banking segment

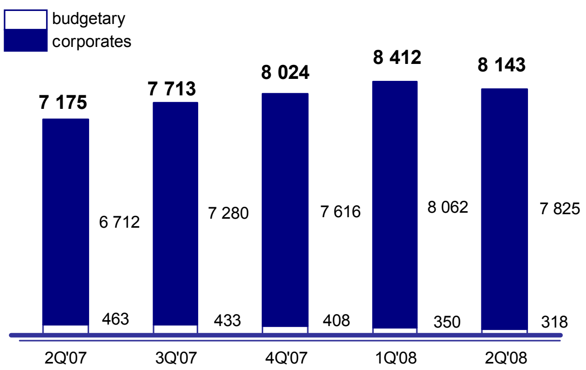
The Corporate Segment entails cooperation with large companies (with annual income exceeding PLN 16 million) as well as state budgetary units at central and local levels.

Corporate customers are served (except for payments) in 12 Corporate Banking Centres located in Białystok, Bydgoszcz, Gdańsk, Katowice, Kraków, Lublin, Łódź, Poznań, Rzeszów, Szczecin, Warsaw and Wrocław. The subsegment of customers with the turnover of over PLN 250 million is served by an additional Centre in Warsaw, which provides services to customers from all over Poland. There are 10 additional agencies reporting to the Corporate Banking Centres covering the largest operating area. Account Managers maintain direct customer relations. In the case of specialist products, they are supported by product specialists – employees of organizational units of the Head Office.

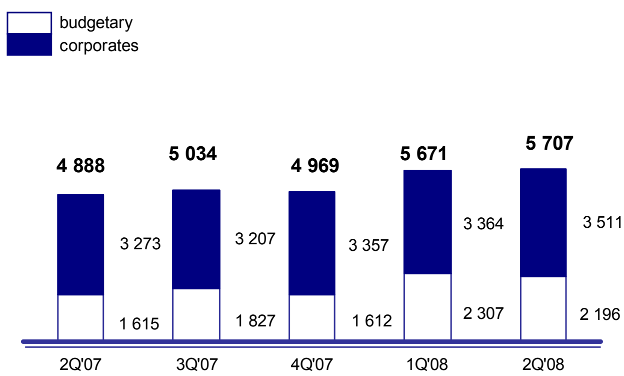
In the case of leasing products, customers are served by units and employees of Kredyt Lease, which offers a complete range of services for companies in respect of the leasing of fixed assets and properties, and in the case of means of transport, by a new company KBC Autolease, which, apart from leasing, also offers all-inclusive fleet management services. In the case of investment banking, corporate customers are served in cooperation with KBC Securities, and the investment of free resources in investment funds is provided by KBC TFI.

In the first half of 2008, Kredyt Bank S.A. Group focused on the development of the leasing, cash management, trade finance and risk hedging products, such as options, swaps and FRA's. Measures aimed at the reinforcement of the Bank's image as an institution which offers the highest quality and complete services for large corporations. The increase in the loans and deposits portfolio caused an increase in sales. The diagrams below present corporate customers' deposits and loans (including the public sector) at period end in PLN millions, according to the segmentation applied by the Bank for management purposes.

Customer loans



Customer deposits



The corporate segment's profit before tax in the first half of 2008 amounted to PLN 73,397 thousand as compared to PLN 141,161 thousand in the first half of 2007. The result comprises a negative impact of net impairment losses on financial assets, other assets and provisions of – PLN 17,497 thousand. In the first half of 2007, the impact of such impairment losses was positive and amounted to + PLN 60,880 thousand.

5.2.2 Product strategy in corporate banking segment

In the first half of 2008, Kredyt Bank S.A. Group took measures to better align the existing offer to customers' needs and improve sales organization and customer service quality. The basic assumptions of the product strategy are as follows:

- development of a complete cash and payment management offer;
- development of products and Trade Finance services applying best practices and experiences of the main shareholder, i.e. KBC Group;
- financial risk hedging solutions;
- development of leasing services in cooperation with Kredyt Lease in KB S.A. sales network.

The Bank offers a complete range of services for corporate customers, both traditional banking products and treasury, trade finance and corporate finance products. The offer is tailored to customers' size and the nature of their operations: corporations, large and medium-sized enterprises and state budgetary units.

Traditional transactional banking products, such as current accounts, term deposits, consolidated current accounts (which make it possible to provide services to multi-branch companies and manage liquidity of capital groups) are supplemented by such products as the Bulk Payment System (which makes it possible to identify details of payments, their assignment and settlement against respective settlement accounts of debtors in the customer's accounting system), direct debit, payment and credit cards and cash maintanance: cash deposits and withdrawals in Branches (open and closed), closed cash deposits collection, supplementing customers' own cash desks.

The Bank offers a complete range of traditional loan facilities, e.g. working capital loans in credit and current accounts, revolving and non-revolving loans, short-term cash and investment loans, each of them in the national and foreign currencies (standard currencies: EUR, USD, GBP). At the same time, customers may also take advantage of other credit-related services, such as leasing, bank guarantees, sureties and bill guarantees, project and investment financing, syndicates and the organization of and services related to the issue of debt securities.

A separate group of services consists of a complete services related to trading transactions, except for the purchase and sale of foreign currencies, including transfers and cheques in foreign trade, export and import financing credits, covering payments under own letters of credits, guarantees in foreign trade, documentary letters of credit, documentary export collection, medium-term and long-term export credits (MLT), bill discount, factoring, forfaiting.

The Bank also offers market risk hedging products, particularly products hedging currency risk and interest rate risk: options, swaps and FRA's.

In addition, via KBC Securities and KBC Private Equity, the Group's customers have access to investment banking services, such as advisory services concerning mergers and acquisitions, capital restructuring, acquisition of capital (stock exchanges, investors, financial partners), transactions on capital markets (primary and secondary market, bonds, capital increase, public calls, buyouts), mezzanine finance, equity finance, MBO, LBO, MBI.

5.3 Treasury Segment and cooperation with international financial institutions

The Bank performs transactions on the inter-bank market, both domestic and international, on own account and on behalf of customers. Active participation in the inter-bank market makes it possible to obtain competitive quotations, what is the basis for stabilization and development of existing corporate customers base. The Bank is the Treasury Securities Dealer and Money Market Dealer.

The treasury products offer is being expanded and ensures appropriate services both to Private Banking customers and medium-sized and large companies. It entails, among other things, the exercise of options hedging the market risk for customers.

Kredyt Bank S.A. has established active relations with domestic and foreign banks providing FX/MM, Custody, Trade Finance and payments services. They are supplemented by cooperation agreements with global foreign institutions, e.g. European Investment Bank, European Reconstruction and Development Bank, Visa International. Due to the base of 35,000 SWIFT keys exchanged with other institutions, the Bank is able to exchange correspondence with banks and maintain foreign trade in the majority of countries worldwide.

As at 30.06.2008, Kredyt Bank maintained 9 LORO accounts in foreign currencies and 33 LORO accounts in PLN for 36 correspondent banks (33 foreign banks and 3 national banks). The network of NOSTRO accounts included 19 accounts in 17 banks and it fully satisfied the clearing needs of Kredyt Bank.

5.4 Custodian services and investments

Kredyt Bank S.A. holds an authorization of the Polish Securities and Exchange Commission to maintain securities accounts; it is also a direct participant of the National Depository for Securities (KDPW) as a Custodian Bank – customers' account, and a Depositor, and the participant of the Securities Register (RPW) managed by the National Bank of Poland (NBP).

The Bank's custodian services entail maintaining accounts of securities, kept in the National Depository for Securities (KDPW) or the Securities Register (RPW), for domestic and foreign, both institutional and private customers. For the special group of customers, i.e. investment funds and pension funds, the Bank also plays a role of a custodian bank and a transfer agent. Furthermore, for close-end funds which carry out public issues of certificates, the Bank plays a role of an issue sponsor. The Bank also deposits securities not traded on organized market, registered in securities registers and on sub-fiduciary accounts in domestic and foreign financial institutions.

5.5 Operations of the Group's companies

Żagiel S.A.

As at 30.06.2008, the share capital of Żagiel S.A. amounted to PLN 23,964 thousand. The Bank launched cooperation with Żagiel in 1995. The core business of Żagiel S.A. is the intermediation in the sale of retail loans as well as in the distribution of selected services offered by the Bank and WARTA S.A. Group. The company offers instalment loans, cash loans, mortgages and mortgage loans for natural persons, leasing, EKSTRABIZNES and EKSTRAKONTO accounts and the issue and service of credit cards. The company also distributes insurance products of WARTA S.A. Group. In 2007, on the basis of the distribution network of Żagiel S.A., Kredyt Bank S.A. Group created a separate consumer finance business line.

Kredyt Lease S.A.

As at 30.06.2008, the company's share capital amounted to PLN 27,501 thousand. Kredyt Lease is engaged in leasing services, rental and lease of rights and assets, trade in real estate and intermediation in the sale of goods and services. The company focuses mainly on services provided to the Bank's customers, but also offers its services on the market. Kredyt Lease's offer is supplementary to the Bank's offer and provides a complete range of services for corporate customers and SMEs.

Kredyt Trade Sp. z o.o.

As at 30.06.2008, the share capital of the company amounted to PLN 64,179 thousand. Kredyt Trade provides services complementary to the Bank's administrative services, mainly concerning the service and lease of properties and equipment.

Kredyt International Finance B.V. (KIF)

As at 30.06.2008, the share capital of KIF amounted to EUR 18 thousand. The company was registered on 14 February 2001 to perform and handle the issue of bonds in EUR on foreign markets. KIF B.V. is also involved in sourcing of financial resources for Kredyt Bank S.A. Capital Group on foreign markets. As at 30.06.2008, the company did not have any material commitments related to the issue of securities or loan agreements.

Reliz

As at 30.06.2008, the share capital of Reliz amounted to PLN 50 thousand. ALTUS multi-purpose building in Katowice is the company's main asset. The company is involved in the lease and administration of this property.

6. Financial results of Kredyt Bank S.A. Capital Group in the first half of 2008

6.1. Assets structure

The Group's total assets as at 30.06.2008 amounted to PLN 30,188,970 thousand against PLN 24,165,556 thousand as at 30.06.2007 and were up by 24.9%.

Net loans and advances to customers and investment securities generated the greatest shares in assets structure; as at the end of the first half of 2008, they accounted for 82.7% of total assets.

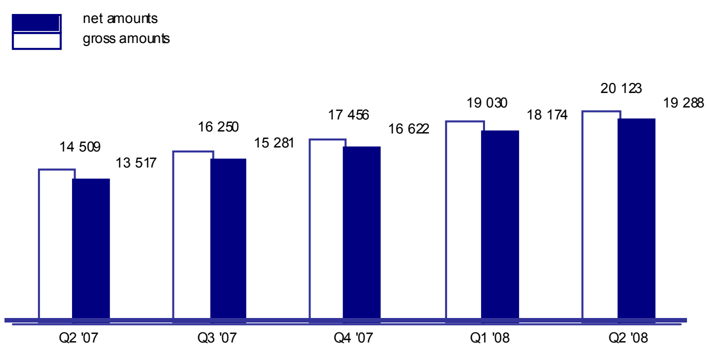
The major changes in assets structure as compared to figures as of the end of the first half of 2007 were as follows:

- an increase in the share of net loans and advances to customers from 55.9% to 63.9%; it results from a significant increase in the scale of lending activities, mainly in the case of the mortgages and consumer loans portfolios, what enabled Kredyt Bank S.A. Capital Group to expand its share in the loan market.
- a decreased share of investment securities in total assets from 22.7% to 18.8% as a result of an increased scale of lending activities.

The value of particular assets is presented in the table below (in PLN '000'):

	30.06.2008	31.12.2007	30.06.2007
Cash and balances with Central Bank	1 365 384	611 690	555 167
Gross loans and advances to banks	985 910	2 456 352	2 921 670
Impairment losses on loans and advances to banks	-2 260	-2 260	-2 260
Receivables arising from repurchase transactions	12 523	0	0
Financial assets at fair value through profit or loss, including financial assets held for trading	982 493	465 027	355 333
Derivatives including:	838 843	495 095	336 449
- derivatives used as hedging instruments	5 658	34 025	13 739
Gross loans and advances to customers	20 123 292	17 456 184	14 509 497
Impairment losses on loans and advances to customers	-835 722	-834 327	-992 564
Investment securities	5 685 402	5 482 335	5 483 977
- available-for-sale	3 930 594	3 437 169	3 340 059
- held-to-maturity	1 754 808	2 045 166	2 143 918
Investments in associates valued using the equity method	11 262	12 174	11 802
Property, plant and equipment	404 218	396 446	385 944
Intangible assets	62 415	67 212	74 465
Goodwill on subordinated companies	36 052	36 052	36 052
Deferred tax assets	164 809	150 658	164 711
Current tax receivable	0	1 309	2 458
Non-current assets classified as held for sale	0	767	185 470
Investment properties	215 320	219 509	
Other assets	139 029	113 957	137 385
Total assets	**30 188 970**	**27 128 180**	**24 165 556**

The increase in the balance sheet total of Kredyt Bank S.A. Group in the first half of 2008 resulted chiefly from the continued growth of the scale of lending activities. At the end of the first half of 2008, net loans and advances to customers amounted to PLN 19,287,570 thousand as compared to PLN 13,516,933 thousand at the end of the first half of 2007 (an increase by 42.7%). The increase is attributable to good results of the sale of mortgages and consumer loans. The diagram below presents loans and advances to customers at period end in PLN '000'.



Credit portfolio quality

In the first half of 2008, the Group continued the process of reducing its non-performing loans portfolio through restructuring and debt recovery measures as well as the sale of receivables. As a result of the said activities and the improvement of sales, particularly for retail loans, the share of loans and advances with evidence for impairment in total gross loans and advances to customers decreased almost twice. At the end of the first half of 2008, the ratio was at the level of 5.5% against 10.6% at the end of the first half of 2007. As compared to the end of the first half of 2007, the value of non-performing receivables for which evidence for impairment was identified decreased by 27.8%.

in PLN '000'	**30.06.2008**	**31.12.2007**	**30.06.2007**
Loans and advances with no evidence for impairment, including interest	19 013 300	16 312 565	12 973 110
Loans and advances with evidence for impairment, including interest	1 109 992	1 143 619	1 536 387
Total gross loan and advances to customers (including interest)	**20 123 292**	**17 456 184**	**14 509 497**
Impairment losses on loans and advances to customers	835 722	834 327	992 564
including: impairment losses on loans and advances with evidence for impairment	785 219	792 087	938 449
Total net loans and advances to customers	**19 287 570**	**16 621 857**	**13 516 933**
The share of loans and advances with evidence for impairment in total gross loans and advances	**5.5%**	**6.6%**	**10.6%**
Coverage of loans and advances with evidence for impairment with impairment losses	**70.7%**	**69.3%**	**61.1%**

Number and value of executory titles and the value of collateral established on customers' accounts and assets.

In the first half of 2008, in the course of debt collection measures aimed at recovering debts from non-paying customers, the Bank issued 6,794 banking executory titles for the total amount of PLN 62,954.7 thousand. In the first half of 2007, there were issued 18,595 banking executory titles for the total amount of PLN 61,513.2 thousand.

In the case of receivables for which impairment was identified, as at 30.06.2008, the total value of collateral approved by the Bank included in the calculations of estimated future cash flows amounted to PLN 279,833 thousand. As at 30.06.2007, this value was equal to PLN 464,394 thousand.

Gross loans and advances to customers – item-by-item structure

The most important change in the structure of the Group's loan portfolio, as assumed in the strategy, is the further increase in the share of loans and advances to natural persons in total loans and advances to customers. As of 30.06.2008, it was at the level of 59.9% (an increase by 8.1 p.p.).

	30.06.2008	31.12.2007	30.06.2007
Natural persons*	**59.9%**	**55.2%**	**51.8%**
- overdraft facilities	5.4%	6.2%	7.6%
- purchased debt	0.1%	0.1%	0.2%
- term loans	7.2%	11.2%	13.5%
- cash and instalment loans	23.7%	21.4%	22.0%
- mortgages	63.4%	61.0%	56.5%
- realised guarantees	0.0%	0.0%	0.0%
- other receivables	0.2%	0.1%	0.2%
Corporate customers	**38.4%**	**42.5%**	**45.0%**
- overdraft facilities	23.8%	21.6%	20.2%
- term loans	70.3%	73.2%	74.7%
- purchased debt	0.3%	0.4%	0.4%
- realised guarantees	0.1%	0.1%	0.3%
- other receivables	5.4%	4.7%	4.4%
Budget	**1.7%**	**2.3%**	**3.2%**
- overdraft facilities	0.2%	0.2%	2.5%
- term loans	99.8%	99.8%	97.5%
- purchased debt	0.0%	0.0%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**

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

6.2. The structure of liabilities and equity

At the end of the first half of 2008, as in the previous year, amounts due to customers were the main category of liabilities. Over the last 12 months, their value increased by 12.8%. At the end of the first half of 2008, the share of amounts due to customers in total liabilities and equity amounted to 64.1% (a decrease by 6.9 p.p.).

The share of amounts due to banks (including the central bank) in total liabilities and equity was similar as at the end of 2007. At the end of the first half of 2008, it was at the level of 23.7% against 13.0% as at the end of the first half of 2007. It resulted mainly from the increased financing of the core business of Kredyt Bank S.A. with resources from loans granted by the companies of KBC Group.

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

	30.06.2008	31.12.2007	30.06.2007
Amounts due to Central Bank	1 590	1 101 661	2 061
Amounts due to banks	7 157 731	5 301 449	3 148 703
Derivatives including:	787 484	474 370	312 915
- derivatives used as hedging instruments	57 832	44 178	22 635
Amounts due to customers	19 338 765	17 088 638	17 147 910
Liabilities arising from repurchase transactions	0	50 126	543 135
Current tax liability	20 478	7 228	15 312
Provisions	122 672	161 034	165 586
Deferred tax liability	1 317	872	1 174
Other liabilities	364 417	272 263	298 417
Subordinated liabilities	208 800	394 235	414 349
Total equity	2 185 716	2 276 304	2 115 994
Total liabilities and equity	**30 188 970**	**27 128 180**	**24 165 556**

Amounts due to customers – structure by items and types

In the structure of the Group's customers' deposits at the end of the first half of 2008, the share of retail customers' deposits and public sector deposits increased, while the share of corporate customers' deposits declined. The share of current deposits of natural persons continued to grow.

Amounts due to the Group's customers	30.06.2008	31.12.2007	30.06.2007
Natural persons*	**58.7%**	**60.3%**	**57.6%**
- in current account	73.0%	68.3%	70.4%
- term deposits	25.3%	30.6%	29.1%
- other	1.8%	1.0%	0.5%
Corporate customers	**27.0%**	**27.7%**	**30.4%**
- in current account	46.4%	52.5%	43.4%
- term deposits	53.4%	47.3%	54.8%
- other	0.1%	0.2%	1.8%
Budget	**14.2%**	**12.0%**	**12.0%**
- in current account	73.8%	65.0%	55.6%
- term deposits	26.2%	35.0%	44.4%
- other	0.0%	0.0%	0.0
Total	**100.0%**	**100.0%**	**100.0%**

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

6.3. Off-balance sheet items

The value of particular off-balance sheet items is presented in section 3 of the interim consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2008.

A noticeable increase in the value of off-balance sheet items, mainly amounts due received and related to sale/purchase transactions, is an effect of an increase in the business activeness and larger numbers of transactions with customers.

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

As of 30.06.2008, the Bank did not issue guarantees with the total value of at least 10% of the Bank's equity, to one company or entities of one capital group.

As at 30.06.2007, the Bank issued guarantees with the total value of at least 10% of the Bank's equity to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 226,983 thousand. As at 30.06.2007, their average maturity dates were three years and two months. The above guarantees were granted on market terms.

6.4. Income statement structure

The Group's net profit in the first half of 2008 amounted to PLN 144,808 thousand and was lower by 20.3% in comparison with the first half of 2007. The Group's profit before tax in the first half of 2008 amounted to PLN 187,573 thousand (18.8% less than in the first half of the previous year). The most important factors which affected the differences between the compared periods:

- the deduction of – PLN 33,050 thousand of net impairment losses on financial assets, other assets and provisions from the result for the first half of 2008 (in contrast to the figure in the first half of 2007, when net impairment losses were positive and amounted to + PLN 33,873 thousand);
- incurring, in the first half of 2008, higher general and administrative expenses by 18.1% than in the comparable period in the previous year, amounting to PLN 535,829 thousand (as compared to PLN 453,895 thousand in the first half of 2007).

At the same time, in the first half of 2008, the Group recorded an increase in net operating income by 16.6%. The result on core business improved mainly due to:

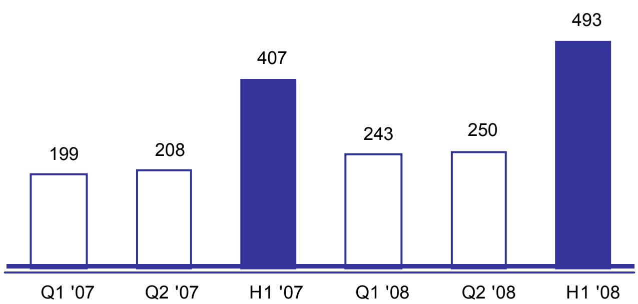
- further fast growth of the value of the retail loans portfolio possible due to the increased scale of the sale of mortgages and consumer loans;
- an increase in the value of the deposits portfolio and the scale of transactions with customers;
- an increase in the scale of the sale and of the income from payment cards.

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

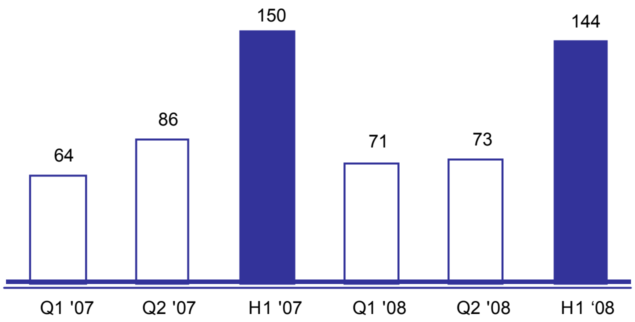
in PLN '000'	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007	Change
Net interest income	493 308	406 547	21.3%
Net fee and commission income	143 592	149 425	-3.9%
Net trading income and investments (including dividend income and net result on derivatives used as hedging instruments and hedged items)	99 775	78 350	27.3%
Net gains from other operating income/expenses	20 689	15 431	34.1%
Total income	**757 364**	**649 753**	**16.6%**
General and administrative expenses, and depreciation	-535 829	-453 895	18.1%
Net impairment losses on financial assets, other assets and provisions	-33 050	33 873	N/A
Share in profit of associates	-912	1 141	N/A
Profit before tax	**187 573**	**230 872**	**-18.8%**
Income tax expense	-42 765	-49 251	-13.2%
Net profit (attributable to the shareholders of the Bank)	**144 808**	**181 621**	**-20.3%**

Net interest income and net fee and commission income generated by the Group in the first half of 2008 amounted to PLN 636,900 thousand and was higher by 14.6% than the figure in the corresponding period of the previous year (PLN 555,972 thousand). The increase resulted from the growth in the sale of strategic products for the Group, such as mortgages, consumer loans, credit cards and insurance products offered in cooperation with TUiR WARTA S.A.

Net interest income was higher as compared to figures recorded in the first half of 2007 by 21.3%. The reason behind the clear difference between the growth rate of the value of the loans portfolio and of net interest income is the fact that part of income generated from foreign currency mortgages is reported in net income from foreign exchange transactions, which is part of net trading income. The second reason is the decline in margins on lending activities resulting from the increased share of mortgages in the structure of the loans portfolio of Kredyt Bank S.A. Group. Net interest income in 2007 – 2008 is presented in the diagram below (in millions of PLN):



Net fee and commission income was lower as compared to figures recorded in the first half of 2007 by 3.9%. Net fee and commission income in particular quarters of 2007–2008 is presented in the diagram below (in millions of PLN):



The decline by 39.4% in commission income from the distribution and management of combined investment and insurance products was the reason behind the lower net fee and commission income as compared to the first half of 2007. In the first half of 2008, it amounted to PLN 19,927 thousand, as compared to PLN 32,860 thousand in the first half of 2007. The decline is associated with worse conditions on the stock exchange and a significant reduction in the sale of shares of investment funds.

Fee and commission income from the maintanance of payment cards and ATMs ia a category of commission income which increased the most as compared to the first half of 2007. The result including expenses and fees associated with these activities increased as compared to the first half of 2007 by 44.7%, to PLN 35,394 thousand (against PLN 24,463 thousand in the first half of 2007). The table below presents the structure of commission income in the first half of 2007 and of 2008.

	01.01.2008 - 30.06.2008	Structure %	01.01.2007 - 30.06.2007	Structure %
Fees and commissions on deposit-related transactions with customer	62 804	34.1%	65 474	37.3%
Fees and commissions due for the maintanance of payment cards and ATMs	61 874	33.6%	40 011	22.8%
Commissions on distribution and management of combined investment and insurance products	19 927	10.8%	32 860	18.7%
Fees and commissions on loans	19 874	10.8%	20 224	11.5%
Commissions on foreign clearing operations	8 395	4.6%	7 924	4.5%
Commissions on guarantee commitments	6 698	3.6%	4 896	2.8%
Commissions on custodian services	1 468	0.8%	1 213	0.7%
Other fees and commissions	3 240	1.8%	3 139	1.8%
Total	**184 280**	**100%**	**175 741**	**100%**

<u>Net trading income and investments</u> (including dividend income and net result on derivatives used as hedging instruments and hedged items) in the first half of 2008 amounted to PLN 99,775 thousand, i.e. was higher by 27.3% than in the corresponding period of 2007. Net trading income was higher by

35.1% and amounted to PLN 101,767 thousand as compared to PLN 75,338 thousand in the comparable period of the previous year. The result comprises the results from the valuation and sale of held-for-trading assets carried at fair value through profit or loss, the result for derivatives and result on foreign exchange transactions. The improvement was recorded mainly for net income from foreign exchange transactions.

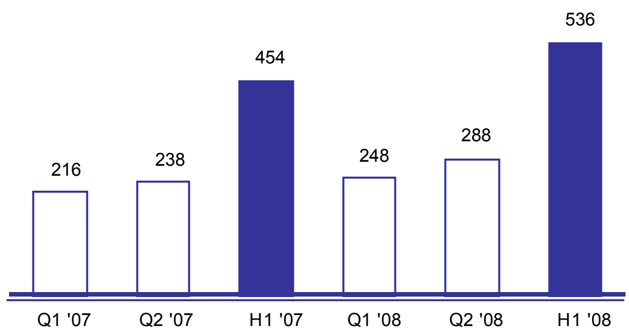
In the first half of 2008, the Group's general and administrative expenses amounted to PLN 535,829 thousand and were up by 18.1% in comparison with the previous year. Both staff costs and material costs increased.

Staff costs increased by 14.5%. The increase in employment associated with the development of the distribution networks both in Żagiel and in KB S.A. was one of the reasons. As compared to the end of the first half of 2007, the employment in the Group increased by 8.6%, i.e. by 550 FTEs. An increase in remunerations related to the economic boom as well as changes in the management and incentive systems correlated with sales results were an additional factor.

The increase in general and administrative expenses by 28.5% was recorded mainly for costs of buildings maintenance and lease, costs of marketing and advertising, IT costs, postal and telecommunications charges and costs of transport services. The increases resulted from efforts aiming at the development and upgrade of sales infrastructure of the back-office unit, what is associated with additional expenditure on the alignment of IT support systems. Due to the measures in the second quarter, which involved a review of the structure of expenses and changes in the expenses management system, a portion of expenditure incurred in this period was one-off. After their exclusion, the growth rate of general and administrative expenses would be lower by 4 p.p.

Depreciation costs remained unchanged.

General and administrative expenses, and depreciation costs, in particular quarters of 2007 and 2008, are presented in the diagram below (in millions of PLN):



Cost/income ratio (CIR) in the first half of 2008 was equal to 70.7%, what denotes a decline as compared to the first half of 2007 level by 0.9 p.p.

In the first half of 2008, net result on net impairment losses on loan receivables, other assets and provisions was negative and amounted to – PLN 33,050 thousand as compared to the positive impact upon the result in the first half of 2007 of PLN 33,873 thousand. It resulted from the increase, in the first half of 2008, of impairment losses on loans and advances to natural persons, mainly related to consumer loans, with the simultaneous decrease in reversals of impairment losses on loans and advances to corporate customers which contributed to the Group's financial result in the first half of 2007 to a greater extent.

Income tax expense on the Group's result in the first half of 2008 amounted to – PLN 42,765 thousand and was lower by 13.2% than income tax expense in the first half of 2007 (– PLN 49,251 thousand).

7. Risk management

The Bank's supervisory bodies, explicitly the Management Board and the Supervisory Board, play the most important role in the risk management process. The Bank's Supervisory Board, through the Audit Committee, is informed about the most vital decisions and gives opinions about the actions of the Management Board in this respect.

Particular risks are dealt with directly by specialised Committees:

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

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

The Risk Management Department deals with measurement and monitoring of all types of risks in Kredyt Bank. This is the only unit reporting all issues regarding risk, fully independent of business units. In the process of the identification, measurement and risk management, the Bank applies techniques relevant to a given type of risk.

The overriding objectives of risk management policy concerning mainly the observance of internal and external limits and optimising and mitigating risk in the process of ongoing monitoring are being systematically implemented. The risk management process is strictly related to the capital management process. The main objective of capital management in the Bank is to optimise it and, at the same time, to meet external capital requirements. To achieve this goal, in 2007, the Bank implemented ICAAP (Internal Capital Adequacy Assessment Process).

Details of the risk management system and applied risk metrics are presented in Note 75 to the interim consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2008.

7.1 Credit risk

Credit policy and credit risk management

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

Kredyt Bank S.A. Capital Group follows a prudent credit risk policy. The main objective is to prevent impairment of loans portfolio and minimize the share of receivables for which premises of impairment were identified in total loan receivables. The primary assumptions of the credit policy are as follows:

- clear-cut division between sale and credit risk management functions;
- ongoing monitoring and early identification of hazards;
- centralization of decision-making powers in the credit process and in the process of the management of impaired loans portfolio;
- risk diversification;
- limited financing of higher-risk business activities.

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

- Supervisory Board;
- Audit Committee;
- Bank's Management Board;
- the Member of the Management Board responsible for Finances and Risk;
- Credit Risk Committee;
- Credit Risk Office in the Risk Management Department;
- SME and Corporate Credits Department;
- Retail Credits Department;
- business lines managers;
- Audit and Inspection Department.

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

To limit the risk of credit exposure concentration, the Bank aims to expand loan extending activities for SMEs and individual customers.

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

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

With regard to the Bank's application of the approach referred to in paragraph 14 of the Resolution of the Commission for Banking Supervision No. 1/2007 dated 13 March 2007, since 1 January 2008, the Bank has applied the standardized approach to calculate the credit risk requirement. The Bank deployed IT tools to calculate capital requirements according to the standardized method, and developed and implemented models which make it possible to determine the parameters necessary to calculate capital requirements according to the Foundation Internal Ratings Based (FIRB) approach. As at 30.06.2008, the coverage of the Bank's balance sheet and off-balance sheet loans and advances to counterparties other than banks and governments with internal ratings amounted to 95.82%:

Exposure towards 10 major corporate customers (as at 30.06.2008)

Company	Share (%) in the portfolio
Customer 1	3.0
Customer 2	2.6
Customer 3	2.6
Customer 4	2.5
Customer 5	2.4
Customer 6	2.3
Customer 7	2.2
Customer 8	2.2
Customer 9	2.1
Customer 10	1.7
Total	**23.6**

Exposure in industrial segments

Industry	Exposure % 30.06.2008 *non-audited*	Comparable data Exposure % 31.12.2007	Comparable data Exposure % 30.06.2007 *non-audited*
Production activities	31.5	33.5	28.0
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	22.4	20.8	21.3
Financial intermediation	15.3	17.8	15.0
Real estate administration and lease	10.0	9.0	11.3
Construction	5.6	4.1	4.4
Transport, storing and communication	4.7	3.9	5.5
Public administration and national defence, legally guaranteed social care	3.0	4.0	5.1
Agriculture, hunting and forestry	1.9	1.9	2.0
Mining	1.5	1.0	0.1
Health care and social care	1.1	1.0	1.0
Other services for municipalities, social and individual services	1.0	1.0	1.0
Hotels and restaurants	0.8	0.9	1.1
Supplies of electricity, gas and water	0.8	0.8	3.9
Education	0.2	0.3	0.3
Total	**100**	**100**	**100**

Geographical exposure

Province	Gross loans structure (%) 30.06.2008 *non-audited*	Comparable data Gross loans structure (%) 31.12.2007	Comparable data Gross loans structure (%) 30.06.2007 *non-audited*
Mazowieckie	23.2	23.9	23.2
Lubelskie	14.8	13.6	14.3
Dolnośląskie	10.7	10.6	10.5
Wielkopolskie	8.4	9.1	9.5
Małopolskie	7.2	7.8	6.6
Pomorskie	6.8	6.9	6.7
Śląskie	6.7	6.8	8.6
Zachodniopomorskie	4.4	4.3	3.5
Łódzkie	3.9	3.8	3.6
Podlaskie	3.2	3.1	3.3
Kujawsko-pomorskie	2.7	2.5	2.5
Podkarpackie	2.6	2.3	2.4
Warmińsko-mazurskie	2.2	2.3	2.2
Lubuskie	1.3	1.1	1.0
Świętokrzyskie	1.2	1.2	1.3
Opolskie	0.7	0.6	0.6
Non-resident	0.2	0.1	0.2
Total	**100**	**100**	**100**

7.2 Liquidity risk

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

The Bank hedges the liquidity risk by:

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

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

An analysis of the Bank's liquidity is performed mainly on the basis of the liquidity gap report and the assessment of the deposit base stability by, among others, monitoring the mismatch of the maturity dates of assets and liabilities, what makes it possible to forecast the demand for liquid assets and avoid excessive concentration of cash disbursements on a close date. The Bank's financial liquidity is also monitored on the basis of a system of ratios reflecting the structure of liabilities and receivables for time ranges from 7 days to 5 years, i.e. Stock Liquidity Ratio (SLR) – a short-term liquidity ratio (up to 5 working days); Liquidity Mismatch Ratio (LMR) – a liquidity ratio (up to 3, 6 months); and Coverage Ratio (CR) – a liquidity ratio which informs about a degree of financing long-term assets with long-term liabilities (1, 2, 3 and 5 years).

In the first half of 2008, the Bank introduced liquidity metrics and limits for the ranges of 3, 6 and 12 months. The Bank's liquidity in the range of 1 month is presented by the set of regulatory liquidity ratios instead of LMR ratio. The Bank continues works on the methodology of making a liquidity gap report real. The process of making the gap real is aimed at presenting a a true picture of liquidity; the Bank models customers' behaviour (the quantity of revolving term deposits, amounts of extended but still undrawn loans) and takes into account results of those analyses in the picture of the Bank's liquidity.

A stable deposit base, not affected by seasonal phenomena, is the basic source of the Bank's financing. The diversification of the deposit base allows for the Bank's independence of any specific market segment, customer group or specific deposit type. Except for Mazowieckie Province, the deposits base is also not highly concentrated in one specific region.

The Bank's amounts due to customers by provinces:

Province	**Deposits structure in % 30.06.2008**	**Deposits structure in % 31.12.2007**	**Deposits structure in % 30.06.2007**
Mazowieckie	34.0%	31.4%	32.5%
Dolnośląskie	8.0%	8.4%	8.7%
Małopolskie	7.8%	7.2%	6.7%
Podlaskie	6.4%	5.9%	5.9%
Łódzkie	6.3%	6.4%	6.3%
Pomorskie	6.1%	6.8%	5.9%
Lubelskie	5.6%	5.9%	5.4%
Wielkopolskie	5.6%	6.3%	6.0%
Śląskie	5.5%	5.8%	7.2%
Podkarpackie	3.9%	4.1%	4.2%
Zachodniopomorskie	3.3%	3.6%	3.3%
Kujawsko-pomorskie	2.4%	2.7%	2.6%
Warmińsko-mazurskie	1.9%	2.1%	2.0%
Świętokrzyskie	1.4%	1.6%	1.5%

Lubuskie	1.0%	1.2%	1.1%
Opolskie	0.8%	0.8%	0.7%
Total	100%	100%	100%

The structure of the deposits base is advantageous also due to the original maturity date.. As at 31.12.2007 and 31.12.2006, it was as follows:

Amounts due to customers by maturity dates

	30.06.2008	31.12.2007	30.06.2007
- up to 1 month	15 992 795	14 586 807	15 097 981
- 1-3 months	1 431 886	1 229 160	1 136 805
- 3-6 months	1 085 669	541 260	504 757
- 6 months to 1 year	510 240	417 963	292 795
- 1 - 3 years	33 667	21 806	26 564
- 3 - 5 years	258 976	262 602	61 580
- 5 - 10 years	24 678	28 197	26 432
- 10 - 20 years	854	843	996
- over 20 years	0	0	0
- past due	0	0	0
Total	**19 338 765**	**17 088 638**	**17 147 910**

Gross loans and advances to customers by maturity dates

	30.06.2008	31.12.2007	30.06.2007
- up to 1 month	738 443	2 612 640	786 617
- 1-3 months	751 524	538 680	705 950
- 3-6 months	1 037 489	486 978	793 131
- 6 months to 1 year	4 570 406	2 646 233	2 880 487
- 1 - 3 years	2 411 144	2 301 364	2 165 841
- 3 - 5 years	1 894 619	1 977 836	1 676 096
- 5 - 10 years	2 726 336	2 199 306	1 767 807
- 10 - 20 years	2 709 976	2 186 040	1 744 250
- over 20 years	2 467 672	1 633 074	1 045 962
- past due	815 683	874 033	943 356
Total	**20 123 292**	**17 456 184**	**14 509 497**

7.3 Market risk

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

The Bank does not trade on stock market (investments in shares are long-term investments or investments in strategic subsidiaries). The Bank does not trade on commodity markets. In the Bank, among all types of market risks, we deal with interest rate risk and currency risk. The Bank's activity is divided into two parts: Trading Book and Banking Book. Due to different nature of opened positions, the risk is monitored in each book separately.

Trading Book

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

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

Trading Book – interest rate risk

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

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

In addition, the analysis of the sensitivity of the total Trading Book position to interest rate risk is performed through the calculation of interest rate risk VaR (with the same parameters as Global VaR, i.e. the significance range of 99%, 10-day time horizon and 500-day observation horizon). The interest rate risk analysis is supplemented by stress-testing which is the amount of possible loss due to extremely adverse (critical) changes in interest rates.

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

Trading Book – currency risk

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

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

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

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

Details of the values of particular risk metrics for the Trading Book, in the periods covered by the financial statements, are presented in Note 75 to the interim consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2008.

Banking Book

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

Banking Book – interest rate risk

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

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

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

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

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

Banking Book – currency risk

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

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

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

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

Details of the risk management system, the values of particular risk metrics and the application of hedge accounting for the Banking Book are presented in Note 75 to the interim consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2008.

Average interest rates in Kredyt Bank S.A. in the first half of 2008

Average interest rates of customers' deposits, calculated as the ratio of interest expenses to average deposits volume in the half of the year, for major currencies, were as follows:

	30.06.2008	30.06.2007
PLN	3.9	2.8
EUR	2.5	2.2
USD	2.4	3.4
CHF	0.5	0.3

Average interest rates of customers' loans, calculated as the ratio of interest income from performing loans to average loans and advances in the half of the year, for major currencies, were as follows:

	30.06.2008	30.06.2007
PLN	7.8	6.1
EUR	5.5	5.2
USD	4.9	6.7
CHF	4.3	4.0

7.4 Operational risk

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

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

As a result, the Bank, inter alia,:

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

The Bank takes measures to apply the Standardized Approach through, inter alia, the reinforcement of the operational risk assessment and management system, which is strictly related to the Bank's risk management process. The aim is to effectively include the outcome of risk assessment in the monitoring and control process for Kredyt Bank's operational risk profile.

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

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

8. Financial ratings for the Group's parent company

As at 30.06.2008, Kredyt Bank S.A. was assigned the following financial ratings:

Moody`s Investors Service

Long-term deposit rating	**A2**
Short-term deposit rating	**P1**
Financial strength	**D**
Outlook rating	**Stable**

The last change in the rating of Moody's Investors Service took place on 23 February 2007 and involved the change in the financial strength rating of Kredyt Bank S.A. from 'D-' to 'D' (stable outlook), due to the implementation of new ratings calculations methodologies.

A2 rating denotes good capacity to pay liabilities and P-1 rating means perfect ability to pay current liabilities.

Fitch Ratings

Long-term rating	**A+**
Short-term rating	**F1**
Support rating	**1**
Individual rating	**C/D**
Outlook for long-term rating	**Stable**

On 29 February 2008, Fitch Ratings increased the Individual Rating of Kredyt Bank to 'C/D' from 'D'. The Bank's other ratings have been affirmed at previous levels. The outlook for the rating remains Stable.

In the opinion of Fitch Ratings, the upgrade of the Individual rating to 'C/D' reflects the improvement in profitability of continued activities and in assets quality. The Individual rating also reflects the average capital adequacy ratio and a relatively substantial share of resources from the dominant shareholder (KBC Bank NV rated AA- with Stable outlook) in the Bank's financing structure.

Fitch Ratings states that the Long-term Issuer Default rating: A+, Support rating: 1 and Short-term rating: F1 reflect the extremely high potential support that the Bank may obtain, if needed, from its dominant shareholder.

9. Corporate Governance

Best practices in listed companies

Since the implementation of corporate governance principles (for the first time, they were incorporated by the authorities of the Warsaw Stock Exchange in 2002), Kredyt Bank S.A. declared its adherence to them and made every effort to apply recommendations and corporate governance principles to the largest possible extent.

On 4 July 2007, the Supervisory Board of the Warsaw Stock Exchange, by virtue of Resolution No. 12/1170/2007, approved new corporate governance rules enlisted in the document entitled 'Code of Best Practice for WSE Listed Companies' which came into force on 1 January 2008. The Bank's Management Board, pursuant to the new principles, drew up 'Corporate Governance Report – 2007'. The report included the provisions of Resolution No. 1013/2007 of 11 December 2007 of the Warsaw Stock Exchange, and referred to the principles in force in 2007 (i.e. 'Best Practices in Public Companies in 2005'). 'Corporate Governance Report – 2007' was attached to the Bank's Annual Report for 2007 and published on the Bank's website.

On 28 May 2008, the General Meeting of Shareholders of Kredyt Bank S.A., under Resolution No. 25/2008 approved the document 'Code of Best Practice for WSE Listed Companies' to be incorporated in the Bank's activities.

Under the corporate governance rules, the Bank adopted the By-laws of the Management Board, of the Supervisory Board and of the General Meeting of Shareholders. Members of the Supervisory Board are properly educated; the majority of them are graduates of university law or economy departments. In addition, all Members of the Supervisory Board have long-term experience in corporate management.

The Supervisory Board function comprises the Audit Committee and the Remunerations Committee. If needed, the Supervisory Board can also appoint other Committees, determine their powers and procedures. The Audit Committee supervises the activities of the Bank's organizational units responsible for internal audit, risk management and compliance function. The Remunerations Committee supervises employee issues and salaries, especially salaries of the Bank's Management Board Members.

The Regulations of the Bank's General Meeting of Shareholders determine detailed rules of conducting the meeting and adopting the resolutions. The Regulations determine, among other things, rules of shareholders' participation in the General Meeting and detailed regulations concerning the appointment of the Supervisory Board by voting in separate groups.

The Bank, in compliance with the corporate governance principles, presents on its website: www.kredytbank.pl, basic corporate documents, CVs of all Members of the Bank's Management Board and of the Bank's Supervisory Board, current and periodic reports and other information allowing for a reliable evaluation of the company's business. Information about the General Meeting of Shareholders (including the dates of general meetings, draft resolutions with justifications, a report on the activities of the Supervisory Board), corporate calendar, information about the conclusion of material contracts, was prepared and published pursuant to disclosure requirements and other laws in force. The statements of the Members of the Supervisory Board about links with shareholders and statements concerning the compliance with corporate governance principles from previous years were also made available on the Bank's website. The process of the establishment and payment of dividend and of establishing shareholders' rights resulting from corporate events is based on the present law in force, where required time intervals are respected.

Corporate Social Responsibility

Kredyt Bank and Warta aim, in all their actions, to accomplish the goals and missions of the companies as best as possible through the implementation of the responsible business concept. In their business, the companies have regard for social interests, respect the law and adhere to the common ethical standards. Social commitment and sponsoring play an important role in the communications strategy of Kredyt Bank and Warta. Both companies approved and have implemented a common policy in this area. Particular initiatives are realised independently and jointly within 'Razem Możemy Więcej' ('Together we can more') Foundation of Kredyt Bank and Warta.

In 2008, Kredyt Bank and Warta supported the organisation of the concert of a legendary guitarist Carlos Santana. This is yet another, after the concert of *Genesis* in 2007, the companies' participation in a spectacular music event, being the guarantee of the best artistic experience.

Campaigns concerning the safety of children are of special interest in the social activities of Kredyt Bank and Warta Group. They are based on the conviction that educating children about safety from their early age will definitely bring about effects in the future. In cooperation with Stowarzyszenie Laboratorium Troski, the companies implement a social and educational project for pupils from grades 1–3 of primary schools with a view to limit the number of accidents involving children and to protect children's health. The campaign called 'Akademia Misia Ratownika' ('The Academy of Teddy Bear the Rescuer'), which took place from September 2007 to January 2008, engaged over 6,000 children from Małopolskie Province. The companies continue the campaign in other provinces. Since September

2008, the project will cover 12,000 children from primary schools in Mazowsze and Podkarpacie regions.

The companies' latest initiative is the educational programme called 'Podróże na medal' ('First-Class Travel') with the aim to ingrain and foster correct attitudes and behaviour during car travel among the youngest children and their parents. The 'Podróże na medal' campaign is addressed at pre-school children. Within the project, the companies publish educational books for children titled 'Kocie podróże małe i duże' ('A Cat's Long and Short Trips') which alert children, in a simple and easy way, about safe travelling.

In 2008, Kredyt Bank and Warta were awarded the title of the Strategic Partner of the Responsible Business Forum (FOB), and joined the Partnership Programme of the Responsible Business Forum Association. The community of Partners entails those companies which 'through their values, actions and experience as well as commitment to the Partnership Programme of the Responsible Business Forum support the development of responsible business in Poland on a long-term basis.'

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

External drivers

The banking sector in the first half of 2008 grew due to the persisting high growth rate of loans and deposits volumes. The banks' good financial standing is a natural effect of the high economic growth rate and stable business conditions. However, the recent international experience remind of the fact that the development of the financial system is of cyclical nature.

In the context of a decline on stock exchanges, the growth rate of basic income in banks is affected by the business conditions on the market of household loans. When positively assessing its current financial and marketing effects, it should be noted that:

- so far, the dynamic growth of lending activities took place in the context of very good business conditions and historically lenient criteria in the process of extending loans to households;
- the findings of questionnaire-based research of the NBP show that banks expect further persistence of high increments of retail loans (although slightly lower than in 2007). The expanding financing gap (deposits grow much slower) will be closed on an ongoing basis by resources from the national and international inter-bank markets, and, in the longer term, through the expansion of the network of branches.

Limitations of liquidity on financial markets may bring about problems concerning the financing of further development. The persisting price competition related to the acquisition of customers' resources will be a direct effect clearly visible in the first half of 2008.

The perspectives of KB S.A. Group will, to a large extent, follow from development factors significant for other large commercial banks which apply similar growth strategies. At present, apart from consumer finance products, mortgages constitute a priority direction in the development of the banking sector, with the expected further growth of demand in these market segments. The competition for market shares results in the fact that customers base will be expanded also with less wealthy groups of customers. As a result, major factors affecting the financial situation of banks in the second half of 2008 and in 2009 should include the potential increase in risk costs.

Internal drivers

Internal drivers material for the development of the Group include more wide–spread and in-depth cooperation with WARTA S.A., aimed to develop bancassurance services, establish banking and insurance group and optimise the synergy effect. Apart from the cooperation in terms of sales and customer service, the Bank continued organizational changes in Kredyt Bank S.A. Group and WARTA S.A. Group to better adjust the management model to the needs resulting from the implemented bancassurance business model. The changes aim at the maximum use of synergy effects both in the sales network and support function.

Reorganization of consumer finance function, in cooperation with Żagiel and on the basis of the experience and know-how of the main shareholder of Kredyt Bank S.A., i.e. KBC Group, is another key growth driver for Kredyt Bank S.A. Group.

In the banking sector, banks compete for customers' deposits. One symptom of this competition is the retail network development policy. The number of new customers is the measure of success in this area. The implementation of the adopted strategy of income growth depends, among other factors, on the termination of the distribution network development programme. The following issues will affect strategic objectives: the continuation of effective credit risk management and ongoing control and adjustment of operating costs to the scale of operations.

11. Statements of the Management Board

Under art. 96.1.5 and art. 96.1.6 of the Ordinance by the Minister of Finance of 19 October 2005 on current and interim information provided by issuers of securities (Journal of Laws No. 209, item 1744), the Management Board of Kredyt Bank S.A. hereby makes the following statements:

11.1. True and fair view presented in the financial statements

According to the best knowledge of the Management Board of Kredyt Bank S.A., the semi-annual consolidated financial statements of Kredyt Bank S.A. Capital Group for the period 01.01.2008–30.06.2008 along with the comparable data, were prepared according to the accounting principles effective in the Group and present a true and fair view of the financial standing and assets of Kredyt Bank S.A. Capital Group as well as of its financial result. In addition, the Management Board of Kredyt Bank S.A. hereby declares that the semi-annual Management Board's report presents a true picture of the development and accomplishments, as well as the situation (including the description of basic risks and threats) of Kredyt Bank S.A. Capital Group in the first half of 2008.

11.2. Appointment of the certified auditor for financial statements

The Management Board of Kredyt Bank S.A. hereby declares that the certified auditor to audit the semi-annual consolidated financial statements of Kredyt Bank S.A. Capital Group as at 30.06.2008 was appointed as required by law. This entity and certified auditors performing the audit complied with the conditions on the issue of impartial and independent audit report, as required by the Polish law.

Signatures of all Management Board Members

date	26.08.2008	Maciej Bardan	acting President of the Management Board	....
date	26.08.2008	Umberto Arts	Vice President of the Management Board	....
date	26.08.2008	Lidia Jabłonowska-Luba	Vice President of the Management Board	....
date	26.08.2008	Krzysztof Kokot	Vice President of the Management Board	....
date	26.08.2008	Michał Oziembło	Vice President of the Management Board	....

Independent Auditors' Review Report on the Interim Condensed Financial Statements for the six month period ended 30 June 2008

To the Supervisory Board of Kredyt Bank S.A.

1. We have reviewed the attached interim condensed financial statements of Kredyt Bank S.A. ('the Bank') located in Warsaw at 2/8 Kasprzaka Street, including:
   - the interim condensed income statement for the period from 1 January 2008 to 30 June 2008 with a net profit amounting to 153.110 thousand zlotys,
   - the interim condensed balance sheet as of 30 June 2008 with total assets amounting to 30.093.681 thousand zlotys,
   - the interim condensed statement of changes in equity for the period from 1 January 2008 to 30 June 2008 with a net decrease of equity amounting to 82.286 thousand zlotys,
   - the interim condensed cash flow statement for the period from 1 January 2008 to 30 June 2008 with a net cash outflow amounting to 739.076 thousand zlotys and
   - the interim condensed explanatory notes

   ('the attached interim condensed financial statements').

2. The truth and fairness[1] of the attached interim condensed financial statements prepared in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ('IAS 34') and the proper maintenance of the accounting records are the responsibility of the Bank's Management Board. Our responsibility is to issue a report on these financial statements based on our review.

3. We conducted our review in accordance with the provisions of the law binding in Poland and auditing standards issued by the National Council of Statutory Auditors ("the standards"). These standards require that we plan and perform our review in such a way as to obtain moderate assurance as to whether the financial statements are free of material misstatement. The review was mainly based on applying analytical procedures to the financial data, review of accounting records and discussions with the management of the Bank as well as its employees. The scope of work[2] of a review differs significantly from an audit of financial statements, the objective of which is to express an opinion on the truth and fairness[3] of the financial statements. Review provides less assurance than audit. We have not performed an audit of the attached interim condensed financial statements and, accordingly, do not express an audit opinion.

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[1] Translation of the following expression in Polish language: "prawidlowość, *rzetelność i jasność*"

[2] In Polish language two expressions are used (*"zakres i metoda")* that in English language translation are covered by one expression "the scope of work";

[3] Translation of the following expression in Polish language: "*prawidłowo, rzetelnie i jasno*"

4. Our review did not reveal the need to make material changes for the attached interim condensed financial statements to present truly and fairly[4] in all material respects the financial position of the Bank as at 30 June 2008 and the financial result, for the 6 months ended 30 June 2008 in accordance with IAS 34.

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

Certified Auditor
Registration No. 9667/7232

Dorota Snarska – Kuman

Dominik Januszewski
Certified Auditor
Registration No. 9707/7255

Warsaw, 26 August 2008

[4] Translation of the following expression in Polish language: "*rzetelny, prawidłowy i jasny*"

Condensed Interim Standalone Financial Statements of Kredyt Bank S.A. for the First Half of 2008 Ended 30.06.2008

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1. Income Statement

in PLN '000'	01.01-30.06.2008 non-audited	01.01-30.06.2007 non-audited
Interest income	959 220	672 170
Interest expense	-549 881	-316 245
Net interest income	**409 339**	**355 925**
Fee and commission income	180 078	175 965
Fee and commission expense	-40 688	-26 315
Net fee and commission income	**139 390**	**149 650**
Dividend income	9 666	7 977
Net trading income	101 524	75 328
Net result on derivatives used as hedging instruments and hedged items	-2 874	-1 505
Net gains from investment activity	230	3 189
Other operating income	22 039	18 671
Total operating income	**679 314**	**609 235**
General and administrative expenses	-436 014	-397 976
Net impairment losses on financial assets, other assets and provisions	-33 427	36 380
Other operating expenses	-18 228	-14 749
Total operating expenses	**-487 669**	**-376 345**
Profit before tax	**191 645**	**232 890**
Income tax expense	-38 535	-52 986
Net profit	**153 110**	**179 904**
Weighted average number of ordinary shares	**271 658 880**	**271 658 880**
Earnings per ordinary share (in PLN)	0.56	0.66

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

2. Balance Sheet

Assets in PLN '000'	30.06.2008 non-audited	31.12.2007	30.06.2007 non-audited
Cash and balances with Central Bank	1 365 371	611 672	555 154
Gross loans and advances to banks	985 910	2 456 349	2 921 634
Impairment losses on loans and advances to banks	-2 260	-2 260	-2 260
Receivables arising from repurchase transactions	12 523	0	0
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	965 512	448 499	339 176
Derivatives including:	838 843	495 095	336 449
- derivatives used as hedging instruments	5 658	34 025	13 739
Gross loans and advances to customers	20 360 302	17 738 052	14 745 386
Impairment losses on loans and advances to customers	-837 417	-839 724	-1 001 594
Investment securities:	5 680 030	5 478 269	5 479 960
- available-for-sale	3 925 222	3 433 103	3 336 042
- held-to-maturity	1 754 808	2 045 166	2 143 918
Investments in subsidiaries and jointly controlled entities	66 060	73 876	73 830
Property, plant and equipment	383 805	343 438	320 495
Intangible assets	60 002	65 425	73 620
Deferred tax asset	122 445	124 062	141 494
Non-current assets classified as held for sale	0	767	1 270
Other assets	92 555	74 984	98 613
Total assets	**30 093 681**	**27 068 504**	**24 083 227**

Liabilities in PLN '000'	30.06.2008 non-audited	31.12.2007	30.06.2007 non-audited
Amounts due to Central Bank	1 590	1 101 661	2 061
Amounts due to banks	7 057 731	5 271 449	3 148 703
Derivatives including:	787 484	474 370	312 915
- derivatives used as hedging instruments	57 832	44 178	22 635
Amounts due to customers	19 498 603	17 180 731	17 199 930
Liabilities arising from repurchase transactions	0	50 126	543 135
Current tax liability	6 540	7 136	15 236
Provisions	66 918	105 724	100 961
Other liabilities	314 445	249 216	284 153
Subordinated liabilities	208 800	394 235	414 349
Total liabilities	**27 942 111**	**24 834 648**	**22 021 443**

Equity in PLN '000'	30.06.2008 non-audited	31.12.2007	30.06.2007 non-audited
Share capital	1 358 294	1 358 294	1 358 294
Supplementary capital	580 974	381 718	381 718
Revaluation reserve	-181 750	-87 617	-39 074
Reserves	240 942	180 942	180 942
Current net profit (loss) attributable to the shareholders of the Bank	153 110	400 519	179 904
Total equity	**2 151 570**	**2 233 856**	**2 061 784**
Total equity and liabilities	**30 093 681**	**27 068 504**	**24 083 227**
Capital adequacy ratio (%)	**9.92**	**9.63**	**11.18**

3. Off-balance Sheet Items

in PLN '000'	30.06.2008 non-audited	31.12.2007	30.06.2007 non-audited
Contingent liabilities, granted and received			
Liabilities granted, including:	**6 595 660**	**6 030 093**	**4 717 935**
- financial	5 272 770	4 410 804	3 309 814
- guarantees	1 322 890	1 619 289	1 408 121
Liabilities received, including:	**1 589 571**	**2 224 054**	**332 822**
- financial	479 175	902 441	50 642
- guarantees	1 110 396	1 321 613	282 180
Liabilities related to the sale/purchase transactions	**295 127 547**	**218 165 219**	**170 082 745**
Other	**3 945 378**	**3 300 837**	**3 027 733**
- collateral received	3 945 378	3 300 837	3 027 733

4. Statement of Changes in Equity

Changes in the period from 01.01. to 30.06.2008 (non-audited)

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit/loss for the period	Total equity
Equity at opening balance – as of 01.01.2008	**1 358 294**	**381 718**	**-87 617**	**180 942**	**400 519**	**0**	**2 233 856**
Valuation of financial assets available-for-sale			-62 749				-62 749
Effects of valuation of derivatives designated for cash flow hedge			-53 465				-53 465
Deferred tax on items recognized in equity			22 081				22 081
Net profit recognized directly in the equity			**-94 133**				**-94 133**
Net profit/loss for the period						153 110	153 110
Total of recognized income and expenses			**-94 133**			**153 110**	**58 977**
Profit distribution		199 256		60 000	-259 256		0
Dividend to be paid					-141 263		-141 263
Equity at end of period – as of 30.06.2008	**1 358 294**	**580 974**	**-181 750**	**240 942**	**0**	**153 110**	**2 151 570**

Changes in the period from 01.01.2007 to 31.12.2007

Statement of changes in equity	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit/loss for the period	Total equity
Equity at opening balance – as of 01.01.2007	**1 358 294**	**104 789**	**18 275**	**120 942**	**437 443**	**0**	**2 039 743**
Valuation of financial assets available-for-sale			-89 090				-89 090
Effects of valuation of derivatives designated for cash flow hedge			-41 641				-41 641
Deferred tax on items recognized in equity			24 839				24 839
Net profit recognized directly in the equity			**-105 892**				**-105 892**
Net profit/loss for the period						400 519	400 519
Total of recognized income and expenses			**-105 892**			**400 519**	**294 627**
Profit distribution		276 929		60 000	-336 929		0
Dividend paid					-100 514		-100 514
Equity at end of period – as of 31.12.2007	**1 358 294**	**381 718**	**-87 617**	**180 942**	**0**	**400 519**	**2 233 856**

Changes in the period from 01.01 to 30.06.2007 (non-audited)
in PLN '000'

	Share capital	Supplementary capital	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit/loss for the period	Total equity
Equity at opening balance – as of 01.01.2007	**1 358 294**	**104 789**	**18 275**	**120 942**	**437 443**	**0**	**2 039 743**
Valuation of financial assets available-for-sale			-49 219				-49 219
Effects of valuation of derivatives designated for cash flow hedge			-21 582				-21 582
Deferred tax on items recognized in equity			13 452				13 452
Net profit recognized directly in the equity			**-57 349**				**-57 349**
Net profit/loss for the period			0			179 904	179 904
Total of recognized income and expenses			**-57 349**			**179 904**	**122 555**
Profit distribution		276 929		60 000	-336 929		0
Cash Dividend to be paid					-100 514		-100 514
Equity at end of period – as of 30.06.2007	**1 358 294**	**381 718**	**-39 074**	**180 942**	**0**	**179 904**	**2 061 784**

Statement of changes in equity should be analysed with notes, which form an integral part of these condensed interim standalone financial statements

5. Cash Flow Statement

in PLN '000'	Note	01.01. - 30.06.2008 non-audited	01.01. - 30.06.2007 non-audited
Net cash flow from operating activities			
Net profit		**153 110**	**179 904**
Adjustments to net profit and net cash from operating activities:		**-1 275 520**	**112 763**
Current and deferred tax recognized in financial result		38 535	52 986
Non-realised profit (loss) from currency translation differences	12b	-81 672	-28 078
Investing and financing activities		**-25 504**	**-122 960**
Depreciation		40 444	45 033
Net increase/decrease in impairment	12c	-2 697	-100 902
Dividends		-9 666	-7 977
Interest	12d	-12 801	-58 649
Net increase/decrease in provisions		-38 806	2 186
Profit (loss) on disposal of investments	12e	-1 978	-2 651
Net increase/decrease in operating assets (excluding cash)		**-3 571 341**	**-1 560 883**
Net increase/decrease in gross loans and advances to banks	12f	-22 336	48 246
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	12g	-877 593	235 213
Net increase/decrease in gross loans and advances to customers		-2 622 250	-1 831 214
Paid income tax		-15 557	-13 396
Net increase/decrease in other assets	12h	-33 605	268
Net increase/decrease in operating liabilities		**2 364 462**	**1 771 698**
Net increase/decrease in amounts due to Central Bank		-1 100 071	71
Net increase/decrease in amounts due to banks	12i	952 369	1 009 949
Net increase/decrease in derivatives		313 114	16 441
Net increase/decrease in amounts due to customers		2 317 872	1 324 598
Net increase/decrease in liabilities arising from repurchase transactions		-50 126	-510 793
Net increase/decrease in other liabilities	12j	-68 696	-68 568
Net cash flow from operating activities		**-1 122 410**	**292 667**
Net cash flow from investing activities			
Inflows		**540 098**	**1 754 449**
Disposal of property, plant and equipment and intangible assets		20	302
Disposal of investment securities	12k	416 771	1 603 534
Dividends		9 666	7 977
Interest received	12k	113 641	142 636

Cash flow statement should be analysed with notes, which form an integral part of these condensed interim standalone financial statements

	Note	**01.01. - 30.06.2008** non-audited	**01.01. - 30.06.2007** non-audited
Outflows		**-820 537**	**-1 327 973**
Acquisition of property, plant and equipment and intangible assets		-101 132	-34 586
Acquisition of investment securities	12k	-719 405	-1 293 387
Net cash flows from investing activities		**-280 439**	**426 476**
Cash flow from financing activities			
Inflows		**1 125 278**	**0**
Proceeds from a subordinated liabilities	12ł	209 580	0
Proceeds from borrowings		915 698	
Outflows		**-461 505**	**-40 122**
Repayment of subordinated liabilities	12ł	-375 045	0
Other financial outflows	12l	-86 460	-40 122
Net cash flow from financing activities		**663 773**	**-40 122**
Net increase/decrease in cash		**-739 076**	**679 021**
Cash at the beginning of the period		**2 689 893**	**2 268 737**
Cash at the end of the period, including:	12a	**1 950 817**	**2 947 758**
restricted cash		688 368	570 207

6. Basis of preparation

Under Article 45 clause 1c of the Accounting Act of 29 September 1994 (‘the Act’) /consolidated text: Journal of Laws of 2002, No. 76, item 694, as amended/ and under the decision of the General Meeting of Shareholders of Kredyt Bank S.A. of 25.04.2005, from 01.01.2005, the standalone financial statements of Kredyt Bank S.A. (‘the Bank’) have been prepared in accordance with the IAS/IFRS that were approved by the European Commission.

The condensed financial statements of Kredyt Bank S.A. for the first half of 2008 have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) in force as at the date of these financial statements. Specifically, these financial statements have 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 October 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005, No. 209, item 1744).

These condensed interim standalone financial statements of the Bank were approved for publication by the Management Board of Kredyt Bank S.A. on 26.08.2008.

These financial statements were reviewed by Ernst & Young Audit Sp. z o.o., an independent licensed certified auditor. The review was performed in accordance with the Polish law and the certified auditors’ professional standards issued by the National Council of Auditors in Poland.

These condensed interim standalone financial statements of the Bank do not comprise all information and disclosures required in the annual financial statements and they should be read with the Bank’s financial statements for the year ended 31 December 2007.

7. The Bank’s financial situation at the end of the first half of 2008

7.1. *Financial result*

The Bank’s net profit in the first half of 2008 amounted to PLN 153,110 thousand, while net profit generated in the first half of 2007 amounted to PLN 179,904 thousand. Profit before tax in the first half of 2008 amounted to PLN 191,645 thousand as compared to profit before tax of PLN 232,890 thousand in the first half of 2007.

With respect to all categories of operating income (excluding net fee and commission income), in the first half of 2008, as compared to the first half of 2007, an increase was observed which resulted from the increasing business activeness. The Bank’s net operating income in the first half of 2008, as compared to the first half of 2007, increased by 11.2%, while general and administrative expenses increased by 9.6%. The main reasons behind the increase in general and administrative expenses in the first half of 2008, as compared to the corresponding period in 2007, have been described further on.

Lower profit before tax and the resulting lower net profit for the first half of 2008, as compared to the first half of 2007, results chiefly from higher net impairment losses on financial assets and other assets.

The main items of the Bank's income and expenses are presented in the table below.

in PLN '000'	**First half of 2008** non-audited	**First half of 2007** non-audited
Net interest income	409 339	355 925
Net fee and commission income	139 390	149 650
Net gains from trading and investment activity; net result on derivatives used as hedging instruments and hedged items, and dividend income	108 546	84 989
Net gains from other operating income/expenses	3 811	3 922
Total income	**661 086**	**594 486**
General and administrative expenses, and depreciation	-436 014	-397 976
Net impairment losses on financial assets, other assets and provisions	-33 427	36 380
Income tax expenses	-38 535	-52 986
Net profit	**153 110**	**179 904**

Net interest income generated by the Bank in the first half of 2008 amounted to PLN 409,339 thousand and was higher by 15% as compared to the figure in the corresponding period of the previous year. The improvement of net interest income was possible mainly due to the increase in the value of the loans portfolio.

Net fee and commission income amounted to PLN 139,390 thousand and was lower by 6.9% as compared to the first half of the previous year. The main reason for the lower net fee and commission income in the first half of 2008, as compared to the first half of 2007, was lower, by almost PLN 13 million, commission income from the distribution and management of combined investment and insurance products.

In the first half of 2008, net gains from trading and investment activity, including net result on derivatives used as hedging instruments and hedged items and dividend income, amounted to PLN 108,546 thousand as compared to PLN 84,989 thousand recorded in the first half of 2007. The increase was mainly related to derivative instruments transactions.

The Bank's general and administrative expenses in the first half of 2008 amounted to PLN 436,014 thousand and, as compared to the first half of 2007, they increased by 9.6%. The increase in general and administrative expenses in the first half of 2008 was related mainly to the increase in salaries and additional costs of the Bank's increasing business activeness. Specifically in the first half of 2008, as compared to the first half of 2007, except for the costs of salaries (an increase by ca. PLN 16 million), an increase in the Bank's expenses was recorded in the following categories: the costs of promotional and advertising services, postal and telecommunications charges, transport and other services.

Cost/income ratio in the first half of 2008 amounted to 66.0% and decreased by 0.9 p.p. as compared to the corresponding period in 2007. The decrease results from a faster increase in net operating income (mainly interest income) in the first half of 2008, as compared to an increase in general and administrative expenses.

The cost/income ratios presented in this section take into account the change in the presentation of net income from sale of receivables described in more detail in section 10 below.

in %	**First half of 2008** non-audited	**First half of 2007** non-audited
Cost/income ratio (CIR)	66.0%	66.9%

Net impairment losses on loan receivables, other assets and provisions. In 2008, the Bank has changed the presentation of net income from sale of receivables, including the figure in 'Net impairment losses on financial assets, other assets and provisions'. Figures disclosed in this report for the previous reporting period have been properly restated, as per the table presented in section 10 below.

At the end of the first half of 2008, the Bank generated negative balance of net impairment losses on financial assets, other assets and provisions of PLN 33,427 thousand. The increase in impairment losses in the first half of 2008, as compared to the first half of 2007, was related both to receivables from natural persons and from corporate customers. The significant increase in charges on receivables in the first half of 2008 was partially compensated for by the reversal of the provision for litigation, following an advantageous court judgment for the Bank.

7.2. *Assets and liabilities*

The relation of performing assets to the balance sheet total remains at the stable, high level.
As compared to the first half of 2007, loans and advances to customers increased, which is reflected in improved net interest income. The portfolio of natural persons' loans grew fast. The high sale rate was observed particularly in the sales of mortgages.
Over the last months, the Bank has also recorded a stable increase in the portfolio of individual and corporate customers.

7.3. *Improvement in the quality of receivables portfolio*

In the first half of 2008, as in the previous reporting period, due to the increase in the loans portfolio and following the restructuring and debt recovery activities, the share of doubtful loans and advances in total loans and advances was further reduced. As a result, in the first half of 2008, the quality ratio for the Bank's gross receivables portfolio improved by 1.1 p.p. and by 5.1 p.p. over the last 12 months.

The decrease in loans and advances with evidence for impairment and the corresponding impairment losses also result from the sale, in the second quarter of 2008, of receivables arising due to the operations of Żagiel, acting as an intermediary in the sale of loan products. This transaction, however, has not affected the Bank's profit before tax to a large extent.

The Bank, when estimating credit risk for individual credit exposures and receivables portfolios, follows the overriding prudence concept. As at 30.06.2008, the ratio of covering loans and advances for which evidence for impairment was identified with impairment losses was 61.9%.

Loans and advances to customers (as per the classification)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Loans and advances with no evidence for impairment	19 087 219	16 423 627	13 061 083
Loans and advances with evidence for impairment	1 273 083	1 314 425	1 684 303
Total gross loan and advances to customers	**20 360 302**	**17 738 052**	**14 745 386**
Impairment losses on loans and advances to customers	837 417	839 724	1 001 594
including: impairment losses on loans and advances with evidence for impairment	788 230	799 361	950 493
Total net loans and advances to customers	**19 522 885**	**16 898 328**	**13 743 792**
The share of loans and advances with evidence for impairment in total gross loans and advances	6.3%	7.4%	11.4%
Coverage of loans and advances with evidence for impairment with impairment losses	61.9%	60.8%	56.4%
Coverage of gross loans and advances to customers with impairment losses	4.1%	4.7%	6.8%

7.4. Capital adequacy ratio

The capital adequacy ratio was calculated in compliance with regulations of the National Bank of Poland in force and amounted to 9.92%, 9.63%, 11.18% respectively as at the end of the first half of 2008, as at 31.12.2007 and as at the end of the first half of 2007. The decrease in the capital adequacy ratio, as compared to the figure at 30.06.2007, results mainly from the fast growth of the loan portfolio.

The first half of 2008 is a period when new principles concerning the capital adequacy ratio (known as Basel II) were applied for the first time. At present, the Bank is expecting a decision of regulators concerning the application of the advanced approach to credit risk; as a result, the Bank's capital adequacy ratio was calculated according to the standardized approach. The application of new regulations has not affected the capital adequacy ratio to a large extend.

On 19 March 2008, Kredyt Bank S.A. executed, with KBC Bank NV Dublin Branch, a subordinated loan agreement up to the amount equivalent to CHF 100 million (i.e. PLN 226,460,000.00 at the average exchange rate of the NBP as of 19 March 2008). The subordinated loan agreement was concluded on market terms with the repayment period of ten years from the release of the financial resources. On 3 June 2008, the Bank received the decision of the Polish Financial Supervision Authority (KNF) of 26 May 2008, regarding its consent to include the amount of CHF 100,000,000 (i.e. PLN 210,520,000 at the average exchange rate of the NBP as of 26 May 2008) in the Bank's supplementary funds. Including this loan in equity was the main reason behind the increase in the capital adequacy ratio from 9.63% at the end of 2007 to 9.92% as at 30.06.2008.

7.5. *Income and results by segments*

The Bank's operations, as in the previous reporting periods, were divided into four basic sector segments: corporate, retail, treasury and investment. 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.

Corporate Segment

Corporate Segment, in management terms, entails transactions with large companies (with annual sales revenue exceeding PLN 16 million) as well as state budgetary units at central and local levels. Beside the traditional deposit, credit and settlement services, the customers from this segment are offered other specific services. They are tailored to customers' individual needs, e.g. organizing syndicates supporting investment projects, financing real estate transactions, financing foreign trade and bulk payments.

Retail Segment

Retail Segment, in management terms, incorporates products targeted at individual customers as well as Small and Medium-sized Enterprises (SME), whose annual sales revenue does not exceed PLN 16 million. The products on offer comprise a wide range of deposit and loan products, insurance products (bancassurance and assurebanking) offered in co-operation with WARTA S.A. as well as clearing services. This offer is addressed at customers through traditional channels of distribution via the Bank's nationwide network of branches as well as KB24 – an Internet network and through Żagiel S.A. specialising in the sale of instalment loans as well as in intermediation in the distribution of selected services that are found in the Bank's offer. Furthermore, the Bank's offer for this segment includes products offered by KBC TFI with regard to the sale of shares in investment funds.

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.

Investment Segment

Investment Segment, in management terms, incorporates the result on custodian services, and also focuses on the Bank's equity investments in shares of companies whose core business is focused on generating added value for the Bank by specialising in non-banking areas of operation. However, these investments do not constitute a significant element of the Bank's operations.

The segment's income and expenses had been determined before inter-segmental eliminations were made. The selling prices exercised among segments are calculated on the basis of the transfer pricing methodology.

Bank's net profit for the first half of 2008 by business segments (breakdown according to management reporting) *in PLN '000'* (non-audited)

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	320 316	640 636	304 382	1 421	6 002	0	**1 272 757**
2. Segment income (internal)	138 100	335 564	479 604	0	6	-953 274	**0**
3. Total segment income	**458 416**	**976 200**	**783 986**	**1 421**	**6 008**	**-953 274**	**1 272 757**
4. Segment expenses (external)	-101 747	-256 034	-228 042	-1 477	-24 370	0	**-611 670**
4a. Allocated segment expenses	-50 928	-360 851	-5 072	-464	-18 700	0	**-436 015**
5. Segment expenses (internal)	-214 239	-254 196	-473 671	-1 871	-9 297	953 274	**0**
6. Total segment expenses	**-366 914**	**-871 081**	**-706 785**	**-3 812**	**-52 367**	**953 274**	**-1 047 685**
7. Net operating income for the segment	**91 502**	**105 119**	**77 201**	**-2 391**	**-46 359**	**0**	**225 072**
8. Net impairment losses on financial assets, other assets and provisions	**-17 000**	**-51 771**	**0**	**0**	**35 344**	**0**	**-33 427**
9. Net profit for the segment	**74 502**	**53 348**	**77 201**	**-2 391**	**-11 015**	**0**	**191 645**
10. Income tax expense							**-38 535**
11. Net profit/loss							**153 110**

Bank's net profit for the first half of 2007 by business segments (breakdown according to management reporting) *in PLN '000'* (non-audited)

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	230 831	433 126	261 832	8 582	18 929	0	**953 300**
2. Segment income (internal)	97 919	259 053	259 341	0	7	-616 320	**0**
3. Total segment income	**328 750**	**692 179**	**521 173**	**8 582**	**18 936**	**-616 320**	**953 300**
4. Segment expenses (external)	-68 451	-168 846	-109 676	0	-11 842	0	**-358 815**
4a. Allocated segment expenses	-55 269	-321 193	-5 026	-670	-15 817	0	**-397 975**
5. Segment expenses (internal)	-125 687	-126 954	-356 979	-2 356	-4 344	616 320	**0**
6. Total segment expenses	**-249 407**	**-616 993**	**-471 681**	**-3 026**	**-32 003**	**616 320**	**-756 790**
7. Net operating income for the segment	**79 343**	**75 186**	**49 492**	**5 556**	**-13 067**	**0**	**196 510**
8. Net impairment losses on financial assets, other assets and provisions	**60 686**	**-24 306**	**0**	**0**	**0**	**0**	**36 380**
9. Net profit for the segment	**140 029**	**50 880**	**49 492**	**5 556**	**-13 067**	**0**	**232 890**
10. Income tax expense							**-52 986**
11. Net profit/loss							**179 904**

The Bank's main accomplishments by segments corresponding to the variety of the business activities are presented in the Management Board's Report on the Operations of Kredyt Bank S.A. Capital Group.

8. Dividends paid

On 28 May 2008, the Ordinary General Meeting of Shareholders of Kredyt Bank S.A. adopted a resolution on the allocation of PLN 141,262,617.60 from the distribution of profit for 2007 for the payment of dividend. Gross dividend per share amounted to PLN 0.52. The right to dividend was established on 3 July 2008. The payment of dividend was effected on 18 July 2008.

In 2007 (i.e. from net profit generated in 2006), the Bank paid gross dividend of PLN 0.37 per share. The total amount of dividend was PLN 100,513,785.60.

9. Accounting principles and the most important accounting estimates

In the first half of 2008, the Bank did not introduce any significant amendments in applied accounting principles and methods of preparing accounting estimates in relation to the principles and methods described in the Bank's published financial statements as at 31.12.2007.

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;
- value of deferred tax assets;
- provisions.

Details of the main accounting principles and the most important accounting estimates applied by the Bank are presented in the consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2008.

10. Comparable data

The comparable data included in these financial statements for the previous reporting period include the presentation changes which were introduced to the financial statements as at 30.06.2008.

Income Statement

	01.01.2007 - 30.06.2007		01.01.2007 - 30.06.2007	
Net income from sale of receivables	11 313	-11 313	N/A	a)
Net impairment losses on financial assets, other assets and provisions	25 067	11 313	36 380	a)

Clarification of major reclassifications:

a) the reclassification of net income from sale of receivables to 'Net impairment losses on financial assets, other assets and provisions'

According to the Bank's Management Board, the presentation of net income from sale of receivables in 'Net impairment losses on financial assets, other assets and provisions' reflects the economic content of such transactions more adequately.

11. Post-balance sheet events

In July 2008, one of the Bank's customers, for whom the exposure as at the balance sheet date was significant, notified us of the commencement of a legal procedure, similar to the Polish rehabilitation proceedings, against its parent company abroad and its subsidiaries (including the Bank's customer). According to the above-mentioned notification, the commencement of the said proceedings against the Bank's customer is not associated with the customer's present financial situation and with the parent company's financial standing. According to the Bank's Management Board, as at the date of this report, having regard for, among other things, the previous timely debt service, the risk of default for this customer is insignificant. The above issue, including further developments, is strictly monitored within the Bank's credit risk management process.

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

12. Notes to the cash flow statement

a/ Cash and cash equivalents

	30.06.2008	30.06.2007
Cash and balances with Central Bank	1 365 371	555 154
Due from other banks (up to 3 months)	585 446	2 392 604
Cash and cash equivalents	**1 950 817**	**2 947 758**

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

	30.06.2008	30.06.2007
Currency translation differences on investment securities	20 987	5 961
Currency translation differences on held-for-trading financial assets	4 309	-499
Currency translation differences on equity investments	4	1
Currency translation differences on subordinated liabilities	-20 101	-7 241
Currency translation differences on borrowed loans	-86 871	-26 300
Total	**-81 672**	**-28 078**

c/ Operating activities – net increase/decrease in impairment losses

	30.06.2008	30.06.2007
Net increase/decrease in impairment losses on loans and advances to banks	0	-493
Net increase/decrease in impairment losses on loans and advances to customers	-2 307	-99 023
Net increase/decrease in impairment losses on property, plant and equipment and intangible assets	-390	-1 386
Total	**-2 697**	**-100 902**

d/ Operating activities – interest

	30.06.2008	30.06.2007
Interest on investment securities	-97 264	-84 796
Interest on borrowed loans	75 143	15 525
Interest on subordinated liabilities	9 320	10 622
Total	**-12 801**	**-58 649**

e/ Operating activities – gains/losses from the sale of investments

	30.06.2008	30.06.2007
Gains (losses) from the sale of held-to-maturity investment securities	-449	-1 268
Profit/loss on sale of property, plant and equipment and intangible assets	-1 529	-1 383
Total	**-1 978**	**-2 651**

f/ Loans and advances to banks

	30.06.2008	30.06.2007
Net balance sheet change	1 470 439	-716 836
Change in Nostro accounts - cash	-1 348	-11 089
Change in term deposits up to 3 months - cash	-1 491 427	775 678
Impairment	0	493
Total	**-22 336**	**48 246**

g/ Financial assets at fair value through profit or loss, including held-for-trading financial assets and derivatives

	30.06.2008	30.06.2007
Balance sheet change in financial assets at fair value through profit or loss, including held-for-trading financial assets	-517 013	273 736
Balance sheet change in derivatives	-343 748	-39 022
Balance sheet change in receivables arising from repurchase transactions	-12 523	0
Currency translation differences in operating activities	-4 309	499
Total	**-877 593**	**235 213**

h/ Operating activities – net increase/decrease in other assets

	30.06.2008	30.06.2007
Balance sheet change in other assets	-17 571	-10 997
Net increase/decrease in property, plant and equipment held for sale	767	9 301
Other net increase/decrease in property, plant and equipment and intangible assets	27 643	7 349
Other changes	-44 444	-5 385
Total	**-33 605**	**268**

i/ Amounts due to banks

	30.06.2008	30.06.2007
Balance sheet change in amounts due to banks	1 786 282	983 877
Currency translation differences on borrowed loans in operating activity	86 871	26 300
Borrowing loans/advances in investment activity	-915 698	0
Interest on borrowed loans in operating activity	-75 143	-15 525
Interest paid on borrowed loans – presentation in financial activity	70 057	15 297
Total	**952 369**	**1 009 949**

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

	30.06.2008	30.06.2007
Balance sheet change in other liabilities	65 229	33 045
Dividend payable	-141 263	-100 514
Payment of leasing payables in financial activity	7 214	14 174
Other changes	124	-15 273
Total	**-68 696**	**-68 568**

k/ Net increase/decrease in investment securities

	30.06.2008	30.06.2007
Acquisition in investment activity	-719 405	-1 293 387
Disposal in investment activity	416 771	1 603 534
Interest received in investment activity	113 641	142 636
Net increase/decrease in interest receivables in operating activities	-97 264	-84 796
Net increase/decrease in available-for-sale financial assets in operating activities	63 509	48 755
Currency translation differences in operating activities	20 987	5 961
Balance sheet change	**-201 761**	**422 703**

l/ Financial activity – other financial expenses

	30.06.2008	30.06.2007
Interest repaid on borrowed loans	-70 057	-15 297
Interest repaid on subordinated liabilities	-9 189	-10 651
Payment of leasing payables	-7 214	-14 174
Total	**-86 460**	**-40 122**

ł/ Subordinated liabilities

	30.06.2008	30.06.2007
Balance sheet change	-185 435	-7 270
Payment of interest on subordinated liabilities – presentation in financial activities	9 189	10 651
Accrued interest on subordinated liabilities – presentation in operating activities	-9 320	-10 622
Currency translation differences on subordinated liabilities – presentation in operating activities	20 101	7 241
Total	**-165 465**	**0**

13. Shareholders holding over 5% stake in the share capital and votes at the General Meeting of Shareholders

The table below presents Shareholders of Kredyt Bank S.A. holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 30.06.2008.

Shareholder	Line of business	Number of shares and votes at GMS	Share in votes and in share capital (in %)
KBC Bank N.V.*	Banking	217 327 103	80.00
KBC Securities – related party of KBC Bank NV *	Brokerage house	6 890 966**	2.54
Sofina S.A.	Investment company	15 014 772	5.53

**/ By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V., with subsidiaries, is entitled to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.*
***/ A memorandum from KBC Bank NV of 6 May 2008.*

On 18 December 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 December 2007, PPIM had 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.

As at 30.06.2008, as many as 271,592,437 bearer shares were traded on the primary market of the Warsaw Stock Exchange.

As at 30.06.2007, as many as 271,590,820 bearer shares were traded on the primary market of the Warsaw Stock Exchange.

14. Shares of Kredyt Bank S.A. held by Members of the Management Board and by Members of the Supervisory Board

As at the publication date of this report, only one Member of the Supervisory Board, Mr. Marek Michałowski, held 1000 shares of Kredyt Bank S.A. with the nominal value of PLN 5 thousand, and other Members of the Bank's Management Board and of the Bank's Supervisory Board did not hold any Bank's shares.

15. Information on proceedings before courts or public administration authority

In the first half of the current year, the Bank was not a party to any proceedings before court or public administration authority, where the amount(s) claimed would amount to at least 10% of the Bank's equity.

Below are presented those proceedings, in which the amounts claimed are the highest.

The cases in which the Bank is the defendant

- Two court proceedings regarding a credit granted to Laboratorium Frakcjonowania Osocza Sp. z o.o. in Mielec ('LFO'). The Bank is the leader of the syndicate of five banks, which, under the agreement of 04.03.1997, granted a syndicated loan to LFO. The loan was secured by, among others, a registered pledge on the company's property, plant and equipment and the surety of the State Treasury up to 60% of the drawn amount of the loan and accrued interest. As the investment project for which the loan was extended had not been completed and the dates of the payment of commitments had not been met, the Bank, representing the syndicate, terminated the agreement under its terms and conditions and called LFO to pay claims.
    - The State Treasury requested for determination whether the syndicated loan agreement concluded between LFO and the syndicate of five banks had expired on 28.02.1998 as a result of the occurrence of a contractual condition, and, as a result, the commitment of the State Treasury as the guarantor of the loan under the guarantor's agreement had expired as well. The State Treasury is represented by the General Public Prosecutor's Office of the State Treasury. Experts' opinions and auxiliary opinions were prepared and additional witnesses were questioned. In the first quarter of 2007, the State Treasury changed the lawsuit and claimed PLN 8,207 thousand including interest. At the last hearing, the parties exchanged pleadings.

- 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. The proceedings are still suspended. 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. The appeal court overruled the judgment of the court of first instance and referred the case to be re-examined by the circuit court. The first hearing at which the positions of the parties were established was held on 25.07.2008. The next hearing is scheduled on 10.10.2008.

- A suit filed by MSG Investment Sp. z o.o. in liquidation. The plaintiff claims that, as a result of debt recovery measures taken by the Bank, he lost PLN 25 million (no calculations are presented in the lawsuit). In the Bank's opinion, the basis for claims specified in the lawsuit are doubtful. On 14.03.2008, the court dismissed the lawsuit of MSG for the Bank to pay PLN 25 million. MSG Investment appealed against this decision, however, on 30.06.2008, the appeal court in Łódź dismissed the appeal.

- On 17.01.2001, the President of the Office for Competition and Customer Protection, upon the request of Polska Organizacja Handlu i Dystrybucji, 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. Multiple pleadings are being exchanged prior to the determination of the date of the first hearing. The circuit court forwarded the reply of the President of the Office for Competition and Customer Protection and POHID to the Bank, along with the request to the Bank to express their opinion on the positions described in the letters.

- In relation to a loan transaction to finance the construction of Altus building in Katowice, the Bank and Reliz Sp. z o.o. (the owner of the building) are involved in certain disputes of legal nature. The Bank owns 100% shares of Reliz. The said disputes are related to claims of the guarantor of the loan to finance the building, i.e. Mostostal Zabrze Holding S.A., against the Bank and the owner of the building. In the second quarter of 2008, due to the advantageous court judgment for the Bank in one of litigations, the provision for any potential related liabilities was reversed.
- From May to August 2005, the Bank entered into nine framework agreements concerning the conclusion of term exchange transactions. The transaction result amounts to PLN 7,986.5 thousand. The transactions were negotiated by the Bank's employee with customers' consent. As a result of a change in trends on the market, the majority of forwards resulted in huge losses. Customers who were requested to additionally hedge the transaction challenge the concluded transactions. Eight proceedings are pending in these cases, where four proceedings were combined and will be heard jointly: at the hearing of 21.12.2007, the court awarded the total amount (with interest) of PLN 5.7 million to four customers, to be paid by the Bank. An appeal against the whole judgment was lodged on 11.02.2008. Two further proceedings were combined to be examined jointly and the hearing will be held in September 2008. In the seventh case, the court announced its judgment on 29.07.2008, i.e. the court dismissed the lawsuit and awarded the proceedings costs to the Bank. In the eighth case, the lawsuit was lodged in January 2008, the hearing was held on 15.07.2008, however, the court adjourned it until 26.08.2008.
- The trustee in bankruptcy for a company from the media industry claims damages of PLN 4,350 thousand due to improper performance by Inwestycyjny Dom Maklerski Kredyt Banku S.A. of the firm commitment underwriting agreement for the shares of the said company by alleged improper settlement of proceeds from the issue of such shares. At the hearing on 24.09.2007, the court obliged the Bank and KBC Securities (the legal successor of Inwestycyjny Dom Maklerski since 01.04.2005) to present documents in the case. At the hearing on 11.01.2008, the court dismissed the lawsuit. On 14.03.2008, the Bank received the plaintiff's appeal. The plaintiff appeals against the whole judgment of the circuit court stating that the rules of procedure and the substantive law were violated. The Bank replied to the appeal. The sentence is not legally valid.
- 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. The first hearing was held on 8.06.2008: the court suspended the proceedings due to formal deficiencies in the company's power of attorney. Under its decision of 27.06.2008, the court re-opened the proceedings. 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.

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. Major transactions with related parties with the value equal to or exceeding PLN equivalent of EUR 500 thousand, not related to current operations

On 7 February 2008, Kredyt Bank S.A. executed, with Kredietbank S.A. Luxembourgeoise, a multicurrency loan agreement up to the amount equivalent to EUR 200 million (i.e. PLN 719,580,000 at the average exchange rate of the NBP as of 7 February 2008). The agreement was concluded on market terms with the repayment period of two years and one day.

On 19 March 2008, Kredyt Bank S.A. executed, with KBC Bank NV Dublin Branch, a subordinated loan agreement up to the amount equivalent to CHF 100 million. The subordinated loan agreement was concluded on market terms with the repayment period of ten years from the release of the financial resources. On 3 June 2008, the Bank received the decision of the Polish Financial Supervision Authority (KNF) of 26 May 2008, regarding its consent to include the amount of CHF 100,000,000 (i.e. PLN 210,520,000 at the average exchange rate of the NBP of 26 May 2008) in the Bank's supplementary funds.

On 19 June 2008, Kredyt Bank S.A. executed, with KBL European Private Bankers S.A. (formerly Kredietbank S.A. Luxembourgeoise), a multicurrency loan agreement up to the amount equivalent to EUR 200 million (i.e. PLN 673,700,000.00 at the average exchange rate of the NBP as of 19 June 2008).). The loan agreement was concluded on market terms with the repayment period of three years. The loan can be drawn in EUR, CHF or PLN. The interest rate is based on LIBOR/WIBOR rates + margin. The amount of cash received under the above-mentioned loan agreement exceeds 10% of the Bank's equity. Cash obtained under the above-mentioned loan will be used to finance the Bank's current operations.

Apart from the above transactions, in the first half of 2008, no significant non-standard transactions had place with related parties whose total value, in the period from the beginning of the financial year, would be equal to or exceed PLN equivalent of EUR 500 thousand, and whose nature and terms were not related to current operations.

The volumes of transactions and related income and expenses have been presented below:

As at 30-06-2008 (non-audited) data in PLN '000'

Assets	**Subsidiaries**	**Parent company – KBC Bank NV**	**KBC Group***	**Total as at 30.06.2008** non-audited
Loans and advances to banks	0	81 568	181 005	262 573
Derivatives	0	104 904	4 402	109 306
Loans and advances to customers	488 361	0	180 399	668 760
Other assets	13 625	137	6 900	20 662
Total assets	**501 986**	**186 609**	**372 706**	**1 061 301**

Liabilities	**Subsidiaries**	**Parent company – KBC Bank NV**	**KBC Group***	**Total as at 30.06.2008** non-audited
Amounts due to banks	0	3 787 806	1 578 260	5 366 066
Derivatives	0	152 782	578	153 360
Amounts due to customers	159 838	0	1 408 071	1 567 909
Subordinated liabilities	0	208 800	0	208 800
Other liabilities	30 650	1 081	3 024	34 755
Total liabilities	**190 488**	**4 150 469**	**2 989 933**	**7 330 890**

Off-balance sheet items	**Subsidiaries**	**Parent company – KBC Bank NV**	**KBC Group***	**Total as at 30.06.2008** non-audited
Granted financing liabilities	24 654	0	159 488	184 142
Guarantees granted	2 121	3 720	15 936	21 777
Guarantees received	0	997 447	35 974	1 033 421
Derivatives	0	23 141 050	680 734	23 821 784
Collateral received	84 022	0	0	84 022
Total off-balance sheet items	**110 797**	**24 142 217**	**892 132**	**25 145 146**

Income	**Subsidiaries**	**Parent company – KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total for the first half of 2008** non-audited
Interest income	8 422	11 570	15 302	35 294
Fee and commission income	6	27	13 398	13 431
Net trading income	-391	24 676	-2 768	21 517
Other operating income	527	115	2 075	2 717
Total income	**8 564**	**36 388**	**28 007**	**72 959**

Expenses	**Subsidiaries**	**Parent company – KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total for the first half of 2008** non-audited
Interest expense	3 120	93 219	41 651	137 990
Fee and commission expense	0	43	-4 281	-4 238
General and administrative expenses	11 729	1 992	4 023	17 744
Other operating expenses	2 062	0	0	2 062
Total expenses	**16 911**	**95 254**	**41 393**	**153 558**

* including WARTA S.A.

As at 31.12.2007

Assets	Subsidiaries	Parent company – KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2007
Loans and advances to banks	0	170 059	614 023	784 082
Derivatives	0	66 862	1 052	67 914
Loans and advances to customers	514 970	0	205 242	720 212
Other assets	5 971	0	10 413	16 384
Total assets	**520 941**	**236 921**	**830 730**	**1 588 592**

Liabilities	Subsidiaries	Parent company – KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2007
Amounts due to banks	0	3 430 940	938 378	4 369 318
Derivatives	0	85 516	248	85 764
Amounts due to customers	92 093	0	90 547	182 640
Subordinated liabilities	0	393 973	0	393 973
Other liabilities	45 830	807	15	46 652
Total liabilities	**137 923**	**3 911 236**	**1 029 188**	**5 078 347**

Off-balance sheet items	Subsidiaries	Parent company – KBC Bank NV	KBC Group* without KBC Bank N. V.	Total as at 31.12.2007
Granted financing liabilities	36 340	0	0	36 340
Guarantees granted	1 613	2 252	15 194	17 446
Guarantees received	0	1 230 172	0	1 230 172
Derivatives	0	13 854 400	396 925	14 251 325
Collateral received	90 557	0	0	90 557
Total off-balance sheet items	**128 510**	**15 086 824**	**412 119**	**15 625 840**

* including WARTA S.A.

As at 30.06.2007 (non-audited) data in PLN '000'

Assets	Subsidiaries	Parent company – KBC Bank N.V.	KBC Group* without KBC Bank N. V.	Total as at 30.06.2007 *non-audited*
Loans and advances to banks	0	184 048	785 278	969 326
Derivatives	0	65 312	102 706	168 018
Loans and advances to customers	475 192	0	175 319	650 511
Other assets	6 493	0	17 706	24 199
Total assets	**481 685**	**249 360**	**1 081 009**	**1 812 054**

Liabilities	Subsidiaries	Parent company – KBC Bank N.V.	KBC Group* without KBC Bank N. V.	Total as at 30.06.2007 *non-audited*
Amounts due to banks	0	1 048 057	95 784	1 143 841
Derivatives	0	61 505	0	61 505
Amounts due to customers	52 020	0	1 178 134	1 230 154
Subordinated liabilities	0	414 349	0	414 349
Other liabilities	50 752	81 154	3 103	135 009
Total liabilities	**102 772**	**1 605 065**	**1 277 021**	**2 984 858**

Off-balance sheet items	Subsidiaries	Parent company – KBC Bank N.V.	KBC Group* without KBC Bank N. V.	Total as at 30.06.2007 *non-audited*
Granted financing liabilities	86 370	0	0	86 370
Guarantees granted	1 651	5 780	3 147	10 578
Guarantees received	0	11 714	0	11 714
Derivatives	0	15 365 180	604 052	15 969 232
Liabilities related to the sale/purchase transactions	0	0	96 550	96 550
Total off-balance sheet items	**88 021**	**15 382 674**	**703 749**	**16 174 444**

Income	Subsidiaries	Parent company – KBC Bank N.V.	KBC Group* without KBC Bank N. V.	Total for the first half of 2007 *non-audited*
Interest income	5 180	3 385	13 411	21 976
Fee and commission income	326	4	29 214	29 544
Net trading income	28	0	0	28
Other operating income	1 278	1	1 358	2 637
Total income	**6 812**	**3 390**	**43 983**	**54 185**

Expenses	Subsidiaries	Parent company – KBC Bank N.V.	KBC Group* without KBC Bank N. V.	Total for the first half of 2007 *non-audited*
Interest expense	3 480	27 718	9 235	40 433
Fee and commission expense	0	0	19	19
General and administrative expenses	16 921	118	713	17 752
Total expenses	**20 401**	**27 836**	**9 967**	**58 204**

* including WARTA S.A.

17. Seasonality or cyclical nature of operations

The operations of the Bank are not of seasonal nature.

18. Loan or advance sureties or guarantees granted by the Issuer or it subsidiary.

As of 30.06.2008, the Bank did not issue guarantees with the total value of at least 10% of the Bank's equity, to one company or entities of one capital group.

As at 30.06.2007, the Bank issued guarantees with the total value of at least 10% of the Bank's equity, to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 226,983 thousand. As at 30.06.2007, their average maturity dates were three years and two months.

The above guarantees were granted on market terms. The Bank's fee for issuing the guarantees was also determined on market terms.

19. Remunerations of the key management staff

In the periods subject to these financial statements, Members of the Bank's Management Board and Members of the Bank's Supervisory Board received the following remunerations:

a. in the first half of 2008 PLN 9,887 thousand
b. in 2007 PLN 11,458 thousand
c. in the first half of 2007 PLN 7,538 thousand

Below there is information about remunerations for each category of benefits in PLN '000'.

No.	Benefit	01.01.2008-30.06.2008 *non-audited*	01.01.2007-31.12.2007	01.01.2007-30.06.2007 *non-audited*
1	Short-term employee benefits	5 425	8 725	4 969
2	Benefits paid after employment termination	251	10	10
3	Benefits related to the dissolution of employment	4 211	2 723	2 559

Mr. Michał Oziembło, Vice-President of the Bank's Management Board, receives remuneration in Żagiel S.A. as the President of the Management Board in this company. In the first half of 2008 and in comparable periods, other Members of the Bank's Management Board and the Members of the Bank's Supervisory Board did not receive remuneration for performing any functions in subsidiaries.

20. Non-typical factors and events

In the first half of 2008, as in the first half of 2007, no untypical events occurred (not related to operating activities) that would affect the structure of balance sheet items and the financial result.

Signatures of all Management Board Members

date	26.08.2008	Maciej Bardan	acting President of the Management Board	....
date	26.08.2008	Umberto Arts	Vice President of the Management Board	....
date	26.08.2008	Lidia Jabłonowska-Luba	Vice President of the Management Board	....
date	26.08.2008	Krzysztof Kokot	Vice President of the Management Board	....
date	26.08.2008	Michał Oziembło	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	26.08.2008	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....