Interim Consolidated Financial Statements

of Kredyt Bank S.A. Capital Group

for the Fourth Quarter of 2008 prepared in accordance with

the International Financial Reporting Standards

Contents

1. Consolidated Income Statement

in PLN '000'	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008	4th quarter of 2007 01.10.2007 - 31.12.2007	Four quarters of 2007 01.01.2007 - 31.12.2007
Interest income	662 546	2 311 781	450 381	1 594 854
Interest expense	-370 265	-1 251 909	-213 967	-723 381
Net interest income	**292 281**	**1 059 872**	**236 414**	**871 473**
Fee and commission income	102 923	389 744	96 685	367 674
Fee and commission expense	-29 463	-96 614	-6 469	-58 173
Net fee and commission income	**73 460**	**293 130**	**90 216**	**309 501**
Dividend income	0	1 049	0	1 328
Net trading income	62 314	242 237	64 223	179 243
Net result on derivatives used as hedging instruments and hedged items	766	1 215	-1 870	-3 619
Net gains from investment activities	-11 771	-11 589	1 044	4 533
Other operating income	30 113	99 534	32 183	82 915
Total operating income	**447 163**	**1 685 448**	**422 210**	**1 445 374**
General and administrative expenses	-299 843	-1 104 581	-277 019	-974 622
Net impairment losses on financial assets, other assets and provisions	-38 126	-108 202	19 549	84 962
Other operating expenses	-20 014	-49 567	-24 747	-55 270
Total operating expenses	**-357 983**	**-1 262 350**	**- 282 217**	**- 944 930**
Net operating income	**89 180**	**423 098**	**139 993**	**500 444**
Share of profit (loss) of associates	-1 152	-2 043	-1 447	1 513
Profit before tax	**88 028**	**421 055**	**138 546**	**501 957**
Income tax expense	-23 400	-96 138	-29 017	-111 418
Net profit from business activities	**64 628**	**324 917**	**109 529**	**390 539**
Net profit from discontinued operations	0	0	0	0
Net profit	**64 628**	**324 917**	**109 529**	**390 539**
Including:				
attributable to the Shareholders of the Bank	**64 628**	**324 917**	**109 529**	**390 539**
Weighted average number of ordinary shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)	0.24	1.20	0.40	1.44

2. Consolidated Balance Sheet

in PLN '000'	31.12.2008	30.09.2008	31.12.2007	30.09.2007
Assets				
Cash and balances with Central Bank	827 972	941 261	611 690	973 593
Gross loans and advances to banks	340 865	851 227	2 456 352	4 323 866
Impairment losses on loans and advances to banks	-2 261	-2 260	-2 260	-2 260
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	1 317 764	1 757 436	465 027	249 838
Derivatives including:	2 302 799	939 444	495 095	308 779
- derivatives used as hedging instruments	166 954	42 051	34 025	24 080
Gross loans and advances to customers	27 660 647	22 885 496	17 456 184	16 249 918
Impairment losses on loans and advances to customers	-927 331	-863 131	-834 327	-968 713
Investment securities:	6 238 011	5 874 280	5 482 335	5 486 047
- available-for-sale	4 365 127	4 093 806	3 437 169	3 424 391
- held-to-maturity	1 872 884	1 780 474	2 045 166	2 061 656
Investments in associates valued using the equity method	10 131	11 283	12 174	13 621
Property, plant and equipment	421 866	401 151	396 446	382 284
Intangible assets	60 924	59 096	67 212	64 728
Goodwill on subordinated companies	36 052	36 052	36 052	36 052
Deferred tax asset	98 000	115 627	150 658	137 836
Current tax receivable	0	0	1 309	3 805
Non-current assets classified as held for sale	0	0	767	1 270
Investment properties	209 867	212 394	219 509	221 465
Other assets	135 370	148 493	113 957	127 085
Total assets	**38 730 676**	**33 367 849**	**27 128 180**	**27 609 214**

in PLN '000'	31.12.2008	30.09.2008	31.12.2007	30.09.2007
Liabilities				
Amounts due to Central Bank	1 113 275	1 611	1 101 661	2 078
Amounts due to banks	12 125 013	8 486 974	5 301 449	6 833 515
Derivatives including:	1 890 221	658 136	474 370	268 994
- derivatives used as hedging instruments	1 708	10 903	44 178	18 775
Amounts due to customers	20 275 366	20 206 892	17 088 638	16 963 662
Liabilities arising from repurchase transactions	8 991	979 643	50 126	500 151
Current tax liability	52 303	23 009	7 228	1 462
Provisions	59 474	121 766	161 034	170 474
Deferred tax liability	855	1 092	872	1 182
Other liabilities	280 022	241 552	272 263	231 602
Subordinated liabilities	279 643	215 606	394 235	415 676
Total liabilities	**36 085 163**	**30 936 281**	**24 851 876**	**25 388 796**

in PLN '000'	31.12.2008	30.09.2008	31.12.2007	30.09.2007
Equity				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	604 966	604 966	383 711	383 711
Revaluation reserve	97 938	-51 379	-87 617	-34 043
Reserves	240 942	240 942	180 942	180 942
Currency translation differences from the translation of subordinated companies	-733	-733	-733	-664
Retained earnings/loss	19 189	19 189	51 168	51 168
Current net profit attributable to the Shareholders of the Bank	324 917	260 289	390 539	281 010
Total equity attributable to shareholders of the Bank	**2 645 513**	**2 431 568**	**2 276 304**	**2 220 418**
Minority interest	**0**	**0**	**0**	**0**
Total equity	**2 645 513**	**2 431 568**	**2 276 304**	**2 220 418**
Total equity and liabilities	**38 730 676**	**33 367 849**	**27 128 180**	**27 609 214**

Capital adequacy ratio (%)	8.81	9.36	9.71	10.65
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	9.74	8.95	8.38	8.17

3. Off-balance Sheet Items

in PLN '000'	31.12.2008	30.09.2008	31.12.2007	30.09.2007
Contingent liabilities, granted and received				
Liabilities granted, including:	**7 219 430**	**6 643 412**	**6 002 445**	**5 817 295**
- financial	5 389 649	5 057 384	4 374 464	4 202 092
- guarantees	1 829 781	1 586 028	1 627 981	1 615 203
Liabilities received, including:	**1 829 299**	**1 688 862**	**2 224 054**	**1 239 094**
- financial	521 748	516 360	902 441	670 002
- guarantees	1 307 551	1 172 502	1 321 613	569 092
Liabilities related to the sale/purchase transactions	**279 092 521**	**311 095 732**	**218 165 219**	**170 301 827**
Other	**5 289 553**	**4 649 164**	**3 211 824**	**3 098 694**
- collateral received	5 288 009	4 647 620	3 210 280	3 097 150
- other	1 544	1 544	1 544	1 544

4. Statement of Changes in Consolidated Equity

Changes in the period 01.01.2008 – 31.12.2008

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

Changes in the period 01.01.2007 – 31.12.2007

in PLN '000'	Share capital	Supplementary capital	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies	Retained earnings/loss	Net profit/loss for the period	Total equity attributable to shareholders of the Bank	Minority interest	Total equity
Equity at opening balance – as of 01.01.2007	**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/loss 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		0		0
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**

5. Consolidated Cash Flow Statement

in PLN '000'	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008	4th quarter of 2007 01.10.2007 - 31.12.2007	Four quarters of 2007 01.01.2007 - 31.12.2007
Net cash flow from operating activities				
Net profit	**64 628**	**324 917**	**109 529**	**390 539**
Adjustments to net profit and net cash from operating activities:	**-1 121 063**	**-3 763 335**	**-2 802 402**	**-2 031 758**
Current and deferred tax recognized in financial result	23 400	96 138	29 017	111 418
Non-realised profit (loss) from currency translation differences	1 015 800	1 036 583	-65 105	-83 895
Investing and financing activities	**115 269**	**110 430**	**-140 132**	**-288 162**
Depreciation	27 035	103 700	26 532	110 663
Share in profit (loss) of associates	1 152	2 043	1 447	-1 513
Net increase/decrease in impairment	62 224	91 144	-136 065	-244 758
Dividends	0	-1 049	0	-1 328
Interest	69 478	2 367	-19 969	-136 196
Net increase/decrease in provisions	-62 292	-101 560	-9 440	-8 192
Profit (loss) on disposal of investments	17 672	13 785	-2 637	-6 838
Net increase/decrease in operating assets (excluding cash)	**-5 628 904**	**-12 581 167**	**-1 267 753**	**-4 735 265**
Net increase/decrease in gross loans and advances to banks	-58 004	170 544	342 839	199 148
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	-781 524	-2 519 127	-381 813	-15 209
Net increase/decrease in gross loans and advances to customers	-4 775 151	-10 204 463	-1 206 266	-4 812 341
Paid income tax	-10 991	-41 488	-21 509	-60 346
Net increase/decrease in other assets	-3 234	13 367	-1 004	-46 517
Net increase/decrease in operating liabilities	**3 353 372**	**7 574 681**	**-1 358 429**	**2 964 146**
Net increase/decrease in amounts due to Central Bank	1 111 664	11 614	1 099 583	1 099 671
Net increase/decrease in amounts due to banks	1 873 096	2 989 778	-2 379 268	1 369 042
Net increase/decrease in derivatives	1 232 085	1 415 851	205 376	177 896
Net increase/decrease in amounts due to customers	68 474	3 186 728	124 976	1 281 375
Net increase/decrease in liabilities arising from repurchase transactions	-970 652	-41 135	-450 025	-983 799
Net increase/decrease in other liabilities	38 705	11 845	40 929	19 961
Net cash flow from operating activities	**-1 056 435**	**-3 438 418**	**-2 692 873**	**-1 641 219**

in PLN '000'	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008	4th quarter of 2007 01.10.2007 - 31.12.2007	Four quarters of 2007 01.01.2007 - 31.12.2007
Net cash flow from investing activities				
Inflows	**106 860**	**688 485**	**81 990**	**2 733 517**
Disposal of property, plant and equipment, intangible assets and investment properties	1 863	6 105	4 173	6 367
Disposal of investment securities	67 545	490 298	6 433	2 503 086
Dividends	0	1 049	0	1 328
Interest received	37 452	191 033	71 384	222 736
Outflows	**-394 726**	**-1 246 277**	**-154 093**	**-2 347 545**
Acquisition of property, plant and equipment, intangible assets and investment properties	-49 471	-138 341	-51 123	-117 307
Acquisition of interests in subordinated companies	0	0	-45	-50
Acquisition of investment securities	-345 255	-1 107 936	-102 925	-2 230 188
Net cash flow from investing activities	**-287 866**	**-557 792**	**-72 103**	**385 972**
Cash flow from financing activities				
Inflows	**726 930**	**2 976 713**	**904 442**	**1 846 441**
Proceeds from subordinated loan	0	209 580	0	0
Proceeds from borrowings	726 930	2 767 133	904 442	1 846 441
Outflows	**-64 284**	**-709 164**	**-26 044**	**-171 150**
Dividend paid	0	-141 263	0	-100 514
Repayment of subordinated liabilities	0	-375 045	0	0
Other financial outflows	-64 284	-192 856	-26 044	-70 636
Net cash flow from financing activities	**662 646**	**2 267 549**	**878 398**	**1 675 291**

Net increase/decrease in cash	**-681 655**	**-1 728 661**	**-1 886 578**	**420 044**
Cash at the beginning of the period	**1 642 908**	**2 689 914**	**4 576 492**	**2 269 870**
Cash at the end of the period, including:	**961 253**	**961 253**	**2 689 914**	**2 689 914**
Restricted cash	789 493	789 493	635 061	635 061

6. Basis of preparation

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

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

The interim consolidated financial report for the fourth quarter of 2008 has been prepared in line with the IAS/IFRS as in force at the date of this report. Specifically, this report has been prepared in accordance with IAS 34 *Interim Financial Reporting*, and matters not governed by the IFRS must comply with the Act and the provisions of the Ordinance by the Minister of Finance dated 19 October 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005, No. 209, item 1744).

7. The Group's financial standing at the end of the fourth quarter of 2008

7.1. Financial result

Group's net profit and profit before tax

The Group's net profit in 2008 amounted to PLN 324,917 thousand, while net profit generated in 2007 amounted to PLN 390,539 thousand. With respect to most categories of net operating income, in 2008, as compared to 2007, an increase was observed which resulted from the high business activeness. The Group's net operating income in 2008, as compared to 2007, increased by 17.7%, while general and administrative expenses increased by 13.3%. Lower profit before tax and the resulting lower net profit for 2008, as compared to 2007, result chiefly from higher 'Net impairment losses on financial assets, other assets and provisions', whose balance in 2008 was negative and amounted to PLN 108,202 thousand, whereas, in 2007, the balance was positive and amounted to PLN 84,962 thousand.

Net profit for the fourth quarter of 2008 amounted to PLN 64,628 thousand, and in the corresponding period of 2007, it was at the level of PLN 109,529 thousand. Net operating income in the fourth quarter of 2008, as compared to the corresponding period in 2007, increased by 7.5%, while general and administrative expenses increased by 8.2%. Lower profit before tax and net profit in the fourth quarter of 2008, as compared to the fourth quarter of 2007, was affected by 'Net impairment losses on financial assets, other assets and provisions' (in the fourth quarter of 2008, their balance was negative and amounted to PLN 38,126 thousand, whereas, in the fourth quarter of 2007, the balance was positive and amounted to PLN 19,549 thousand) and by 'General and administrative expenses' (an increase by PLN 22,824 thousand).

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

in PLN '000'	4th quarter of 2008	4th quarter of 2007	Change (%)	Four quarters of 2008	Four quarters of 2007	Change (%)
Net interest income	292 281	236 414	23.6%	1 059 872	871 473	21.6%
Net fee and commission income	73 460	90 216	-18.6%	293 130	309 501	-5.3%
Net gains from trading and investment activities*	51 309	63 397	-19.1%	232 912	181 485	28.3%
Net gains from other operating income/expenses	10 099	7 436	35.8%	49 967	27 645	80.7%
Total	**427 149**	**397 463**	**7.5%**	**1 635 881**	**1 390 104**	**17.7%**
General and administrative expenses	-299 843	-277 019	8.2%	-1 104 581	-974 622	13.3%
Net impairment losses on financial assets, other assets and provisions	-38 126	19 549	-	-108 202	84 962	-
Share in profit (loss) of associates	-1 152	-1 447	-20.4%	-2 043	1 513	-
Profit before tax	**88 028**	**138 546**	**-36.5%**	**421 055**	**501 957**	**-16.1%**
Income tax expense	-23 400	-29 017	-19.4%	-96 138	-111 418	-13.7%
Net profit	**64 628**	**109 529**	**-41.0%**	**324 917**	**390 539**	**-16.8%**

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

Net interest, fee and commission income

Net interest income generated by the Group in 2008 amounted to PLN 1,059,872 thousand, i.e. it was higher by 21.6% than the corresponding figure in 2007. Net interest income in the fourth quarter of 2008 amounted to PLN 292,281 thousand and was higher by 23.6% than net interest income in the corresponding period of 2007. The increase in the value of the loan portfolio was the main reason for higher net interest income in 2008, as compared to 2007.

Net fee and commission income in 2008 amounted to PLN 293,130 thousand, i.e. it was lower by PLN 16,371 thousand (5.3%) than the corresponding figure in 2007. Net fee and commission income in the fourth quarter of 2008 amounted to PLN 73,460 thousand and was lower by PLN 16,756 thousand (18.6%) than the figure recorded in the fourth quarter of 2007, mainly due to the adjustment by PLN 14 million of the costs paid to intermediaries for the sale of loans, carried out in November 2007. Since November 2007, the costs have been settled over time for the duration of the loans. Fee and commission income both in the whole 2008 and in the fourth quarter of 2008 were at a similar level as in corresponding periods of 2007 (commission income related to the distribution and management of combined investment and insurance products lower by ca. PLN 24 million was almost fully set off with income from payment cards processing and ATMs maintenance which was higher by PLN 21 million). The decrease in this net income category was affected by fee and commission expenses in the case of the costs of loan insurance and BIK costs, what resulted mainly from a substantial increase in the portfolio of mortgages.

Net gains from trading and investment activities

In 2008, net gains from trading and investment activities, including net result on derivatives used as hedging instruments and hedged items, amounted to PLN 232,912 thousand as compared to PLN 181,485 thousand recorded in 2007. The increase was achieved mainly from the result on foreign exchange. And net gains from trading and investment activities in the fourth quarter of 2008 amounted to PLN 51,309 thousand, i.e. it was lower by PLN 12,088 thousand (19.1%) than the figure in the fourth quarter of 2007.

Net gains from other operating income/expenses

Rental income in Reliz is the main item which affects other operating income on a continuous basis. Other parts of this category are mainly non-recurring. The income of Reliz (after consolidation exclusions) for 2008 amounted to PLN 30,684 thousand and was higher by PLN 5,175 thousand as compared to the figures recorded in 2007. In the fourth quarter of 2008, the income (after consolidation exclusions) amounted to PLN 9,724 thousand and was higher by PLN 2,565 thousand as compared to the fourth quarter of 2007 (the growth results to a large extent from currency translation differences).

The increase in net gains from other operating activities for 2008, as compared to the previous year, results also from the reversal of impairment losses on receivables from miscellaneous debtors, writing off, to ‘other operating income’, a liability towards one of the intermediaries due to the failure to satisfy a condition for the release of funds. And net gains from other operating activities in the fourth quarter of 2008 amounted to PLN 10,099 thousand and were higher by PLN 2,633 thousand than the figure in the fourth quarter of 2007.

General and administrative expenses

	4th quarter of 2008	4th quarter of 2007	Change (%)	Four quarters of 2008	Four quarters of 2007	Change (%)
Staff costs, including:	**140 313**	**133 395**	**5.2%**	**536 208**	**489 675**	**9.5%**
- salaries and wages	118 190	113 915	3.8%	440 807	402 037	9.6%
- salaries and wages mark-up	14 857	12 899	15.2%	69 863	63 907	9.3%
- employee benefits	3 491	2 778	25.6%	14 157	13 115	7.9%
- training expenses	3 775	3 803	-0.7%	11 381	10 616	7.2%
General expenses, including:	**132 495**	**117 092**	**13.2%**	**464 673**	**374 284**	**24.1%**
- costs of buildings maintenance and lease	32 770	27 591	18.8%	116 978	94 384	23.9%
- postal and telecommunication charges	17 779	13 082	35.9%	59 879	48 984	22.2%
- IT systems operation costs	6 490	7 765	-16.4%	29 430	25 955	13.4%
- promotion and advertising services	13 291	17 209	-22.8%	37 033	31 866	16.2%
- costs of machinery repairs and services provided under warranties	3 930	3 388	16.0%	12 930	11 168	15.8%
- property protection costs	2 250	2 015	11.6%	8 994	8 117	10.8%
- costs of balance sheet audit, consulting and advisory	5 096	3 263	56.2%	14 418	9 881	45.9%
- transportation costs	3 813	4 497	-15.2%	15 745	11 544	36.4%
- other banking services	4 872	5 349	-8.9%	19 248	18 984	1.4%
- materials purchase	4 780	4 299	11.2%	14 877	13 082	13.7%
- business trips costs	1 915	2 063	-7.2%	6 051	5 236	15.6%
- taxes and fees	24 810	24 048	3.2%	90 292	73 693	22.5%
- other	10 699	2 523	324.1%	38 798	21 390	81.4%
Depreciation and amortisation, including:	**27 035**	**26 532**	**1.9%**	**103 700**	**110 663**	**-6.3%**
- property, plant and equipment	18 714	15 323	22.1%	69 683	62 496	11.5%
- investment properties	2 571	2 559	0.5%	10 288	10 263	0.2%
- intangible assets	5 750	8 650	-33.5%	23 729	37 904	-37.4%
Total	**299 843**	**277 019**	**8.2%**	**1 104 581**	**974 622**	**13.3%**

Employment *	As at 31.12.2008	As at 31.12.2007	Change	Change (%)
KB	5 487	5 440	47	0.9%
Żagiel	1 459	1 211	248	20.5%
Other	104	73	31	42.5%
Total	**7 050**	**6 724**	**326**	**4.8%**

** Figures in FTEs.*

The Group's general and administrative expenses in 2008 amounted to PLN 1,104,581 thousand and, as compared to 2007, increased by PLN 130 million, i.e. by 13.3%. In the fourth quarter of 2008, general and administrative expenses amounted to PLN 299,843 thousand and were higher by PLN 22,824 thousand (8.2%) than in the corresponding period of 2007. The increase in general and administrative expenses in 2008 resulted from the Group's high business activeness. In 2008, staff costs increased by PLN 46.5 million (9.5%) as compared to 2007, and in the fourth quarter of 2008, by PLN 6.9 million (5.2%) as compared to the fourth quarter of 2007. The increase in staff costs in 2008, when compared to 2007, was related mainly to higher employment in Żagiel and Kredyt Lease (PLN 22 million) and higher costs in the Bank by PLN 23.5 million (5.6%).

In 2008, general expenses increased by PLN 90.4 million as compared to 2007, and in the fourth quarter of 2008 by PLN 15.4 million as compared to the fourth quarter of 2007. The increase in general expenses in 2008 resulted mainly from the increase in:

- costs of buildings maintenance and lease (PLN 22.6 million), which were related to the development of the sales network (see section 7.7 below: 'Number of outlets');
- postal and telecommunication charges (PLN 10.9 million), which were related to the development of the sales network, but also to the increase in the portfolio of mortgages and retail loans (an increase noticeable especially in the third and fourth quarter of 2008);
- taxes and fees (PLN 16.6 million), which were related mainly to the introduction in 2008 of a fee collected by the Polish Financial Supervision Authority for the supervision of banks (PLN 6.2 million) and an increase in non-deducted VAT related to the increase in particular costs subject to this tax.

Cost/income ratio (CIR)

The cost/income ratios presented in this section take into account a change in the presentation of net income from sale of receivables described in more detail in section 11 below.

Cost/income ratio in 2008 amounted to 67.5% and decreased by 2.6 p.p. as compared to 2007. The decrease results from a faster increase in net operating income in 2008, as compared to the increase in general and administrative expenses.

in %	4th quarter of 2008	4th quarter of 2007	Four quarters of 2008	Four quarters of 2007
Cost/income ratio	70.2%	69.7%	67.5%	70.1%

Net impairment losses on financial assets, other assets and provisions

Since the second quarter of 2008, the Group has changed the presentation of net income from sale of loan receivables, including the figure in 'Net impairment losses on financial assets, other assets and provisions'. Figures disclosed in this report for previous reporting periods have been properly restated, as per the table presented in section 11 below.

Net impairment losses on financial assets, other assets and provisions	4th quarter of 2008	4th quarter of 2007	Four quarters of 2008	Four quarters of 2007
Corporate Segment	-38 453	25 369	-30 990	116 949
Retail Segment	-54 356	-12 349	-167 257	-34 229
Other provisions	54 683	6 529	90 045	2 242
Result on provisions	**-38 126**	**19 549**	**-108 202**	**84 962**

At the end of 2008, the Group generated negative balance of net impairment losses on financial assets, other assets and provisions of PLN 108,202 thousand, as compared to the positive balance in 2007 of PLN 84,962 thousand. In the fourth quarter of 2008, the balance of impairment losses was negative and amounted to PLN 38,126 thousand (including losses on the valuation of option transactions with customers), and in the fourth quarter of 2007 the balance was positive and amounted to PLN 19,549 thousand. Higher impairment losses in the whole 2008 and in the fourth quarter of 2008 resulted both from lower amounts recovered in the debt collection process and the restructuring process in the corporate segment and higher impairment losses on loans and advances to the retail segment as compared to the corresponding periods in 2007.

A substantial increase in impairment losses on loans and advances in the whole 2008 and in the fourth quarter of 2008 was partially set off by the reversal of provisions for litigations due to the court judgments and expectations for pending proceedings which are favourable for the Group – amounting to PLN 90,045 thousand in 2008 (PLN 2,242 thousand in 2007) and PLN 55,683 thousand in the fourth quarter of 2008 (PLN 6,529 thousand in the fourth quarter of 2007).

Furthermore, as indicated in section 10 below, in the fourth quarter of 2008, the Group finished the review and amendments of its methodology of estimating impairment losses on loans and advances valued collectively. As a result of the amendments in the methodology, the amount of PLN 27 million was deducted from the Group's profit before tax in the second half of 2008, including PLN 22 million deducted already at the end of the third quarter of 2008.

Corporate income tax

Total income tax expense in the Group after four quarters of 2008 amounted to PLN 96,138 thousand (including current income tax of PLN 86,960 thousand) as compared to PLN 111,418 thousand deducted from the Group's result after four quarters of 2007 (including current income tax of PLN 83,637 thousand). Total income tax expense in the Group in the fourth quarter of 2008 amounted to PLN 23,400 thousand (including current income tax of PLN 41,080 thousand) as compared to PLN 29,017 thousand deducted from the Group's result in the fourth quarter of 2007 (including current income tax of PLN 29,609 thousand). In the fourth quarter of 2008, the effective tax rate was over 26% (cf. 21% in the fourth quarter of 2007) mainly due to the adjustment of the deferred tax asset, concerning the changes in the forecasts related to the realization of the values of established impairment losses on loans and advances for tax purposes. The effective tax rate for 2008 was at the level of 22.8% as compared to 22.2% in 2007.

7.2. Assets and liabilities

Gross loans and advances to customers

Over the last months, the Group recorded an increase in the portfolio of gross loans and advances to customers. The value of gross loans and advances to customers at the end of the fourth quarter of 2008 increased by 20.9% as compared to the end of the third quarter of 2008, and by 58.5% as compared to the corresponding period in the previous year. Dynamic growth was recorded for portfolios of loans of natural persons, including cash and instalment loans extended by Żagiel S.A. Furthermore, as in previous periods, the Group recorded high sale of mortgages. The increase in the value of the mortgages portfolio in the fourth quarter of 2008 resulted, to a larger extent, from the depreciation of Polish zloty in this period (75% of the portfolio are loans in CHF).

Details concerning the portfolio of loans and advances have been presented in sections 7.3, 7.6 and 7.7 below.

Investment securities portfolio

In the fourth quarter of 2008, the level of portfolios of investment securities still made it possible to safely manage short-term liquidity.

Derivatives

At the end of 2008, the Group's net position concerning the valuation of derivatives was open and amounted to PLN 412.6 million as compared to PLN 20.7 million in 2007. The increase resulted mainly from the valuation of IRS's used in the interest rate risk management process. The Group's net position due to the valuation of options both in 2007 and in 2008 was closed – options concluded with customers are hedged by option transactions concluded on the inter-bank market. However, there is a risk that the result on derivatives (especially on currency options) will adversely affect the Group's results in further reporting periods, what may be affected by the following factors: potential deeper/long-term depreciation of Polish zloty; extended turmoil on financial markets; worse financial situation of entities in the enterprises sector. Credit risk concerning option transactions is monitored on an ongoing basis by the Bank's Credit Committee.

Customers' deposits portfolio

Customers' deposits at the end of the fourth quarter of 2008 increased by 0.3% as compared to the end of the third quarter of 2008, and increased by 18.6% as compared to the end of the fourth quarter of 2007. In the last 12 months, the largest increase was recorded in the portfolio of term deposits of corporate customers – by ca. PLN 2.8 billion (mainly due to the Bank's sourcing of funds from TUnŻ Warta S.A. generated from the sale of 'Warta Gwarancja' product – an increase in 2008 by PLN 1.5 billion).

Details concerning the deposits portfolio have been presented in sections 7.6 and 7.7 below.

Amounts due to banks and subordinated liabilities

in PLN '000'	**As at 31.12.2008**	**As at 31.12.2007**
Loans and advances from KBC Group	6 763 261	2 750 710
- including loans and advances in foreign currencies	*4 991 104*	*1 513 882*
Term deposits	4 087 081	2 517 509
- including term deposits from KBC Group	*3 993 949*	*370 239*
Current accounts	1 271 449	28 114
Other liabilities	3 222	5 116
Total amounts due to banks	**12 125 013**	**5 301 449**
Subordinated liabilities *	279 634	394 235
Total	**12 404 647**	**5 695 684**

** fully denominated in a foreign currency*

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

7.3. The quality of loans and advances portfolio

In the fourth quarter of 2008, as in previous reporting periods, mainly due to the fast increase in loans portfolio, the share of doubtful loans and advances in total loans and advances was further reduced.

As a result, in spite of the substantial increase in impairment losses on loans and advances, in the fourth quarter of 2008, the quality ratio for the Group's gross loans and advances slightly improved in this period, i.e. by 0.3 p.p. and by 1.7 p.p. over the last 12 months.

The Group, when estimating credit risk for individual credit exposures and loan portfolios, follows the prudence concept. As at 31.12.2008, the ratio of covering loans and advances for which evidence for impairment was identified with impairment losses was 62.2%.

in PLN '000'	31.12.2008	30.09.2008	30.06.2008	31.03.2008	31.12.2007
Loans and advances with no evidence for impairment	26 310 999	21 700 580	19 013 300	17 862 328	16 312 565
Loans and advances with evidence for impairment	1 349 648	1 184 916	1 109 992	1 167 368	1 143 619
Total gross loan and advances to customers	**27 660 647**	**22 885 496**	**20 123 292**	**19 029 696**	**17 456 184**
Impairment on loans and advances to customers	927 331	863 131	835 722	855 775	834 327
including: impairment on loans and advances with evidence for impairment	839 644	784 271	785 219	806 881	792 087
Total net loans and advances to customers	**26 733 316**	**22 022 365**	**19 287 570**	**18 173 922**	**16 621 857**
The share of loans and advances with evidence for impairment in total gross loans and advances	4.9%	5.2%	5.5%	6.1%	6.6%
Coverage of loans and advances with evidence for impairment with corresponding impairment	62.2%	66.2%	70.7%	69.1%	69.3%
Coverage of gross loans and advances to customers with corresponding impairment	3.4%	3.8%	4.2%	4.5%	4.8%

7.4. Capital adequacy ratio

The Group's capital adequacy ratio was calculated in compliance with regulations of the National Bank of Poland in force and, as of 31.12.2008, amounted to 8.81% as compared to 9.71% recorded as of 31.12.2007 and 9.36% as of 30.09.2008. The decrease in the capital adequacy ratio, as compared to the figure at 31.12.2007, results mainly from the fast growth of the loan portfolio and, especially in the fourth quarter, from strong depreciation of Polish zloty.

The year 2008 was a period when the new principles concerning the capital adequacy ratio (known as Basel II) were applied for the first time. The Group applies the standardized approach to credit risk calculation. The application of the new regulations has not affected the capital adequacy ratio to a large extend.

7.5. Income and results by segments

The Group'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. The Bank's offer in this segment is expanded by the products of Kredyt Lease, which offers a complete range of services for companies in respect of leasing of property, plant and equipment and 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 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 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 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. However, these investments do not constitute a significant element of the Group's operations.

'Other' Segment

'Other' segment comprises other income and expenses not recognized in the above-mentioned segments (including the salaries of members of the Management Board and of the Supervisory Board, BFG fees, external audit expenses, income and expenses related to the reversal/recognition of provisions for litigations and other operating expenses).

The segments' 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.

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

in PLN '000'	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	701 580	1 725 224	530 528	19 713	55 711	0	**3 032 756**
2. Segment income (internal)	296 955	720 709	1 086 276	0	12	-2 103 952	**0**
3. Total segment income	**998 535**	**2 445 933**	**1 616 804**	**19 713**	**55 723**	**-2 103 952**	**3 032 756**
4. Segment expenses (external)	-251 839	-781 574	-493 075	-23 773	-60 349	0	**-1 610 610**
4a. Allocated expenses	-90 068	-752 921	-10 483	-2 117	-35 257	0	**-890 846**
5. Segment expenses (internal)	-463 832	-618 079	-1 017 676	-4 365	0	2 103 952	**0**
6. Total segment expenses	**-805 739**	**-2 152 574**	**-1 521 234**	**-30 255**	**-95 606**	**2 103 952**	**-2 501 456**
7. Net operating income for the segment	**192 796**	**293 359**	**95 570**	**-10 542**	**-39 883**	**0**	**531 300**
8. Net impairment losses on financial assets, other assets and provisions	-30 990	-167 257	0	0	90 045	0	**-108 202**
9. Segment share in profit (loss) of associates	**0**	**0**	**0**	**-2 043**	**0**	**0**	**-2 043**
10. Profit before tax for the segment	**161 806**	**126 102**	**95 570**	**-12 585**	**50 162**	**0**	**421 055**
11. Income tax expense							**-96 138**
12. Net profit/loss							**324 917**

Group's net profit for 2007 by business segments (breakdown according to management reporting)

in PLN '000'	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	477 014	1 098 818	596 065	79 112	39 140	-59 602	**2 230 547**
2. Segment income (internal)	216 360	548 847	622 915	0	14	-1 388 136	**0**
3. Total segment income	**693 374**	**1 647 665**	**1 218 980**	**79 112**	**39 154**	**-1 447 738**	**2 230 547**
4. Segment expenses (external)	-181 070	-494 376	-315 209	-62 430	1 586	59 602	**-991 897**
4a. Allocated expenses	-110 059	-671 965	-9 197	-1 037	-30 910	0	**-823 168**
5. Segment expenses (internal)	-290 877	-316 514	-765 221	-4 741	-10 783	1 388 136	**0**
6. Total segment expenses	**-582 006**	**-1 482 855**	**-1 089 627**	**-68 208**	**-40 107**	**1 447 738**	**-1 815 065**
7. Net operating income for the segment	**111 368**	**164 810**	**129 353**	**10 904**	**-953**	**0**	**415 482**
8. Net impairment losses on financial assets, other assets and provisions	116 949	-34 229	0	0	2 242	0	**84 962**
9. Segment share in profit (loss) of associates	**0**	**0**	**0**	**1 513**	**0**	**0**	**1 513**
10. Profit before tax for the segment	**228 317**	**130 581**	**129 353**	**12 417**	**1 289**	**0**	**501 957**
11. Income tax expense							**-111 418**
12. Net profit/loss							**390 539**

7.6. Corporate and SME banking

This section presents aggregate figures for corporate customers and SMEs, excluding non-commercial institutions providing services to households (data for non-commercial institutions providing services to households have been presented in section 7.7 'Retail banking').

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

in PLN '000'	As at 31.12.2008	As at 30.09.2008	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007
Corporate customers					
- overdraft facilities	1 881 957	1 911 609	1 843 602	1 910 338	1 602 633
- term loans*	6 564 247	5 877 694	5 441 908	5 599 713	5 433 141
- purchased debt	51 808	32 090	22 986	22 727	31 438
- realised guarantees	7 063	7 171	7 600	8 297	9 393
- other receivables (including leasing fees)	563 093	481 277	421 126	377 803	345 330
Total**	**9 068 168**	**8 309 841**	**7 737 222**	**7 918 878**	**7 421 935**
Budget					
- overdraft facilities	4 402	4 797	623	2 760	932
- term loans*	344 458	301 655	335 679	361 615	405 971
- purchased debt	0	0	0	0	10
Total**	**348 860**	**306 452**	**336 302**	**364 375**	**406 913**

** mainly investment loans and working capital loans*

*** in gross terms*

The increase in the value of term loans portfolio at the end of the fourth quarter of 2008 as compared to the third quarter of 2008 resulted mainly from currency translation differences (ca. PLN 0.5 billion).

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

in PLN '000'	As at 31.12.2008	As at 30.09.2008	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007
Corporate customers					
- current accounts	2 345 672	2 316 350	2 428 190	2 409 769	2 483 669
- term deposits	5 093 304	3 624 235	2 794 376	2 305 203	2 240 212
- including 'Warta Gwarancja' product	*1 816 873*	*1 421 533*	*800 735*	*353 559*	*305 175*
- loans and advances	149	0	0	0	0
- other	37 680	8 133	6 961	7 460	8 672
Total	**7 476 805**	**5 948 718**	**5 229 527**	**4 722 432**	**4 732 553**
Budget					
- current accounts	2 037 335	2 190 585	2 027 463	2 068 362	1 337 776
- term deposits	386 057	906 807	720 735	701 997	719 413
Total	**2 423 392**	**3 097 392**	**2 748 198**	**2 770 359**	**2 057 189**

The year-to-year increase in the portfolio of term deposits of corporate customers amounting to ca. PLN 2.8 billion results mainly from the fact of depositing in the Bank the cash sourced by TUnŻ Warta S.A. from the sale of 'Warta Gwarancja' product (an increase by PLN 1.5 billion) offered by the insuring company to retail customers.

7.7. Retail banking

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

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

in PLN '000'	As at 31.12.2008	As at 30.09.2008	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007
- overdraft facilities	695 814	697 699	651 684	637 743	594 784
- purchased debt	10 676	13 635	11 006	7 928	7 041
- term loans *	979 667	926 143	863 748	1 094 513	1 073 564
- instalment and cash loans	3 685 259	3 257 883	2 860 238	2 321 362	2 063 331
- mortgages	12 854 847	9 353 756	7 643 442	6 668 927	5 876 171
- realised guarantees	1 583	1 567	1 548	1 531	1 519
- other receivables	15 773	18 520	18 102	14 439	10 926
Total**	**18 243 619**	**14 269 203**	**12 049 768**	**10 746 443**	**9 627 336**

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

*** in gross terms*

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

in PLN '000'	As at 31.12.2008	As at 30.09.2008	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007
- current accounts	6 797 580	8 095 038	8 290 887	8 038 764	7 039 089
- term deposits	3 403 116	2 890 109	2 870 830	2 873 444	3 154 154
- other	174 473	175 635	199 323	181 189	105 653
Total	**10 375 169**	**11 160 782**	**11 361 040**	**11 093 397**	**10 298 896**

In the second half of 2008, the competition on the deposits market was very fierce. Other banks offered very high interest rates for term deposits. Kredyt Bank has not followed the overall market trend, as it has a stable source of financing provided by its main shareholder. The market situation resulted in the decline in customer deposits in current accounts at the end of the fourth quarter of 2008 as compared to the end of the third quarter of 2008. The Bank's long-term strategy assumes, however, maintaining a stable deposits base sourced from customers, hence, in December 2008, Kredyt Bank offered very competitive interest rates for 'Constans' term deposit, what resulted in an increase in term deposits and in the reversal of the downward trend for the total volume of retail customers' deposits on a monthly basis.

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

Instalment and cash loans

Instalment and cash loans are sold via the network of the Bank's outlets, but mainly via Żagiel. The sale of retail loans and advances through Żagiel's distribution network in the fourth quarter of 2008 amounted to PLN 910 million, i.e. increased by 5.6% as compared to the third quarter of 2008 and by 23.4% against the level in the fourth quarter of 2007. As compared to the third quarter of 2008, in the fourth quarter of 2008, the number of granted loans increased from 319 thousand to 328 thousand, and, as compared to the fourth quarter of 2007, the number of loans increased by 27 thousand. The gross value of the portfolio of loans granted via Żagiel, as compared to the third quarter of 2008, increased by 15.1%, and, as compared to the fourth quarter of 2007, by 69.8%.

In the fourth quarter of 2008, in view of the symptoms of slower economic growth, the Bank made decisions to tighten the credit policy for instalment loans and cash loans, and, in particular, to decrease the DtI (Debt to Income) ratio for the calculation of creditworthiness. What is more, additional limitations established for more risky types of customers and points of sale will result in the reduction of lending activities of Żagiel in the year 2009.

in PLN '000'	4th quarter of 2008	3rd quarter of 2008	2nd quarter of 2008	1st quarter of 2008	4th quarter of 2007
Instalment and cash loans					
The value of gross portfolio at quarter end, including:	3 685 259	3 257 883	2 860 238	2 321 362	2 063 331
Loans granted via Żagiel					
Gross value of the portfolio at the end of the quarter*	2 811 786	2 442 615	2 107 953	1 848 319	1 655 475
Number of loans granted in the quarter (in '000')	328	319	307	251	301
Value of loans granted in the quarter	910 229	862 026	812 695	649 283	737 748

** including the consolidation adjustment due to EIR*

Mortgages

In the fourth quarter of 2008, the Bank granted 8.5 thousand mortgages for the total amount of PLN 1,542 million. Gross value of the portfolio of these loans as compared to the third quarter of 2008 increased by 37.4% and, as compared to the corresponding period in the previous year, by 118.8%. In the fourth quarter of 2008, the value of the loans portfolio increased in total by PLN 3.5 billion, including over PLN 1.5 billion of new loans, and the remaining amount results mainly from the depreciation of Polish zloty in this period (almost 75% of the portfolio are loans in CHF).

In the fourth quarter of 2008, in view of the symptoms of slower economic growth, the Bank made decisions to tighten the credit policy for mortgages (in particular, to increase the margin on loans in CHF and to decrease LtV), and, as a result, to reduce lending activities, especially in the case of loans in foreign currencies. In the fourth quarter, the value of extended loans amounted to PLN 1.5 billion, including PLN 1 billion of loans granted in October.

in PLN '000'	4th quarter of 2008	3rd quarter of 2008	2nd quarter of 2008	1st quarter of 2008	4th quarter of 2007
Mortgages					
Gross value of the portfolio at the end of the quarter	12 854 847	9 353 756	7 643 442	6 668 927	5 876 171
Number of loans granted in the quarter (in '000')	8.5	12.5	11.7	5.8	7.1
Value of loans granted in the quarter*	1 541 815	1 843 618	1 691 247	924 019	1 017 598

* new loans

Current accounts for individual clients

in PLN '000'	As at 31.12.2008	As at 30.09.2008	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007
Current accounts					
Carrying amount at quarter end	6 797 580	8 095 038	8 290 887	8 038 764	7 039 089
Including ROR accounts *					
Number (in '000')	588	588	578	569	561
Carrying amount	1 216 932	1 287 729	1 325 280	1 238 469	1 218 247
Including Savings Account *					
Number (in '000')	370	362	351	331	311
Carrying amount	4 245 387	5 441 113	5 671 738	5 511 562	4 385 666

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

As at 31.12.2008, the number of current-savings accounts (ROR) remained at the same level as compared to figures at 30.09.2008 and was higher by 4.8% as compared to figures at 31.12.2007. The carrying amount of cash on ROR accounts for individual customers at the end of the fourth quarter of 2008 decreased as compared to the end of the third quarter of 2008 by 5.5% and by 0.1% as compared to the end of the fourth quarter of 2007.

At the end of the fourth quarter of 2008, the number of savings accounts increased by 2.2% as compared to the end of the third quarter of 2008, and by 19% as compared to the end of the fourth quarter of 2007. At the end of the fourth quarter of 2008, the value of deposited cash was PLN 4.2 billion, i.e. decreased by 22% as compared to figures at the end of the third quarter of 2008, and by 3.2% as compared to the end of the fourth quarter of 2007. The above-mentioned decrease results from fierce competition on the market of term deposits which offer much better conditions than savings accounts as well as the launch of a new product in Kredyt Bank's offer ('Constans' term deposit – what was indicated above in this section when describing the table with the structure of retail deposits) and the continuation by Warta of the sale of 'Warta Gwarancja' product which is offered to retail customers (what was indicated above in section 7.6 when describing the table with the structure of corporate deposits).

Credit cards

At the end of the fourth quarter of 2008, as compared to the end of the third quarter of 2008, the number of credit cards increased by 16.9%, and by 123.9% as compared to the end of the fourth quarter of 2007. It resulted in the increase in fee and commission income related to credit cards from PLN 9,139 thousand in 2007 to PLN 18,537 thousand in 2008.

in thousands	As at 31.12.2008	As at 30.09.2008	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007
Credit cards (aggregate for KB and Żagiel S.A.)	477	408	324	264	213

Electronic distribution channels

The number of users of electronic distribution channels has been growing systematically. As of 31.12.2008, the number of KB24 users was equal to 334 thousand. As compared to figures as at 30.09.2008, their number increased by 4.4%, and by 20.1% as compared to figures as at 31.12.2007. As compared to the third quarter of 2008, the number of bank transfers made via KB24 in the fourth quarter of 2008 increased by 8.9% and by 21.7% as compared to the fourth quarter of 2007.

in thousands	As at 31.12.2008	As at 30.09.2008	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007
Number of KB 24 users	334	320	306	292	278
Number of transfers made via KB24 in the quarter	4 066	3 735	3 674	3 457	3 340

Number of outlets	As at 31.12.2008	As at 30.09.2008	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007
Bank's outlets	401	395	392	389	380
Outlets of Żagiel S.A. ('Kredyt Punkt' outlets)	351	343	312	262	252

In October 2005, the Bank's Management Board approved the project: 'The Development of the Retail Network', under which the Bank intended to open 120 model outlets and which will be terminated in March 2009. Under this project, the Bank will finally open 104 outlets (including 36 outlets opened in 2008). Due to this project, the Bank will rank among top 10 banks in terms of the number of outlets. The Bank's Management Board monitors the effectiveness of the new and existing outlets.

Also, Żagiel, the Bank's subsidiary, made substantial efforts to develop its sales network – 99 new 'Kredyt Punkt' outlets were opened in 2008, i.e. their number rose against the figures at the end of 2007 by 39%.

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

Total net assets of KBC TFI funds (excluding non-registered funds) sold as at 31.12.2008 via the Bank's distribution network amounted to PLN 2,789,563 thousand. As compared to figures as at 30.09.2008, they decreased by 6%, and by 21.9% as compared to figures as at 31.12.2007. In 2008, the value of assets managed by Polish investment funds decreased faster than in KBC TFI (45%).

in PLN '000'	As at 31.12.2008	As at 30.09.2008	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007
Net assets of KBC TFI funds (excluding non-registered funds) sold via the Bank's distribution network	2 789 563	2 967 374	3 130 515	3 318 063	3 572 284
The share of net assets of funds sold via the Bank's distribution network in net assets of investment funds managed by KBC TFI S.A.	74.6%	77.0%	74.6%	77.4%	75.8%

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

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

8. Information on dividend

On 28.05.2008, 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 to the payment of dividend (which accounted for ca. 35% of the Bank's net profit). Gross dividend per share amounted to PLN 0.52. The right to dividend was established on 03.07.2008. The payment of dividend was effected on 18.07.2008.

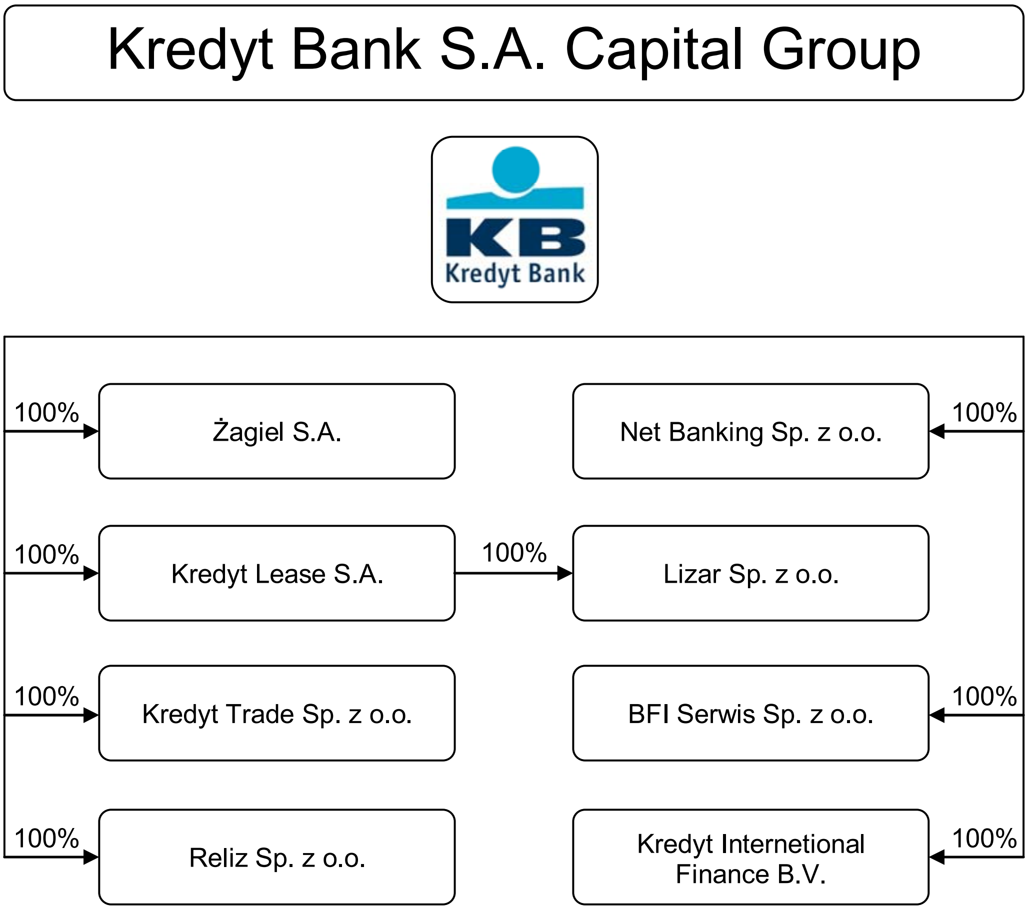
In 2007 (i.e. from net profit generated in 2006), the Bank paid gross dividend of PLN 0.37 per share. Total dividend amounted to PLN 100,513,785.60, which accounted for ca. 23% of the Bank's net profit.

The final conclusions concerning the payment and amount of dividend for 2008 or the decision not to pay dividend will be submitted to the Supervisory Board by the Bank's Management Board prior to convening of the General Meeting of Shareholders which will approve the Bank's financial statements for 2008. Following their examination, the Supervisory Board will submit its opinion to the General Meeting of Shareholders. Having regard for the Bank's financial situation in terms of its capital adequacy and the plans for the development of the banking activities in the years to come, the Bank's Management Board intends to recommend the non-payment of dividend for 2008.

9. Group's structure

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

Below, we present the composition and ownership structure of the Group as of 31.12.2008.



As of 31.12.2008, 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.

The General Meeting of Shareholders of Kredyt International Finance B.V. (KIF B.V.), based in Amsterdam, adopted a resolution on the launch of the liquidation procedure for KIF B.V. on 15.07.2008. On 12.01.2009, the company was deleted from the trade register.

10. Description of applied accounting principles and material accounting estimates

In the fourth quarter of 2008, the Group finished the review and amendments of its methodology of estimating impairment losses on loans and advances valued collectively. As a result of amendments in the methodology, the amount of PLN 27 million was deducted from the Group's profit before tax in the second half of 2008, including PLN 22 million deducted already at the end of the third quarter of 2008.

Except for the above review, the Group did not introduce any material changes in the applied accounting principles and methods of performing accounting estimates as compared to the principles and methods described in the Group's published consolidated financial statements as of 30.06.2008.

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.

10.1. Classification and measurement of financial assets and liabilities

Financial assets and liabilities at fair value through profit or loss

This category includes:

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

- financial assets or liabilities which, at the time of initial recognition, were designated by the Bank as measured at fair value through profit or loss, as the items are managed in a portfolio on the basis of the valuation at fair value, pursuant to the recorded risk management principles or the Group's investment strategy.

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

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

Outflows from assets disposal are calculated with the FIFO method.

Financial derivatives are recognized at fair value, without deductions of transaction expenses that can be incurred at the disposal. The transaction price is the best indicator of fair value at the initial recognition of a derivative.

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

Held-to-maturity investments

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable cash flows that are not quoted on an active market. Loans and receivables arise when the Bank lends 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 charges are recognized in the income statement in correspondence with accounts of provisions which adjust assets value.

Available-for-sale financial assets

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

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

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

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

Outflows from assets disposal are calculated with the FIFO method.

Financial liabilities not held for trading

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

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

Hedge accounting

Hedge accounting recognizes the effects of compensating for changes in fair value of the hedging instrument and the hedged item, which exert an impact on the income statement. According to adopted hedge accounting principles, the Group designates certain derivatives to hedge fair value and future cash 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.

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

Effective interest rate method

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

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

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

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

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

And the method of recognizing particular types of commissions/fees in the income statement depends on an 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 an 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 the creation of a new instrument with new 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.

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

At each balance sheet date (at least once per quarter), the Group analyses whether there is an objective indication that a financial asset and/or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence for impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event or events have an impact on the future cash 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, an amount of the impairment loss is determined as the difference between the carrying amount of the loan and its economic value measured as the present value of estimated future cash flows discounted using the initial effective interest rate of contracts. Impairment loss is recognized in the income statement in correspondence with the provision account which adjusts assets value.

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

Evidence for impairment

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

- significant financial problems of an issuer or a debtor;
- a breach of contract, e.g. failure to pay or delaying payment of interest or the principal amount;
- granting a facility by the lender to the borrower, for economic or legal reasons related to the borrower's financial problems, where such a facility would not have been granted otherwise;
- high probability of the borrower's bankruptcy or their another financial reorganisation.

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

Measurement of individual impairment

Individual impairment is measured 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 a 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 control process.

Measurement of collective impairment

A collective analysis is conducted in the following cases:

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

Homogenous loans portfolios are created basing upon similar characteristics of credit risks that are specific for the defined groups of customers and products. The collective impairment is measured basing on historical parameters of losses generated by similar assets portfolios. Historical trends 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.

As described above, in the fourth quarter of 2008, the Group terminated the review and amendments of its methodology of estimating impairment losses on loans and credits valued collectively. As a results of amendments in the methodology, the amount of PLN 27 million was deducted from the Group's profit before tax in the second half of 2008, including PLN 22 million deducted already at the end of the third quarter of 2008.

10.3. Deferred tax asset

The Group's companies recognize a deferred tax liability for all temporary differences whereas the deferred tax asset is determined on the basis of financial plans approved by the Management Boards of the companies.

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

10.4. 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.

10.5. Goodwill

As of 01.01.2004, the Group ceased to amortize goodwill. Once a year, the Group performs a net goodwill impairment test based on the models which comply with the IAS/IFRS requirements based on generally applied rules of equity investments measurement, among others, they take into consideration discounted future cash flows.

11. Comparable data

The comparable data included in these financial statements for previous reporting periods includes the presentation changes which were introduced to the financial statements as at 31.12.2008.

Consolidated Income Statement

	Published data	Changes	Comparable data	Explanations
	Four quarters of 2007 01.01.2007 - 31.12.2007		**Four quarters of 2007 01.01.2007 - 31.12.2007**	
Net income from sale of receivables	54 893	-54 893	no such item	a)
Net impairment losses on financial assets, other assets and provisions	30 069	54 893	84 962	a)

	Published data	Changes	Comparable data	Explanations
	4th quarter of 2007 01.10.2007 - 31.12.2007		**4th quarter of 2007 01.10.2007 - 31.12.2007**	
Net income from sale of receivables	33 807	-33 807	no such item	a)
Net impairment losses on financial assets, other assets and provisions	-14 258	33 807	19 549	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'

In the Group's opinion, the presentation of net income from sale of receivables in 'Net impairment losses on financial assets, other assets and provisions' more adequately reflects the economic content of such transactions.

12. Post-balance sheet events

On 26.01.2009, the Bank received the decision of the Polish Financial Supervision Authority (KNF) concerning its consent to include an amount of PLN 75,000,000 into Kredyt Bank S.A.'s supplementary funds, pursuant to the terms and conditions of the subordinated loan agreement concluded on 17.12.2008 between Kredyt Bank S.A. and KBC Bank NV, Dublin branch. The cash under this agreement was released on 30.01.2009.

On 26.01.2009, Moody's Investors Service rating agency affirmed the long-term deposit rating of Kredyt Bank S.A. at 'A2' and changed the outlook for the above long-term rating from 'stable' to 'negative'. These rating decisions were made in connection with the decision on downgrading the ratings of KBC Bank, i.e. the parent entity of Kredyt Bank S.A. The remaining ratings of Kredyt Bank S.A. assigned by Moody's Investors Service have been confirmed at previous levels, namely: short term deposit rating – 'Prime-1'; bank financial strength rating – 'D'. The outlook for the above ratings remains 'stable'.

Furthermore, on 26.01.2009, the Bank was informed about the closing, in January 2009, of the liquidation of its subsidiary, Kredyt International Finance B.V., registered in the Netherlands and about the deletion of this company from the Dutch trade registers on 12.01.2009.

On 11.02.2009, the Bank informed that, due to the deterioration of the economic situation and the need to lower the business activities costs, the Bank's Management Board had made a decision to reduce employment. The Bank plans to reduce employment by group lay-offs which will include up to 300 employees. As a result of consultations with the Workers' Council, procedures, conditions, dates and the level of employment optimisation were agreed. Further employment reductions will be achieved as a result of the discontinuation of employment due to natural reasons and by non-extending agreements concluded for a specified period of time, also in the companies of Kredyt Bank Group, including ca. 200 employees.

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

The table below presents Shareholders of Kredyt Bank S.A. holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 31.12.2008.

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

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

As at 31.12.2008, Mr. Marek Michałowski, a Member of the Bank's Supervisory Board, held 1,000 shares of Kredyt Bank S.A. with the nominal value of PLN 5,000 thousand. Other Members of the Bank's Management Board and of the Bank's Supervisory Board did not hold any Bank's shares or shares in the Bank's subsidiaries and associates.

15. Information on proceedings before courts or public administration authority

In the fourth quarter of 2008, both the Bank and its subsidiaries were not a party to any proceedings before court or public administration authority, where the amount(s) claimed would amount to at least 10% of the Bank's (issuer's) equity.

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

- Two court proceedings regarding a credit granted to Laboratorium Frakcjonowania Osocza Sp. z o.o. in Mielec ('LFO'). The Bank is the leader of the syndicate of five banks, which, under the agreement of 04.03.1997, granted a syndicated loan to LFO. The loan was secured by, among others, a registered pledge on the company's property, plant and equipment and the surety of the State Treasury up to 60% of the drawn amount of the loan and accrued interest. As the investment project for which the loan was extended had not been completed and the dates of the payment of commitments had not been met, the Bank, representing the syndicate, terminated the agreement under its terms and conditions and called LFO to pay claims.
  - The State Treasury requested for determination whether the syndicated loan agreement concluded between LFO and the syndicate of five banks had expired on 28.02.1998 as a result of the occurrence of a contractual condition, and, as a result, the commitment of the State Treasury as the guarantor of the loan under the guarantor's agreement had expired as well. The State Treasury is represented by the General Public Prosecutor's Office of the State Treasury. Experts' opinions and auxiliary opinions were prepared and additional witnesses were questioned. In the first quarter of 2007, the State Treasury changed the lawsuit and claimed PLN 8,207 thousand, including interest. At the last hearing, the parties exchanged pleadings. In the fourth quarter of 2008, the court requested the Bank to submit documents concerning the debt collection process carried out against the State Treasury on the basis of a banking executory title with the enforceability clause. The Bank delivered the required documents to the court.
  - Claims of LFO for damages due to the termination of the loan agreement amounting to PLN 119,477 thousand. At present, after being heard by courts of all instances, the case was referred to the circuit court in Warsaw, which, as a result of LFO bankruptcy, stayed legal proceedings. Upon the request of LFO, the court called upon the trustee in bankruptcy of LFO to participate in the case. In the meantime, the parties submitted pleadings.
- A trustee in bankruptcy of a company operating in the real estate developing sector (the name of the company is subject to confidentiality application) claims for payment of indemnity of PLN 32,256 thousand by the reason of effecting by the Bank of financial orders from the company's

account on the basis of bank transfers orders and checks bearing a forged signature of one of the persons authorized to represent the company in dealings with the Bank. At the hearing on 21.11.2006, the plaintiff limited its claim for interest. The total amount claimed by the plaintiff equals PLN 20,665 thousand. On 20.03.2007, the court announced its decision and claimed the whole disputed amount with interest from the Bank. Having received the justification of the judgment, the Bank lodged the appeal and requested to summon the member of the company's management board who had forged signatures. By the judgment of 8.04.2008, the appeal court overruled the judgment of the court of first instance (in the judgment, the court stated that the limitation of claims for damages by lapse of time had not been examined) and referred the case to 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 was scheduled for 16.01.2008. By this date, the parties had had time for possible negotiations to settle the dispute out of court. Due to the judge's illness, the court adjourned the hearing and failed to set the date of the next hearing. The Bank upholds the charge of the limitation of the trustee in bankruptcy's claims by lapse of time. Should the court fail to accept this charge, there is a substantial probability of recognizing that the Bank's liability will be limited to the amount equal to the value of bank transfers for which it is impossible to prove that they were made to pay the company's liabilities, i.e. solely to the extent to which the actions of the member of the company's Management Board were detrimental to this company. This Bank's opinion is confirmed by the information obtained in the fourth quarter of 2008 about the judgment in a criminal case against the former member of the Management Board in which the court stated that, by forging bank transfer documents, he brought about damage to the company worth PLN 400,000.

- 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. The plaintiff made the last resort appeal in this case. On 26.08.2008, the Bank requested to concede the enforceability clause to the court judgment of 14.03.2008 and received the executive title in September 2008.
- 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. On 25.08.2008, the court decided to withhold the execution of the decision issued in the case of interchange fees. On 12.11.2008, the circuit court in Warsaw, the Competition and Customer Protection Court, issued a judgment amending the contested decision, in which the court stated that the Banks had not applied monopolistic practices in this respect. The judgment is not legally valid and may be appealed against by the Office for Competition and Customer Protection.

- In relation to a loan transaction to finance the construction of 'Altus' building in Katowice, the Bank and Reliz Sp. z o.o. (the 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 building owner. The present dispute concerns fraudulent conveyance charge by Mostostal Zabrze Holding S.A. against Reliz Sp. z o.o. regarding the failure to recognize the agreement on the transfer of ownership title to 'Altus' building by Business Center 2000 Sp. z o.o. ('BC 2000') to Reliz Sp. z o.o. as effective. The value of the subject of litigation amounts to PLN 46 million. At the hearing on 15.01.2009, the court focused on procedural issues concerning securing the claims of MZH. Reliz requested to decrease the security amount, but the request was rejected. The appraiser's valuation of 'Altus' building commissioned by the court has not been terminated yet. The next hearing will be scheduled by the court *ex officio*. The Bank's legal advisor analysed the potential claims and the claims under court proceedings brought by MZH against BC 2000 which, if upheld, could be satisfied from 'Altus' real property which belongs to Reliz. To the best of our knowledge, a portion of potential claims is prescribed. No lawsuits were lodged to the portion of claims. In one of the cases, from the principal amount of PLN 17,287,328 claimed by MZH from BC 2000, the court, under its judgment of 23.10.2008, awarded the amount of PLN 7,066,347 to MZH, but dismissed the lawsuit in other respects. The judgment is not legally valid. Hence, in the Bank's opinion, even in the case of an unfavourable judgment in the fraudulent conveyance case, the risk of satisfying claims by MZH from Reliz's real property is estimated only for a part of the amount subject to the fraudulent conveyance claim.

- The claim to pay PLN 9 million is directly related to the effective debt recovery measures taken by the Bank against a beer producer and distributor. At the end of August and the beginning of September 2007, the court debt collector, acting upon the Bank's request, seized the company's account and collected PLN 8.7 million from the proceeds to the account. In the justification for the suit, the company challenges the legitimacy and legal grounds of the Bank's debt collection process. It based its claim on the institution of groundless enrichment by the Bank concerning the collected amount and on the Bank's liability in tort related to the company's loss due to the Bank's allegedly illegal debt collection process (concerning the remaining amount). The Bank replied to the lawsuit. 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. Both the plaintiff and the Bank appealed against this judgment.
- The plaintiff claims damages from Kredyt Bank S.A. and HSBC Bank Polska S.A. of PLN 20 million and PLN 10 million as the satisfaction of the claim. In the justification of the lawsuit, the plaintiff claims that Prosper Bank S.A. (now HSBC Bank Polska S.A.), acting under the cooperation agreement concluded with a leasing company, wrote a bill of exchange which secured the agreement, and further lodged a lawsuit against this company and the plaintiff in the proceedings by writ of payment for this bill of exchange and obtained the order for payment. In the plaintiff's opinion, Prosper Bank violated the agreement, wrote the bill of exchange incorrectly and lodged a completely unjustified lawsuit. The plaintiff claims that the order for payment issued by the district court on 11.01.1999 resulted in the loss of his property and his detriment amounting to PLN 30 million. Kredyt Bank submitted a reply to the lawsuit on its own and HSBC's behalf.

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

16. Related party transactions

On 20.10.2008, Kredyt Bank S.A. ('Bank') and KBL European Private Bankers S.A. signed a loan agreement with the value of EUR 200 million (i.e. PLN 710,300,000 at the average rate of exchange of the National Bank of Poland as of 20.10.2008). The loan agreement was concluded on market terms with the repayment period of three years. The interest rate is based on LIBOR rate + margin. The amount of cash received by the Bank 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.

On 7.12.2008, Kredyt Bank S.A. and KBC Bank NV Dublin Branch concluded a subordinated loan agreement amounting to PLN 75,000,000. The loan agreement was concluded on market terms with the repayment period of ten years. The interest rate is based on WIBOR rate plus the Bank's margin. All the cash from the loan was allocated to the establishment of additional supplementary funds. The cash related to this agreement was released on 30.01.2009.

Apart from the above transactions, in the fourth quarter 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.

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

As at 31.12.2008, the Bank did not issue guarantees with the total value of at least 10% of the Bank's equity, to one company or companies of one capital group.

As at 31.12.2007, 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 278,228 thousand.

The above guarantees were granted on market terms. The Bank's fee for issuing the guarantees was also determined on market terms.

18. Seasonality or cyclical nature of operations

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

19. Non-typical factors and events

Both in 2008 and in 2007, no untypical events occurred in the Group (not related to operating activities) that would affect the structure of balance sheet items and the financial result to a large extent, and which were not presented in this report.

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

On 24.10.2008, Fitch Ratings placed 'A+' Issuer Default Rating (IDR) of Kredyt Bank S.A. on Rating Watch Negative. This decision is directly connected with Fitch Ratings' decision on placing the Issuer Default Rating (IDR) of KBC Bank N.V. (the parent company of Kredyt Bank S.A.) on Rating Watch Negative.

On 2.12.2008, Fitch Ratings decreased Long-term Issuer Default Rating (IDR) of Kredyt Bank S.A. from ‘A+’ to ‘A’. At the same time, Fitch Ratings deleted the above-mentioned rating from Rating Watch Negative.

This decision of Fitch Ratings is directly connected with the decision on the decrease in Long-term Issuer Default Rating (IDR) of KBC Bank N.V. (the parent company of Kredyt Bank S.A.) from ‘AA-’ to ‘A+’.

At the same time, the remaining ratings of Kredyt Bank S.A. from Fitch Ratings have been confirmed at the previous levels, namely:

- short-term rating: F1,

- individual rating: C/D,

- support rating: 1.

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

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

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

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

- slower growth of household income in real terms due to the persisting weakening of positive trends on the labour market (expected stagnant or even lower employment levels, a higher unemployment rate and the continuing decline in the wages growth rate) and the resulting lower consumer demand;
- limited investing activeness in enterprises sector;
- a rapid decline in the demand for export, only partially compensated for, at the financial result level, by the depreciation of Polish zloty;
- persisting high cost of long-term liquidity both in PLN and in foreign currencies;
- high costs of deposits sourcing;
- lower demand for mortgages due to reduced purchasing power of households;
- a decrease in prices on the real properties market;
- potential deeper/long-term depreciation of Polish zloty resulting in, e.g. higher risk of the failure to settle transactions on derivatives by the Bank’s customers and potential problems concerning the timely repayment of mortgages in foreign currencies;
- long-term turmoil on financial markets which may lead to a further decline in demand for investment products offered by the Group due to the deepening of clients’ already high aversion to risk.

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

23.1. Income Statement

in PLN '000'	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008	4th quarter of 2007 01.10.2007 - 31.12.2007	Four quarters of 2007 01.01.2007 - 31.12.2007
Interest income	607 634	2 126 354	418 310	1 491 448
Interest expense	-368 385	-1 250 775	-215 304	-729 158
Net interest income	**239 249**	**875 579**	**203 006**	**762 290**
Fee and commission income	99 979	379 623	94 800	366 150
Fee and commission expense	-29 463	-96 534	-6 470	-58 135
Net fee and commission income	**70 516**	**283 089**	**88 330**	**308 015**
Dividend income	0	10 067	0	7 977
Net trading income	62 046	240 988	64 041	178 979
Net result on derivatives used as hedging instruments and hedged items	766	1 215	-1 870	-3 619
Net gains from investment activities	-11 771	-11 593	1 044	4 533
Other operating income	16 296	53 723	17 376	43 343
Total operating income	**377 102**	**1 453 068**	**371 927**	**1 301 518**
General and administrative expenses	-239 085	-890 846	-226 344	-823 168
Net impairment losses on financial assets, other assets and provisions	-61 256	-133 084	8 232	70 295
Other operating expenses	-15 402	-39 759	-13 300	-36 443
Total operating expenses	**-315 743**	**-1 063 689**	**-231 412**	**-789 316**
Net operating income	**61 359**	**389 379**	**140 515**	**512 202**
Profit before tax	**61 359**	**389 379**	**140 515**	**512 202**
Income tax expense	-21 840	-88 307	-31 493	-111 683
Net profit from business activities	**39 519**	**301 072**	**109 022**	**400 519**
Net profit from discontinued operations	0	0	0	0
Net profit	**39 519**	**301 072**	**109 022**	**400 519**
Including:				
attributable to the Shareholders of the Bank	**39 519**	**301 072**	**109 022**	**400 519**
Weighted average number of ordinary shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)	0.15	1.11	0.40	1.47

23.2. Balance Sheet

in PLN '000'	31.12.2008	30.09.2008	31.12.2007	30.09.2007
Assets				
Cash and balances with Central Bank	827 956	941 250	611 672	973 576
Gross loans and advances to banks	340 859	851 227	2 456 349	4 323 821
Impairment losses on loans and advances to banks	-2 261	-2 260	-2 260	-2 260
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	1 347 027	1 740 151	448 499	233 493
Derivatives including:	2 302 799	939 444	495 095	308 779
- derivatives used as hedging instruments	166 954	42 051	34 025	24 080
Gross loans and advances to customers	27 853 155	23 112 476	17 738 052	16 495 935
Impairment losses on loans and advances to customers	-927 457	-866 328	-839 724	-948 748
Investment securities:	6 232 624	5 868 906	5 478 269	5 482 025
- available-for-sale	4 359 740	4 088 433	3 433 103	3 420 369
- held-to-maturity	1 872 884	1 780 474	2 045 166	2 061 656
Investments in subsidiaries, associates and jointly controlled entities	66 075	66 061	73 876	73 835
Property, plant and equipment	398 201	379 355	343 438	323 239
Intangible assets	57 854	56 659	65 425	63 780
Deferred tax asset	44 509	65 666	124 062	119 238
Non-current assets classified as held for sale	0	0	767	1 270
Other assets	79 781	84 208	74 984	87 291
Total assets	**38 621 122**	**33 236 816**	**27 068 504**	**27 535 274**

in PLN '000'	31.12.2008	30.09.2008	31.12.2007	30.09.2007
Liabilities				
Amounts due to Central Bank	1 113 275	1 611	1 101 661	2 078
Amounts due to banks	11 915 013	8 336 974	5 271 449	6 833 515
Derivatives including:	1 890 221	658 136	474 370	268 994
- derivatives used as hedging instruments	1 708	10 903	44 178	18 775
Amounts due to customers	20 555 309	20 400 997	17 180 731	17 010 007
Liabilities arising from repurchase transactions	8 991	979 643	50 126	500 151
Current tax liability	28 916	1 229	7 136	1 317
Provisions	30 379	66 180	105 724	102 692
Other liabilities	220 155	186 056	249 216	222 436
Subordinated liabilities	279 643	215 606	394 235	415 676
Total liabilities	**36 041 902**	**30 846 432**	**24 834 648**	**25 356 866**

in PLN '000'	31.12.2008	30.09.2008	31.12.2007	30.09.2007
Equity				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	580 974	580 974	381 718	381 718
Revaluation reserve	97 938	-51 379	-87 617	-34 043
Reserves	240 942	240 942	180 942	180 942
Retained earnings/loss	0	0	0	0
Current net profit attributable to the Shareholders of the Bank	301 072	261 553	400 519	291 497
Total equity	**2 579 220**	**2 390 384**	**2 233 856**	**2 178 408**
Total equity and liabilities	**38 621 122**	**33 236 816**	**27 068 504**	**27 535 274**

Capital adequacy ratio (%)	8.93	9.52	9.63	10.55
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	9.49	8.80	8.22	8.02

23.3. Off-balance Sheet Items

in PLN '000'	31.12.2008	30.09.2008	31.12.2007	30.09.2007
Contingent liabilities, granted and received				
Liabilities granted, including:	**7 222 060**	**6 658 176**	**6 030 093**	**5 851 229**
- financial	5 401 454	5 079 329	4 410 804	4 244 718
- guarantees	1 820 606	1 578 847	1 619 289	1 606 511
Liabilities received, including:	**1 836 299**	**1 688 862**	**2 224 054**	**1 239 094**
- financial	528 748	516 360	902 441	670 002
- guarantees	1 307 551	1 172 502	1 321 613	569 092
Liabilities related to the sale/purchase transactions	**279 092 521**	**311 095 732**	**218 165 219**	**170 301 827**
Other	**4 742 296**	**4 138 039**	**3 300 837**	**3 181 172**
- collateral received	4 742 296	4 138 039	3 300 837	3 181 172

23.4. Statement of Changes in Equity

Changes in the period 01.01.2008 – 31.12.2008

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			80 069				**80 069**
Effects of valuation of derivatives designated for cash flow hedge			149 012				**149 012**
Deferred tax on items recognized in equity			-43 526				**-43 526**
Net profit/loss recognized directly in the equity			**185 555**				**185 555**
Net profit/loss for the period						301 072	**301 072**
Total of recognized income and expenses			**185 555**			**301 072**	**486 627**
Profit distribution		199 256		60 000	-259 256		**0**
Dividend paid					-141 263		**-141 263**
Equity at end of period – as of 31.12.2008	**1 358 294**	**580 974**	**97 938**	**240 942**	**0**	**301 072**	**2 579 220**

Changes in the period 01.01.2007 – 31.12.2007

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			-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/loss 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**

23.5. Cash Flow Statement

in PLN '000'	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008	4th quarter of 2007 01.10.2007 - 31.12.2007	Four quarters of 2007 01.01.2007 - 31.12.2007
Net cash flow from operating activities				
Net profit	**39 519**	**301 072**	**109 022**	**400 519**
Adjustments to net profit and net cash from operating activities:	**-1 098 459**	**-3 710 424**	**-2 798 389**	**-2 039 274**
Current and deferred tax recognized in financial result	21 840	88 307	31 493	111 683
Non-realised profit (loss) from currency translation differences	1 015 800	1 036 583	-65 032	-83 803
Investing and financing activities	**136 771**	**105 069**	**-104 905**	**-304 421**
Depreciation	22 402	84 998	22 659	91 270
Net increase/decrease in impairment	63 609	89 813	-105 158	-253 725
Dividends	0	-10 067	0	-7 977
Interest	69 478	2 367	-19 969	-136 196
Net increase/decrease in provisions	-35 801	-75 345	3 032	6 949
Profit (loss) on disposal of investments	17 083	13 303	-5 469	-4 742
Net increase/decrease in operating assets (excluding cash)	**-5 650 673**	**-12 496 290**	**-1 309 637**	**-4 704 766**
Net increase/decrease in gross loans and advances to banks	-58 004	170 544	342 839	199 148
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	-828 072	-2 564 918	-381 630	-14 517
Net increase/decrease in gross loans and advances to customers	-4 740 679	-10 115 103	-1 242 117	-4 823 880
Paid/received income tax	-7 781	-30 500	-18 853	-50 657
Net increase/decrease in other assets	-16 137	43 687	-9 876	-14 860
Net increase/decrease in operating liabilities	**3 377 803**	**7 555 907**	**-1 350 308**	**2 942 033**
Net increase/decrease in amounts due to Central Bank	1 111 664	11 614	1 099 583	1 099 671
Net increase/decrease in amounts due to banks	1 813 096	2 809 778	-2 409 268	1 339 042
Net increase/decrease in derivatives	1 232 085	1 415 851	205 376	177 896
Net increase/decrease in amounts due to customers	154 312	3 374 578	170 724	1 305 398
Net increase/decrease in liabilities arising from repurchase transactions	-970 652	-41 135	-450 025	-1 003 802
Net increase/decrease in other liabilities	37 298	-14 779	33 302	23 828
Net cash flow from operating activities	**-1 058 940**	**-3 409 352**	**-2 689 367**	**-1 638 755**

in PLN ‘000’	4th quarter of 2008 01.10.2008 - 31.12.2008	Four quarters of 2008 01.01.2008 - 31.12.2008	4th quarter of 2007 01.10.2007 - 31.12.2007	Four quarters of 2008 01.01.2007 - 31.12.2007
Net cash flow from investing activities				
Inflows	**105 053**	**693 361**	**81 056**	**2 737 350**
Disposal of property, plant and equipment and intangible assets	56	1 963	3 239	3 551
Disposal of investment securities	67 545	490 298	6 433	2 503 086
Dividends	0	10 067	0	7 977
Interest received	37 452	191 033	71 384	222 736
Outflows	**-387 971**	**-1 269 599**	**-152 064**	**-2 331 897**
Acquisition of property, plant and equipment and intangible assets	-42 716	-161 663	-49 094	-101 659
Acquisition of interests in subordinated companies	0	0	-45	-50
Acquisition of investment securities	-345 255	-1 107 936	-102 925	-2 230 188
Net cash flow from investing activities	**-282 918**	**-576 238**	**-71 008**	**405 453**
Cash flow from financing activities				
Inflows	**726 930**	**2 976 713**	**904 442**	**1 846 441**
Proceeds from subordinated loan	0	209 580	0	0
Proceeds from borrowings	726 930	2 767 133	904 442	1 846 441
Outflows	**-66 738**	**-719 785**	**-30 604**	**-191 983**
Repayment of subordinated liabilities	0	-375 045	0	0
Dividends paid	0	-141 263	0	-100 514
Other financial outflows	-66 738	-203 477	-30 604	-91 469
Net cash flow from financing activities	**660 192**	**2 256 928**	**873 838**	**1 654 458**

Net increase/decrease in cash	**-681 666**	**-1 728 662**	**-1 886 537**	**421 156**
Cash at the beginning of the period	**1 642 897**	**2 689 893**	**4 576 430**	**2 268 737**
Cash at the end of the period, including:	**961 231**	**961 231**	**2 689 893**	**2 689 893**
Restricted cash	789 493	789 493	635 061	635 061

Signatures of all Management Board Members:

date	12.02.2009	Maciej Bardan	President of the Management Board	....
date	12.02.2009	Umberto Arts	Vice President of the Management Board	....
date	12.02.2009	Lidia Jabłonowska – Luba	Vice President of the Management Board	....
date	12.02.2009	Krzysztof Kokot	Vice President of the Management Board	....
date	12.02.2009	Michał Oziembło	Vice President of the Management Board	....

Signature of a person responsible for keeping the accounting books

date	12.02.2009	Grzegorz Kędzior	Director of Accounting and External Reporting Department	....