Consolidated Financial Statements of Kredyt Bank S.A. Capital Group For the First Half of 2007 Ended 30.06.2007

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1. Consolidated income statement

in PLN '000	Note	01.01.2007 - 30.06.2007 non-audited	Comparable data for the period 01.01.2006 - 30.06.2006 non-audited
Interest income	10	719 616	654 390
Interest expense	11	-313 069	-261 429
Net interest income		**406 547**	**392 961**
Fee and commission income	12	175 741	135 164
Fee and commission expense	13	-26 316	-13 756
Net fee and commission income		**149 425**	**121 408**
Dividend income	14	1 328	750
Net trading income	15	75 338	61 655
Net result on derivatives used as hedging instruments and hedged items	16	-1 505	679
Net gains from investment activities	17	3 189	3 248
Net income from sale of receivables	18	11 313	145 388
Other operating income	20	35 329	31 892
Total operating income		**680 964**	**757 981**
General and administrative expenses	21	-453 895	-437 732
Net impairment losses on financial assets, other assets and provisions	22	22 560	-8 857
Other operating expenses	23	-19 898	-23 079
Total operating expenses		**-451 233**	**-469 668**
Net operating income		**229 731**	**288 313**
Share in profit of associates		1 141	806
Profit before tax		**230 872**	**289 119**
Income tax expense	24	-49 251	7 284
Net profit from business activities		**181 621**	**296 403**
Net profit		**181 621**	**296 403**
Including:			
attributable to the Shareholders of the Bank	**25**	**181 621**	**296 403**
Per minority interests		0	0
Weighed average number of ordinary shares		**271 658 880**	**271 658 880**
Earnings per ordinary share (in PLN)	**26**	**0.67**	**1.09**

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

2. Consolidated balance sheet

in PLN '000	Note	30.06.2007 non-audited	Comparable data 31.12.2006	Comparable data 30.06.2006 non-audited
Assets				
Cash and balances with Central Bank	27	555 167	640 743	1 370 052
Gross loans and advances to banks	28	2 921 670	2 206 403	1 989 529
Impairment losses on loans and advances to banks	29	-2 260	-2 753	-2 894
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	30	355 333	628 748	325 053
Derivatives, including	31	336 449	297 427	239 606
- derivatives used as hedging instruments		13 739	3 403	952
Gross loans and advances to customers	32	14 509 497	12 643 843	12 202 046
Impairment losses on loans and advances to customers	33	-992 564	-1 087 462	-1 774 758
Investment securities	35	5 480 020	5 902 723	6 116 712
- available for sale		3 336 102	3 453 950	3 553 090
- held to maturity		2 143 918	2 448 773	2 563 622
Equity investments classified as available-for-sale	37	3 957	3 957	18 968
Investments in associates valued using the equity method	38	11 802	10 661	9 736
Property, plant and equipment	39, 40	385 944	385 657	361 209
Intangible assets	41, 42	74 465	85 608	95 110
Goodwill on subordinated companies	43	36 052	36 052	36 052
Deferred tax asset	44	164 711	153 729	143 938
Current tax receivable		2 458	15 582	0
Non-current assets classified as held for sale	45	185 470	194 771	10 537
Other assets	46	137 385	116 339	122 627
Total assets		**24 165 556**	**22 232 028**	**21 263 523**

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

Consolidated balance sheet (cont.)

in PLN '000	Note	30.06.2007 non-audited	Comparable data 31.12.2006	Comparable data 30.06.2006 non-audited
Liabilities				
Amounts due to Central Bank	47	2 061	1 990	2 342
Amounts due to banks	48	3 148 703	2 164 826	2 837 316
Derivatives, including	31	312 915	296 474	247 669
- derivatives used as hedging instruments		22 635	554	900
Amounts due to customers	49	17 147 910	15 807 263	14 705 493
Debt securities issued	50	0	0	402 223
Securities sold under repurchase agreements	51	543 135	1 033 925	401 746
Current tax liability		15 312	961	11 845
Provisions	52	165 586	169 226	106 648
Deferred tax liability	53	1 174	1 146	354
Other liabilities	54	298 417	242 340	211 028
Subordinated liabilities	55	414 349	421 619	444 853
Total liabilities		**22 049 562**	**20 139 770**	**19 371 517**

in PLN '000	Note	30.06.2007 non-audited	Comparable data 31.12.2006	Comparable data 30.06.2006 non-audited
Equity				
Share capital		1 358 294	1 358 294	1 358 294
Share premium	56	383 711	104 789	104 789
Revaluation reserve	56	-39 074	18 275	-10 425
Reserves	56	180 942	120 942	120 942
Currency translation differences from the translation of subordinated companies and foreign branches		-668	-646	-511
Retained earnings (loss)		51 168	22 514	22 514
Current net profit attributable to the Shareholders of the Bank's		181 621	468 090	296 403
Total equity attributable to Shareholders of the Bank		**2 115 994**	**2 092 258**	**1 892 006**
Minority Shareholders				
Total equity		**2 115 994**	**2 092 258**	**1 892 006**
Total equity and liabilities		**24 165 556**	**22 232 028**	**21 263 523**

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

3. Off-balance sheet items

in PLN '000	Note	30.06.2007 non-audited	Comparable data 31.12.2006	Comparable data 30.06.2006 non-audited
Off-balance sheet items				
Contingent liabilities, granted and received		**4 973 111**	**5 063 100**	**5 292 223**
Liabilities granted, including:		4 640 289	4 561 293	4 847 394
- financial	57	3 223 444	3 354 667	3 662 196
- guarantees	57	1 416 845	1 206 626	1 185 198
Liabilities received, including:		332 822	501 807	444 829
- financial		50 642	205 139	61 917
- guarantees		282 180	296 668	382 912
Amounts due under sale/purchase transactions		**170 082 745**	**138 370 817**	**111 255 861**
Other:		**2 970 785**	**3 096 732**	**3 088 994**
- received collateral and guarantees		2 969 238	3 094 683	3 088 989
- other		1 547	2 049	5

4. Statement of changes in consolidated equity

Changes in the period 01.01.2007-30.06.2007 non-audited

in PLN '000	Share capital	Share premium	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	Total equity
Equity at period beginning - 01.01.2007	**1 358 294**	**104 789**	**18 275**	**120 942**	**-646**	**490 604**	**0**	**2 092 258**	**2 092 258**
Valuation of available-for-sale financial assets			-49 219					-49 219	-49 219
Effects of the valuation of derivatives designated for cash flow hedge			-21 582					-21 582	-21 582
Deferred tax on items recognised in the equity			13 452					13 452	13 452
Net profit/loss recognised directly in equity			**-57 349**					**-57 349**	**-57 349**
Net profit/loss for the period			0				181 621	181 621	181 621
Total recognised income and expenses			**-57 349**				**181 621**	**124 272**	**124 272**
Profit distribution		278 922		60 000		-338 922		0	0
Dividends to be paid						-100 514		-100 514	-100 514
Currency translation differences					-22			-22	-22
Equity at period end – 30.06.2007	**1 358 294**	**383 711**	**-39 074**	**180 942**	**-668**	**51 168**	**181 621**	**2 115 994**	**2 115 994**

Changes in the period 01.01.2006-31.12.2006 (comparable data)

in PLN '000	Share capital	Share premium	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	Total equity
Equity at period beginning - 01.01.2006	**1 358 294**	**0**	**15 928**	**120 942**	**-637**	**187 068**	**0**	**1 681 595**	**1 681 595**
Valuation of available-for-sale financial assets			1 972					1 972	1 972
Effects of the valuation of derivatives designated for cash flow hedge			1 195					1 195	1 195
Deferred tax on items recognised in the equity			-820					-820	-820
Net profit/loss recognised directly in equity			**2 347**				**0**	**2 347**	**2 347**
Net profit/loss for the period			0				468 090	468 090	468 090
Total recognised income and expenses			**2 347**				**468 090**	**470 437**	**470 437**
Profit distribution		104 789				-104 789		0	0
Dividend paid						-59 765		-59 765	-59 765
Currency translation differences					-9			-9	-9
Equity at period end – 31.12.2006	**1 358 294**	**104 789**	**18 275**	**120 942**	**-646**	**22 514**	**468 090**	**2 092 258**	**2 092 258**

Changes in the period 01.01.2006-30.06.2006 (comparable data) non-audited

in PLN '000	Share capital	Share premium	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	Total equity
Equity at period beginning - 01.01.2006	**1 358 294**	**0**	**15 928**	**120 942**	**-637**	**187 068**	**0**	**1 681 595**	**1 681 595**
Valuation of available-for-sale financial assets			-31 152					-31 152	-31 152
Effects of the valuation of derivatives designated for cash flow hedge			-1 113					-1 113	-1 113
Deferred tax on items recognised in the equity			5 912					5 912	5 912
Net profit/loss recognised directly in equity			**-26 353**				**0**	**-26 353**	**-26 353**
Net profit/loss for the period			0				296 403	296 403	296 403
Total recognised income and expenses			**-26 353**				**296 403**	**270 050**	**270 050**
Profit distribution		104 789				-104 789		0	0
Dividend to be paid						-59 765		-59 765	-59 765
Currency translation differences					126			126	126
Equity at period end – 30.06.2006	**1 358 294**	**104 789**	**-10 425**	**120 942**	**-511**	**22 514**	**296 403**	**1 892 006**	**1 892 006**

5. Consolidated cash flow statement

in PLN '000	Note	01.01.2007 - 30.06.2007 non-audited	Comparable data for the period 01.01.2006 - 30.06.2006 non-audited
Net cash flow from operating activity		**293 977**	**-122 795**
Net profit		**181 621**	**296 403**
Adjustments to net profit with net cash from operating activity:		**112 356**	**-419 198**
Current and deferred income tax recognised in financial result		49 251	-7 284
Unrealised gains (losses) on currency translation differences	66b	-28 101	58 474
Investing and financial activities		-89 011	-839 878
Depreciation		49 729	58 300
Share in profit (loss) of subordinated companies		-1 141	-806
Net increase/decrease in impairment losses	66c	-70 197	-821 247
Dividends		-1 328	-750
Accrued interest	66d	-58 649	-97 006
Net increase/decrease in provisions		-3 640	28 801
Profit (loss) on disposal of investments	66e	-3 785	-7 170
Net increase/decrease in operating assets (excluding cash)		-1 639 488	58 178
Net increase/decrease in gross loans and advances to banks	66f	48 246	-220 246
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	66g	234 892	139 779
Net increase/decrease in gross loans and advances to customers		-1 865 654	113 933
Income tax paid		-17 803	-13 219
Net increase/decrease in other assets	66h	-39 169	37 931
Net increase/decrease in operating liabilities		1 819 705	311 312
Net increase/decrease in amounts due to Central Bank		71	2 342
Net increase/decrease in amounts due to banks	66i	1 009 949	224 205
Net increase/decrease in derivatives		16 441	27 514
Net increase/decrease in amounts due to customers	66j	1 340 647	95 608
Net increase/decrease in securities sold under repurchase agreements		-490 790	33 045
Net increase/decrease in other liabilities	66k	-56 613	-71 402
Net cash flow from operating activity		**293 977**	**-122 795**

in PLN ‘000	Note	01.01.2007 - 30.06.2007 non-audited	Comparable data for the period 01.01.2006 - 30.06.2006 non-audited
Net cash flow from investing activities		**412 520**	**706 398**
Inflows		**1 748 807**	**26 309 363**
Disposal of property, plant and equipment and intangible assets		1 309	8 661
Disposal of shares in equity investments classified as available for sale (subsidiaries and associates)	66l	0	17 012
Disposal of investment securities	66m	1 603 534	26 142 761
Dividends received on shares		1 328	750
Interest received		142 636	140 179
Outflows		**-1 336 287**	**-25 602 965**
Acquisition of property, plant and equipment and intangible assets		-42 900	-36 665
Acquisition of investment securities	66m	-1 293 387	-25 566 300
Net cash flow from investing activities		**412 520**	**706 398**
Net cash flow from financing activities		**-28 560**	**-290 136**
Outflows		**-28 560**	**-290 136**
Repayment of subordinated liabilities	66o	0	-157 605
Repayment of borrowed loans and advances		0	-95 454
Other financial outflows	66n	-28 560	-37 077
Net cash flow from financing activities		**-28 560**	**-290 136**
Net increase/decrease in cash		**677 937**	**293 467**
Cash at period beginning		**2 269 870**	**2 248 889**
Cash at period end, including:	**66a**	**2 947 807**	**2 542 356**
Restricted cash		570 207	501 623

These consolidated financial statements of the Kredyt Bank S.A. Capital Group were approved for publication by the Management Board of Kredyt Bank S.A. on 23.08.2007.

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

6. General information

Kredyt Bank Spółka Akcyjna ('Kredyt Bank S.A.', 'Bank') with its registered office in Warsaw, (Poland), ul. Kasprzaka 2/8, was established in 1990 and entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw under No. 0000019597. These financial statements of Kredyt Bank S.A. Capital Group ('Capital Group" or 'Group') as at 30.06.2007 comprise the financial statements of the Bank and its subsidiaries.

Kredyt Bank S.A. is a universal bank which provides banking services addressed and tailored to the needs of all customer groups. A wide range of the Bank's services is addressed to business entities, individual customers and local authorities. The Bank provides convenient access to its services via an extended network of banking outlets and ATMs. Below, we present subsidiaries, which, as at 30.06.2007, along with Kredyt Bank S.A., their parent company form Kredyt Bank S.A. Capital Group.

Parent company	Seat			
Kredyt Bank S.A.	Warsaw			
Subsidiary	**Seat**	**Share (%) in votes at GMS as at 30.06.2007**	**Share (%) in votes at GMS as at 31.12.2006**	**Share (%) in votes at GMS as at 30.06.2006**
1. Reliz Sp. z o.o.	Katowice	100.00	100.00	0.00
2. Żagiel S.A.	Lublin	100.00	100.00	100.00
3. Kredyt International Finance BV	Amsterdam	100.00	100.00	100.00
4. Kredyt Lease S.A.	Warsaw	100.00	100.00	100.00
5. Kredyt Trade Sp. z o.o.	Warsaw	100.00	100.00	100.00
6. Lizar Sp. z o.o.	Warsaw	100.00	100.00	100.00
7. Net Banking Sp. z o.o.	Warsaw	100.00	100.00	100.00
8. BFI Serwis Sp. z o.o.	Warsaw	100.00	100.00	100.00
9. Inwestia Sp. z o.o.	Warsaw	100.00	100.00	100.00

On 15.06.2007, a company named "Kredyt Bank Spółka Akcyjna i Towarzystwo Ubezpieczeń i Reasekuracji WARTA Spółka Akcyjna" Spółka Jawna was entered into the National Court Register – Register of Entrepreneurs in the District Court in Warsaw. The company was established by Kredyt Bank and WARTA with the main objective to perform auxiliary activities and support the banking and

insurance business. Both Kredyt Bank and WARTA contributed PLN 5 thousand each, and the interests of both companies in the new entity correspond to the value of their contributions. As at 30.06.2007, the company did not run any operating activity.

The Group’s financial statement also entails an associate measured with the equity method.

	Associate	Seat	Share (%) in votes at GMS as at 30.06.2007	Share (%) in votes at GMS as at 31.12.2006	Share (%) in votes at GMS as at 30.06.2006
1.	KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Warsaw	30.00	30.00	30.00

KBC Banking and Insurance Capital Group

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

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

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

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

7.1. Declaration of compliance with IFRS

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

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

These consolidated financials statement of the Group for the first half of 2007 ended 30.06.2007 have been prepared in accordance with the International Accounting Standards (IAS), particularly IAS 34, and the International Financial Reporting Standards (IFRS) in force as at 30.06.2007 and approved by the European Commission. Matters not governed by the above-mentioned standards are regulated by the Accounting Act of 29 September 1994 (Journal of Laws of 2002 No. 76 item 694 as amended) and executive regulations thereto, and the Ordinance of the Minister of Finance of 19 October 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005 No. 209 item 1744).

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

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

- IFRS 7 – Financial Instruments: Disclosures

  The Group applied IFRS 7. The most vital new disclosures were presented in the following notes: 15, 16, 17, 19, 32, 35, 36 , 75, 78.
- IAS 1 Presentation of Financial Statements – Capital Disclosures.

  The Group applied amended IAS 1. New disclosures are presented in Note 78.

  The interpretations mentioned below have not materially affected the financial statement:
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 Scope of IFRS 2.
- IFRIC 9 Reassessment of Embedded Derivatives.
- IFRIC 10 Interim Financial Reporting and Impairment.

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

- IFRS 8 Operating Segments (applicable to annual periods beginning after 01.01.2009) – as at the date of this financial statement, this standard has not been approved by the European Union yet.
- An amendment to IAS 23 Borrowing Costs (in force since 01.01.2009) – as at the date of this financial statement, the amendment has not been approved by the European Union yet.
- IFRIC 11: IFRS 2 Share-based Payment (applicable to annual periods beginning after 01.03.2007).
- IFRIC 12: Service Concession Arrangements (applicable to annual periods beginning after 01.01.2008) – as at the date of this financial statement, this interpretation has not been approved by the European Union yet.
- IFRIC 13: Customer Loyalty Programmes (applicable to annual periods beginning after 01.07.2008) – as at the date of this financial statement, this interpretation has not been approved by the European Union yet.
- IFRIC 14: IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable to annual periods beginning after 01.01.2008) – as at the date of this financial statement, this interpretation has not been approved by the European Union yet.

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

7.2. Basis of preparation

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

This consolidated financial statement was prepared based on the assumption that the Group companies remain a going concern in the foreseeable future, i.e. for the period of at least one year from the balance sheet date. As at the approval date of this financial statement by the Management Board, there are no circumstances which could threaten the continuation of the business of the Group's companies.

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

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

7.3. Consolidation of financial statements

This consolidated financial statement includes the financial statement of Kredyt Bank S.A. and the financial statements of subsidiaries for the period of 6 months ended 30.06.2007. Financial statements of subsidiaries are prepared for the same reporting period as the financial statement of the parent company.

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

7.3.1. Subsidiaries

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

7.3.2. Associates

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

7.4. Transactions in foreign currencies

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

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

Non-monetary assets and liabilities expressed in foreign currencies, recognised at historical cost, are translated into PLN at an exchange rate as at the transaction date, and items carried at fair value are translated at the average exchange rate of the National Bank of Poland as of the measurement date.

Currency translation differences on non-monetary items measured at fair value through profit or loss are recognised in gains and losses on the change in fair value. Currency translation differences on non-monetary items, such as available-for-sale financial assets, are presented in revaluation reserve.

As at 30.06.2007, KIF BV, the Bank's subsidiary is the only foreign entity of the Bank. EUR is the functional currency for this entity. The company's balance sheet figures are translated at the NBP average exchange rate and the income statement and the cash flow statement figures are translated at the arithmetic mean of NBP average rates of exchange.

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

	30.06.2007	Comparable data 31.12.2006	Comparable data 30.06.2006
EUR	3.7658	3.8312	4.0434
USD	2.7989	2.9105	3.1816
CHF	2.2730	2.3842	2.5803

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

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

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

7.6. Derecognition of financial assets from the balance sheet

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

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

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

7.7. Classification and measurement of financial assets and liabilities

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

This category includes:

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

Assets and liabilities are recognised at fair value from the date of the transaction. Fair value is determined on the basis of quotations in active markets, including prices of the latest transactions and generally adopted measurement models based on variables that can be observed in the market environment.

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

Outflows from assets disposal are calculated with the FIFO method.

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

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

7.7.2. Held-to-maturity investments

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

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

7.7.3. Loans and advances

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

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 method are recognised in interest income; the commission settled on a straight-line basis is recognised in fee and commission income. Impairment charge is recognised in the income statement in correspondence with accounts of provisions which decrease assets value.

7.7.4. Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value on the balance sheet. Changes in fair value are recognised in revaluation reserve until the financial asset is derecognised or impairment is recognised; then accumulated gains/losses included in equity are recognised 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 recognised at cost less impairment charge. Impairment charge is recognised in the income statement in correspondence with accounts of provisions which decrease assets value.

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

Outflows from assets disposal are calculated with the FIFO method.

7.7.5. Equity investments classified as available-for-sale

Equity investments classified in the available-for-sale financial assets portfolio are recognised in the consolidated financial statement at fair value or cost, taking into account impairment, if their fair value cannot be determined reliably. If the impairment charge is higher than the cost, the difference is recognised as a provision for the Bank's exposure other than capital exposure, e.g. credit exposure.

7.7.6. 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 related to securities sold under repurchase agreements and subordinated liabilities, following the deduction of transaction expenses.

Financial liabilities not held for trading are recognised in the balance sheet in amounts to be paid valued at amortised cost with the application of the effective interest rate method.

7.7.7. Hedge accounting

Hedge accounting recognises the effects of compensating for changes in fair value of the hedging instrument and the hedged items, which exert 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 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 recognised 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 recognised in the income statement.

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

- a portion of gains or losses associated with the hedging instrument, which constitutes an effective hedge, is recognised directly in equity;

- a non-effective portion of gains or losses associated with the hedging instrument is recognised in the income statement.

7.7.8. Embedded derivatives

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

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

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

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

7.8. Impairment of financial assets

7.8.1. Assets measured at amortised cost

Loan receivables constitute the most significant part of financial assets; and the most exposed to impairment, recognised in the Group's balance sheet at amortised cost. At each balance sheet date (at least once a quarter), the Group carries out an analysis to determine whether impairment of the individual assets and/or impairment of a portfolio of financial assets occurred. A financial asset or a group of financial assets were impaired and impairment losses was incurred when, and only when, there is objective evidence for impairment resulting from one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Expected future losses are not recognised in the estimates of the current impairment. A list of objective circumstances indicating impairment has been presented in Note 8.

If the Group identifies circumstances that indicate impairment, then the impairment charge is calculated, and is equal to a difference between the book value of a loan receivable and its economic value measured as the present value of expected future cash flows discounted with the effective interest rate of contracts. Impairment loss is recognised in the income statement in correspondence with provision account which adjusts assets' value.

The measurement of individual impairment is performed for all individually material loan receivables for which objective individual evidence indicating impairment were identified.

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 portfolio analysis of the impairment is conducted. When signs of impairment are not present, then previously recognised impairment losses are reversed through income statement.

7.8.2. Available-for-sale financial assets

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

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

7.9. Finance lease receivables

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

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

7.10. Offsetting financial instruments

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

7.11. Sale and repurchase agreements

Securities sold under repurchase agreements (‘repos’) are not excluded from the balance sheet; they are only reclassified to pledged assets (available-for-sale assets). Payments due to the counterparty are recognised as financial liabilities in ‘Liabilities related to securities sold under repurchase agreements’. Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks or customers, depending on their nature. The difference between the sale and repurchase prices is treated as interest and accrued over the life of the agreements using the effective interest method.

7.12. Property, plant and equipment

7.12.1. Owned property, plant and equipment

Property, plant and equipment, complete, prepared for direct use, with a foreseeable useful life of over one year, held by the Group and used by it, are recognised in the balance sheet at cost less depreciation and impairment losses. Property, plant and equipment with low individual value are fully depreciated in the month of putting them into use. The Group, according to IFRS 1 in force as at 01.01.2005, applied fair value as the deemed cost of property, plant and equipment.

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

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

7.12.2. Capital expenditure incurred in future periods

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

7.12.3. Depreciation

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

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

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

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

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

7.13. Intangible assets

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

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

Intangible assets acquired under a separate transaction are recognised in the balance sheet at cost. Intangible assets acquired in transactions of business unit acquisition are recognised in the balance sheet at fair value as at the date of the acquisition.

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

7.13.1. Computer software

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

The Group's costs that are directly associated with the production, at own costs and expense, of identifiable and unique software products controlled by the Group, and that will probably be used and generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs of the development of software capitalised in this way are amortised in the estimated useful life not exceeding 5 years.

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

7.13.2. Other intangible assets

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

7.13.3. Amortisation

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

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

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

7.14. Goodwill

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

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

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

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

7.15.1. Measurement of recoverable amount

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

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

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

7.15.2. Reversal of impairment

Impairment loss on goodwill is not reversed.

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

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

7.16. Trade and other receivables

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

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

7.17. Assets taken over for debts

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

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

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

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

7.19. Deferred tax asset and liability

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

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

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

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

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

7.20. Cash and cash equivalents

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

7.21. Provisions

The Group recognises provisions in the balance sheet when:

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

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

7.21.1. Restructuring provision

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

7.21.2. Employee benefits

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

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

7.22. Equity

Share capital is recognised at nominal value in the amount compliant with the Bank's Memorandum and Articles of Association and the entry in the Court Register. Other equity is recognised in the balance sheet by types as required by law and Memorandums and Articles of Association of the Bank and of particular subsidiaries. Equity also comprises net profit/loss for the period and retained profit or loss as well as the result of the measurement of financial assets carried through revaluation reserve.

7.23. Granted off-balance sheet liabilities

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

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

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

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

Credit risk arising from off-balance sheet liabilities is assessed on the basis of discounted, expected, future cash flows. Provisions for estimated risk are reported in 'Provisions' in the Group's balance sheet.

7.24. Company Social Benefit Fund (CSBF)

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

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

7.25. Net interest income

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

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

- loans granted as well as the other receivables – not held for trading;
- held-to-maturity investments;

- financial liabilities not held for trading and non-derivative financial instruments;
- financial assets (not equity instruments) for which fair value cannot be determined reliably.

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

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

The method of settling coupon rates, commissions/fees and certain external costs connected with the financial instruments (with the effective interest method rate or straight-line method) depends on the nature of a given instrument. In the case of financial instruments with fixed cash flows schedules, the effective interest rate method 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 recognising particular types of commissions/fees in the income statement depends on the economic nature of a commission/fee.

The items included in the commissions/fees settled over time include, e.g. fees for a positive appraisal of a loan application, commissions for granting a credit, commissions for releasing a credit, fees for establishing additional collateral, etc. 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 of contractual terms, what modifies the value of initial effective interest rate. Any significant amendment to the terms of a given financial instrument in economic terms is connected with the expiry of the financial instrument of the previous type and creation of a new instrument with different characteristics. The fees that are collected in this category include, among others, fees for preparing an annex changing a future cash flows schedule, fees for restructuring loan agreements, fees for postponement of payment dates, etc. The above-mentioned types of fees are deferred and settled over time in the income statement applying the effective interest rate method or on a straight-line basis, depending on the type of a product.

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

7.26. Net fee and commission income

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

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

7.27. Net trading income

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

7.28. Dividend income

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

7.29. Profit from the sale of receivables

Profit (loss) on the sale of doubtful receivables is determined by comparing net value of sold assets with the price paid for the assets, having regards for provisions against potential risk associated with the transaction. Profit from the sale of receivables portfolio is presented as a separate item in the income statement. Sold assets are derecognised on condition of transferring all rights and rewards from them onto the buyer.

7.30. Other operating income and expenses

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

7.31. Income tax expense

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

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

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

7.32. Comparable data

Accounting principles adopted to prepare this financial statement are applied in a continuous manner in all presented periods. The description of adjustments of comparable data has been presented in Note 74.

8. Accounting estimates

The preparation of financial statements in line with IAS/IFRS requires a professional judgment of the Bank's Management Board and Management Boards of the Group 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 recognised in the financial statement in the period they were made. If such changes are also related to future periods, the assumptions being the basis for the estimates for future periods are also adjusted.

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

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

8.1. Valuation of financial assets and liabilities at fair value

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

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

Loan receivables constitute the most significant class of financial assets recognised in the Group's balance sheet at amortised cost or historical cost.

Under IAS 39, all receivables are subject to impairment assessment, not only receivables with higher credit risk.

The methodology of assessment evidence for loan impairment loss has been established in cooperation with the Bank's Major Shareholder on the basis of the Group's experience acquired in the banking sector, analysing historical data over a long time and taking into account the current specific character of the local market and the nature of the financial assets portfolios managed by the Group.

8.2.1. Evidence for impairment

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

A catalogue of objective circumstances takes into account quantitative and qualitative data in a static and dynamic terms, in relation to both the servicing of credit exposure by the borrower as well as his financial and economic situation, market and macro-economic environment, which is reflected in the possibility of generating financial resources necessary to service the indebtedness.

The evidence items listed are graded in terms of their significance; impairment may be evidenced by one circumstance or a combination of circumstances.

In the case of receivables portfolios, the indicators concerning all homogenous assets that may be identified, assessed and quantified in relation to the entire portfolios, but not the individual receivables, constitute the evidence for impairment.

8.2.2. Measurement of individual impairment

Individual impairment is measured for all loan receivables for which certain individual evidence indicating impairment were identified. The process of estimating future expected cash flows is carried out in an especially dedicated IT tool.

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

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

8.2.3. Measurement of portfolio impairment

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 portfolio analysis of the impairment is conducted.

Homogenous loans portfolios are created basing upon similar characteristics of credit risks that are specific for the defined groups of customers and products.

The portfolio 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 process of estimating a portfolio provision is performed on a quarterly basis. The following phenomena, apart from corrected historical trends, have material impact on the level of the portfolio provision:

- fluctuations in the receivables portfolio, for which individual impairment is not identified;
- the Group's operating effectiveness in credit risk management processes, particularly taking into account the restructuring and debt collecting activities;
- Poland's macroeconomic situation and its direct impact on the material ratios applied in the banking sector;
- the Group's credit policy for selected sectors of economy as well as receivables portfolios compared to the models adopted by other banks.

8.3. The value of deferred tax asset

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

The Bank's subsidiaries recognise 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 subsidiaries.

9. Segment reporting

The Group's operation, as in the previous reporting periods, was divided into four basic sector segments: corporate, retail, treasury and investment. The Bank's operations are not diversified in geographical terms. Operations are focused on the Polish market; the main customer base is composed of Polish natural and legal persons and foreign customers operating on the Polish market.

Corporate Segment

Corporate Segment 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 estates, and also of real estate trade.

Retail Segment

Retail Segment 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 assure banking) offered in co-operation with WARTA S.A. as well as clearing services. This offer is addressed to customers through traditional channels of distribution via the Bank's nationwide network of branches as well as KB24 - an Internet network. The results of this segment also comprise the result of Żagiel S.A. (Consumer Finance) specialising in the sale of instalment loans as well as in intermediation in the distribution of the selected services that are found in the Bank's and WARTA's offers. Furthermore, the Bank's offer for this segment includes products offered by KBC TFI with regard to the sale of shares in investment funds.

Treasury Segment

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

Other segments

'Other' segment entails the result on sale of the debt portfolio and other income and expenses not included in the above-mentioned segments.

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

Consolidated income statement for the period 01.01.2007-30.06.2007 non-audited

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

Consolidated balance sheet as at 30.06.2007 non-audited

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

1. Investments (costs of assets acquisition)	**42 900**
2. Depreciation	**49 729**

Consolidated balance sheet as at 31.12.2006 (comparable data)

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions and consolidation adjustments	Total
1. Segment assets	6 358 844	5 670 057	9 607 394	639 716	0	-658 170	**21 617 841**
2. Segment investments in associates measured with equity method	0	0	0	10 661	0	0	**10 661**
3. Other assets (unallocated)							**603 526**
4. Total assets	**6 358 844**	**5 670 057**	**9 607 394**	**650 377**	**0**	**-658 170**	**22 232 028**
5. Segment liabilities	4 376 048	11 523 018	3 945 375	325 867	0	-658 170	**19 512 138**
6. Equity	0	0	0	2 092 258	0	0	**2 092 258**
7. Unallocated liabilities							**627 632**
8. Total liabilities and equity	**4 376 048**	**11 523 018**	**3 945 375**	**2 418 125**	**0**	**-658 170**	**22 232 028**
1. Investments (costs of assets acquisition)							**96 570**
2. Depreciation							**112 401**

Consolidated income statement for the period 01.01.2006-30.06.2006 (comparable data) non-audited

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Segment income (external)	209 414	446 935	234 625	33 235	145 172	-36 547	**1 032 834**
2. Segment income (internal)	79 316	217 808	206 001	0	4	-503 129	**0**
3. Total segment income	**288 730**	**664 743**	**440 626**	**33 235**	**145 176**	**-539 676**	**1 032 834**
4. Segment expenses (external)	-65 285	-188 704	-95 079	-19 868	-11 252	36 547	**-343 641**
4a. Allocated costs	-53 063	-314 921	-4 956	-416	-18 667	0	**-392 023**
5. Segment expenses (internal)	-104 271	-98 386	-297 128	-3 344	0	503 129	**0**
6. Total segment expenses	**-222 619**	**-602 011**	**-397 163**	**-23 628**	**-29 919**	**539 676**	**-735 664**
7. Segment result	**66 111**	**62 732**	**43 463**	**9 607**	**115 257**	**0**	**297 170**
8. Net impairment losses on financial assets, other assets and provisions	**64 527**	**-57 385**	**0**	**-3 657**	**-12 342**	**0**	**-8 857**
9. Segment share in profit of associates	**0**	**0**	**0**	**806**	**0**	**0**	**806**
10. Segment result	**130 638**	**5 347**	**43 463**	**6 756**	**102 915**	**0**	**289 119**
11. Income tax payable							**7 284**
12. Net profit/loss							**296 403**

Consolidated balance sheet as at 30.06.2006 (comparable data) non-audited

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions and consolidation adjustments	Total
1. Segment assets	5 826 060	4 921 819	10 001 887	396 369	0	-465 375	**20 680 760**
2. Segment investments in associates measured with equity method	0	0	0	9 736	0	0	**9 736**
3. Other assets (unallocated)							**573 027**
4. Total assets	**5 826 060**	**4 921 819**	**10 001 887**	**406 105**	**0**	**-465 375**	**21 263 523**
5. Segment liabilities	4 176 206	10 713 400	4 310 448	116 625	0	-465 375	**18 851 304**
6. Equity	0	0	0	1 892 006	0	0	**1 892 006**
7. Unallocated liabilities							**520 213**
8. Total liabilities and equity	**4 176 206**	**10 713 400**	**4 310 448**	**2 008 631**	**0**	**-465 375**	**21 263 523**
1. Investments (costs of assets acquisition)							**36 664**
2. Depreciation							**58 300**

10. Interest income

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
On account of:		
Loans and advances to banks	62 236	44 373
Loans and advances to customers, including:	472 205	425 293
- from financial sector	7 786	4 692
- from non-financial sector	451 026	404 793
- from the budgetary sector	13 393	15 808
Lease receivables	7 615	5 629
Securities:	161 960	179 018
- at fair value through profit or loss	8 998	9 739
- available for sale	85 234	88 669
- held to maturity	67 728	80 610
Receivables from securities acquired under repurchase agreements	164	39
Interest on hedging instruments	15 436	38
Total	**719 616**	**654 390**

Interest income comprises cash interest and interest calculated on an accrual basis on receivables for which evidence for impairment was identified. Interest was calculated with the effective interest rate applied in discounting expected cash flows for the purpose of estimating the impairment loss on loan receivables. The amount of receivables for which evidence for impairment was identified recognised in interest income in the first half of 2006 amounts to PLN 44,358 thousand as compared to PLN 27,938 thousand in the first half of 2007. Accrued interest was taken into consideration when estimating impairment losses on loan receivables.

11. Interest expense

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
On account of:		
Amounts due to banks	47 869	34 085
Amounts due to customers	222 654	185 236
- from financial sector	19 835	10 448
- from non-financial sector	174 967	149 018
- from the budgetary sector	27 852	25 770
Securities sold under repurchase agreements	8 499	8 489
Issued securities, including:	0	14 167
- subordinated securities	0	14 167
Other subordinated liabilities	10 572	8 892
Interest on hedging instruments	12 529	332
Other	10 946	10 228
Total	**313 069**	**261 429**
Net interest income	**406 547**	**392 961**

12. Fee and commission income

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Fees and commissions on loans	20 224	13 443
Fees and commissions on deposit-related transactions with customers	65 474	59 448
Fees and commissions due for the servicing of payment cards and ATMs	40 011	27 278
Fees and commissions on foreign clearing operations	7 924	7 538
Fees and commissions on guarantee commitments	4 896	3 708
Commission on distribution of investment and insurance services	32 860	15 582
Commissions on custodian services	1 213	1 071
Other fees and commissions	3 139	7 096
Total	**175 741**	**135 164**

13. Fee and commission expense

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Brokerages	618	438
Fees and commissions due for the servicing of payment cards and ATMs	15 548	9 034
Other fees and commissions	10 150	4 284
Total	**26 316**	**13 756**

Net fee and commission income	**149 425**	**121 408**

14. Dividend income

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Available-for-sale shares	1 328	750
Total	**1 328**	**750**

15. Net trading income

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Net trading income, including:		
- debt securities, including:	-3 599	-1 369
- held for trading	-1 451	1 257
- at fair value through profit or loss	-2 148	-2 626
- on derivatives	49 959	4 164
- foreign exchange	28 978	58 789
- other	0	71
Total	**75 338**	**61 655**

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

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Result on cash flows hedge	-1 454	185
- on hedging derivatives	-1 454	185
- on hedged financial assets	0	0
Result on fair value hedge	-51	494
- on hedging derivatives	775	1 849
- on hedged financial assets	-826	-1 355
Total *	**-1 505**	**679**

** result on hedging transactions also comprises amounts of transactions settled prior to the balance sheet date (PLN 17 thousand in the first half of 2007 against PLN 563 thousand in the first half of 2006).*

17. Net gains from investment activities

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Available-for-sale financial assets:	**2 682**	**3 248**
- equity instruments	1 921	1 445
- debt instruments	761	1 803
Held-to-maturity assets:	**507**	**0**
- equity instruments	0	0
- debt instruments	507	0
Total	**3 189**	**3 248**

18. Net income from sale of receivables

On 14.04.2006, the Bank and an external entity (BEST I Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty) concluded an agreement on the sale of receivables of Kredyt Bank S.A. and Żagiel S.A. The maximum principal of sold debt amounted to PLN 1,044,771 thousand, which made the transaction the largest transaction so far on the Polish market. As a result of signing two disposal agreements of 9 and 16 June 2006, the principal of PLN 929,970 thousand was sold. The total result on the sale of receivables in the first half of 2006 amounted to PLN 145,388 thousand as compared to PLN 11,313 thousand generated in the first half of 2007. In the first half of 2007, the Group did not enter into any material, single debt sale transactions.

19. Result for particular categories of financial assets

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
- at fair value through profit or loss, including:	47 752	4 047
- held for trading	-10 044	-7 615
- available for sale	81 861	85 342
- held to maturity	64 017	77 379
- loans and credits, leasing	542 056	475 366
- deposits	-270 523	-219 321
- subordinated liabilities, issue of securities	-10 572	-23 059
Total *	**454 591**	**399 754**

** the item comprises net interest income, net trading income net of result on exchange item, result on hedging and hedged transactions, profit/loss from investing activities.*

20. Other operating income

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Sale or liquidation of property, plant and equipment and assets to be disposed	3 295	5 789
Recovered bad debts, including reimbursed debt recovery costs	7 007	8 900
Indemnities, penalties and fines received	740	858
Side income	2 280	1 617
Reversal of impairment losses on receivables from other debtors	1 038	3 694
Lease income	14 594	2 052
Other operating income	6 375	8 982
Total	**35 329**	**31 892**

21. General and administrative expenses

	01.01.2007- 30.06.2007 non-audited	Comparable data 01.01.2006- 30.06.2006 non-audited
Staff costs, including:	**236 386**	**212 661**
- salaries and wages	188 008	169 383
- deductions from salaries and wages	36 142	31 765
- employee benefits	6 973	6 895
- training expenses	5 263	4 618
Operating expense, including:	**167 780**	**166 771**
- costs of buildings maintenance and lease	52 245	43 793
- postal and telecommunication expenses	27 003	26 354
- IT systems operation costs	13 658	14 301
- promotion and advertising services	12 765	11 738
- costs of machinery repairs and services provided under warranties	6 812	7 308
- property protection costs	5 056	8 006
- costs of balance sheet audit, consulting and advisory	4 930	6 657
- transportation costs	5 711	4 892
- other banking services	10 322	9 874
- materials purchase	3 384	2 669
- business trips costs	2 236	2 347
- taxes and fees	10 318	15 567
- other	13 340	13 265
Depreciation and amortisation, including:	**49 729**	**58 300**
- property, plant and equipment	29 874	37 510
- intangible assets	19 855	20 790
Total	**453 895**	**437 732**

Operating lease rentals

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

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

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

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Leasing payments	45 166	34 789

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

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

	30.06.2007 non-audited	Comparable data as at 30.06.2006 non-audited
Future gross minimum lease payments		
- not later than one year	102 059	80 261
- later than one year and not later than five years	272 128	230 638
- later than five years	66 078	92 018
Total	**440 265**	**402 917**

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

22. Impairment losses on financial assets, other assets and provisions

Recognition of impairment on assets and provisions

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Recognition of impairment on assets		
Loans and advances	271 729	302 148
Assets to be disposed, property, plant and equipment and intangible assets	2 389	14 105
Total impairment	**274 118**	**316 253**
Additions of provisions		
Provision for restructuring	226	1 600
Provisions for employee benefits	0	1 458
Provisions for liabilities	15 689	0
Provision for off-balance sheet liabilities	24 173	64 344
Total provisions	**40 088**	**67 402**
Total	**314 206**	**383 655**

Reversal of impairment for assets and provisions

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Reversal of impairment losses on assets		
Loans and advances	305 439	293 501
Assets to be disposed, property, plant and equipment and intangible assets	3 678	331
Total impairment	**309 117**	**293 832**
Reversal of provisions		
Provision for restructuring	11	0
Provisions for liabilities	3 481	618
Provision for off-balance sheet liabilities	24 157	80 348
Total provisions	**27 649**	**80 966**
Total	**336 766**	**374 798**

Impairment losses on financial assets, other assets and provisions	**22 560**	**-8 857**

23. Other operating expenses

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Written off receivables and debt recovery expenses	10 375	11 631
Other impairment	1 084	2 625
Disposal or liquidation of property, plant and equipment and intangible assets	810	1 265
Indemnities, penalties and fines paid	122	577
Other expenses	7 507	6 981
Total	**19 898**	**23 079**

24. Income tax expense in the income statement

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Current income tax	-46 583	-18 582
Deferred income tax	-2 668	25 866
Income tax on net profit	**-49 251**	**7 284**

Current income tax presented in the income statement

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Gross financial result	**230 872**	**289 119**
Share of profit of associates	-1 141	-806
Consolidation adjustments	-33	-101 833
Permanent differences	**29 291**	**-83 422**
Impairment	12 539	-575 004
Dividends received	-1 328	-1 111
Depreciation – non tax deductible expenses	4 470	507
Penalty interest	118	552
Other, including:	13 492	491 634
- voluntary membership fees	23	0
- PFRON (State Fund for Rehabilitation of Disabled Persons)	2 354	2 233
- loss on the sale of debt	20 895	456 181
- other	-9 780	33 220
Temporary differences	**-13 550**	**106 850**
Interest on deposits	-6 067	-1 758

Cost of interest included in the bonds price	11 525	23 361
Valuation of derivative transactions (net asset and provision)	34 293	15 773
Tax goodwill	-11 424	-22 321
Accruals for expenses	-13 198	8 339
Finance lease	25 870	261
Accrued interest to be received	63 662	14 733
Non-depraciated property, plant and equipment – investment tax relief	63	845
Difference between accounting and tax depreciation	15 980	10 038
Impairment – temporary difference	-134 742	83 286
Commissions received settled according to EIR	-18 315	-15 116
Due commissions on banking accounts	1 521	5 355
Other temporary differences	17 282	-15 946
Total	**245 439**	**209 908**
Prior period tax losses settlements	-3 078	-112 012
Reliefs and donations	-2 015	-93
Tax base for income tax calculation	**240 346**	**97 803**
Tax rate	19%	19%
Income tax payable	**-45 666**	**-18 582**
Income tax withheld abroad non-deductible in Poland in the payment year	-1 416	0
Deductible withholding tax	499	0
Total current income tax	**-46 583**	**-18 582**

Reconciliation of effective tax rate

	01.01.2007-30.06.2007 non-audited	**Comparable data 01.01.2006-30.06.2006 non-audited**
Profit before tax	**230 872**	**289 119**
Share of profit of associates	-1 141	-806
Theoretical effective tax burden on profit before tax	**-43 649**	**-54 779**
Permanent differences	-5 565	15 850
Consolidation adjustments	744	20 053
Recognised deferred tax asset from prior periods	0	28 161
Other	-540	-2 019
Donations	383	18
Tax deductions	293	0
Deductible withholding tax	499	0
Tax paid abroad non-deductible in Poland	-1 416	0
Income tax expense in the income statement	**-49 251**	**7 284**

25. Earnings per Bank's shareholders

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Net profit of the parent company for 6 months	179 904	263 437
Net profit (loss) of subsidiaries for 6 months	-3 599	-67 644
Consolidation adjustments	5 316	100 610
Earnings per Bank's shareholders	**181 621**	**296 403**

26. Earnings per share (EPS)

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Net profit	181 621	296 403
Weighed average number of ordinary shares	271 658 880	271 658 880
Net profit (loss) per share	**0.67**	**1.09**

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

27. Cash and balances with Central Bank

By types

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Cash in hand	377 721	416 787	331 732
Current account in the Central Bank	175 407	222 999	1 038 320
Interest on transactions with Central Bank	2 039	957	0
Total	**555 167**	**640 743**	**1 370 052**

28. Gross loans and advances to banks

By types

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Current accounts	31 147	30 885	18 153
Deposits in other banks	2 772 818	2 034 382	1 867 448
Loans and advances to banks	71 967	71 729	58 643
Purchased debt	24 995	25 963	11 976
Other	6 242	22 898	9 999
Accrued interest	14 501	20 546	23 310
Total	**2 921 670**	**2 206 403**	**1 989 529**

By maturity dates

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	2 197 152	1 537 143	468 938
- 1-3 months	248 697	146 195	725 342
- 3-6 months	163 227	191 075	263 452
- 6 months to 1 year	172 872	136 062	433 146
- 1 - 3 years	88 866	110 750	16 417
- 3 - 5 years	34 095	61 879	56 030
- past due	2 260	2 753	2 894
- interest	14 501	20 546	23 310
Total	**2 921 670**	**2 206 403**	**1 989 529**

Classification due to impairment

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Loans and advances with no individual evidence of impairment	2 904 909	2 183 104	1 963 325
Loans and advances with individual evidence of impairment	2 260	2 753	2 894
Accrued interest	14 501	20 546	23 310
Total	**2 921 670**	**2 206 403**	**1 989 529**

29. Impairment on loans and advances to banks

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Impairment on loans and advances to banks at period beginning	2 753	2 894	2 894
a) increase	0	0	0
b) decrease	493	141	0
- reversal of impairment	493	141	0
c) utilization	0	0	0
Period end	**2 260**	**2 753**	**2 894**

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

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Debt securities held for trading	**200 932**	**495 248**	**214 219**
Treasury securities	200 617	494 637	213 499
- bonds	186 931	136 754	109 490
- bills	13 686	357 883	104 009
Central Bank securities	0	0	0
Other securities	315	611	720
- bonds	315	611	720
Equity securities	0	0	0
Financial assets at fair value through profit or loss	**154 401**	**133 500**	**110 834**
Treasury securities	111 024	113 487	110 834
- bonds	111 024	113 487	110 834
Central Bank securities	0	0	0
Other securities	27 220	0	0
- bonds	27 220	0	0
Shares in investment funds	16 157	20 013	0
Equity securities	0	0	0
Total	**355 333**	**628 748**	**325 053**

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Listed	**355 333**	**628 748**	**325 053**
- bonds	325 490	250 852	221 044
- treasury bonds	13 686	357 883	104 009
- shares in investment funds	16 157	20 013	0
Total	**355 333**	**628 748**	**325 053**

By maturity dates

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	369	349 249	140
- 1-3 months	4 875	31 432	11 765
- 3-6 months	7 030	6 474	12 308
- 6 months to 1 year	33 344	8 683	116 508
- 1 - 3 years	107 097	51 091	42 484
- 3 - 5 years	80 372	118 736	100 907
- 5 - 10 years	49 635	37 498	36 909
- 10 - 20 years	56 454	5 572	4 032
- with unspecified maturity date	16 157	20 013	0
Total	**355 333**	**628 748**	**325 053**

31. Derivatives

Derivatives (by types)

	30.06.2007 non-audited		Comparable data as at 31.12.2006		Comparable data as at 30.06.2006 non-audited	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate transactions	**244 305**	**254 862**	**244 093**	**258 084**	**173 494**	**187 459**
IRS	178 462	189 420	187 951	199 609	145 677	157 092
FRA	65 843	65 442	56 142	58 475	27 817	30 367
Foreign exchange transactions	**91 470**	**58 053**	**53 316**	**34 264**	**66 112**	**53 656**
FX swap	25 008	12 161	10 091	9 033	12 048	13 593
CIRS	26 303	2 635	24 961	5 910	5 672	461
Forward	9 096	12 847	7 635	8 893	20 243	16 504
Options purchased	30 163	0	10 324	0	23 121	0
Options sold	0	29 671	0	10 259	0	19 208
Other	900	739	305	169	5 028	3 890
Futures	0	0	18	0	0	0
Embedded instruments	**674**	**0**	**0**	**4 126**	**0**	**6 554**
Total	**336 449**	**312 915**	**297 427**	**296 474**	**239 606**	**247 669**

Derivatives (by maturity dates)

	30.06.2007 non-audited		Comparable data as at 31.12.2006		Comparable data as at 30.06.2006 non-audited	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate transactions (fair value)	**244 305**	**254 862**	**244 093**	**258 084**	**173 494**	**187 459**
Interest rate transactions (nominal value)	**79 141 454**	**71 891 159**	**68 532 762**	**60 594 823**	**48 655 218**	**47 435 324**
- up to 1 month	1 136 800	1 215 000	3 312 085	600 000	400 000	425 000
- 1-3 months	1 125 000	2 933 290	1 901 050	2 325 000	2 815 000	3 950 000
- 3-6 months	16 084 710	13 821 710	13 260 000	10 516 420	16 120 000	12 556 000
- 6 months to 1 year	24 279 665	23 569 580	23 295 370	22 335 204	19 475 000	20 995 000
- 1 - 3 years	34 948 679	29 344 984	25 913 000	24 061 299	9 043 168	8 389 000
- 3 - 5 years	1 135 000	733 995	643 657	600 300	655 450	897 724
- 5 - 10 years	431 600	272 600	207 600	156 600	146 600	222 600
Foreign exchange transactions (fair value)	**91 470**	**58 053**	**53 316**	**34 264**	**66 112**	**53 656**
Foreign exchange transactions (nominal value)	**8 635 641**	**8 592 567**	**4 364 418**	**4 350 481**	**6 212 277**	**6 216 386**
- up to 1 month	2 910 706	2 890 259	1 474 217	1 464 506	3 233 525	3 231 821
- 1-3 months	1 827 812	1 825 962	550 023	546 851	702 629	699 927
- 3-6 months	2 065 487	2 060 758	904 660	905 640	779 047	787 432
- 6 months to 1 year	1 380 858	1 370 618	1 276 770	1 277 470	1 193 699	1 196 460
- 1 - 3 years	450 778	444 970	158 748	156 014	303 377	300 746
Other (fair value)	**0**	**0**	**18**	**0**	**0**	**0**
Other (nominal value)	**0**	**0**	**0**	**3 839**	**0**	**0**
- 1-3 months	0	0	0	3 839	0	0
Total fair value*)	**335 775**	**312 915**	**297 427**	**292 348**	**239 606**	**241 115**
Total nominal value	**87 777 095**	**80 483 726**	**72 897 180**	**64 949 143**	**54 867 495**	**53 651 710**

** net of embedded derivatives*

32. Gross loans and advances to customers

by types

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Loans and advances	14 059 310	12 284 622	11 831 936
Purchased debt	43 490	45 386	31 973
Realised guarantees and sureties	20 444	31 728	60 387
Other receivables	299 957	198 579	198 249
- including lease receivables	274 322	192 165	146 979
Accrued interest	86 296	83 528	79 501
Total	**14 509 497**	**12 643 843**	**12 202 046**

by maturity dates

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	700 321	332 065	236 640
- 1-3 months	705 950	573 940	473 476
- 3-6 months	793 131	696 848	714 032
- 6 months to 1 year	2 880 487	2 734 159	2 557 129
- 1 - 3 years	2 165 841	1 965 898	1 880 917
- 3 - 5 years	1 676 096	1 366 320	1 324 721
- 5 - 10 years	1 767 807	1 691 383	1 759 585
- 10 - 20 years	1 744 250	1 496 784	1 129 223
- over 20 years	1 045 962	664 365	488 396
- past due	943 356	1 038 553	1 558 426
- interest	86 296	83 528	79 501
Total	**14 509 497**	**12 643 843**	**12 202 046**

by customer types

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Natural persons*	**7 473 231**	**6 173 480**	**5 374 374**
- overdraft facilities	566 205	519 281	512 987
- purchased debt	17 068	19 483	4 075
- term loans	2 642 678	2 463 673	2 315 464
- mortgage loans	4 233 672	3 163 274	2 536 025
- realised guarantees	1 519	1 519	1 519
- other receivables	12 089	6 250	4 304
Corporate customers	**6 491 756**	**5 818 910**	**6 183 049**
- overdraft facilities	1 312 686	1 067 449	987 762
- term loans	4 845 872	4 503 039	4 914 596
- purchased debt	26 405	25 884	27 878
- realised guarantees	18 925	30 209	58 868
- other receivables, including leasing fees	287 868	192 329	193 945
Budget	**458 214**	**567 925**	**565 122**
- overdraft facilities	11 594	3 460	25 269
- term loans	446 603	564 446	539 833
- purchased debt	17	19	20
Accrued interest	**86 296**	**83 528**	**79 501**
Total	**14 509 497**	**12 643 843**	**12 202 046**

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

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

	Gross receivables	Impaired gross receivables	Impairment excluding IBNR	Non-impaired gross receivables by days of delay in payment					
				Total	no delay	up to 30 days	31 - 60 days	61 -90 days	over 90 days
Natural persons*	**7 473 231**	**552 802**	**399 095**	**6 920 429**	**6 616 973**	**225 609**	**71 867**	**5 710**	**270**
- overdraft facilities	566 205	78 137	70 511	488 068	451 796	30 686	3 794	1 763	29
- purchased debt	17 068	17 068	17 022	0	0	0	0	0	0
- term loans	2 642 678	367 329	267 230	2 275 349	2 169 018	51 005	53 227	2 099	0
- mortgage loans	4 233 672	88 749	43 470	4 144 923	3 984 070	143 918	14 846	1 848	241
- realised guarantees	1 519	1 519	862	0	0	0	0	0	0
- other receivables	12 089	0	0	12 089	12 089	0	0	0	0
Corporate customers	**6 491 756**	**938 302**	**496 852**	**5 553 454**	**5 245 303**	**279 293**	**28 077**	**449**	**332**
- overdraft facilities	1 312 686	51 009	22 675	1 261 677	1 240 372	20 384	699	222	0
- term loans	4 845 872	820 411	409 850	4 025 461	3 793 767	231 288	377	0	29
- purchased debt	26 405	5 371	5 049	21 034	16 307	2 928	1 799	0	0
- realised guarantees	18 925	18 925	17 793	0	0	0	0	0	0
- other receivables, including leasing fees	287 868	42 586	41 485	245 282	194 857	24 693	25 202	227	303
Budget	**458 214**	**17**	**17**	**458 197**	**441 415**	**16 782**	**0**	**0**	**0**
- overdraft facilities	11 594	0	0	11 594	11 594	0	0	0	0
- term loans	446 603	0	0	446 603	429 821	16 782	0	0	0
- purchased debt	17	17	17	0	0	0	0	0	0
Accrued interest	86 296	45 266	42 485	41 030	38 274	2 273	333	132	18
Total	**14 509 497**	**1 536 387**	**938 449**	**12 973 110**	**12 341 965**	**523 957**	**100 277**	**6 291**	**620**

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

Receivables in breakdown by customer types and by impaired and non-impaired receivables (comparable data as at 31.12.2006)

	Gross receivables	Impaired gross receivables	Impairment excluding IBNR	Non-impaired gross receivables by days of delay in payment					
				Total	no delay	up to 30 days	31 - 60 days	61 -90 days	over 90 days
Natural persons*	**6 173 480**	**574 745**	**386 000**	**5 598 735**	**5 331 675**	**200 814**	**59 126**	**5 897**	**1 223**
- overdraft facilities	519 281	84 595	71 446	434 686	403 575	26 770	2 764	1 477	100
- purchased debt	19 483	17 287	17 177	2 196	1 933	263	0	0	0
- term loans	2 463 673	384 274	254 960	2 079 399	1 984 766	48 317	43 789	2 261	266
- mortgage loans	3 163 274	87 070	41 530	3 076 204	2 935 151	125 464	12 573	2 159	857
- realised guarantees	1 519	1 519	887	0	0	0	0	0	0
- other receivables	6 250	0	0	6 250	6 250	0	0	0	0
Corporate customers	**5 818 910**	**1 090 156**	**598 080**	**4 728 754**	**4 599 259**	**126 637**	**1 833**	**895**	**130**
- overdraft facilities	1 067 449	67 127	25 377	1 000 322	982 790	17 364	168	0	0
- term loans	4 503 039	943 146	495 774	3 559 893	3 476 240	81 987	1 335	233	98
- purchased debt	25 884	5 815	5 537	20 069	18 865	1 204	0	0	0
- realised guarantees	30 209	30 209	29 855	0	0	0	0	0	0
- other receivables, including leasing fees	192 329	43 859	41 537	148 470	121 364	26 082	330	662	32
Budget	**567 925**	**19**	**17**	**567 906**	**554 986**	**12 920**	**0**	**0**	**0**
- overdraft facilities	3 460	0	0	3 460	3 460	0	0	0	0
- term loans	564 446	0	0	564 446	551 526	12 920	0	0	0
- purchased debt	19	19	17	0	0	0	0	0	0
Accrued interest	83 528	46 831	46 068	36 697	34 868	1 330	352	115	32
Total	**12 643 843**	**1 711 751**	**1 030 165**	**10 932 092**	**10 520 788**	**341 701**	**61 311**	**6 907**	**1 385**

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

Receivables in breakdown by customer types and by impaired and non-impaired receivables (comparable data as at 30.06.2006) non-audited

	Gross receivables	Impaired gross receivables	Impairment excluding IBNR	Non-impaired gross receivables by days of delay in payment					
				Total	no delay	up to 30 days	31 - 60 days	61 -90 days	over 90 days
Natural persons*	**5 374 374**	**586 025**	**405 228**	**4 788 349**	**4 407 899**	**317 257**	**56 459**	**5 085**	**1 649**
- overdraft facilities	512 987	86 730	75 919	426 257	358 754	63 739	3 039	679	46
- purchased debt	4 075	4 004	3 947	71	70	1	0	0	0
- term loans	2 315 464	409 127	282 063	1 906 337	1 760 732	101 285	40 053	2 664	1 603
- mortgage loans	2 536 025	84 645	42 378	2 451 380	2 284 039	152 232	13 367	1 742	0
- realised guarantees	1 519	1 519	921	0	0	0	0	0	0
- other receivables	4 304	0	0	4 304	4 304	0	0	0	0
Corporate customers	**6 183 049**	**1 974 492**	**1 280 520**	**4 208 557**	**3 903 133**	**293 501**	**4 819**	**7 039**	**65**
- overdraft facilities	987 762	129 020	80 858	858 742	829 710	23 655	227	5 150	0
- term loans	4 914 596	1 655 415	1 032 151	3 259 181	2 999 417	256 172	2 228	1 364	0
- purchased debt	27 878	27 878	27 183	0	0	0	0	0	0
- realised guarantees	58 868	58 868	58 408	0	0	0	0	0	0
- other receivables, including leasing fees	193 945	103 311	81 920	90 634	74 006	13 674	2 364	525	65
Budget	**565 122**	**29**	**29**	**565 093**	**511 056**	**54 037**	**0**	**0**	**0**
- overdraft facilities	25 269	0	0	25 269	25 269	0	0	0	0
- term loans	539 833	9	9	539 824	485 787	54 037	0	0	0
- purchased debt	20	20	20	0	0	0	0	0	0
Accrued interest	79 501	53 273	40 736	26 228	22 499	2 979	295	262	193
Total	**12 202 046**	**2 613 819**	**1 726 513**	**9 588 227**	**8 844 587**	**667 774**	**61 573**	**12 386**	**1 907**

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

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

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

As at 30.06.2007, the amount of non-amortised loan commissions settled with the effective interest rate, which, according to the concept of the measurement of financial assets at amortised cost decreases the value of gross receivables, amounted to PLN 135,664 thousand, as compared to PLN 142,188 thousand as at 31.12.2006 and PLN 150,428 thousand as at 30.06.2006. The amounts were already recognised in total gross receivables.

Receivables quality ratio

According to the method of presenting the quality of loans and advances to customers applied in KBC Group, non-performing loans (NPL) were separated from the portfolio of loans for which evidence for impairment was identified. NPLs are defined as loans with delayed repayment of interest or principal exceeding 90 days.

in PLN '000	**30.06.2007 non-audited**	**Comparable data as at 31.12.2006**	**Comparable data as at 30.06.2006 non-audited**
Loans and advances with no individual evidence of impairment, including interest	12 973 110	10 932 092	9 588 227
Loans and advances with individual evidence of impairment, including interest	1 536 387	1 711 751	2 613 819
including: NPL with interest	1 069 625	1 149 714	1 708 284
Total gross loan and advances to customers	**14 509 497**	**12 643 843**	**12 202 046**
Impairment losses on loans and advances to customers	992 564	1 087 462	1 774 758
including: impairment losses on loans and advances with individual evidence of impairment	938 449	1 030 165	1 726 513
including: Impairment losses on NPL	820 477	850 551	1 354 248
Total net loans and advances to customers	**13 516 933**	**11 556 381**	**10 427 288**
The share of loans and advances with individual evidence of impairment in total gross loans and advances	**10.6%**	**13.5%**	**21.4%**
Share of NPL in total gross loans and advances	**7.4%**	**9.1%**	**14.0%**
Coverage of loans and advances with individual evidence of impairment with impairment losses	**61.1%**	**60.2%**	**66.1%**
Coverage of NPL with impairment losses	**76.7%**	**74.0%**	**79.3%**
Coverage of gross loans and advances to customers with corresponding impairment losses	**6.8%**	**8.6%**	**14.5%**

Over the last 12 months, the value of the receivables for which evidence for impairment was identified decreased by 41.2%. As a result, over the last 12 months, the quality ratio for the Bank's gross receivables portfolio improved by 10.8 p.p., and for NPLs by 6.6 p.p.

Loan securities accepted by the Bank

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

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Value of approved collateral	614 640	567 341	464 394

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

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

Carrying amount of restructured receivables

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Carrying amount	143 853	46 403	85 291

33. Impairment losses on loans and advances to customers

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-31.12.2006	Comparable data 01.01.2006-30.06.2006 non-audited
Impairment losses on loans and advances to customers at period beginning	**1 087 462**	**2 604 206**	**2 604 206**
a) increase	273 107	845 745	314 106
- impairment charge for loans and advances	271 729	844 430	302 148
- other changes	1 378	1 315	1
- currency translation differences	0	0	11 957
b) decrease	309 993	956 233	299 827
- reversal of impairment losses for loans and advances	304 946	826 679	293 501
- other changes	51	124 313	6 326
- currency translation differences	4 996	5 241	0
c) loan receivables written off in the period as bad debts	58 012	1 406 256	843 727
Period end	**992 564**	**1 087 462**	**1 774 758**

IBNR

Impairment for incurred but not reported (IBNR) credit losses for homogenous balance sheet and off-balance sheet receivables portfolios as at 30.06.2007 amounted to PLN 57,072 thousand, as compared to PLN 84,671 thousand as at 30.06.2006 and PLN 57,297 thousand as at 31.12.2006.

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

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Gross investments in finance lease	311 106	219 369	158 447
Unrealised future financial income	36 784	27 204	11 468
Investments in finance lease	274 322	192 165	146 979
Gross investments in finance lease for each period	311 106	219 369	158 447
- not later than one year	75 445	71 847	48 748
- later than one year and not later than five years	197 730	109 880	69 076
- later than five years	37 931	37 642	40 623
Investments in finance lease for each period	274 322	192 165	146 979
- not later than one year	68 302	61 777	43 995
- later than one year and not later than five years	170 626	95 746	64 102
- later than five years	35 394	34 642	38 882

Impairment losses on lease receivables

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-31.12.2006	Comparable data 01.01.2006-30.06.2006 non-audited
Period beginning	44 540	51 205	51 205
a) increase	2 586	6 806	2 596
- Impairment losses on lease receivables	2 586	6 806	2 596
b) decrease	2 637	13 471	8 470
- reversal of impairment losses on lease receivables	2 586	6 644	2 186
- other changes	51	6 827	6 284
Period end	**44 489**	**44 540**	**45 331**

35. Investment securities

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Available-for-sale securities	**3 336 102**	**3 453 950**	**3 553 090**
Treasury securities	2 562 776	2 888 291	2 434 622
- bonds	2 562 776	2 788 421	2 336 745
- bills	0	99 870	97 877
Central Bank securities	324 865	331 563	822 876
- bonds	324 865	331 563	324 773
- bills	0	0	498 103
Other securities	446 562	228 612	293 594
- bonds	446 562	228 612	283 221
- shares in investment funds	0	0	10 373
Equity securities	1 899	5 484	1 998
Held-to-maturity securities	**2 143 918**	**2 448 773**	**2 563 622**
Treasury securities	2 143 918	2 448 773	2 425 457
- bonds	2 143 918	2 448 773	2 425 457
Central Bank securities	0	0	0
Other securities	0	0	138 165
- bonds	0	0	138 165
Total	**5 480 020**	**5 902 723**	**6 116 712**

All investment securities classified in the portfolio of available-for-sale financial assets are measured at fair value, except for NBP bonds issued for the purpose of statutory reserve of banks, commercial bonds of the Industry Development Agency and non-listed equity investments (equity investments in shares of the Bank's Capital Group companies are presented in Note 37). NBP bonds and commercial bonds are measured at amortised cost, as there is no active market for them, and NBP bonds may only be redeemed by the issuer. Non-listed equity investments are recognised at cost, having regard for impairment losses, as there is also no active market for them and their fair value cannot be determined reliably.

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Available-for-sale securities	**3 336 102**	**3 453 950**	**3 553 090**
Listed	**3 003 651**	**3 115 034**	**3 273 100**
- shares	0	3 584	0
- bonds	3 003 651	3 011 580	2 666 747
- bills	0	99 870	595 980
- shares in investment funds	0	0	10 373
Non-listed	**332 451**	**338 916**	**279 990**
- shares	1 899	1 900	1 998
- bonds	330 552	337 016	277 992
Held-to-maturity securities	**2 143 918**	**2 448 773**	**2 563 622**
Listed	**2 143 918**	**2 448 773**	**2 563 622**
- bonds	2 143 918	2 448 773	2 563 622
Total	**5 480 020**	**5 902 723**	**6 116 712**

Maturities of available-for-sale investment securities

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	18 430	110 173	515 458
- 1-3 months	72 635	23 800	25 253
- 3-6 months	0	327 403	178 938
- 6 months to 1 year	319 720	172 772	389 867
- 1 - 3 years	736 609	786 980	866 512
- 3 - 5 years	1 720 892	1 265 137	671 444
- 5 - 10 years	431 574	752 791	893 247
- 10 - 20 years	34 343	9 410	0
- with unspecified maturity dates	1 899	5 484	12 371
Total	**3 336 102**	**3 453 950**	**3 553 090**

Maturities of held-to-maturity investment securities

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	11 371	14 740	16 085
- 1-3 months	99 454	23 447	0
- 3-6 months	0	306 214	581 946
- 6 months to 1 year	341 339	109 015	322 583
- 1 - 3 years	554 643	620 760	667 575
- 3 - 5 years	906 438	1 202 107	830 173
- 5 - 10 years	189 734	157 763	145 260
- 10 - 20 years	40 939	14 727	0
Total	**2 143 918**	**2 448 773**	**2 563 622**

36. Financial assets subject to hedge accounting

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

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

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

The rules of recognising and measuring the effectiveness of the hedges for transactions subject to hedge accounting are described in Note 7.7.7 of this financial statement.

Financial assets subject to cash flow hedge accounting
As at 30.06.2007

- bonds

Hedged assets - available-for-sale bonds

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

IRS's hedging cash flows

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

- loans portfolio

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

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
50 000	14.12.2009	fixed 4.78%	WIBOR 3M	annually	every quarter	393	-19
50 000	13.09.2007	fixed 4.40%	WIBOR O/N	payment at transaction closure, i.e. 13.09.2007	payment at transaction closure, i.e. 13.09.2007	-34	
50 000	18.12.2009	fixed 4.78%	WIBOR 3M	annually	every quarter	389	-24
50 000	18.09.2007	fixed 4.40%	WIBOR O/N	payment at transaction closure, i.e. 19.09.2007	payment at transaction closure, i.e. 19.09.2007	-36	
50 000	01.03.2013	fixed 5.11%	WIBOR 6M	annually	every 6 months	-1 173	-72
50 000	03.09.2007	fixed 4.215%	WIBOR O/N	payment at transaction closure, i.e. 04.09.2007	payment at transaction closure, i.e. 04.09.2007	-44	

100 000	05.01.2009	fixed 4.6875%	WIBOR 3M	annually	every quarter	256	-13
100 000	04.07.2007	fixed 4.30%	WIBOR O/N	payment at transaction closure, i.e. 04.07.2007	payment at transaction closure, i.e. 04.07.2007	7	
25 000	03.03.2014	fixed 5.12%	WIBOR 6M	annually	every 6 months	-678	-38
25 000	03.09.2007	fixed 4.215%	WIBOR O/N	payment at transaction closure, i.e. 04.09.2007	payment at transaction closure, i.e. 04.09.2007	-22	
25 000	02.03.2015	fixed 5.14%	WIBOR 6M	annually	every 6 months	-743	-33
25 000	03.09.2007	fixed 4.215%	WIBOR O/N	payment at transaction closure, i.e. 04.09.2007	payment at transaction closure, i.e. 04.09.2007	-22	
50 000	02.03.2012	fixed 5.09%	WIBOR 6M	annually	every 6 months	-975	-8
50 000	03.09.2007	fixed 4.245%	WIBOR O/N	payment at transaction closure, i.e. 03.09.2007	payment at transaction closure, i.e. 03.09.2007	-37	
100 000	21.03.2011	fixed 4.9275%	WIBOR 3M	annually	every quarter	-983	-280
100 000	18.09.2007	fixed 4.40%	WIBOR O/N	payment at transaction closure, i.e. 18.09.2007	payment at transaction closure, i.e. 18.09.2007	-72	
100 000	30.03.2009	fixed 4.8%	WIBOR 3M	annually	every quarter	222	-76
100 000	28.09.2007	fixed 4.55%	WIBOR O/N	payment at transaction closure, i.e. 28.09.2007	payment at transaction closure, i.e. 28.09.2007	-70	
50 000	30.03.2011	fixed 5.0%	WIBOR 6M	annually	every 6 months	-922	-50
50 000	28.09.2007	fixed 4.40%	WIBOR O/N	payment at transaction closure, i.e. 01.10.2007	payment at transaction closure, i.e. 01.10.2007	-21	
50 000	30.03.2012	fixed 5.03%	WIBOR 6M	annually	every 6 months	-1 165	-62
50 000	28.09.2007	fixed 4.40%	WIBOR O/N	payment at transaction closure, i.e. 01.10.2007	payment at transaction closure, i.e. 01.10.2007	-21	
50 000	30.03.2010	fixed 4.94%	WIBOR 6M	annually	every 6 months	-656	-41
50 000	28.09.2007	fixed 4.40%	WIBOR O/N	payment at transaction closure, i.e. 01.10.2007	payment at transaction closure, i.e. 01.10.2007	-21	
50 000	04.04.2012	fixed 5.03%	WIBOR 6M	annually	every 6 months	-1 168	-124
50 000	04.10.2007	fixed 4.40%	WIBOR O/N	payment at transaction closure, i.e. 04.10.2007	payment at transaction closure, i.e. 04.10.2007	-25	
100 000	01.08.2013	fixed 5.075%	WIBOR 3M	annually	every quarter	-2 471	-188
100 000	14.08.2007	fixed 4.295%	WIBOR O/N	payment at transaction closure, i.e. 14.08.2007	payment at transaction closure, i.e. 14.08.2007	-55	
25 000	15.09.2014	fixed 5.085%	WIBOR 3M	annually	every quarter	-584	-62
25 000	04.07.2007	fixed 4.30%	WIBOR O/N	payment at transaction closure, i.e. 04.07.2007	payment at transaction closure, i.e. 04.07.2007	-18	
25 000	22.06.2015	fixed 5.09%	WIBOR 3M	annually	every quarter	-915	-86
25 000	18.09.2007	fixed 4.40%	WIBOR O/N	payment at transaction closure, i.e. 18.09.2007	payment at transaction closure, i.e. 18.09.2007	-18	
70 000	13.06.2012	fixed 5.4475%	WIBOR 6M	annually	every 6 months	-519	-151
70 000	13.12.2007	fixed 4.55%	WIBOR O/N	payment at transaction closure, i.e. 13.12.2007	payment at transaction closure, i.e. 13.12.2007	-103	
30 000	13.06.2012	fixed 5.4475%	WIBOR 6M	annually	every 6 months	-222	-67
30 000	13.12.2007	fixed 4.55%	WIBOR O/N	payment at transaction closure, i.e. 13.12.2007	payment at transaction closure, i.e. 13.12.2007	-44	
					Total	**-12 570**	**-1 394**

Financial assets subject to fair value hedge accounting

- bonds

Hedged assets - available-for-sale bonds

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

IRS's hedging fair value of bonds

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

As at 30.06.2006 (comparable data)

Financial assets subject to cash flow hedge accounting

- bonds

Hedged assets - available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment
100 000	24.09.2011	float 4.11% (30.06.2006)	every 6 months
36 000	24.09.2011	float 4.11% (30.06.2006)	every 6 months

IRS's hedging cash flows

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
100 000	24.09.2009	fix 5.32%	WIBOR 6M	annually	annually	-306	-27
36 000	23.12.2009	fix 4.38%	WIBOR 6M	annually	every 6 months	-622	212
					Total	**-928**	**185**

Financial assets subject to fair value hedge accounting

- bonds

Hedged assets - available-for-sale bonds

Bond nominal value	Maturity date	Interest rate	Coupon rate payment	Valuation as at 30.06.2006 recognised in income statement
25 389	24.10.2013	fix 5%	annually	-1 355

IRS's hedging fair value of bonds

Nominal value	Maturity date	Interest rate		Coupon rate payment		Balance sheet valuation with interest	Valuation in income statement (interest presented in net interest income)
		Coupon received	Coupon paid	Coupon received	Coupon paid		
26 000	03.10.2013	WIBOR 6M	fix 4.595%	every 6 months	annually	953	1 285
					Total	**953**	**1 285**

In the case of cash flow hedge, the amount recognised in equity in the first half of 2007 was – PLN 22,007 thousand, and the amount derecognised from equity was – PLN 1,620 thousand. In comparison, in the first half of 2006, the amount recognised in equity was – PLN 890 thousand and – PLN 233 thousand was derecognised from equity.

37. Equity investments classified as available-for-sale

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
In entities of the financial sector	2 533	2 533	17 544
In entities of the non-financial sector	1 424	1 424	1 424
Total	**3 957**	**3 957**	**18 968**

38. Investments in associates valued using the equity method

Investment in associates valued using the equity method																				
	a	b	c	d	e							f			g			h	i	j
No.	Company	Line of business	Carrying amount of shares	Assets	Equity, including:							Liabilities, including			Receivables, including			Total income	Group's stake in capital (%)	Group's share (%) in votes at GMS
						Share capital	Subscribed unpaid share capital (negative sing)	Reserve capital	Other, including				Short-term liabilities	Long-term liabilities		Short-term receivables	Long-term receivables			
										Retained earnings	Net profit									
Associates																				
30.06.2007 (non-audited)																				
1.	KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Fund's asset management	11 802	785 493	39 341	25 258	0	11 335	2 748	0	2 748	746 151	746 151	0	770 973	770 973	0	41 654	30,00	30,00
Total			**11 802**	**785 493**																
31.12.2006 (comparable data)																				
1.	KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Fund's asset management	10 661	147 303	35 537	25 258	0	4 700	5 579	0	5 579	110 305	110 305	0	144 819	144 819	0	58 592	30,00	30,00
Total			**10 661**	**147 303**																
30.06.2006 (comparable data, non-audited)																				
1.	KBC Towarzystwo Funduszy Inwestycyjnych S.A.	Fund's asset management	9 736	41 251	32 452	25 258	0	4 700	2 494	0	2 494	8 799	8 799	0	35 532	35 532	0	26 500	30,00	30,00
Total			**9 736**	**41 251**																

39. Property, plant and equipment

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Property, plant and equipment, including:	339 552	335 219	339 844
- land	14 379	14 841	18 311
- buildings and premises	181 830	186 495	187 259
- plant and machinery	55 135	53 168	59 281
- motor vehicles	18 784	14 420	13 312
- other property, plant and equipment	69 424	66 295	61 681
Construction in progress	46 392	50 438	21 365
Total	**385 944**	**385 657**	**361 209**

40. Movement on property, plant and equipment

For the period of 6 months ended 30.06.2007
non-audited

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

For the period of 12 months ended 31.12.2006 (comparable data)

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2006	24 761	285 636	476 768	14 437	127 521	40 256	969 379
b) increase	4 614	226 461	69 453	11 490	16 869	33 499	362 386
- acquisition	17	1 937	25 541	2 354	14 449	32 860	77 158
- adjustments related to a change in the number of consolidated companies	4 581	220 230	41 686	357	2 274	410	269 538
- other increase	16	4 294	2 226	8 779	146	229	15 690
c) decrease	12 942	243 168	61 227	2 882	3 785	22 956	346 960
- sale	8 147	8 259	8 617	1 899	74	67	27 063
- liquidation	0	286	13 492	128	3 062	2	16 970
- adjustments related to a change in the number of consolidated companies	0	4 141	19	59	10	0	4 229
- reclassification to non-current assets classified as held for sale	4 581	219 803	35 190	0	0	0	259 574
- other decrease	214	10 679	3 909	796	639	22 887	39 124
d) gross property, plant and equipment as at 31.12.2006	16 433	268 929	484 994	23 045	140 605	50 799	984 805
e) accumulated depreciation of property, plant and equipment as at 01.01.2006	1 291	60 298	402 615	6 427	60 206	0	530 837
f) net property, plant and equipment as at 01.01.2006	18 209	211 578	71 905	8 010	66 603	40 095	416 400
g) changes in depreciation	0	5 789	26 837	1 949	12 926	0	47 501
- depreciation	0	9 134	45 800	3 615	12 617	0	71 166
- sale	0	0	-8 255	-1 555	0	0	-9 810
- liquidation	0	-120	-13 051	-35	-1 807	0	-15 013
- adjustments related to a change in the number of consolidated companies	0	13 513	17 769	116	2 241	0	33 639
- reclassification to assets held for sale	0	-16 260	-13 420	0	0	0	-29 680
- other changes	0	-478	-2 006	-192	-125	0	-2 801
h) accumulated depreciation as at 31.12.2006	1 291	66 087	429 452	8 376	73 132	0	578 338
i) impairment as at 01.01.2006	5 261	13 760	2 248	0	712	161	22 142
- increases	0	4 541	1 156	290	590	200	6 777
- decreases	4 960	1 954	1 030	41	124	0	8 109
j) impairment as at 31.12.2006	301	16 347	2 374	249	1 178	361	20 810
Net property, plant and equipment as at 31.12.2006	**14 841**	**186 495**	**53 168**	**14 420**	**66 295**	**50 438**	**385 657**

For the period of 6 months ended 30.06.2006 (comparable data)
non-audited

	Land	Buildings and premises	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
a) gross property, plant and equipment as at 01.01.2006	24 761	285 636	476 768	14 437	127 521	40 256	969 379
b) increase	31	216	15 986	8 151	1 995	17 035	43 414
- acquisition	15	215	8 148	1 599	1 172	16 833	27 982
- other increase	16	1	7 838	6 552	823	202	15 432
c) decrease	214	18 254	13 316	2 165	1 371	35 765	71 085
- sale	0	8 120	6 763	1 441	0	0	16 324
- liquidation	0	0	3 986	119	1 342	0	5 447
- other decrease	214	10 134	2 567	605	29	35 765	49 314
d) gross property, plant and equipment as at 30.06.2006	24 578	267 598	479 438	20 423	128 145	21 526	941 708
e) accumulated depreciation of property, plant and equipment as at 01.01.2006	1 291	60 298	402 615	6 427	60 206	0	530 837
f) net property, plant and equipment as at 01.01.2006	18 209	211 578	71 905	8 010	66 603	40 095	416 400
g) changes in depreciation	130	2 423	15 170	394	5 382	0	23 499
- depreciation	130	3 201	26 428	1 680	6 071	0	37 510
- sale	0	0	-6 562	-1 128	0	0	-7 690
- liquidation	0	0	-3 759	-23	-653	0	-4 435
- other changes	0	-778	-937	-135	-36	0	-1 886
h) accumulated depreciation as at 30.06.2006	1 421	62 721	417 785	6 821	65 588	0	554 336
i) impairment as at 01.01.2006	5 261	13 760	2 248	0	712	161	22 142
- increases	0	4 414	974	290	164	0	5 842
- decreases	415	556	850	0	0	0	1 821
j) impairment as at 30.06.2006	4 846	17 618	2 372	290	876	161	26 163
Net property, plant and equipment as at 30.06.2006	**18 311**	**187 259**	**59 281**	**13 312**	**61 681**	**21 365**	**361 209**

41. Intangible assets

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Patents, licenses and similar rights, including:	42 421	60 822	78 796
- software	42 392	60 789	78 760
Other intangible assets	32 044	24 786	16 314
Total	**74 465**	**85 608**	**95 110**

42. Movement on intangible assets

For the period of 6 months ended 30.06.2007 non-audited

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

For the period of 12 months ended 31.12.2006 (comparable data)

	Patents, licenses and similar assets	including: software	Other intangible assets	Total intangible assets
a) gross intangible assets as at 01.01.2006	266 191	263 607	51 019	317 210
b) increase	5 180	5 141	16 185	21 365
- acquisition	3 507	3 468	15 905	19 412
- adjustments related to a change in the number of consolidated companies	297	297	34	331
- other increase	1 376	1 376	246	1 622
c) decrease	5 832	5 696	19 961	25 793
- sale	120	120	0	120
- liquidation	4 774	4 638	18 561	23 335
- other decrease	938	938	1 400	2 338
a) gross intangible assets as at 31.12.2006	265 539	263 052	47 243	312 782
e) accumulated amortisation as at 01.01.2006	163 737	161 153	40 645	204 382
f) net intangible assets as at 01.01.2006	101 101	101 101	10 374	111 475
g) amortisation in the period	36 384	36 514	-18 188	18 196
- amortisation	40 891	40 884	344	41 235
- sale	-20	-20	0	-20
- liquidation	-4 767	-4 629	-18 557	-23 324
- adjustments related to a change in the number of consolidated companies	271	271	25	296
- other changes	9	8	0	9
h) accumulated amortisation as at 31.12.2006	200 121	197 667	22 457	222 578
i) impairment as at 01.01.2005	1 353	1 353	0	1 353
- increases	4 179	4 179	0	4 179
- decreases	936	936	0	936
j) impairment as at 31.12.2006	4 596	4 596	0	4 596
Net intangible assets as at 31.12.2006	**60 822**	**60 789**	**24 786**	**85 608**

For the period of 6 months ended 30.06.2006 (comparable data)
non-audited

	Patents, licenses and similar assets	including: software	Other intangible assets	Total intangible assets
a) gross intangible assets as at 01.01.2006	266 191	263 607	51 019	317 210
b) increase	2 537	2 499	7 511	10 048
- acquisition	1 171	1 133	7 511	8 682
- other increase	1 366	1 366	0	1 366
c) decrease	404	404	1 400	1 804
- sale	47	47	0	47
- liquidation	357	357	0	357
- other decrease	0	0	1 400	1 400
a) gross intangible assets as at 30.06.2006	268 324	265 702	57 130	325 454
e) accumulated amortisation as at 01.01.2006	163 737	161 153	40 645	204 382
f) net intangible assets as at 01.01.2006	101 101	101 101	10 374	111 475
g) amortisation in the period	20 258	20 256	171	20 429
- amortisation	20 618	20 616	172	20 790
- sale	-20	-20	0	-20
- liquidation	-350	-350	0	-350
- other changes	10	10	-1	9
h) accumulated amortisation as at 30.06.2006	183 995	181 409	40 816	224 811
i) impairment losses as at 01.01.2006	1 353	1 353	0	1 353
- increases	4 180	4 180	0	4 180
j) impairment losses as at 30.06.2006	5 533	5 533	0	5 533
Net intangible assets as at 30.06.2006	**78 796**	**78 760**	**16 314**	**95 110**

43. Goodwill on subordinated companies

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Goodwill - subsidiaries	36 052	36 052	36 052
Total	**36 052**	**36 052**	**36 052**

Movement on goodwill on subordinated companies

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-31.12.2006	Comparable data 01.01.2006-30.06.2006 non-audited
a) gross goodwill at period beginning	77 827	66 285	66 285
b) increase	0	11 542	0
- acquisition of shares	0	11 542	0
c) decrease	0	0	0
d) gross goodwill at period end	**77 827**	**77 827**	**66 285**
e) write-down of goodwill at period beginning	41 775	30 233	30 233
- increases	0	11 542	
f) write-down of goodwill at period end	**41 775**	**41 775**	**30 233**
Net goodwill at period end	**36 052**	**36 052**	**36 052**

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

44. Deferred tax asset

Calculation of deferred tax asset	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited	Change in the first half of 2007 non-audited
Interest on deposits	34 070	40 137	46 314	-6 067
Cost of interest included in the purchase cost of bonds	129 416	117 891	113 972	11 525
Valuation of financial instruments	322 166	45 753	79 649	276 413
Tax goodwill	526	11 950	34 272	-11 424
Commissions received settled according to EIR	135 664	153 979	162 679	-18 315
Accruals for expenses	82 900	96 098	69 819	-13 198
Finance lease	48 540	22 670	23 946	25 870
Write-downs being temporary differences	534 190	668 932	537 916	-134 742
Valuation of available-for-sale securities	55 968	3 204	21 116	52 764
Tax losses to be deducted in the future	4 466	2 917	0	1 549
Due commissions on banking accounts	12 504	10 983	24 089	1 521
Other	87 754	70 288	48 958	17 466
Total	**1 448 164**	**1 244 802**	**1 162 730**	**203 362**
Tax rate	19%	19%	19%	19%
Deferred tax asset	**275 151**	**236 512**	**220 919**	**38 639**
- charged to revaluation reserve	10 634	609	4 012	10 025
- charged to income statement	264 517	235 903	216 907	28 614
Unrecognised assets	0	0	9 951	0
Assets recognised in the income statement	**264 517**	**235 903**	**206 956**	**28 614**
Total deferred tax asset	**275 151**	**236 512**	**210 968**	**38 639**
Total deferred tax liability from note 53	**-110 440**	**-82 783**	**-67 030**	**-27 657**
Net deferred tax asset	**164 711**	**153 729**	**143 938**	**10 982**

45. Non-current assets classified as held for sale

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Gross non-current assets classified as held for sale	227 442	244 845	14 917
Impairment losses	41 972	50 074	4 380
Net non-current assets classified as held for sale property, plant and equipment	**185 470**	**194 771**	**10 537**

46. Other assets

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Inventory	541	544	619
Various debtors* (including):	97 386	89 898	102 045
- gross various debtors	126 278	113 153	129 763
- impairment losses	28 892	23 255	27 718
Accruals and deferred income	37 048	24 588	17 834
Other assets, including:	2 410	1 309	2 129
- gross assets taken over for debts	1 286	2 698	4 287
- impairment on assets taken over for debts	959	1 798	3 132
Total	**137 385**	**116 339**	**122 627**

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

47. Amounts due to Central Bank

By types

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Liabilities	2 052	1 966	2 303
Accrued interest	9	24	39
Total	**2 061**	**1 990**	**2 342**

By maturity dates

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	41	41	41
- 3-6 months	2 011	1 925	0
- 6 months to 1 year	0	0	2 262
- interest	9	24	39
Total	**2 061**	**1 990**	**2 342**

48. Amounts due to banks

by types

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Current accounts	153 943	51 026	19 885
Term deposits	2 077 014	1 172 363	1 810 844
Loans and advances	905 332	931 688	992 738
Other amounts due	6 450	4 288	7 012
Accrued interest	5 964	5 461	6 837
Total	**3 148 703**	**2 164 826**	**2 837 316**

by maturity dates

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	1 963 360	1 117 653	1 181 822
- 1-3 months	169 047	75 024	536 379
- 3-6 months	50 000	35 000	79 540
- 6 months to 1 year	55 000	0	40 000
- 3 - 5 years	905 332	931 688	992 738
- interest	5 964	5 461	6 837
Total	**3 148 703**	**2 164 826**	**2 837 316**

49. Amounts due to customers

by types

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Current accounts	10 362 255	9 517 077	7 571 754
Term deposits	6 615 662	5 999 920	6 962 301
Loans and advances	0	0	0
Other amounts due	142 217	256 452	134 456
Accrued interest	27 776	33 814	36 982
Total	**17 147 910**	**15 807 263**	**14 705 493**

by maturity dates

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	15 085 730	13 244 969	11 470 180
- 1-3 months	1 129 368	1 240 152	1 585 902
- 3-6 months	500 210	764 953	881 006
- 6 months to 1 year	290 400	378 044	580 562
- 1 - 3 years	26 324	24 683	49 332
- 3 - 5 years	60 714	77 861	4 166
- 5 - 10 years	26 393	41 626	95 779
- 10 - 20 years	995	988	1 583
- over 20 years	0	173	1
- interest	27 776	33 814	36 982
Total	**17 147 910**	**15 807 263**	**14 705 493**

by customer types

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Natural persons*	**9 864 715**	**9 785 791**	**9 152 463**
- in current account	6 957 328	6 100 542	4 630 803
- term deposits	2 861 109	3 650 284	4 465 476
- other	46 278	34 965	56 184
Corporate customers	**5 196 470**	**4 178 308**	**3 628 373**
- in current account	2 258 001	2 030 284	1 864 383
- term deposits	2 842 530	1 926 611	1 685 718
- other	95 939	221 413	78 272
Budget	**2 058 949**	**1 809 350**	**1 887 675**
- in current account	1 146 926	1 386 251	1 076 568
- term deposits	912 023	423 025	811 107
- other	0	74	0
Accrued interest	**27 776**	**33 814**	**36 982**
Total	**17 147 910**	**15 807 263**	**14 705 493**

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

50. Issued debt securities

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Bonds	0	0	400 000
Accrued interest	0	0	2 223
Total	**0**	**0**	**402 223**

On 08.08.2006, the Bank redeemed banking securities amounting to PLN 400 million, issued by the Bank under the programme of the issue of registered perpetual banking securities on 23.12.2003 (Tranche I - PLN 330 million) and on 28.07.2004 (Tranche II – PLN 70 million).

51. Securities sold under repurchase agreements

Liabilities

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	542 997	1 027 773	373 589
- up to 3 months	0	5 499	27 992
Accrued interest	138	653	165
Total	**543 135**	**1 033 925**	**401 746**

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

52. Provisions

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Employee benefits provision	895	1 004	781
Provision for off-balance sheet items	16 244	17 594	48 326
Restructuring provision	4 247	10 988	1 600
Provision for litigation	144 200	139 640	55 941
Total	**165 586**	**169 226**	**106 648**

Movement on provisions

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-31.12.2006	Comparable data 01.01.2006-30.06.2006 non-audited
Period beginning	**169 226**	**77 847**	**77 847**
- employee benefits provision	1 004	911	911
- provision for off-balance sheet items	17 594	63 039	63 039
- restructuring provision	10 988	0	0
- provision for litigation	139 640	13 897	13 897
- other	0	0	0
a) established provisions	40 088	168 814	108 596
- employee benefits provision	0	272	0
- provision for off-balance sheet items	24 173	124 558	64 344
- restructuring provision	226	12 482	1 600
- provision for litigation	15 689	31 502	42 652
- other	0	0	0
b) utilization	-14 242	-4 831	-58
- employee benefits provision	-109	-136	-58
- provision for off-balance sheet items	0	0	0
- restructuring provision	-6 956	-1 494	0
- provision for litigation	-7 177	-3 201	0
- other	0	0	0
c) reversal	-27 649	-172 871	-80 966
- employee benefits provision	0	-72	-72
- provision for off-balance sheet items	-24 157	-170 816	-80 348
- restructuring provision	-11	0	0
- provision for litigation	-3 481	-1 983	-546
- other	0	0	0
d) other changes	-1 837	100 267	1 229
- employee benefits provision	0	29	0
- provision for off-balance sheet items	-1 366	813	1 291
- restructuring provision	0	0	0
- provision for litigation	-471	99 425	-62
- other	0	0	0
Period end	**165 586**	**169 226**	**106 648**
- employee benefits provision	895	1 004	781
- provision for off-balance sheet items	16 244	17 594	48 326
- restructuring provision	4 247	10 988	1 600
- provision for litigation	144 200	139 640	55 941
- other	0	0	0
Period end	**165 586**	**169 226**	**106 648**

Major items recognised in the provision for litigation are as follows: a security in the case of negative result of litigation in cases against the Bank; security for payment of the fine imposed by the President of the Office for Competition and Customer Protection (see Note 76 for more details) and a security for risks associated with the sale of the receivables portfolio.

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

'Provisions for employee benefits' are composed of provisions for retirement benefits.

53. Deferred tax liability

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited	Change in 2007 non-audited
Accrued interest to be received	238 635	302 297	198 307	-63 662
Non-depreciated property, plant and equipment subject to investment tax relief	5 062	5 125	5 227	-63
Valuation of derivatives	286 485	44 365	60 487	242 120
Difference between accounting and tax depreciation	41 520	57 500	68 624	-15 980
Valuation of available-for-sale securities	7 729	25 765	8 245	-18 036
Other	6 864	6 680	13 763	184
Total	**586 295**	**441 732**	**354 653**	**144 563**
Tax rate	19%	19%	19%	0
Interest due on Czech deposits, taxed at 9% rate	2 425	0	0	0
Deferred tax liability decreasing deferred tax assets	**111 614**	**83 929**	**67 384**	**27 685**
- charged to revaluation reserve	1 468	4 895	1 567	-3 427
- charged to income statement	110 146	79 034	65 817	31 112
Deferred tax liability decreasing deferred tax assets (Note 44)	**-110 440**	**-82 783**	**-67 030**	**-27 657**
Deferred tax liability	**1 174**	**1 146**	**354**	**28**

54. Other liabilities

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
CSBF liabilities	10 462	7 071	8 843
Amounts due to the State Treasury	25 201	20 967	22 178
Various creditors	86 741	86 466	54 692
Dividend payable	100 514	0	59 765
Expenses and income settled over time	59 911	72 558	53 177
Inter-bank clearings	15 588	55 278	12 373
Total	**298 417**	**242 340**	**211 028**

55. Subordinated liabilities

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Liabilities	414 216	421 434	444 800
Accrued interest	133	185	53
Total	**414 349**	**421 619**	**444 853**

As at 30.06.2007

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

As at 31.12.2006 (comparable data)

Entity	Loan value in EUR '000	Interest rate terms	Maturity date	Subordinated Liabilities in PLN '000	Accrued interest in 'PLN
KBC Bank NV O/Dublin	EUR 110 000	3M EURIBOR +1.20p.p.	25.05.2008	421 434	185
Total				**421 434**	**185**

As at 30.06.2006 (comparable data)

Entity	Loan value in EUR '000	Interest rate terms	Maturity date	Subordinated Liabilities in PLN '000	Accrued interest in 'PLN
KBC Bank NV O/Dublin	EUR 110 000	3M EURIBOR +1.20p.p.	25.05.2008	444 800	53
Total				**444 800**	**53**

56. Equity

Share capital

As at 30.06.2007, the parent company's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares of nominal value PLN 5.00 each. The parent company's shares are registered shares and bearer shares, but not preference shares. Each share entitles its holder to one vote at the parent company's General Meeting of Shareholders. The parent company's shares are admitted to public trading. The share capital did not change in the first half of 2007.

The analysis of registered shares and bearer shares presented below was prepared as at 30.06.2007.

Registered shares

Shareholders of the parent company hold 68,060 registered shares, which accounts for 0.03% of the share capital. Registered shares as at 30.06.2007:

Series	Number of shares
A	2 942
C	1 425
F	5 792
P	31 238
S1	26 663
Total	**68 060**

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

Bearer shares

The parent company's Shareholders hold 271,590,820 bearer shares, which account for 99.97% of the share capital. Originally, the number of bearer shares amounted to 264,204,350. In addition, as a result of the conversion of registered shares into bearer shares, 7,386,470 became bearer shares. Bearer shares as at 30.06.2007:

(Original) bearer shares		Following the conversion of registered shares into bearer shares	
Series	**Number of shares**	**Series**	**Number of shares**
B	2 500 000	A	2 497 058
D	100 000	C	98 575
E	1 580 425	F	308 923
G	480 000	P	3 658 444
H	3 777 350	S1	823 470
I	5 600 000		
J	4 400 000		
K	2 278 814		

L	2 000 000		
M	10 000 000		
N	847 000		
O	25 000 000		
R	32 583 993		
T	49 301 056		
U	63 387 072		
W	60 368 640		
Total	**264 204 350**	**Total**	**7 386 470**
Total bearer shares			**271 590 820**

As at 30.06.2007, as many as 271,590,820 bearer shares were traded on the main market of the Warsaw Stock Exchange. And, as at 30.06.2006, the number of shares traded on the stock exchange amounted to 271,583,872.

The shareholding structure changed as compared to the structure as at 31.12.2006 presented in the Group annual consolidated financial report for 2006.

On 27.04.2007, Kredyt Bank S.A. was informed by KBC Bank NV that, on 24.04.2007, KBC Securities NV, a wholly-owned subsidiary of KBC Bank NV, had purchased 7,690,966 shares of Kredyt Bank S.A. in a block transaction.

Following the transaction, KBC Bank NV holds 217,327,103 shares in their investment portfolio, i.e. 80-percent share in the share capital of Kredyt Bank S.A., and KBC Securities NV holds 7,690,966 shares of Kredyt Bank S.A., i.e. 2.83-percent share in the share capital of Kredyt Bank S.A.

As informed by KBC Bank NV, both companies jointly, i.e. KBC Bank NV and KBC Securities NV, are entitled to exercise up to 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A., i.e. KBC Bank NV and KBC Securities NV jointly may exercise 203,744,160 votes at the General Meeting of Shareholders of Kredyt Bank S.A.

The table below presents Shareholders of Kredyt Bank S.A. holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 30.06.2007.

Shareholder	Line of business	Number of shares and votes at the GMS	Share in votes and share capital (%)
KBC Bank N.V.*	Banking	217 327 103	80,00
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.*

Capital reserve

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Write-down of retained earnings	383 711	104 789	104 789
	0	0	0
Total capital reserve	**383 711**	**104 789**	**104 789**

The Bank's net profit for 2006 amounting to PLN 437,442,933.29 was allocated to:

- reserves - PLN 60,000,000.00;
- dividend payment – PLN 100,513,785.60;
- share premium – PLN 276,929,147.69.

Revaluation reserve

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Valuation of available-for-sale financial assets	-27 852	21 367	-11 757
Valuation of derivatives hedging future cash flows	-20 387	1 195	-1 113
Deferred tax on items recognised in revaluation reserve	9 165	-4 287	2 445
Total revaluation reserve	**-39 074**	**18 275**	**-10 425**

Other reserves

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Reserves created from profit	180 942	120 942	120 942
Total other reserves	**180 942**	**120 942**	**120 942**

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

Currency translation differences from the translation of subordinated companies and foreign branches

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Capitals from translation of subordinated companies	-668	-646	-511
Total other capitals from translation of subordinated companies	**-668**	**-646**	**-511**

57. Contingent liabilities granted

For financing

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	228 779	174 975	303 941
- 1-3 months	222 996	216 508	233 416
- 3-6 months	528 754	303 576	735 152
- 6 months to 1 year	655 301	832 799	674 975
- 1 - 3 years	516 736	475 240	220 182
- 3 - 5 years	547 797	406 438	453 403
- over 5 years	523 081	945 131	1 041 127
Total	**3 223 444**	**3 354 667**	**3 662 196**

Guarantees

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
- up to 1 month	54 086	32 357	22 836
- 1-3 months	57 294	81 590	81 760
- 3-6 months	91 805	45 406	113 602
- 6 months to 1 year	229 396	188 361	99 906
- 1 - 3 years	342 966	367 445	284 547
- 3 - 5 years	199 752	192 540	222 205
- over 5 years	441 546	298 927	360 342
Total	**1 416 845**	**1 206 626**	**1 185 198**

By types

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
For financing	**3 223 444**	**3 354 667**	**3 662 196**
- undrawn credit lines	1 535 585	1 707 397	1 964 783
- undrawn overdraft facilities	1 246 329	1 311 864	1 236 851
- limits on credit cards	291 990	222 651	206 605
- opened import letters of credit	81 322	69 088	44 015
- term deposits to be released	68 218	43 667	209 942
Guarantees	**1 416 845**	**1 206 626**	**1 185 198**
- for bills of exchange	0	0	635
- guaranteed granted	1 415 991	1 205 975	1 184 283
- export letters of credit	854	651	280
Total	**4 640 289**	**4 561 293**	**4 847 394**

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

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

As at 30.06.2007, the estimated provision for the guarantees granted and unconditional financing liabilities amounted to PLN 16,244 thousand. This amount is presented in Note 52 in ‘provision for off-balance sheet liabilities’.

58. Capital adequacy ratio

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Capital requirement, including:	**1 377 044**	**1 157 812**	**1 021 774**
- credit risk	1 343 806	1 132 685	1 000 812
- market risk	20 655	14 478	11 136
- other risk	12 583	10 649	9 826
Equity and short-term capital	**1 943 921**	**1 981 019**	**2 038 041**
- share capital	1 358 294	1 358 294	1 358 294
- share premium	383 711	104 789	104 789
- revaluation reserve included in equity	-24 538	18 275	-10 425
- other reserves	180 942	120 942	120 942
- currency translation differences from the translation of subordinated companies and foreign branches	-668	-646	-513
- subordinated liabilities	82 848	168 573	177 910
- shares in financial entities	-11 749	-13 194	-27 285
- goodwill	-36 052	-36 052	-36 052
- intangible assets	-73 273	-84 006	-93 095
- retained earnings (loss)	51 168	22 514	22 514
- issue of own securities	0	0	400 000
- short-term capital	33 238	25 127	20 962
- net profit included in the calculation of capital adequacy ratio	0	296 403	0
Capital adequacy ratio (%)	**11.29**	**13.69**	**15.96**

Capital adequacy ratio was calculated as required by the regulations of the National Bank of Poland in force as at 30.06.2007, 31.12 2006 and 30.06.2006.

59. Discontinued operations

The Group did not carry out operations that were discontinued in the first half of 2007.

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

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

The Group set off the Fund assets against its liabilities to the Fund, as these assets are not Group's separate assets. As a result, net balance amounts to PLN 10,462 thousand (net of the Fund's cash and resources deposited in the National Bank of Poland).

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

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Employee cash loans	6 128	6 706	7 527
Cash	1 126	574	0
Fund-related payables	17 716	14 314	16 370
Balance after set-off*	10 462	7 034	8 843
Charges to the fund in the period	1 722	3 316	1 300

** excluding the Fund's cash and resources deposited in the National Bank of Poland; the balance represents cash on CSBF account managed in KB's Branch I.*

61. Employee benefits

61.1. Employee Stock Ownership Plan

No employee stock ownership plan is implemented in the Group.

61.2. Retirement benefits and other benefits after retirement

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

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Period beginning	1 004	911	911
Provision creation	0	272	0
Paid benefits	-109	-136	-58
Provision reversal	0	-72	-72
Other changes	0	29	0
Total	**895**	**1 004**	**781**

Major assumptions adopted by the actuary as at the balance sheet date are as follows:

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Discount rate (%)	5.0	5.0	4.5
Projected inflation rate (%)	2.5	2.5	2.5
Projected remunerations growth rate (%)	2.0	2.0	2.5

To calculate provisions for retirement severance pays for the periods, the following employee turnaround ratios were applied:

	30.06.2007 non-audited		Comparable data as at 31.12.2006		Comparable data as at 30.06.2006 non-audited	
age	**male employees**	**female employees**	**male employees**	**female employees**	**male employees**	**female employees**
- below 36 years	20.3%	14.1%	20.3%	14.1%	19.0%	13.2%
- 36 - 40 years	16.9%	11.7%	16.9%	11.7%	15.9%	11.0%
- 40 - 45 years	14.1%	9.8%	14.1%	9.8%	13.2%	9.2%
- over 45 years	11.7%	8.1%	11.7%	8.1%	11.0%	7.7%

61.3. Benefits related to the dissolution of employment

	01.01.2007-30.06.2007	Comparable data 01.01.2006-31.12.2006	Comparable data 01.01.2006-30.06.2006
Opening balance	8 059	0	0
Increase	0	9 553	1 600
Reversal	10	0	0
Utilization	5 859	1 494	0
Closing balance	**2 190**	**8 059**	**1 600**

**restructuring provisions presented in Note 52 also include network restructuring provisions of PLN 2,057 for the first half of 2007, of PLN 2,929 for 2006 and PLN 0 for the first half of 2006.*

62. Related party transactions

Related parties with which the Group concludes transactions are the Group's associates, the companies of KBC Group, persons managing the Group and other related parties.

Transactions with related parties are standard banking operations, provided at arm's length: granting loans, issuing bank guarantees, issuing own securities, accepting deposits, borrowing loans, currency transactions, transactions made in derivatives. The volumes of transactions and related income and expense have been presented below:

In the first half of 2007, no significant transactions had place between not fully consolidated Group's companies and the remaining Group's companies with the value equal to or exceeding PLN equivalent of EUR 500 thousand and which were not related to current operations.

As at 30.06.2007

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

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

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

Income	**Associates**	**Parent company - KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total for the first half of 2007 non-audited**
Interest income	0	3 385	7 805	**11 190**
Fee and commission income	5 606	4	78 753	**84 363**
Other operating income	302	1	1 514	**1 817**
Total income	**5 908**	**3 390**	**88 072**	**97 370**

Expenses	**Associates**	**Parent company - KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total for the first half of 2007 non-audited**
Interest expense	573	27 718	8 661	**36 952**
Fee and commission expense	0	0	19	**19**
General and administrative expenses	0	118	751	**869**
Total expenses	**573**	**27 836**	**9 431**	**37 840**

** including WARTA S.A.*

As at 31.12.2006 (comparable data)

Assets	**Associates**	**Parent company - KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total as at 31.12.2006**
Loans and advances to banks	0	237 434	346 232	**583 666**
Derivatives	0	45 289	765	**46 054**
Loans and advances to customers	103 706	0	15 219	**118 925**
Other assets	1 891	23	29 775	**31 689**
Total assets	**105 597**	**282 746**	**391 991**	**780 334**

Liabilities	**Associates**	**Parent company - KBC Bank NV**	**KBC Group (without KBC Bank NV)***	**Total as at 31.12.2006**
Amounts due to banks	0	948 958	15 784	**964 742**
Derivatives	0	47 565	49	**47 614**
Amounts due to customers	134 115	0	306 018	**440 133**
Issued debt securities	0	0	0	**0**
Subordinated liabilities	0	421 619	0	**421 619**
Other liabilities	0	371	17 553	**17 924**
Total liabilities	**134 115**	**1 418 513**	**339 404**	**1 892 032**

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 31.12.2006
Guarantees granted	0	10 548	1 135	**11 683**
Guarantees received	0	0	7 999	**7 999**
Derivatives	0	10 290 804	365 251	**10 656 055**
Amounts due under sale/purchase transactions	0	319 146	81 779	**400 925**
Total off-balance sheet items	**0**	**10 620 498**	**456 164**	**11 076 662**

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2006
Interest income	5	10 156	15 543	**25 704**
Fee and commission income	32 873	41	124 399	**157 313**
Other operating income	762	32	2 770	**3 564**
Total income	**33 640**	**10 229**	**142 712**	**186 581**

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total for 2006
Interest expense	879	61 732	4 958	**67 569**
Fee and commission expense	0	0	13 349	**13 349**
General and administrative expenses	0	4 403	4 022	**8 425**
Total expenses	**879**	**66 135**	**22 329**	**89 343**

** including WARTA S.A.*

As at 30.06.2006 (comparable data)

Assets	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2006 non-audited
Loans and advances to banks	0	140 017	351 906	**491 923**
Derivatives	0	52 450	687	**53 137**
Loans and advances to customers	28	0	16 050	**16 078**
Other assets	719	504	12 061	**13 284**
Total assets	**747**	**192 971**	**380 704**	**574 422**

Liabilities	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2006 non-audited
Amounts due to banks	0	1 498 875	13 702	**1 512 577**
Derivatives	0	70 156	104	**70 260**
Amounts due to customers	26 679	0	146 148	**172 827**
Issued debt securities	0	402 223	0	**402 223**
Subordinated liabilities	0	444 853	0	**444 853**
Other liabilities	0	13	9 657	**9 670**
Total liabilities	**26 679**	**2 416 120**	**169 611**	**2 612 410**

Off-balance sheet items	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2006 non-audited
Guarantees granted	0	13 193	139 050	**152 243**
Guarantees received	0	124 300	8 823	**133 123**
Derivatives	0	5 401 402	108 293	**5 509 695**
Amounts due under sale/purchase transactions	0	214 534	18 162	**232 696**
Total off-balance sheet items	**0**	**5 753 429**	**274 328**	**6 027 757**

Income	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2006 non-audited
Interest income	3	3 636	7 278	**10 917**
Fee and commission income	4 381	20	50 090	**54 491**
Other operating income	13	302	992	**1 307**
Total income	**4 397**	**3 958**	**58 360**	**66 715**

Expenses	Associates	Parent company - KBC Bank NV	KBC Group (without KBC Bank NV)*	Total as at 30.06.2006 non-audited
Interest expense	387	34 412	2 065	**36 864**
Fee and commission expense	0	0	2 768	**2 768**
The costs of the Bank's operating and administrative expenses	0	1 690	2 966	**4 656**
Total expenses	**387**	**36 102**	**7 799**	**44 288**

** including WARTA S.A.*

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

Remunerations, awards, bonuses and other benefits for members of the Bank's managing and supervisory authorities.

Bank's Management Board	01.01.2007 – 30.06.2007 non-audited				
	Basic pay	Bonus	Other benefits	Severance pay	Total
Richardson Ronald	516	0	67	0	**583**
Arts Umberto	791	0	573	0	**1 364**
Kokot Krzysztof	503	257	47	0	**807**
Kozik Konrad	331	328	16	0	**675**
Mierzwiński Bohdan	314	162	12	2 559	**3 047**
Oziembło Michał	38	0	0	0	**38**
Total	**2 493**	**747**	**715**	**2 559**	**6 514**

Bank's Management Board	Comparable data 01.01.2006– 31.12.2006				
	Basic pay	Bonus	Other benefits	Severance pay	Total
Richardson Ronald	1 030	0	133	0	**1 163**
Arts Umberto	461	0	507	0	**968**
Kokot Krzysztof	1 004	180	99	0	**1 283**
Kozik Konrad	564	0	0	0	**564**
Kroker-Jachiewicz Małgorzata	431	384	17	6 098	**6 930**
Libot Guy	567	722	0	0	**1 289**
Mierzwiński Bohdan	915	799	34	0	**1 748**
Total	**4 972**	**2 085**	**790**	**6 098**	**13 945**

Bank's Management Board	Comparable data 01.01.2006 – 30.06.2006 non-audited				
	Basic pay	Bonus	Other benefits	Severance pay	Total
Richardson Ronald	513	0	66	0	**579**
Kokot Krzysztof	501	180	48	0	**729**
Kozik Konrad	81	0	0	0	**81**
Kroker-Jachiewicz Małgorzata	431	282	17	6 098	**6 828**
Libot Guy	506	336	0	0	**842**
Mierzwiński Bohdan	402	687	17	0	**1 106**
Total	**2 434**	**1 485**	**148**	**6 098**	**10 165**

	Bank's Supervisory Board	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-31.12.2006	Comparable data 01.01.2006-30.06.2006 non-audited
		Basic pay	Basic pay	Basic pay
1	Witkowski Andrzej	145	268	134
2	Noga Adam	127	255	138
3	Bergen Andre	0	84	84
4	Docx Rita	0	184	100
5	Florquin Frans	0	84	84
6	Gillet Francois	109	18	0
7	Hollows John	109	117	17
8	Kulikowski Feliks	109	200	100
9	Michałowski Marek	109	200	100
10	Philips Luc	109	117	17
11	Toczek Józef	54	201	100
12	Vanhevel Jan	109	117	17
13	Vojc Marko	0	84	84
14	Trębaczkiewicz Krzysztof	44	0	0
	Total	**1 024**	**1 929**	**975**

Total remuneration of the Members of the Supervisory Board and the Management Board of Kredyt Bank S.A.

Benefit	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-31.12.2006	Comparable data 01.01.2006-30.06.2006 non-audited
Short-term employee benefits	4 969	9 408	5 037
Benefits paid after employment termination	10	368	4
Severance pays	2 559	6 098	6 098
Total	**7 538**	**15 874**	**11 139**

In the first half of 2007 and in 2006, the Members of the Bank's Management Board and the Members of the Bank's Supervisory Board did not receive remuneration for performing their functions in subsidiaries.

All disclosed information concerning the members of the Management Board and the members of the Supervisory Board is presented in this Note and no other material remuneration-related benefits for the members of the Management Board and the members of the Supervisory Board were paid.

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

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

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

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

As at 31.12.2006, total indebtness related to loans and advances, and cash loan granted by the Group amounted to:

- for members of the Bank's Management Board – PLN 363 thousand;
- for members of the Supervisory Board – PLN 858 thousand;
- for the Group's employees – PLN 144,842 thousand.

As at 30.06.2006, total indebtness related to loans and advances, and cash loan granted by the Group amounted to:

- for members of the Bank's Management Board – PLN 370 thousand;
- for members of the Bank's Supervisory Board – PLN 851 thousand.
- for the Group's employees – PLN 86,163 thousand.

As at 30.06.2007, the total indebtness of Members of the Management Board and Supervisory Board of the Bank is paid on a regular basis, due indebtness is not present. Past due debts of employees amount to PLN 184 thousand.

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

All disclosed information concerning the members of the Management Board and the members of the Supervisory Board is presented in this Note and no other material information on loans and advances to the members of the Management Board and the members of the Supervisory Board of the Bank, subsidiaries and associates is available.

65. Employment structure

	30.06.2007 non-audited	Comparable data as at 31.12.2006	Comparable data as at 30.06.2006 non-audited
Bank	5 403	5 549	5 534
- Head Office	2 093	2 130	1 469
- branches and affiliates	3 310	3 419	4 065
Companies	1 041	1 016	985
Total	**6 444**	**6 565**	**6 519**

66. Consolidated cash flow statement – additional information

a) Cash and cash equivalents

	30.06.2007 non-audited	Comparable data as at 30.06.2006 non-audited
Cash and balances with Central Bank	555 167	1 370 052
Due from other banks (up to 3 months)	2 392 640	1 172 304
Cash and cash equivalents	**2 947 807**	**2 542 356**

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

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

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Currency translation differences from the translation of subordinated companies and foreign branches	-22	126
Currency translation differences for investment securities	5 961	1 436
Currency translation differences from held-for-trading financial assets	-499	-550
Currency translation differences on subordinated liabilities	-7 241	14 701
Currency translation differences for received loans	-26 300	42 761
Total	**-28 101**	**58 474**

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

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Net increase/decrease in impairment losses on loans and advances to banks	-493	0
Net increase/decrease in impairment losses on loans and advances to customers	-94 898	-829 448
Net increase/decrease in impairment losses on property, plant and equipment and intangible assets	25 194	8 201
Total	**-70 197**	**-821 247**

d) Operating activities - interest

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Interest on investment securities	-84 796	-131 102
Interest on borrowed loans	15 525	11 064
Interest on issued debt securities	0	14 167
Interest on subordinated liabilities	10 622	8 865
Total	**-58 649**	**-97 006**

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

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Gains (losses) from the sale of available-for-sale investment securities	-761	-2 367
Profit (loss) on disposal of equity investments	0	-290
Gains (losses) from the sale of held-to-maturity investment securities	-507	0
Profit/loss on sale of property, plant and equipment and intangible assets	-2 517	-4 513
Total	**-3 785**	**-7 170**

f) Loans and advances to banks

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Net balance sheet change	-715 760	249 249
Change in Nostro accounts - cash	-12 165	-4 445
Change in term deposits up to 3 months - cash	775 678	-465 050
Impairment	493	0
Total	**48 246**	**-220 246**

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

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Balance sheet change in financial assets at fair value through profit or loss, including held-for-trading financial assets	273 415	162 565
Balance sheet change in derivatives	-39 022	-23 336
Currency translation differences in operating activity	499	550
Total	**234 892**	**139 779**

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

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Balance sheet change in other assets	-21 046	9 597
Balance sheet change in property, plant and equipment held for sale	9 301	-4 689
Other net increase/decrease in property, plant and equipment and intangible assets	-19 959	37 572
Other changes	-7 465	-4 549
Total	**-39 169**	**37 931**

i) Amounts due to banks

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Balance sheet change	983 877	267 695
Currency translation differences from borrowed loans in operating activity	26 300	-42 761
Interest on borrowed loans in operating activity	-15 525	-11 064
Paid interest on borrowed loans - presentation in financial activity	15 297	10 335
Total	**1 009 949**	**224 205**

j) Amounts due to customers

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Balance sheet change	1 340 647	-131
Repayment of Banking Guarantee Fund (BGF) loan - presentation in financial activity	0	95 454
Repayment of interest on BGF loan - presentation in financial activity	0	285
Total	**1 340 647**	**95 608**

k) Operating activity - net increase/decrease in other liabilities

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Balance sheet change of other liabilities	56 077	-13 889
Dividend payable	-100 514	-59 765
Payment of leasing payables from financial activity	2 612	1 389
Other changes	-14 788	863
Total	**-56 613**	**-71 402**

l) Equity investments classified as available-for-sale

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Balance sheet change	0	16 722
Gains on the sale of investments in operating activity	0	290
Total	**0**	**17 012**

m) Net increase/decrease in investment securities

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Acquisition in investment activity	-1 293 387	-25 566 300
Disposal in investment activity	1 603 534	26 142 761
Interest received in investment activity	142 636	140 179
Net increase/decrease in interest receivables in operations	-84 796	-131 102
Net increase/decrease in available-for-sale financial assets in operating activities	48 755	6 025
Currency translation differences in operating activity	5 961	1 436
Balance sheet change	**422 703**	**592 999**

n) Financing activity - other financing expenses

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Interest repayment on loans received	-15 297	-10 335
Interest repayment on BGF loan	0	-285
Interest repayment on subordinated liabilities	-10 651	-10 689
Interest payment on own issue payables	0	-14 379
Payment of leasing payables	-2 612	-1 389
Total	**-28 560**	**-37 077**

o) Subordinated liabilities

	01.01.2007-30.06.2007 non-audited	Comparable data 01.01.2006-30.06.2006 non-audited
Balance sheet change	-7 270	-144 728
Repayment of interest on subordinated liabilities – presentation in financial activity	10 651	10 689
Accrued interest on subordinated liabilities – presentation in operating activity	-10 622	-8 865
Currency translation differences on subordinated liabilities – presentation in operating activity	7 241	-14 701
Total	**0**	**-157 605**

67. Disposal of subordinated companies

No sale of subordinated companies, members of the Capital Group, had place in the fist half of 2007 and in 2006.

68. Asset pledged as collateral

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

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

As at 31.12.2006, the following assets in the form of Treasury bills and bonds were collateral for the Group's own liabilities:

- Treasury bonds of the nominal value of PLN 73,620 thousand and of the carrying amount of PLN 78,140 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds of the nominal value of PLN 1,000,000 thousand and of the carrying amount of PLN 1,015,235 thousand as security for possible borrowing of a lombard loan in the National Bank of Poland (NBP);
- Treasury bonds of the nominal value of PLN 1,000,057 thousand and of the carrying amount of PLN 1,038,716 thousand as well as Treasury bills with the nominal value of PLN 15,070 thousand and the carrying amount of PLN 15,039 thousand pledged in relation to REPO transactions with customers;
- Treasury bonds of the nominal value of PLN 500 thousand and of the carrying amount of PLN 495 thousand were a guarantee deposit for futures.

As at 30.06.2006, the following assets in the form of Treasury bills and bonds were collateral for the Group's own liabilities:

- Treasury bonds of the nominal value of PLN 27,640 thousand and of the carrying amount of PLN 28,860 thousand were collateral for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities;
- Treasury bonds of the nominal value of PLN 391,261 thousand and of the carrying amount of PLN 402,251 thousand pledged in relation to REPO transactions with customers.

69. Changes in the Management and Supervisory Boards of Kredyt Bank S.A in the first half of 2007

On 06.04.2007, Mr. Konrad Kozik, the Vice President of the Management Board of Kredyt Bank S.A., resigned from his position of the Vice President of the Management Board of Kredyt Bank S.A. and from the membership in the Management Board of Kredyt Bank S.A. as of 27.04.2007.

On 18.04.2007, at the session of the Bank's Supervisory Board, Mr. Bohdan Mierzwiński, the Vice President of the Management Board of Kredyt Bank S.A., was dismissed from his position of the Vice President of the Management Board of Kredyt Bank S.A. and from the membership in the Management Board of Kredyt Bank S.A. as of 18.04.2007.

On 05.06.2007, the Supervisory Board of Kredyt Bank S.A. appointed, as of 01.07.2007, Mr. Andrzej Witkowski, the Chairman of the Supervisory Board, to be a temporary Vice President of the Management Board of Kredyt Bank S.A.

As at 30.06.2007, the Management Board of Kredyt Bank S.A. was composed of:

Mr. Ronald Richardson - President of the Management Board, CEO

Mr. Umberto Arts - Vice President of the Management Board, Vice CEO

Mr. Krzysztof Kokot - Vice President of the Management Board, Vice CEO

Mr. Michał Oziembło - Vice President of the Management Board, Vice CEO

On 27.03.2007, Mr. Józef Toczek, a Member of the Supervisory Board of Kredyt Bank S.A. resigned from his position of a Member of the Supervisory Board of Kredyt Bank S.A.

On 05.06.2007, the Annual General Meeting of Shareholders of Kredyt Bank S.A., appointed, as of 05.06.2007, Mr. Francois Gillet and Mr. Krzysztof Trębaczkiewicz to be members of the Supervisory Board of Kredyt Bank S.A.

As at 30.06.2007, the Supervisory Board of Kredyt Bank S.A. was composed of:

Mr. Andrzej Witkowski - Chairman of the Supervisory Board

Mr. Adam Noga - Vice Chairman of the Supervisory Board

Mr. Francois Gillet - Member of the Supervisory Board

Mr. John Hollows - Member of the Supervisory Board

Mr. Feliks Kulikowski - Member of the Supervisory Board

Mr. Marek Michałowski - Member of the Supervisory Board

Mr. Luc Philips - Member of the Supervisory Board

Mr. Jan Vanhevel - Member of the Supervisory Board

Mr. Krzysztof Trębaczkiewicz - Member of the Supervisory Board

70. Seasonality or cyclical nature of operations

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

71. Non-typical factors and events

In the first half of 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.

72. Dividends paid and declared

On 05.06.2007, the Annual General Meeting of Shareholders of Kredyt Bank S.A. adopted a resolution on the distribution of net profit for 2006. Net profit for 2006 amounting to PLN 437,442,933.29 was allocated to:

- share premium - PLN 60,000,000.00;
- dividend payment – PLN 100,513,785.60;
- reserves – PLN 276,929,147.69.

73. Post-balance sheet events

On 23.07.2007, Kredyt Bank S.A. entered into a loan agreement of CHF 15 million with a customer being a non-banking financial institution.

The total value of agreements entered into by the Bank with this customer over the previous 12 months amounts to an equivalent of PLN 191,633 thousand and, as a result, meets the criteria of a material agreement, as its value exceeds the equivalent of 10% of the Bank's equity.

On 03.08.2007, Kredyt Bank S.A. concluded a revolving loan agreement with a borrower amounting to PLN 300,000 thousand to finance the borrower's current operations.

On 20 August 2007, Kredyt Bank S.A. entered into loan agreements with a company from the electro-machining sector for the total amount of PLN 475 million.

The above-mentioned amount comprises a syndicated loan with Kredyt Bank S.A.'s share of PLN 435 million and a bilateral loan of PLN 40 million.

74. Comparable data

With respect to comparable data included in this financial report, there were changes in the presentation of figures as compared to data presented in the financial statements of Kredyt Bank S.A.

Group for 2006 and the first half of 2006. The changes aimed at the adjustment of comparable data to the format applied as at 30.06.2007.

	Published data	Changes	Comparable data	Explanation
	30.06.2006 non-audited		30.06.2006 non-audited	
ASSETS				
Gross loans and advances to banks	1 979 530	9 999	1 989 529	a)
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	564 659	-239 606	325 053	b)
Derivatives, including	0	239 606	239 606	b)
- derivatives used as hedging instruments	0	952	952	b)
Gross loans and advances to customers	12 197 580	4 466	12 202 046	a)
Held-for-sale property, plant and equipment	0	10 537	10 537	c)
Other assets	147 629	-25 002	122 627	a),c)
TOTAL ASSETS	**21 263 523**	**0**	**21 263 523**	

	Published data	Changes	Comparable data	Explanation
	30.06.2006 non-audited		30.06.2006 non-audited	
LIABILITIES				
Amounts due to banks	2 830 304	7 012	2 837 316	a)
Held-for-trading financial liabilities	247 669	-247 669	0	b)
Derivatives, including	0	247 669	247 669	b)
- derivatives used as hedging instruments	0	900	900	b)
Amounts due to customers	14 571 037	134 456	14 705 493	a)
Other liabilities	352 496	-141 468	211 028	a)
Total liabilities	**19 371 517**	**0**	**19 371 517**	
TOTAL EQUITY AND LIABILITIES	**21 263 523**	**0**	**21 263 523**	

	Published data	Changes	Comparable data	Explanation
	30.06.2006 non-audited		**30.06.2006 non-audited**	
INCOME STATEMENT				
Interest income	654 352	38	654 390	b)
Interest expense	-261 097	-332	-261 429	b)
Net interest income	**393 255**	**-294**	**392 961**	
Net trading income	63 395	-1 740	61 655	b)
Profit/loss on hedging and hedged transactions	0	679	679	b)
Profit/(loss) from investment activity	1 893	1 355	3 248	b)
Profit before tax	**289 119**	**0**	**289 119**	
Net earnings per Bank's shareholder	**296 403**	**0**	**296 403**	

	Published data	Changes	Comparable data	Explanation
	31.12.2006		**31.12.2006**	
ASSETS				
Gross loans and advances to banks	2 183 505	22 898	2 206 403	a)
Gross loans and advances to customers	12 637 506	6 337	12 643 843	a)
Other assets	145 574	-29 235	116 339	a)
TOTAL ASSETS	**22 232 028**	**0**	**22 232 028**	

	Published data	Changes	Comparable data	Explanation
	31.12.2006		**31.12.2006**	
LIABILITIES				
Amounts due to banks	2 160 538	4 288	2 164 826	a)
Amounts due to customers	15 550 811	256 452	15 807 263	a)
Other liabilities	503 080	-260 740	242 340	a)
Total liabilities	**20 139 770**	**0**	**20 139 770**	
TOTAL EQUITY AND LIABILITIES	**22 232 028**	**0**	**22 232 028**	

Explanation of major reclassifications:

a) reclassification of receivables and liabilities on clearing accounts;
b) separation of derivatives; derivatives used as hedging instruments;
c) separation of non-current assets classified as held for sale.

75. Fair value of financial assets and liabilities not recognised at fair value in the balance sheet

75.1. Fair value

Fair value is an amount for which a given asset may be sold or exchanged for another asset, or liability may be paid in a transaction concluded on commercial terms between knowledgeable parties entering freely into the transaction.

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

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

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

30.06.2007
non-audited

	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	555 167	555 167
Net loans and advances to banks	2 919 410	2 919 410
Net loans and advances to customers	13 516 933	13 437 454
Natural persons*	7 038 651	6 988 098
- overdraft facilities	494 282	497 220
- purchased debt	46	843
- term loans	2 363 234	2 338 058
- mortgage loans	4 168 343	4 139 328
- realised guarantees	657	560
- other receivables	12 089	12 089
Corporate customers	5 977 510	5 956 950
- overdraft facilities	1 284 000	1 284 689
- term loans	4 427 733	4 404 979
- purchased debt	21 275	22 863
- realised guarantees	1 133	1 109
- other receivables	243 369	243 310
Budget	456 961	448 595
- overdraft facilities	11 594	11 586
- term loans	445 367	437 009
Accrued interest	43 811	43 811
Investment securities	2 492 084	2 504 738
- at fair value through profit or loss	0	0
- available for sale	348 166	348 166
- held to maturity	2 143 918	2 156 572

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

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

*** The item contains: issued debt securities, subordinated liabilities and securities sold under repurchase agreements*

31.12.2006 (comparable data)

	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	640 743	640 743
Net loans and advances to banks	2 203 650	2 203 650
Net loans and advances to customers	11 556 381	11 579 326
Natural persons*	5 757 587	5 777 044
- overdraft facilities	446 670	447 167
- purchased debt	2 306	2 299
- term loans	2 198 030	2 176 805
- mortgage loans	3 103 699	3 143 854
- realised guarantees	632	669
- other receivables	6 250	6 250
Corporate customers	5 193 431	5 201 817
- overdraft facilities	1 037 558	1 039 574
- term loans	3 987 486	3 993 884
- purchased debt	20 255	20 205
- realised guarantees	354	371
- other receivables	147 778	147 783
Budget	567 903	563 005
- overdraft facilities	3 460	3 460
- term loans	564 442	559 544
- purchased debt	1	1
Accrued interest	37 460	37 460
Investment securities	2 802 307	2 854 843
- at fair value through profit or loss	0	0
- available for sale	353 534	353 534
- held to maturity	2 448 773	2 501 309

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

	Carrying amount	Fair value
Liabilities		
Amounts due to banks and Central Bank	2 166 816	2 166 816
Amounts due to customers	15 807 263	15 808 013
Other financial liabilities recognised in the balance sheet at amortised cost**	1 455 544	1 455 544

** The item contains: issued debt securities, subordinated liabilities and securities sold under repurchase agreements*

30.06.2006 (comparable data)
non-audited

	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	1 370 052	1 370 052
Net loans and advances to banks	1 986 635	1 986 635
Net loans and advances to customers	10 427 288	10 481 424
Natural persons*	4 948 443	5 010 406
- overdraft facilities	436 234	436 850
- purchased debt	129	133
- term loans	2 024 370	2 018 477
- mortgage loans	2 482 808	2 549 985
- realised guarantees	598	657
- other receivables	4 304	4 304
Corporate customers	4 875 003	4 878 374
- overdraft facilities	900 002	901 637
- term loans	3 861 820	3 863 411
- purchased debt	695	695
- realised guarantees	461	484
- other receivables	112 025	112 147
Budget	565 077	553 879
- overdraft facilities	25 269	25 269
- term loans	539 808	528 610
Accrued interest	38 765	38 765
Investment securities	2 922 328	2 955 237
- at fair value through profit or loss	0	0
- available for sale	358 706	358 706
- held to maturity	2 563 622	2 596 531

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

	Carrying amount	Fair value
Liabilities		
Amounts due to banks and Central Bank	2 839 658	2 839 658
Amounts due to customers	14 705 493	14 705 418
Other financial liabilities recognised in the balance sheet at amortised cost**	1 248 822	1 248 822

** The item contains: issued debt securities, subordinated liabilities and securities sold under repurchase agreements*

75.2. Loans and advances to banks and to customers

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

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

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

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

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

75.4. Other financial assets not recognised in the balance sheet at fair value

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

75.5. Financial liabilities not held for trading

As stated in Note 48 and Note 49, the bulk of deposits made in banks and customer deposits are deposits on current accounts and term deposits with balance sheet maturities of less than three months.

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

76. Information on proceedings before courts or public administration authority

In the first half of 2007, the Bank was not a party to any proceedings before court or public administration authority, where the amount(s) claimed would amount to at least 10% of the Bank's equity.

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

76.1. The cases in which the Bank is a plaintiff

With reference to the Bank's failure in the litigation against Inspektoria Towarzystwa Salezjańskiego (Salesian Society Inspectorate) in Wrocław, the guarantor of loans granted by the Bank from February to August 2001 to four entities: St. Jan Bosko's Roman-Catholic Parish, St. Jack's Roman-Catholic Parish and two monastic houses of the Salesian Society in Lublin, the Bank is now pursuing claims by the reason of groundless enrichment against church institutions for the total amount of PLN 14,567.2 thousand with possible extension of the suit. First hearings have already taken place. The defendants replied to lawsuits and applied for the dismissal of all claims. Upon the Bank's request, accounting experts prepared reports to determine whether the resources obtained from lombard loans had been transferred to the accounts of the parish and monastic houses and determine the way of disposing the resources from these accounts.

76.2. The cases in which the Bank is a defendant

The highest claim cases are as follows:

- Two court proceedings regarding a credit granted to Laboratorium Frakcjonowania Osocza Sp. z o.o. in Mielec ('LFO'). The Bank is the leader of the syndicate of five banks, which, under the agreement of 04.03.1997, granted a syndicated loan to LFO. The loan was secured by, among others, a registered pledge on the company's property, plant and equipment and the surety of the State Treasury up to 60% of the drawn amount of the loan and accrued interest. As the investment project for which the loan was extended had not been completed and the dates of the payment of commitments had not been met, the Bank, representing the syndicate, terminated the agreement under its terms and conditions and called LFO to pay claims. The proceedings related to the Bank's exercise of the collateral under the loan agreement were unsuccessful; as a result, on 28.03.2003, the Bank, on behalf of syndicate members, called the Minister of Finance representing the State Treasury to pay USD 12.7 million, i.e. 60% of the drawn loan amount and USD 1.6 million of interest. The Finance Minister refused to exercise the surety. On the basis of the executory title obtained by the Bank, the court debt collector enforced the whole claim for the Bank, i.e. PLN 8,120.1 thousand on account of the repayment of loan principle and interest, and PLN 30.0 thousand on account of expenses.

- 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. We may expect the solution of the case in the court soon. In the first quarter of 2007, the State Treasury changed the lawsuit and claimed PLN 8,207.4 thousand including interest. Upon the request of the State Treasury, the court called upon the trustee in bankruptcy of LFO to participate in the case.
- Claims of LFO for damages due to the termination of the loan agreement amounting to PLN 119,477 thousand. The lawsuit was submitted on 18.06.2003. The Bank is of the opinion that LFO claims are not based on any actual and legal grounds. On 16.03.2005, the court rejected the suit by LFO. 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.

• 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. At present, the total amount claimed by the plaintiff amounts to PLN 20,665.6 thousand. On 20.03.2007, the court announced its decision and claimed the whole disputed amount with interest from the Bank. The Bank requested the court to justify the verdict. Following the receipt of the justification, the Bank appealed against the court's decision.

• 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). The new hearing date will be determined by the court following the preparation of an opinion by an expert. In the Bank's opinion, the basis for claims specified in the lawsuit are doubtful.

• The court proceedings concerning a loan totalling PLN 2,900.0 thousand extended by the Bank to its client in September 1999 to purchase securities. The Client claims damages for the loss of profit due to the decline in the value of assets on the account in the period of its freeze and failure to generate profit that he might have generated if he had had free access to the account, e.g. loss of profit related to unexercised pre-emptive right offered to him and the failure to take up new shares. The plaintiff also demands amounts collected by the Bank after the termination of the agreement. The total value of the object of the dispute amounts to PLN 10,048.6 thousand. On 30.10.2006, the Bank responded to the suit. The hearing date was set on 12.07.2007, however no substantial decisions were made then.

• On 17.01.2001, the President of the Office for Competition and Customer Protection, upon the request of Polska Organizacja Handlu i Dystrybucji, initiated proceedings concerning competition-restricting practices on payment cards market by VISA and MasterCard as well as

20 banks, including Kredyt Bank S.A. On 29.12.2006, the President of the Office for Competition and Customer Protection issued the decision in which:

- they imposed a fine on Kredyt Bank of PLN 12,158.4 thousand;
- HSBC Bank Polska S.A. was fined with PLN 193.0 thousand and the proceedings against this company were discontinued (under a binding agreement between HSBC and Kredyt Bank S.A., the fine for HSBC should be paid by Kredyt Bank S.A. as well).

The decision was to be enforced immediately as regards the order to discontinue the practice of joint determination of 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.

- In relation to a loan transaction to finance the construction of Altus building in Katowice, the Bank and Reliz Sp. z o.o. are involved in certain disputes of legal nature. 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 court requested the parties to settle the case amicably. Negotiations between the parties are underway.
- From May to August 2005, the Bank entered into nine framework agreements concerning the conclusion of term exchange transactions. The transaction result amounts to PLN 7,986,540.96. The transactions were negotiated by the Bank’s employee with customers’ consent. As a result of a change of trends on the market, the majority of forwards resulted in huge losses. Customers who were requested to additionally hedge the transaction challenge the concluded transactions.

The 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.

77. Custodian services

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

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

In the first half of 2007, income related to the management of securities accounts and registers as well as the services of an issue sponsor amounted to PLN 1,382 thousand as compared to PLN 1,339 thousand in the first half of 2006.

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

Risk management in the Capital Group is concentrated directly in the Bank.

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

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

Particular risks are dealt with directly by specialised Committees:

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

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

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

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

In the previous year, the main risk management objectives, policy and processes did not change. The Bank's exposure to credit risk, market risk and operating risk did not change as well. The overriding objectives of risk management policy concerning mainly the observance of internal and external limits and optimizing and mitigating risk in the process of ongoing monitoring are being systematically implemented.

The main objective of capital management in KB Group is to meet external capital requirements. The maintenance of high credit ratings and capital ratios at the optimal level is equally vital for the implementation of intended business goals.

The Group manages the capitals structure by introducing required changes based on current economic conditions of its operation and related risks characteristics. To maintain or change a given capitals structure, the Group's companies may determine the dividend to be paid, redeem a portion of share capital or issue shares.

78.1. Credit risk

The Bank's credit risk is defined as the risk of non-payment of amounts due if a borrower, guarantors, reassurer, contractor or an issuer loses its creditworthiness.

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

The process of risk management for individual transactions entails risk assessment for such a transaction and, depending on its level, application of an appropriate decision-making process.

The portfolio risk management is the responsibility of the Credit Risk Committee. In particular, the Credit Risk Committee is responsible for the following:

- acceptance and substantial supervision over the methods of credit risk measurement;
- recommending to the Bank's Management Board and the Supervisory Board an admissible level of credit risk in the Bank's and subsidiaries' balance sheets;
- expressing opinions on the Bank's credit policy;
- expressing opinions on creation of write-downs and valuation of collateral;
- expressing opinions on internal credit limits;
- changing risk limits and approval of limit exceeds within the powers of the Bank's Management Board;
- substantial supervision over the program of the Bank's adjustment to the requirements of the New Capital Accord related to credit risk;
- approval of the new products in terms of credit risk.

The Bank manages the credit risk, applying different tools. Monitoring of the Bank's exposure concentration in customers or groups of related customers (in accordance with applicable banking law), and also monitoring of the utilization of the industry exposure concentration limits are among the basic ones.

As at 30.06.2007, the limits of the concentration were not exceeded.

Exposure towards 10 major corporate customers

Company	Share (%) in the portfolio as at 30.06.2007 non-audited	Comparable data Share (%) in the portfolio as at 31.12.2006	Comparable data Share (%) in the portfolio as at 30.06.2006 non-audited
Customer 1	3.8	4.2	3.3
Customer 2	3.0	2.8	2.4
Customer 3	2.9	2.4	2.3
Customer 4	2.4	2.1	2.2
Customer 5	2.4	2.0	2.1
Customer 6	2.2	1.9	1.8
Customer 7	1.9	1.7	1.8
Customer 8	1.8	1.5	1.6
Customer 9	1.7	1.4	1.6
Customer 10	1.6	1.2	1.4
Total	**23.7**	**21.2**	**20.5**

Exposure in industrial segments

Industry	Exposure % 30.06.2007 non-audited	Comparable data Exposure % 31.12.2006	Comparable data Exposure % 30.06.2006 non-audited
Production activities	28.0	29.8	27.5
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	21.3	20.6	23.8
Financial intermediation	15.0	10.4	7.8
Real estate administration and lease	11.3	14.2	14.2
Transport, storing and communication	5.5	3.6	3.2
Public administration and national defence, legally guaranteed social care	5.1	7.0	7.0
Construction	4.4	4.3	4.9
Supplies of electricity, gas and water	3.9	4.1	4.6
Agriculture, hunting and forestry	2.0	2.0	2.1
Hotels and restaurants	1.1	1.3	1.6
Health care and social care	1.0	1.0	0.8
Other services for municipalities, social and individual services	1.0	1.1	1.4
Education	0.3	0.5	1.0
Mining	0.1	0.1	0.1
Total	**100.0**	**100.0**	**100.0**

Geographical exposure

Province	Gross loans structure (%) 30.06.2007 non-audited	Comparable data Gross loans structure (%) 31.12.2006	Comparable data Gross loans structure (%) 30.06.2006 non-audited
Mazowieckie	23.2	20.8	20.5
Lubelskie	14.3	14.6	13.7
Dolnośląskie	10.5	10.5	10.2
Wielkopolskie	9.5	10.1	9.6
Śląskie	8.6	8.1	9.7
Pomorskie	6.7	7.4	7.5
Małopolskie	6.6	7.8	7.5
Łódzkie	3.6	3.5	4.2
Zachodniopomorskie	3.5	3.8	3.8
Podlaskie	3.3	3.3	3.5
Kujawsko-pomorskie	2.5	2.1	2.2
Podkarpackie	2.4	2.5	1.8
Warmińsko-mazurskie	2.2	2.5	2.0
Świętokrzyskie	1.3	1.3	1.7
Lubuskie	1.0	1.0	0.9
Opolskie	0.6	0.6	0.6
Non-resident	0.2	0.1	0.6
Total	**100.0**	**100.0**	**100.0**

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

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

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

The Bank continues works related to the implementation of the New Capital Accord (NCA). With regard to credit risk, application of an option which involves successive conversion from less advanced approaches (Standard Method) to more advanced approaches (Internal Ratings Method: Basic and Advanced).

The Programme on Quantitative Assessment of Credit Risk - QCR (Quantitative Credit Risk) Programme - was created in 2004 to complete credit risk tasks associated with the New Capital Accord. The implementation of the programme will facilitate among others:

- development and implementation of credit risk measurement models;

- development and implementation of databases and tools facilitating the collection of data for the purposes of model development and their testing;
- reorganization of the credit process taking into account the established level of risk;
- development and implementation of RAROC concept at the Bank;
- development of tools and reporting standards for the purposes of calculating capital adequacy by the standard method and internal ratings.

It is assumed that fulfilment of the above tasks will improve ROE through optimal adjustment in terms of capital requirements, the improvement of efficiency of credit processes at the Bank and enhancement of business management.

Preparations to implement the Standard Method are now related to preliminary tests of the information system applied to calculate the level of risk-weighted assets. And, in the case of the Internal Ratings Method (basic method), efforts are focused on collecting appropriate time series of data and developing PD, LGD and EaD models. The Bank has already implemented rating models covering a significant part of both corporate and retail loan portfolios. The models are now being implemented.

Total balance sheet and off-balance sheet receivables as at 30.06.2007 (in PLN '000)

		30.06.2007
Internal PD rating	**Standard & Poors**	**Total**
PD 1	AAA - A-	3%
PD 2	BBB+	23%
PD 3	BBB	14%
PD 4	BBB-/BB+	19%
PD 5	BB	16%
PD 6	BB-	5%
PD 7	B+/B	8%
PD 8	B-	1%
PD 9	CCC+ lower	2%
PD 10		2%
PD 11		0%
PD 12		7%
Total		**100%**

Maximum exposure to credit risk is reflected in carrying amounts of financial assets presented in respective notes. In the case of granted off-balance sheet liabilities (guarantees, undrawn credit lines), maximum exposure to credit risk is presented in Note 57 hereto.

78.2. Risk metrics underlying the calculations for the credit risk capital requirement set forth in the Banking Law.

As at 30.06.2007

Balance sheet instruments

Instrument	Carrying amount	Risk weighted value
Banking portfolio		
Cash	377 721	0
Receivables	16 613 789	13 566 317
Loans and advances to banks (including NBP)	3 096 856	596 622
Loans and advances to customers	13 516 933	12 969 695
Natural persons*	7 038 651	6 913 046
- overdraft facilities	494 282	484 653
- purchased debt	46	46
- instalment term loans	2 363 234	2 349 598
- mortgage loans	4 168 343	4 066 020
- realised guarantees	657	657
- other receivables	12 089	12 073
Corporate customers	5 977 510	5 931 954
- overdraft facilities	1 284 000	1 260 656
- term loans	4 427 733	4 405 603
- purchased debt	21 275	21 193
- realised guarantees	1 133	1 133
- other receivables	243 369	243 369
Budget	456 961	82 854
- overdraft facilities	11 594	2 280
- term loans	445 367	80 574
Accrued interest	43 811	41 841
Debt securities	5 616 369	468 100
Other securities, shares	33 815	3 262
Property, plant and equipment	571 414	571 414
Intangible assets (including goodwill)	110 517	1 192
Other	321 585	69 260
Total banking portfolio	**23 645 210**	**14 679 544**
Trading portfolio	**520 346**	**330**
Total balance sheet instruments	**24 165 556**	**14 679 874**

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

Off-balance sheet instruments in the banking book

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

Other off–balance sheet items – banking portfolio

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

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

As at 31.12.2006 (comparable data)

Balance sheet instruments

Instrument	Carrying amount	Risk weighted value
Banking portfolio		
Cash	416 787	0
Receivables	13 983 987	11 226 751
Loans and advances to banks (including NBP)	2 427 606	449 340
Loans and advances to customers	11 556 381	10 777 411
Natural persons*	5 757 587	5 484 859
- overdraft facilities	446 670	436 195
- purchased debt	2 306	2 290
- instalment term loans	2 198 030	2 137 526
- mortgage loans	3 103 699	2 905 091
- realised guarantees	632	632
- other receivables	6 250	3 125
Corporate customers	5 193 431	5 152 547
- overdraft facilities	1 037 558	1 018 374
- term loans	3 987 486	3 965 911
- purchased debt	20 255	20 173
- realised guarantees	354	354
- other receivables	147 778	147 735
Budget	567 903	104 191
- overdraft facilities	3 460	692
- term loans	564 442	103 499
- purchased debt	1	0
Accrued interest	37 460	35 814
Debt securities	6 010 725	159 550
Other securities, shares	40 115	11 084
Property, plant and equipment	580 428	580 428
Intangible assets (including goodwill)	121 660	1 603
Other	289 774	77 860
Total banking portfolio	**21 443 476**	**12 057 276**
Trading portfolio	**788 552**	**1 413**
Total balance sheet instruments	**22 232 028**	**12 058 689**

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

Off-balance sheet instruments in the banking book

Instrument	Nominal value	Balance sheet equivalent	Risk weighted value
Interest rate instruments	573 600	6 322	1 264
Foreign exchange instruments	8 986	0	0
Other instruments	3 839	249	125
Total derivatives	**586 425**	**6 571**	**1 389**

Other off–balance sheet items – banking portfolio

Instrument	Carrying amount	Credit equivalent	Risk weighted value
Credit lines	3 233 902	1 213 647	1 169 509
Guarantees granted	1 199 113	970 428	774 472
Letters of credit	67 017	67 017	66 497
Other	124 357	124 357	89 423
Total	**4 624 389**	**2 375 449**	**2 099 901**

	Risk weighted value	Capital requirement
Total credit risk exposure (banking portfolio)	**14 158 566**	**1 132 685**

As at 30.06.2006 (comparable data)

Balance sheet instruments

Instrument	Carrying amount	Risk weighted value
Banking portfolio		
Cash	331 732	0
Receivables	13 452 243	10 017 721
Loans and advances to banks (including NBP)	3 024 955	400 991
Loans and advances to customers	10 427 288	9 616 730
Natural persons*	4 948 443	4 723 703
- overdraft facilities	436 234	425 106
- purchased debt	129	112
- instalment term loans	2 024 370	1 991 715
- mortgage loans	2 482 808	2 304 020
- realised guarantees	598	598
- other receivables	4 304	2 152
Corporate customers	4 875 003	4 756 266
- overdraft facilities	900 002	869 785
- term loans	3 861 820	3 773 995
- purchased debt	695	0
- realised guarantees	461	461
- other receivables	112 025	112 025
Budget	565 077	100 132
- overdraft facilities	25 269	0
- term loans	539 808	100 132
Accrued interest	38 765	36 629
Debt securities	6 104 340	162 390
Other securities, shares	41 077	13 797
Property, plant and equipment	371 746	371 746
Intangible assets (including goodwill)	131 162	2 014
Other	275 028	68 429
Total banking portfolio	**20 707 328**	**10 636 097**
Trading portfolio	**556 195**	**666**
Total balance sheet instruments	**21 263 523**	**10 636 763**

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

Off-balance sheet instruments

Instrument	Nominal value	Balance sheet equivalent	Risk weighted value
Interest rate instruments	273 600	4 579	916
Foreign exchange instruments	9 888	0	0
Other instruments	55 200	9 232	1 846
Total derivatives	**338 688**	**13 811**	**2 762**

Other off–balance sheet items – banking portfolio

Instrument	Carrying amount	Credit equivalent	Risk weighted value
Credit lines	3 396 846	1 072 994	1 014 652
Guarantees granted	1 147 985	904 952	770 351
Letters of credit	44 295	44 295	44 295
Other	209 947	209 947	41 994
Total	**4 799 073**	**2 232 188**	**1 871 292**

	Risk weighted value	Capital requirement
Total credit risk exposure (banking portfolio)	**12 510 150**	**1 000 812**

78.3. Operating risk

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

In 2006, the Bank developed an operating risk management policy, which determines standards of identifying, appraising and monitoring the risk level and profile, in accordance with the standard method of determining capital requirements. The methodology covers, apart from determining the profile of operating risk based on historical data concerning the disclosed events, the identification of current and potential threats, as a result of cyclical self-assessment processes. In business areas, the Bank also implemented standards of mitigating key risks, particularly taking into account the risks which are characterized by low incidence but a significant impact on the financial result.

Operating risk coordinators, directly supporting the management staff of business units, play a crucial role in applying operating risk management tools and techniques.

The infrastructure of management and methodology are coherent within the Bank and its subsidiaries. Identification and operating risk rating tools are identical. The whole process is supervised by the Operating Risk Committee which is managed by the President of the Management Board.

78.4. Market risk and ALM

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

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

The Bank's activity is divided into two parts: trading book and banking book. Due to different nature of open positions, the risk is monitored in each book separately.

78.5. Trading Book

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

Value at Risk (VaR) is the basic metric of risk in the trading portfolio; it is calculated by historical method in the time horizon of 10 days, taking into account market figures for the previous 500 days. Value at Risk means such a value that the probability of the Bank's loss exceeding this value amount to 1%.

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

	Limit	30.06.2007	Data for the first half of 2007		
			Average	Minimum	Maximum
VaR	3000.0	522.91	372.30	175.86	1214.45

Comparable data as at 31.12.2006

	Limit	31.12.2006	Data for the second half of 2006		
			Average	Minimum	Maximum
VaR	3000.0	237.78	294.66	135.53	673.13

Comparable data as at 30.06.2006

	Limit	30.06.2006	Data for the first half of 2006*		
			Average	Minimum	Maximum
VaR	3000.0	367.98	443.7	152.2	1237.6

** data for the period 09/02/2006 – 30/06/2006. Previous calculations were made separately for a foreign exchange item and an interest rate.*

Interest rate risk

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

Additionally, the level of interest rate risk is monitored and limited (by establishment of limits) against BPV (basis point value).

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

VaR for particular sections – in EUR '000

	Limit	30.06.2007	Data for the first half of 2007		
			Average	Minimum	Maximum
Short term Desk	1300.0	220.79	281.75	96.87	803.92
Long Term Desk	1300.0	349.91	325.77	84.05	882.65

Comparable data as at 31.12.2006

VaR for particular sections – in EUR '000

	Limit	31.12.2006	Data for the second half of 2006		
			Average	Minimum	Maximum
Short term Desk	1300.0	255.72	190.89	58.92	428.98
Long Term Desk	1300.0	149.50	203.81	90.64	577.62

Comparable data as at 30.06.2006

VaR for particular sections – in EUR '000

	Limit	**30.06.2006**	**Data for the first half of 2006**		
			Average	Minimum	Maximum
Short term Desk	1300.0	330.3	390.8	128.7	746.9
Long Term Desk	1300.0	464.3	269.4	72.9	872.5

Currency risk

Currency position

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

In the event of foreign exchange risk, 'value at risk' method is supplemented by stress-testing which is the amount of possible loss in the situation of extremely adverse (critical), but probable, changes in exchange rates.

Foreign exchange options

The Bank also offers foreign exchange options. The Bank does not maintain options portfolio for its own account, i.e. options on the inter-banking market are the options hedging the position resulting from transactions with customers. Therefore, the market risk in the portfolio of foreign exchange option transactions does not exist.

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

Consolidated balance sheet as at 30.06.2007
non-audited

in PLN '000	CHF	EUR	GBP	USD	PLN	other currencies	Total
Assets							
Cash and balances with Central Bank	899	21 132	4 211	16 040	512 335	550	555 167
Gross loans and advances to banks	35 434	333 171	4 415	1 000 562	1 538 564	9 524	2 921 670
Impairment losses on loans and advances to banks	0	0	0	0	-2 260	0	-2 260
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	0	1 877	187	34 670	318 599	0	355 333
Derivatives	41	58 767	710	37 931	238 999	1	336 449
Gross loans and advances to customers	2 092 120	1 414 157	1 441	242 866	10 758 913	0	14 509 497
Impairment losses on loans and advances to customers	-29 178	-56 265	-1	-19 007	-888 113	0	-992 564
Investments securities	0	290 241	0	24 158	5 165 621	0	5 480 020
- available-for -ale	0	230 674	0	12 787	3 092 641	0	3 336 102
- held-to-maturity	0	59 567	0	11 372	2 072 979	0	2 143 918
Equity investments classified as available-for-sale	0	68	0	0	3 889	0	3 957
Investments in associates valued using the equity method	0	0	0	0	11 802	0	11 802
Property, plant and equipment	0	0	0	0	385 944	0	385 944
Intangible assets	0	0	0	0	74 465	0	74 465
Goodwill	0	0	0	0	36 052	0	36 052
Deferred tax asset	0	0	0	0	164 711	0	164 711
Current tax receivable	0	0	0	0	2 458	0	2 458
Non-current assets classified as held for sale	0	0	0	0	185 470	0	185 470
Other assets	0	0	0	0	137 385	0	137 385
Total assets	**2 099 316**	**2 063 148**	**10 963**	**1 337 220**	**18 644 834**	**10 075**	**24 165 556**

Consolidated balance sheet (cont.) as at 30.06.2007
non-audited

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

Off-balance sheet items (as at 30.06.2007)
non-audited

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

Consolidated balance sheet (as at 31.12.2006 comparable data) non-audited

in PLN '000	CHF	EUR	GBP	USD	PLN	other currencies	Total
Assets							
Cash and balances with Central Bank	697	19 830	4 933	13 917	600 918	448	640 743
Gross loans and advances to banks	96 139	202 093	37 441	821 912	1 026 237	22 581	2 206 403
Impairment losses on loans and advances to banks	0	0	0	0	-2 753	0	-2 753
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	0	8 190	143	9 794	610 621	0	628 748
Derivatives	0	4 131	7	3 515	289 774	0	297 427
Gross loans and advances to customers	1 828 463	1 386 435	1	316 309	9 110 406	2 229	12 643 843
Impairment losses on loans and advances to customers	-28 395	-124 833	0	-23 538	-910 325	-371	-1 087 462
Investments securities	0	331 700	0	74 934	5 496 089	0	5 902 723
- available-for -ale	0	234 191	0	33 728	3 186 031	0	3 453 950
- held-to-maturity	0	97 462	0	41 206	2 310 105	0	2 448 773
Equity investments classified as available-for-sale	0	69	0	0	3 888	0	3 957
Investments in associates valued using the equity method	0	0	0	0	10 661	0	10 661
Property, plant and equipment	0	0	0	0	385 657	0	385 657
Intangible assets	0	0	0	0	85 608	0	85 608
Goodwill	0	0	0	0	36 052	0	36 052
Deferred tax asset	0	0	0	0	153 729	0	153 729
Current tax receivable	0	0	0	0	15 582	0	15 582
Non-current assets classified as held for sale	0	0	0	0	194 771	0	194 771
Other assets	0	0	0	0	116 339	0	116 339
Total assets	**1 896 904**	**1 827 615**	**42 525**	**1 216 843**	**17 223 254**	**24 887**	**22 232 028**

Consolidated balance sheet (cont.) as at 31.12.2006
comparable data
non-audited

in PLN '000	CHF	EUR	GBP	USD	PLN	other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	1 990	0	1 990
Amounts due to banks	419 463	682 832	188	336 259	720 053	6 031	2 164 826
Derivatives	0	7 100	322	1 489	287 563	0	296 474
Amounts due to customers	10 030	1 433 984	111 462	1 432 619	12 809 136	10 032	15 807 263
Issued debt securities	0	0	0	0	0	0	0
Securities sold under repurchase agreements	0	0	0	0	1 033 925	0	1 033 925
Current tax liability	0	0	0	0	961	0	961
Provisions	217	3 977	0	134	164 898	0	169 226
Deferred tax liability	0	0	0	0	1 146	0	1 146
Other liabilities	0	11 697	256	8 197	221 614	576	242 340
Subordinated liabilities	0	421 619	0	0	0	0	421 619
Total liabilities	**429 710**	**2 561 209**	**112 228**	**1 778 698**	**15 241 286**	**16 639**	**20 139 770**

Off-balance sheet items (as at 31.12.2006 comparable data)
non-audited

in PLN '000	CHF	EUR	GBP	USD	PLN	other currencies	Total
Off-balance sheet items							
Contingent liabilities, granted and received	**141 463**	**1 174 383**	**87 305**	**178 714**	**3 466 080**	**15 155**	**5 063 100**
Liabilities granted, including:	136 695	1 085 365	87 305	102 422	3 134 722	14 784	4 561 293
- financial	136 450	628 192	33 667	49 879	2 506 479	0	3 354 667
- guarantees	245	457 173	53 638	52 543	628 243	14 784	1 206 626
Liabilities received, including:	4 768	89 018	0	76 292	331 358	371	501 807
- financial	4 768	0	0	0	200 000	371	205 139
- guarantees	0	89 018	0	76 292	131 358	0	296 668
Amounts due under sale/purchase transactions	**1 951 733**	**8 469 074**	**94 629**	**10 980 321**	**116 859 809**	**15 251**	**138 370 817**
Other:	**454 490**	**584 319**	**0**	**178 453**	**1 878 110**	**1 360**	**3 096 732**
- received collateral and guarantees	454 490	584 319	0	178 453	1 876 061	1 360	3 094 683
- other	0	0	0	0	2 049	0	2 049

Consolidated balance sheet (as at 30.06.2006 comparable data) non-audited

in PLN '000	CHF	EUR	GBP	USD	PLN	other currencies	Total
Assets							
Cash and balances with Central Bank	1 025	18 220	2 689	12 785	1 334 760	573	1 370 052
Gross loans and advances to banks	39 331	630 289	4 066	596 793	710 374	8 676	1 989 529
Impairment losses on loans and advances to banks	0	0	0	0	-2 894	0	-2 894
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	0	14 234	509	10 942	299 368	0	325 053
Derivatives	4	17 496	266	3 167	218 673	0	239 606
Gross loans and advances to customers	1 607 360	1 520 831	4	361 852	8 709 971	2 028	12 202 046
Impairment losses on loans and advances to customers	-40 290	-304 742	0	-52 493	-1 376 861	-372	-1 774 758
Investments securities	0	209 479	0	135 902	5 771 331	0	6 116 712
- available-for -ale	0	148 302	0	58 864	3 345 924	0	3 553 090
- held-to-maturity	0	61 127	0	77 038	2 425 457	0	2 563 622
Equity investments classified as available-for-sale	0	73	0	0	18 895	0	18 968
Investments in associates valued using the equity method	0	0	0	0	9 736	0	9 736
Property, plant and equipment	0	0	0	0	361 209	0	361 209
Intangible assets	0	0	0	0	95 110	0	95 110
Goodwill	0	0	0	0	36 052	0	36 052
Deferred tax asset	0	0	0	0	143 938	0	143 938
Current tax receivable	0	0	0	0	0	0	0
Non-current assets classified as held for sale	0	0	0	0	10 537	0	10 537
Other assets	0	0	0	0	122 627	0	122 627
Total assets	**1 607 430**	**2 105 880**	**7 534**	**1 068 948**	**16 462 826**	**10 905**	**21 263 523**

Consolidated balance sheet (cont.) (as at 30.06.2006 comparable data) non-audited

in PLN '000	CHF	EUR	GBP	USD	PLN	other currencies	Total
Liabilities							
Amounts due to Central Bank	0	0	0	0	2 342	0	2 342
Amounts due to banks	387 278	1 239 490	11 259	115 009	1 080 504	3 776	2 837 316
Derivatives	23	12 756	114	4 301	230 475	0	247 669
Amounts due to customers	11 181	1 317 208	79 714	1 365 949	11 924 536	6 905	14 705 493
Issued debt securities	0	0	0	0	402 223	0	402 223
Securities sold under repurchase agreements	0	0	0	0	401 746	0	401 746
Current tax liability	0	0	0	0	11 845	0	11 845
Provisions	57	15 545	0	1 463	89 583	0	106 648
Deferred tax liability	0	0	0	0	354	0	354
Other liabilities	0	11 498	277	15 820	183 346	87	211 028
Subordinated liabilities	0	444 853	0	0	0	0	444 853
Total liabilities	**398 539**	**3 041 350**	**91 364**	**1 502 542**	**14 326 954**	**10 768**	**19 371 517**

Off-balance sheet items (as at 30.06.2006 comparable data)
non-audited

in PLN '000	CHF	EUR	GBP	USD	PLN	other currencies	Total
Off-balance sheet items							
Contingent liabilities, granted and received	**154 461**	**1 409 414**	**50 203**	**326 092**	**3 329 817**	**22 236**	**5 292 223**
Liabilities granted, including:	137 966	1 357 083	38 541	218 252	3 073 571	21 981	4 847 394
- financial	137 701	821 463	0	182 841	2 519 621	570	3 662 196
- guarantees	265	535 620	38 541	35 411	553 950	21 411	1 185 198
Liabilities received, including:	16 495	52 331	11 662	107 840	256 246	255	444 829
- financial	0	0	11 662	0	50 000	255	61 917
- guarantees	16 495	52 331	0	107 840	206 246	0	382 912
Amounts due under sale/purchase transactions	**1 886 815**	**4 998 692**	**113 845**	**2 524 391**	**101 725 776**	**6 342**	**111 255 861**
Other:	**411 894**	**628 191**	**0**	**234 961**	**1 813 948**	**0**	**3 088 994**
- received collateral and guarantees	411 894	628 191	0	234 961	1 813 943	0	3 088 989
- other	0	0	0	0	5	0	5

Capital market risk

The Bank does not operate on the stock market within the trading book.

Capital requirements

The capital requirements for the trading book as of 30.06.2006 and 30.06.2007 are as follows:

Capital requirements for the trading book (data in PLN '000)

	30.06.2007	Comparable data as at 30.06.2006
Equity securities price risk	0	0
Specific risk of debt instruments	25	52
General interest rate risk	12 676	11 084
Settlement risk and counterparty risk	12 582	9 826
Total capital requirement in the trading book	**25 283**	**20 962**

78.6. Banking book

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

Interest rate risk

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

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

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

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

Interest rate risk analysis

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

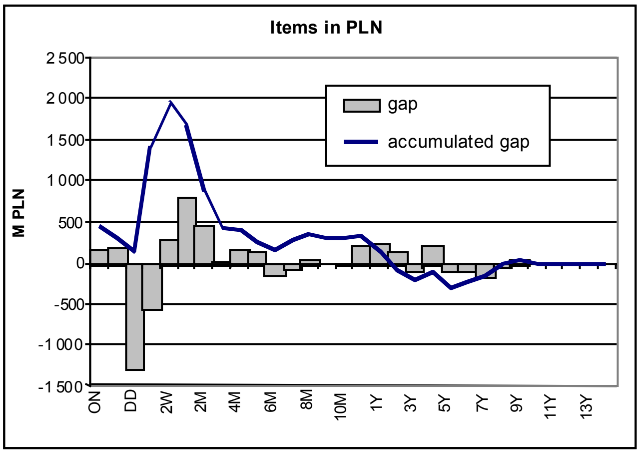
- a stable part of current accounts in PLN and of accounts in foreign currencies (EUR and USD) is cyclically invested for the period of:
  1. 8 years for PLN;
  2. 5 years for EUR;
  3. 2 years for USD.
- two stable portions are separated from savings accounts; the first portion is invested cyclically (monthly) for 6 months, and the second part is invested for 5 years (also monthly);
- unstable parts of current accounts in PLN, EUR and USD, of savings accounts and current accounts in other currencies are classified in the shortest term horizon,
- free capital approved for the whole year is invested cyclically for the period of 10 years (with 1/120th of the free capital invested monthly), and an excess or shortage compared to an actual amount of free capital is classified in the shortest term horizon; and the passive portion of the free capital portfolio is deemed as insensitive to changes in interest rates;
- benchmark is applied to non-working loans (40% - ON, 30% - 1M, 30% - 3M);
- loans are recognised in net terms;
- loans are presented according to repayment schedules;
- except for nominal flows, also known future interest flows are presented in the report;
- each flow is divided proportionally into two parts which are classified in adjoining nodes of the curve;
- a cumulative gap is calculated from the longest to the shortest term periods.

The interest rate gaps diagrams for 'Hedging' item in particular currencies based on an internal system of transfer rates are presented below.

Data as at 30.06.2007:

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

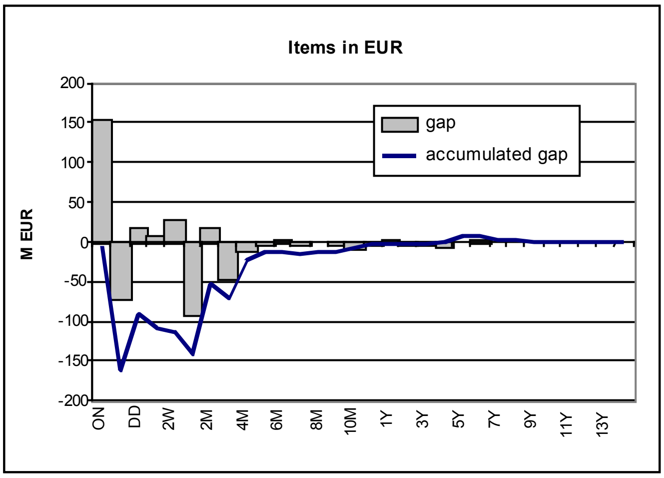
- **PLN**



A gap for items in PLN shows the following mismatches: 4Y and 7Y term ranges result from the mismatch in benchmarking portfolios of savings and current accounts between assets and financing deposits. The positive gap in term ranges from 2W to 2M is a result of a mismatch of volumes of floating interest rate loans and deposits.

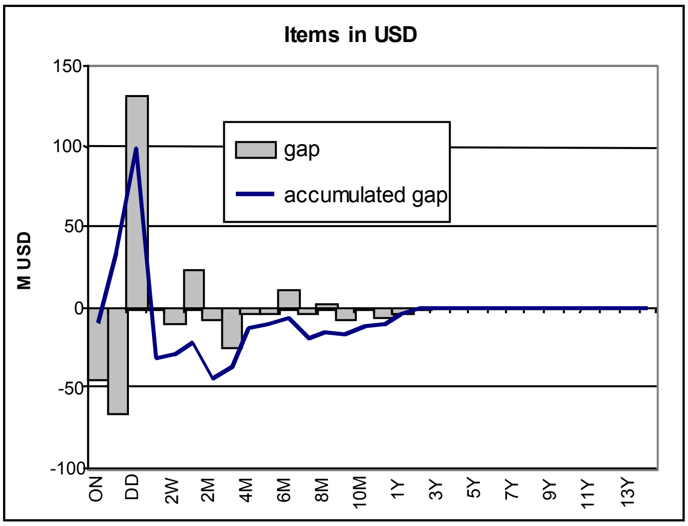
Negative mismatch in DD term ranges (with the repricing date in 3 working days) and in 1W term range results from short-term fixed interest rate customer deposits as well as repo transactions with customers (DD term range). Non-repriced floating interest rate loans create a positive gap in ON and TN term ranges. At the same time, the non-stable portion of current deposits and savings accounts as well as short-term customer deposits in ON term range are closed with OIS transactions which is also reflected in the diagram by positive gap in ON term range.

- **EUR**



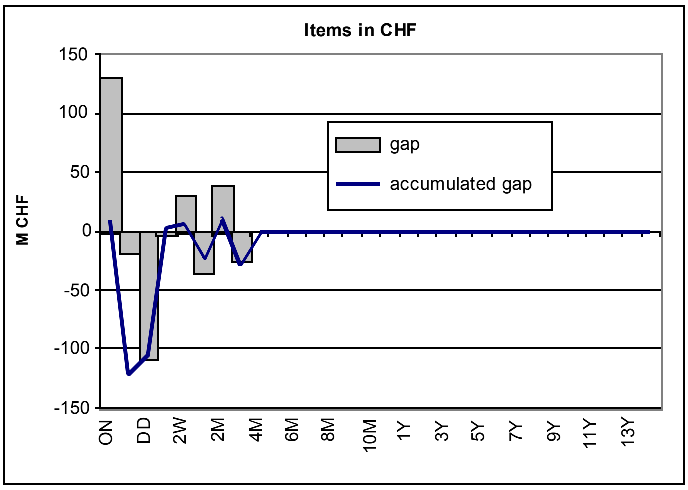
Floating interest rate cash loans received from KBC Dublin make up a substantial part of EUR item; the mismatch noticeable in 1M and 3M term ranges is related to them. Namely, due to the postponed report date, floating interest rate customer loans have not been repriced yet and are still presented in ON term range. Cash loans are matched in terms of interest rate risk hedge to loans and, when they are repriced, gaps in the described term ranges will be decreased. The positive gap in DD-1M term ranges is the result of floating interest rate loans and granted CIRS. The negative mismatch in TN term range is generated by fixed interest rate term deposits.

- **USD**



As regards USD, fixed interest rate customer deposits are key positions; they determine the balance and the shape of the gap in this currency, creating a negative mismatch in ON to 1Y term ranges. Positive gaps in DD, 1M and 6M term ranges result from swaps (1M) and a deposit granted in the Trading Book (DD and 6M). In ON term range, the negative gap is created by floating interest rate deposits, unstable parts of current and savings accounts.

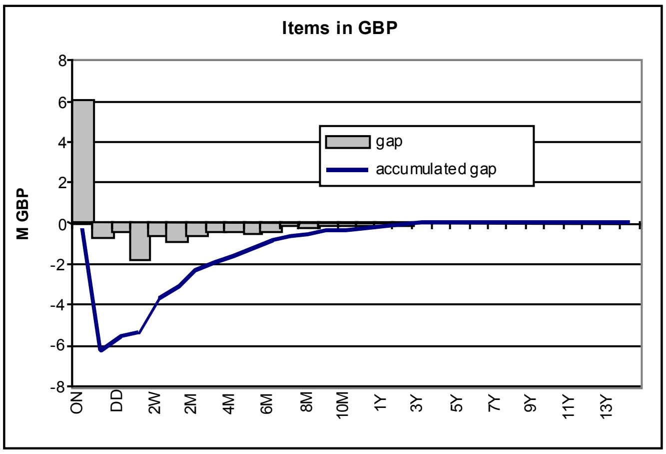
- **CHF**



A positive gap in ON, 2W and 2M term ranges is the result of floating interest rate customer loans. In ON term range, there are recognised loans (mainly with 1-month and 3-month repricing period) which, as at the report date, i.e. 29.06.2007, have not been repriced yet. Negative gaps in 1M and 3M term ranges result from long-term cash loans from KBC; after the end of the month, i.e. after repricing of loans, the mismatches in ON, 1M and 3M term ranges will be minimized.

Negative mismatch in TN and DD term ranges results from CIRS's and accepted deposits.

- **GBP**

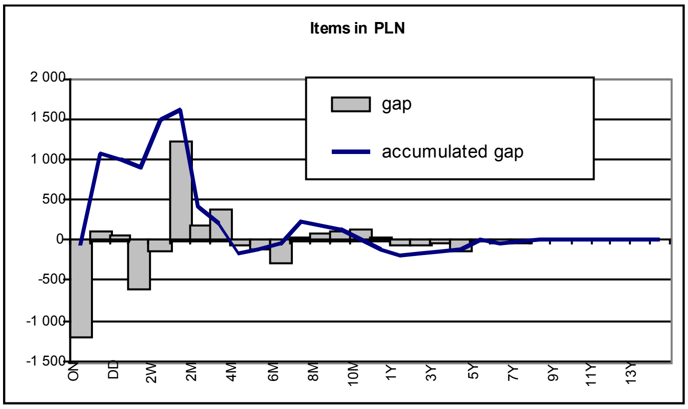


A negative mismatch is created by customers' deposits, mainly with fixed interest rate and current deposits in ON term range. Floating interest rate deposits (also presented in ON term range) account for ca. 8% of term deposits.

The gap in ON term range is positive due to deposit granted to Trading Book.

Comparable data as at 30.06.2006:

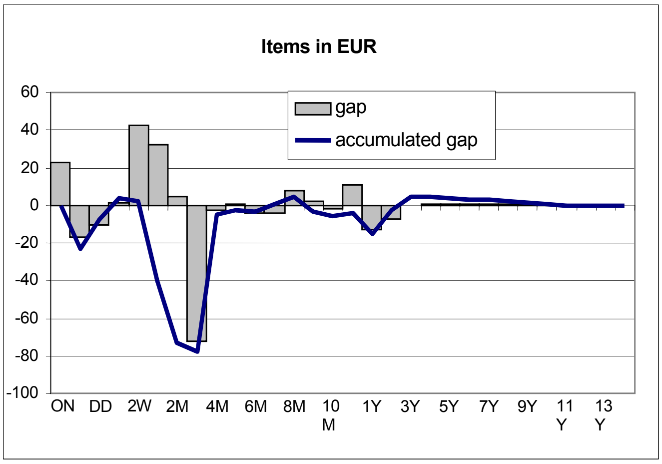
- **PLN**



A negative mismatch in ON term range is generated by current deposits and short-term fixed interest rate customer deposits that also generate a gap in 1W and 2W term horizons. The positive gap in term ranges from 1 to 3 months is a result of a mismatch of volumes of floating interest rate loans and deposits. And the gap in

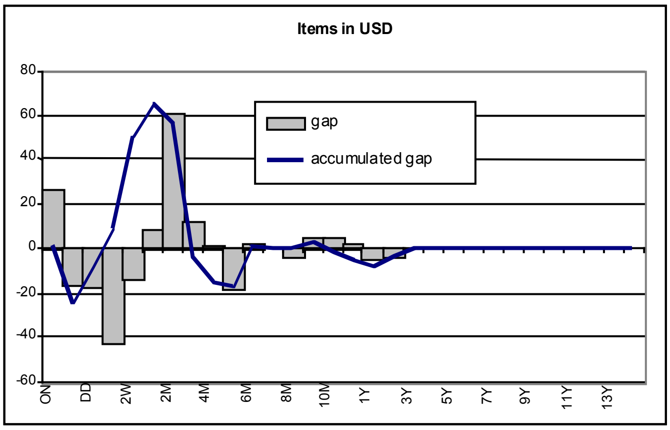
6M term range is a result of fixed interest rate loans extended by intermediaries.

- **EUR**



Floating interest rate cash loans accepted from KBC Dublin form a major part of items in EUR; in 3M term range they generate a noticeable mismatch and in 1M term range are balanced with floating interest rate customer deposits. The positive gap in 2W-1M term ranges is the result of floating interest rate loans and granted CIRS (2W). The negative mismatch in TN-DD term ranges is generated by fixed interest rate term deposits. Change in the gap in ON term range was affected by a deposit extended to the trading book.

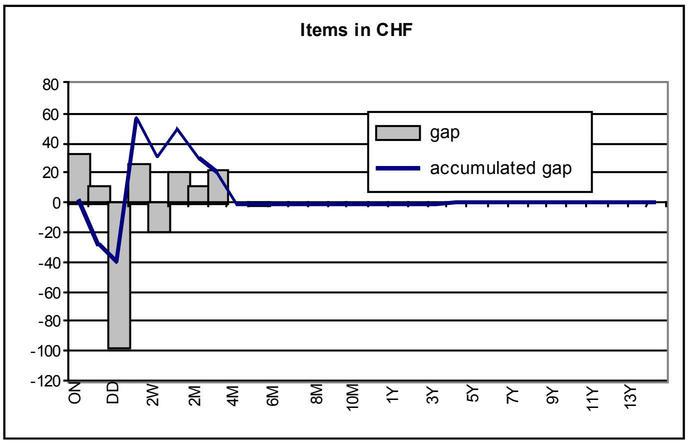
- **USD**



The presented gap is the result of the mismatch between extended floating interest rate customer loans (1M-2M) as well as granted CIRS (1M, 3M), and accepted fixed interest rate customer deposits.

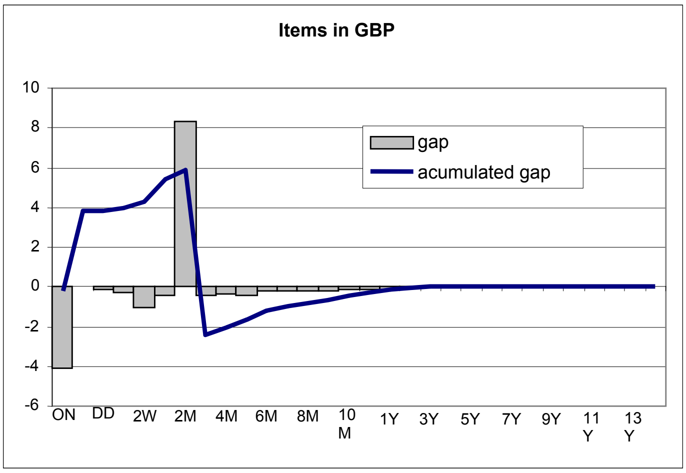
In ON term range, the positive gap was generated by the following items: cash in hand, non-working loans, overdraft facilities and granted FX Swap.

- **CHF**



A positive gap in 1W and 2M-4M term ranges is the result of floating interest rate customer loans. The change of the gap from positive to negative in DD term range results from the acceptance of a deposit from the trading book. The closing of the exposure noticeable in ON term range was affected by overdraft facilities and a deposit extended to the trading book.

- **GBP**



A negative mismatch is created by customers' deposits, mainly with fixed interest rate and current deposits in ON term range. Floating interest rate deposits presented in term ranges up to 1M account for ca. 10% of term deposits.

The gap in term range from 1 month to 2 months is positive due to granted CIRS.

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

BPV in millions of a currency	1 M	3M	6M	12M	3Y	5Y	over 5Y	TOTAL
PLN	-0.0380	-0.0564	-0.0126	-0.2948	0.2095	0.2065	1.9604	1.9746
EUR	0.0060	0.0083	0.0030	0.0068	0.0075	0.0187	-0.0280	0.0223
USD	-0.0023	0.0070	-0.0030	0.0128	0.0025	0.0002	0.0000	0.0172
CHF	0.0025	-0.0002	0.0002	0.0005	0.0010	0.0000	0.0000	0.0039
GBP	0.0001	0.0001	0.0004	0.0004	0.0001	0.0000	0.0000	0.0011

Comparable data as at 30.06.2006:

BPV in millions of a currency	1 M	3M	6M	12M	3Y	5Y	over 5Y	TOTAL
PLN	-0.0792	-0.1373	0.1376	-0.3869	-0.2583	-1.2878	-2.2151	-4.227
EUR	-0.0050	0.0175	0.0024	-0.0012	0.0112	-0.0055	-0.0190	0.000
USD	0.0012	-0.0131	0.0060	-0.0016	0.0049	0.0000	0.0000	-0.002
CHF	-0.0008	-0.0072	0.0002	0.0003	0.0008	0.0007	0.0000	-0.006
GBP	0.0001	-0.0013	0.0004	0.0007	0.0001	0.0000	0.0000	0.000

BPV (an aggregate for BPV for particular currencies):

	30.06.2007	Comparable data 31.12.2006	Comparable data 30.06.2006
BPV in millions of EUR	-1.036	-1.101	-0.995

78.7. Hedge accounting

Fair value hedging accounting

As at 30.06.2007, the Bank continued to apply hedge accounting for fair value hedge for asset swaps. The purpose of hedge accounting is to hedge fixed interest rate bonds with IRS, on which the Bank pays a fixed interest rate and receives a floating interest rate.

Hedge accounting of cash flows

As at 30.06.2007, the Bank continued to apply hedge accounting of cash flows for asset swaps which consists in hedging cash flows resulting from floating interest rate bonds (which involved the conclusion of IRS in which the Bank receives fixed and pays floating interest flows).

As at 30.06.2007, the Bank continued to apply hedge accounting also as regards the part of the loans portfolio based on O/N rate. The hedge consists in creating swap structure composed of a revolving OIS transaction (the Bank pays cash flow based on O/N rate) and a standard IRS transaction in which the Bank pays cash flow based on a floating interest rate adjusted to OIS maturity date and receives fixed interest flows. The hedged risk in this case is an interest rate risk resulting from a change of short-term interest rates.

78.8. Currency risk

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

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

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

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

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

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

78.9. Liquidity risk

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

The Bank hedges the liquidity risk by:

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

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

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

Amounts due to customers as at 30.06.2007 – contractual cash flows; stable part of current and savings accounts recognised according to a benchmark method.

As at 30.06.2007 (in millions of PLN)

	up to 1M	1 - 3M	3 -6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	over 5Y	Total
Current accounts/saving accounts	2 567.02	424.01	643.61	639.83	1 253.30	1 182.94	1 946.82	676.67	9 334.20
Deposits	5 887.20	1 157.31	520.48	261.71	20.84	2.25	63.61	1.74	7 915.14
Inter-bank deposits	1 800.34	170.81	57.06	55.00	0	0	0	0	2 083.21
Perpetual bonds and cash loans	87.52	234.80	3.67	414.24	0	0	905.95	0	1 646.18
LORO	148.08	0.95	1.88	0	0	0	0	0	150.91
REPO	543.34	101.95	0	0	0	0	0	0	645.29
Free capital*	100.00	0	0	0	0	0	0	1 557.15	1 657.15
Other	2.22	73.72	0	126.80	44.31	0	0	0	247.05
Derivatives – cash flows to be received									
Swaps - sale	679.56	289.98	213.44	90.53	2.26	0	0	0	1 275.77
IRS/CCIRS	21.96	19.25	15.11	123.39	21.47	0	0	0	201.18
FRA	3.70	10.65	11.20	0	0	0	0	0	25.55
Derivatives – cash flows to be paid									
Swaps - purchase	678.59	290.16	204.55	86.92	2.16	0	0	0	1 262.38
IRS/CCIRS	17.08	20.21	15.19	121.76	20.29	0	0	0	194.53
FRA	4.13	10.21	11.99	0	0	0	0	0	26.33
TOTAL	**11 130.30**	**2 164.25**	**1 218.68**	**1 492.34**	**1 317.17**	**1 185.19**	**2 916.38**	**2 235.56**	**23 659.87**

** equity net of current result decreased with net value of tangible assets (net of finance lease and operating lease), net value of intangible assets (net of finance lease and operating lease) and net value of interests in financial subsidiaries.*

Comparable data as at 30.06.2006 (in millions of PLN):

	up to 1M	1 - 3M	3 -6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 5Y	over 5Y	Total
Current accounts/saving accounts	1 821.13	337.22	549.38	581.07	1 096.02	947.42	1 342.22	0	6 674.46
Deposits	5 502.92	1 536.95	874.27	542.95	46.88	2.50	4.19	77.36	8 588.02
Inter-bank deposits	747.10	538.59	83.10	40	0	0	0	0	1 408.79
Perpetual bonds and cash loans	2.83	2.16	15.63	0	444.77	0	993.69	400.00	1 859.08
LORO	7.85	0.01	0.02	0	0	0	0	0	7.88
REPO	373.85	28.27	0	0	0	0	0	0	402.12
Free capital*	59.76	0	0	0	0	0	0	1 203.32	1 263.08
Other	0.54	51.56	0	66.01	139.93	0	0	0	258.04
Derivatives – cash flows to be received									
Swaps - sale	550.58	197.70	296.34	79.68	0	0	0	0	1 124.30
IRS/CCIRS	14.91	21.97	27.82	138.25	0	0	0	0	202.95
FRA	1.63	8.54	9.21	0	0	0	0	0	19.38
Derivatives – cash flows to be paid									
Swaps - purchase	548.53	193.79	301.58	81.17	0	0	0	0	1 125.07
IRS/CCIRS	14.07	23.03	27.65	132.93	0	0	0	0	197.68
FRA	3.33	8.94	8.10	0	0	0	0	0	20.37
TOTAL	**8 514.79**	**2 492.31**	**1 526.36**	**1 226.20**	**1 727.60**	**949.92**	**2 340.10**	**1 680.68**	**20 457.96**

** equity net of current result decreased with net value of tangible assets (net of finance lease and operating lease), net value of intangible assets (net of finance lease and operating lease) and net value of interests in financial subsidiaries.*

To facilitate the liquidity monitoring risk, the Bank applies the following liquidity limits:

- Stock Liquidity Ratio (SLR) – short-term liquidity ratio (up to 5 working days);
- Liquidity Mismatch Ratio (LMR) – liquidity ratio (up to 1 month);
- Coverage Ratio (CR) – strategic liquidity ratio which informs about a degree of financing long-term assets with long-term liabilities.

In 2006, on the basis of historical data, rules of making the liquidity gap real were implemented. The process of making the gap real is aimed at presenting a more realistic picture of liquidity; the Bank endeavours to model customers' behaviour (the quantity of revolving term deposits, amounts of extended but still undrawn loans) and take into account results of those analyses in the picture of the Bank's liquidity. In the first half of 2007, due to the longer period of collected historical data, we were able to prepare more in-depth analyses of the outflows from accounts without maturity dates (current accounts and savings accounts). The analyses were used to introduce changes in the process of making of a liquidity gap real. An additional LMR ratio (up to one month) was introduced.

The stability of the deposits base

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

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

	30.06.2007	Comparable data 30.06.2006
- individual customers	51%	54%
- financial institutions	9%	9%
- business entities	28%	25%
- budgetary sector	12%	12%

	30.06.2007	Comparable data 30.06.2006
- current deposits	25%	24%
- negotiable term deposits	36%	30%
- term deposits	10%	27%
- saving accounts	29%	19%

The structure of term deposits (except for interbank term deposits and negotiable term deposits) is advantageous from the point of view of an initial maturity date. As at 30.06.2007 and 30.06.2006, it was as follows:

	30.06.2007	Comparable data 30.06.2006
- up to 1 week	24%	12%
- up to 1 month	8%	5%
- up to 3 months	25%	20%
- up to 6 months	16%	24%
- up to 12 months	19%	17%
- up to 24 months	2%	2%
- other	6%	20%

In terms of a currency type, the structure of the deposit base as at 30.06.2007 and 30.06.2006 was as follows:

	30.06.2007	Comparable data 30.06.2006
PLN	82.0%	81.6%
USD	8.0%	9.0%
EUR	9.2%	8.7%
GBP	0.6%	0.5%
CHF	0.1%	0.1%
Other	0.1%	0.1%

Signatures of all Management Board Members

date	23.08.2007	Ronald Richardson	President of the Management Board	....
date	23.08.2007	Umberto Arts	Vice-President of the Management Board	....
date	23.08.2007	Krzysztof Kokot	Vice-President of the Management Board	....
date	23.08.2007	Michał Oziembło	Vice-President of the Management Board	....
date	23.08.2007	Andrzej Witkowski	Vice-President of the Management Board	....

Signature of a person responsible for keeping the account books

date	23.08.2007	Maria Beata Kucińska	Chief Accountant	....

The Management Board's Report on the Operations of Kredyt Bank S.A. Capital Group for the First Half of 2007 Ended 30.06.2007

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1. Results of Kredyt Bank S.A. Capital Group in the first half of 2007

In the first half of 2007, Kredyt Bank S.A. Capital Group generated net profit of PLN 181,621 thousand. ROE was at the level of 17.3%, and ROA – 1.6%.

The most important factor that affects the comparison of the financial result with the corresponding period in the previous year was the sale of debts from the portfolio of Kredyt Bank S.A. and Żagiel S.A. closed in June 2006. Total profit from the transaction which affected consolidated net result in the second quarter of 2006 amounted to PLN 130,745 thousand (an impact on profit before tax of PLN 145,388 thousand). Apart from the absence of comparable single transactions, the deduction of income tax of PLN 49,251 from the result for the first half of 2007 was another vital difference (contrary to the credit of PLN 7,284 thousand to net result for the first half of 2006).

Result on banking activities was substantially higher than in the first half of 2006 (an increase by 9.2%). Very good results from the sale of loans, shares in investment funds and insurance products contributed to the increase in net interest income generated in the first half of 2007 (an increase by 3.5% as compared to the first half of 2006) and in net fee and commission income (an increase by 23.1%).

As a result of restructuring and debt recovery measures, in the first half of 2007, the Group recorded positive balance of net impairment charges for financial assets and other assets and for provisions of PLN 22,560 thousand as compared to the negative balance of PLN 8,857 thousand in the first half of 2006.

In the first half of 2007, the Group faced the enhancement of positive trends observed in 2006 related to the sale, both in assets and liabilities part of the balance sheet, which contributed to the stabilization and, in certain cases, to an increase in market shares. The Group recorded the best results in the case of the sale of mortgages and shares in investment funds.

As compared to the end of the first half of 2006, net loans and advances to customers increased by 29.6%, i.e. by PLN 3,089.6 million, and by 17.0%, i.e. by PLN 1,960.6 million as compared to the end of 2006. The canvassing of customers' financial resources also improved. Total amounts due to customers increased as compared to the end of the first half of 2006 by 16.6%, and by 8.5% as compared to the end of 2006.

Measures aimed at the reduction of non-performing loans portfolio allowed for further improvement of the quality of the loan portfolio measured against the share of receivables for which premises of impairment were identified in total gross loan and advances to customers. At the end of the first half of 2007, the ratio amounted to 10.6%, i.e. it decreased from 13.5% as at the end of 2006 and from 21.4% as at the end of the first half of 2006.

Basic relationships and financial figures	30.06.2007	30.06.2006*
ROE	17.3%	25.3%
ROA	1.6%	2.2%
CIR	68.7%	59.6%
Capital adequacy ratio	11.3%	16.0%
Net profit	181 621	296 403
Impaired loans/total gross loans and advances to customers	10.6%	21.4%

* ROE and ROA include annualized net profit and are net of annualized single transactions

2. Kredyt Bank S.A. Capital Group – conditions of operation in the first half of 2007

2.1. Business conditions in Poland and banking sector in the first half of 2007

Overall business conditions in Poland in the first half of 2007

Following the period of continuing acceleration of the growth pace since the beginning of 2005, in recent months, Polish economy slowed down slightly. Available data show that, in the second quarter of 2007, economic growth rate declined to ca. 6.0% y/y and was substantially slower than record-breaking 7.4% y/y recorded in the first three months of the year.

The growth structure has been relatively stable for a year now, although, with unchanged or even slightly growing share of investments, more substantial impact of private consumption is slowly becoming noticeable. At the same time, increased demand for import (both consumer and investment import) resulted in the situation when, for a year now, again we have been observing negative contribution of net export to the growth. Furthermore, so far foreign trade has not affected total growth rate to a substantial extent only due to better than expected results of the economies of the main trading partners of Poland and the appreciation of the Polish zloty slower than in the previous year, which made it possible to sustain relatively high export growth. However, we expect that, in the context of growing internal consumption at the pace exceeding the rate of GDP growth and of persisting dynamic growth of investment activities, negative contribution of net export to the growth will become greater in the following quarters of the year.

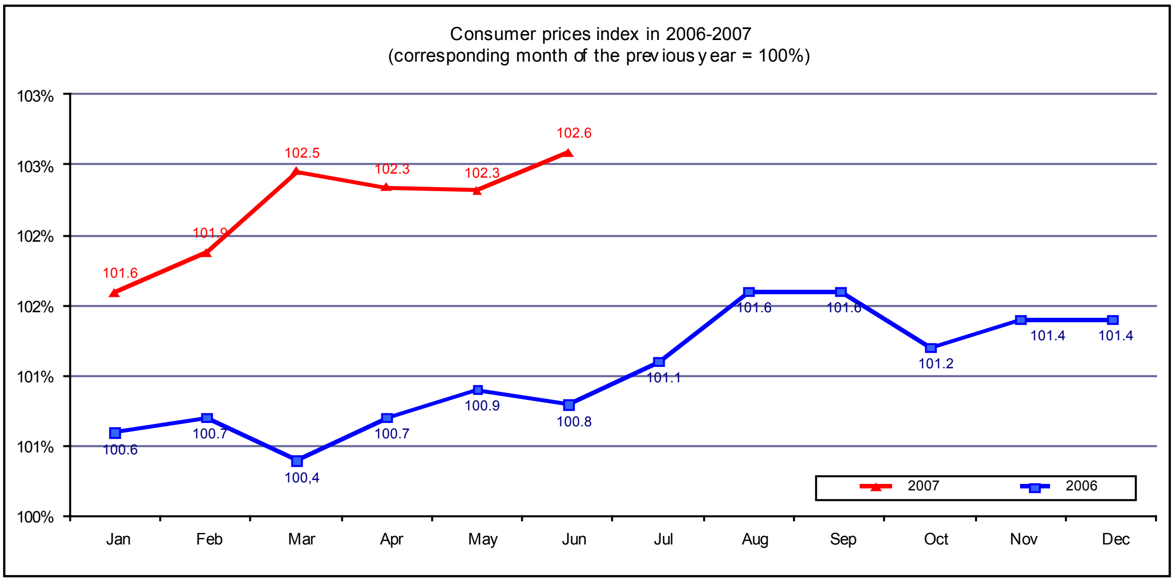
Thus, the peak growth rate for the economy is over which is evidenced by both single macro data incoming for a few months and a series of preceding ratios. Despite the fact, in the context of the whole 2007, the growth rate should slightly exceed 6.0% y/y, which would be a figure close to the one recorded in the previous year. However, although in further quarters, we should expect a certain weakening of investing activities, the declining growth rate will impact internal consumption to a more limited degree, as internal consumption will be supported by extremely good situation on the labour market (which witnessed record-breaking increase in employment and salaries since the beginning of the year), the decrease in state disability pension insurance contribution in July and continuously incoming funds from Poles working abroad.

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

- fast increase in internal demand;
- noticeable improvement of the labour market;
- growing absorption of EU funds;
- steady and high financial profitability of enterprises;
- safe implementation of the budget of the public finances sector (the budget deficit and the deficit of the local government units sector is on the level lower than assumed in the 2007 schedule);
- the continuing stable international investment position of Poland, achieved due to substantial growth in export and the inflow of financial aid from the EU as well as increasing inflow of direct foreign investments;

In the first half 2007, consumer prices continued to grow fast (on a year-to-year basis) which directly results from the increase in crude oil prices on global markets, faster than the year before rise in food prices as well as, to a much lesser extent, an increase in base inflation. It should be stressed that, despite the maintaining high growth rate for internal demand, an annual growth rate for "net" prices index (net of fuels and food prices) increased only slightly (from 1.4% in the second half of 2006 to 1.6% in the first half of the current year). The volatility of the inflation rate was a result, first of all, of all supply-related factors, and substantial growth of internal demand, as throughout 2006, did not result in a greater pressure on price increase. Nevertheless, at the end of the second quarter, the inflation rate calculated on a year-to-year basis again exceeded the bottom limit of approved fluctuations scale around the inflation target determined by the National Bank of Poland.

The figure below illustrates the level of consumer prices index in the first half of 2007 as compared to figures recorded in the corresponding period in 2006.



Negative phenomena include:

- uncertain fate of the public finances reform that has been announced for years now;
- potentially unstable political environment;
- small share of investments in GDP.

The increased share of investments in GDP is the key problem and, at the same time, the main threat for the maintenance of fast medium-term economic growth. Effective use of EU financial aid both under the already closed allocation for the years 2004-2006 and the new budget perspective for the years 2007-2013 will be of particular importance in this respect. The issue is of special importance in the context of the chance for the economy resulting from the right to organize European soccer championships in 2012 granted to Poland and Ukraine.

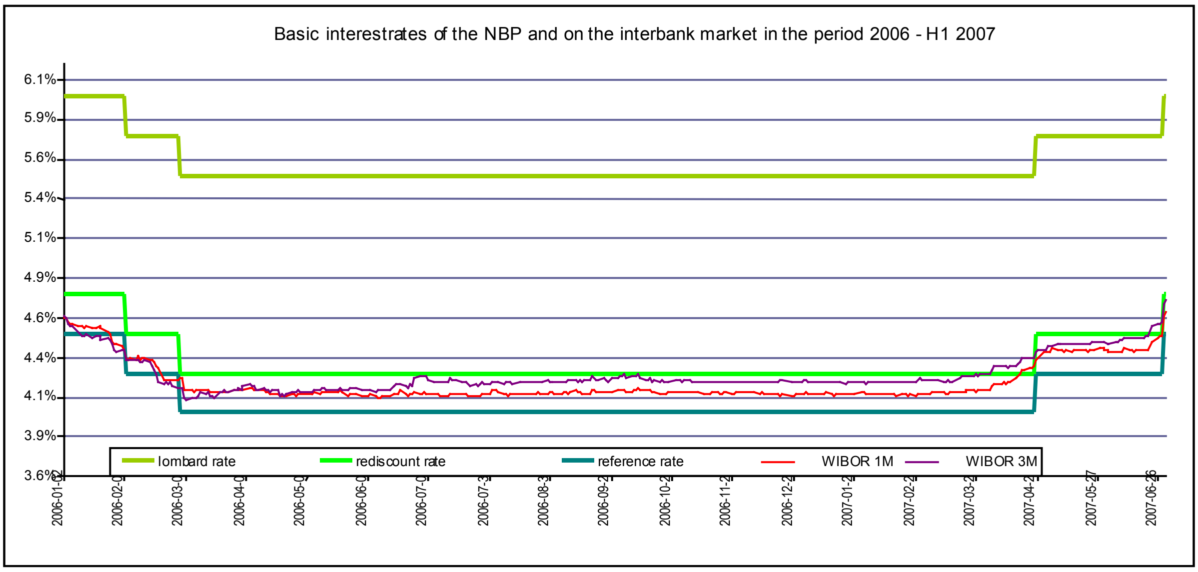
Monetary policy of the National Bank of Poland (NBP) in the first half of 2007

In the second quarter of 2007, the Monetary Policy Council increased basic interest rates twice (by the total of 50 b.p.) and launched the cycle of the tightening monetary policy for the first time in three years. This was an anticipating measure and a response to the balance of risks for future inflation deteriorating despite the continuing improvement of the situation on the labour market and faster growth rate of unit labour costs in the economy.

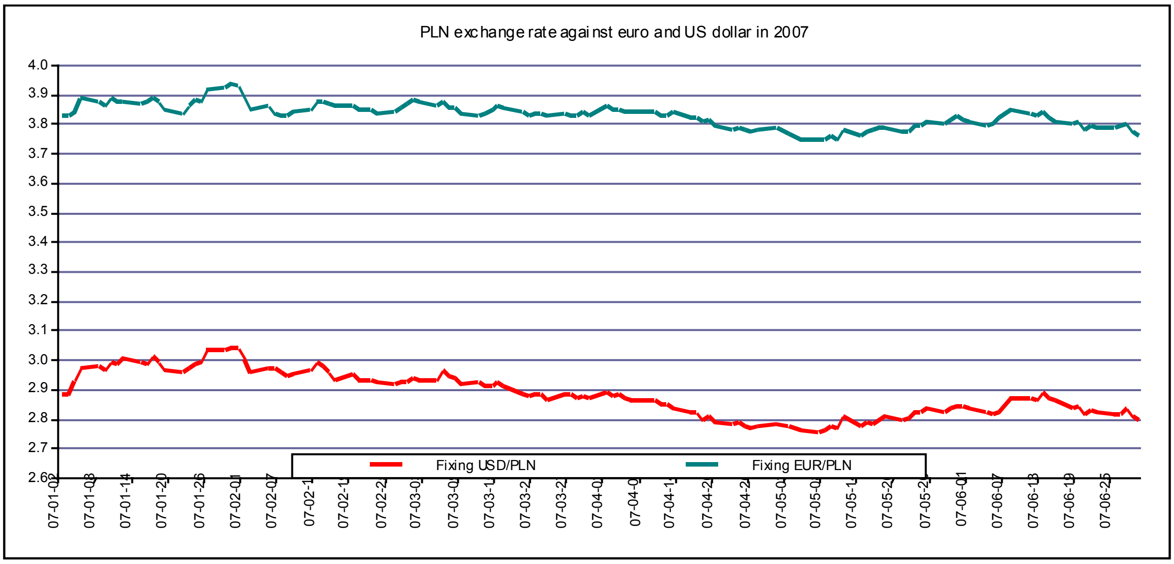
At the end of June 2007, the basic interest rates of the central bank were as follows:

- reference rate 4.5% p.a.;
- lombard rate 6.0% p.a.;
- rediscount rate 4.75% p.a.;
- NBP deposit rate 3.0% p.a.

The figure below illustrates basic interest rates of the National Bank of Poland at the background of inter-bank market rates in 2006 and in the first half of 2007.



At the turn of the second quarter, the Polish zloty appreciated to the highest level in almost 5 years against euro and in over 10 years against the US dollar. At the beginning of the third quarter, PLN lost slightly in value as a result of declining global demand for risk. The long-term Polish zloty appreciation rate is not as strong as in record-breaking 2004 and 2005, however, strong economy continues to positively affect the gradual appreciation of the Polish zloty.



The continuing advantageous international investment position of Poland should be highlighted here first. This position, due to the growing inflow of direct foreign investments, deteriorated only slightly despite negative trends observed in recent months on the current account. At the end of July 2007, the exchange rates were as follows: PLN 3.7900 per 1 EUR and PLN 2.7653 per 1 USD (average NBP exchange rates).

Banking sector in the first half of 2007

Very good business conditions positively affected the banking sector. In the first half of 2007, the volume of retail loans increased very fast. As expected, the demand for loans in corporate sector was higher. Fast growth of basic income was maintained. At the same time, banks indirectly became beneficiaries of the growing demand for other services of the financial market, mainly record inflow of funds to investment funds societies.

Despite accelerated business growth, the trend to improve the quality of loans portfolio continued[1]. It resulted from the statistical growth of loan receivables, undertaken debt recovery measures and higher income of customers in the context of better economic conditions.

The increase in the scale of operations in the context of growing interest rates positively affected the financial results of banks. According to preliminary data of the General Inspectorate of Banking Supervision, net profit in the first half of 2007 exceeded PLN 7 billion and was higher than net profit in the first half of 2006 by 21.6%.

The growth of GDP, industrial production and consumption translated into the growth of total customers' debt (29% y/y). Mortgage loans for natural persons played the most crucial role in the growth of banks' loan extending activity (53%) and they rose by over 51%. In 5 months of 2007, the sales of mortgage loans amounted to over PLN 21 billion. The share of new loans in foreign currencies declined substantially from 82% (an average percentage for 6 months of 2006) to 44% (an average percentage for 5 months of 2007).

In the first half of 2007, the growing rate of loan-related debts of enterprises which increased mainly due to increased demand for the financing of operational and investment objectives was a positive phenomenon[2].

In terms of amounts due to customers, the banking sector recorded an increase in total deposit base (14% y/y at the end of June 2007). Due to good liquidity, corporate deposits grew relatively the fastest (by 27% y/y on average). Household deposits increased substantially slower (by 5% y/y on average) which is evidence for the population's inclination to consume. The declining interest in term deposits was accompanied by growing demand for competitive financial products[3].

Sector development trends in the first half indicate that retail customers market, especially three expansion directions on this market, i.e. mortgage loans, consumer finance and the sale of shares in investment funds (and in investment and insurance funds) forms the pillar of marketing strategies of all

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[1] Credit risk ratio measured as the share of receivables threatened by impairment in the portfolio of loans and advances to non-financial sector decreased from 9.3% at the end of June 2006 to 6.2% at the end of the first half of 2007.

[2] Good business conditions in the first half of 2007 and related faster growth of investments are evidenced by increasing value of leased assets (68% y/y) and by the increase in the indebtness of businesses due to the issue of securities (including 40% for long-term bonds). The figures for 6 months also indicate to a growing activity of banks on the factoring market (an increase in turnover by 24% y/y).

[3] Statistics prove a radical shift in customers' preferences. In 6 months of 2007, the inflow of cash to investment funds amounted to over PLN 24 billion. And amounts due from banks to households at the end of June 2007 were higher than as at the end of December 2006 by only PLN 315 million.

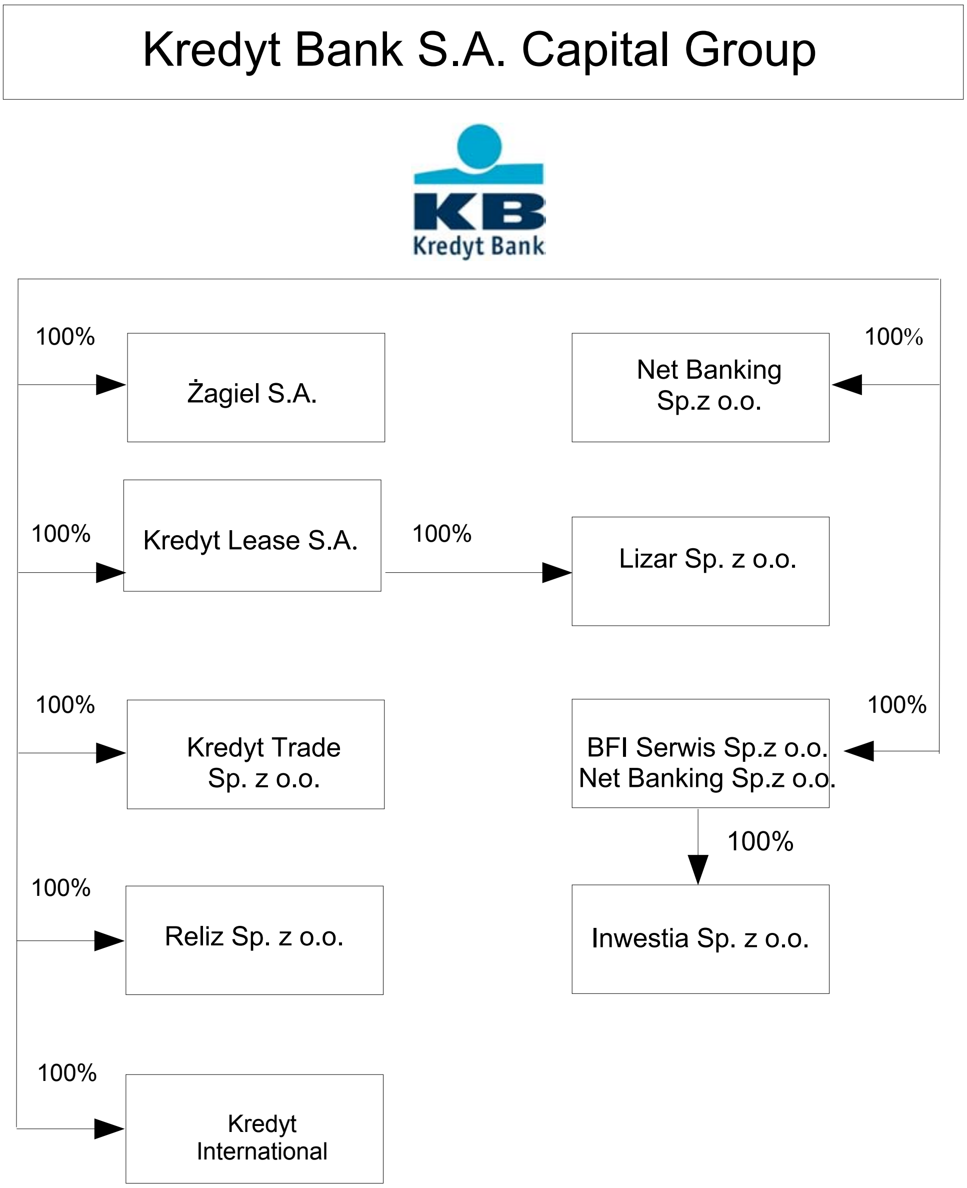
leading banks. The development of the distribution network was subordinated to the objective of canvassing as many customers as possible. As a result, the large-scale expansion of the network of banking outlets continued and employment increased. The climate of very optimistic forecasts for the development of the banking sector which is a natural result of expectations (additionally fuelled by the visions of *Euro 2012*) concerning the continuation of long-term economic growth in Poland positively affected the development of new investment projects.

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

2.2.1 The Group structure, investment plans, transactions with related parties

Kredyt Bank S.A. Capital Group is composed of legally separated business entities, whose operations are closely coordinated. The capital relations linking the Group are supported by trading relations, contracts, a common product offer, the Bank's control over the companies' operating and financial policies and the transfer of management staff and know-how.

The Group's composition and ownership structure as at 30.06.2007 was as follows:



Changes in the Group's organization

No changes occurred in the Group's organization as compared to the situation as of 31.12.2006.

Investment plans, including equity investments

One of the basic objectives of the Group's strategy is to increase its share in the Polish financial services market. Equity investments in entities of the financial sector create potential opportunities for the accomplishment of such goals. In each such potential case, undertaken measures are lawful and analyzed in terms of economic and organizational conditions. According to the Group's development strategy which provides for the development of a universal banking and insurance group, the Bank will focus on operations other than investment banking.

As at 30.06.2007, equity investments made outside the Group were mainly investments in shares of such companies as KIR S.A., BIK S.A., GPW, SWIFT and shares acquired in debt recovery and restructuring processes. As at 30.06.2007, their share in the Group's balance sheet was immaterial. Detailed list of equity investments in associates is presented in Note 38 to the Consolidated Financial Statements of Kredyt Bank Capital Group for the First Half of 2007 Ended 30.06.2007.

Related party transactions

Related parties with which the Group concludes transactions are the Group's associates, the companies of KBC Group, persons managing the Group and other related parties.

Transactions with related parties are standard banking operations, provided at arm's length: granting loans, issuing bank guarantees, issuing own securities, accepting deposits, borrowing loans, currency transactions, transactions made in derivatives. Transactions volumes and related income and expenses are presented in Note 62 to the Consolidated Financial Statements of Kredyt Bank Capital Group for the First Half of 2007 Ended 30.06.2007.

2.2.2 Shareholding structure of the Group's parent company

As at 30.06.2007, the Bank's share capital totalled PLN 1,358,294,400 and was divided into 271,658,880 shares with the nominal value of PLN 5.00 each. The Bank's shares are registered shares and bearer shares; they are not preference shares and each share entitles its holder to one vote at the Bank's General Meeting of Shareholders. All Bank's shares are admitted to public trading on the regulated market. In comparison with 31.12.2006, the Bank's share capital did not change.

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

The table below presents Shareholders of Kredyt Bank S.A. holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 30.06.2007.

Shareholder	Line of business	Number of shares and votes at the GMS	Share in votes and share capital (%)
KBC Bank NV*	Banking	217 327 103	80.00
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.

Share prices of Kredyt Bank S.A. at Warsaw Stock Exchange

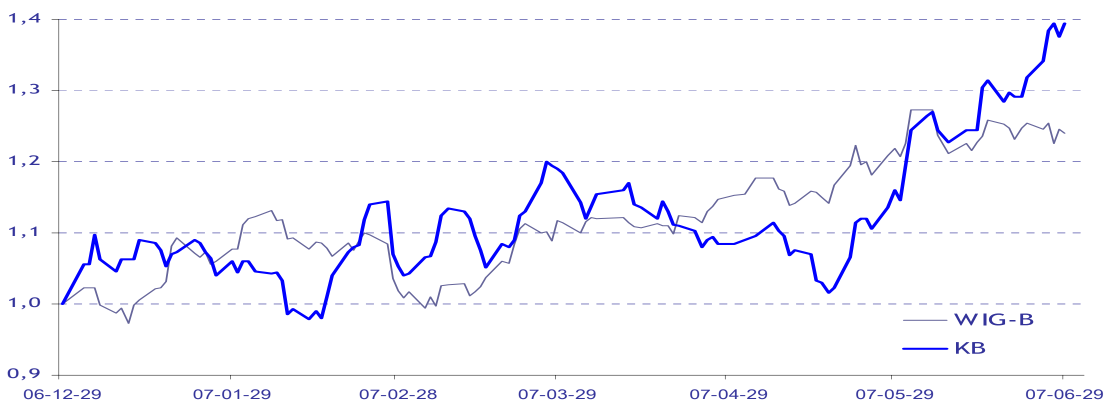
The financial results and business accomplishments of KB S.A. Group in 2007 translated into a substantial increase in the prices of the Bank's shares at Warsaw Stock Exchange. In general, in the first half of 2007, the price of KB S.A. share was on the rise in line with the overall share price growth trend on the whole market. At the end of June 2007, relative strength of the Bank's shares preceded the change of such indices as WIG and WIG-Banks to a large extent.

The Bank's market value at the closing price at the last stock exchange session in the first half of 2007 (June 29) amounted to PLN 7,606 million, and P/BV ratio was at the level of 3.5. For comparison purposes, at the last session in June 2006, the Bank's shares were valued at the total of PLN 4,428 million, at P/BV of 2.49. Thus, investments in the shares of KB S.A. generated +71.8% of annual return. It was higher than 12-month change of WIG-Banks index (+60.7%).

	30.06.2006	29.06.2007	Change (%)
KB S.A. share price (PLN)	16.30	28.00	71.8%
WIG index	40 645	66 078	62.6%
WIG Banks index	5 466	8 784	60.7%
Earnings per share* (in PLN)	1.09	0.67	-38.5%
Book value per share* (in PLN)	6.96	7.79	11.9%

* computed on the basis of consolidated figures

KB's quotations against WIG-Banks index in the first half of 2007



2.2.3 Authorities of the Group's parent company

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

The Supervisory Board, at the meeting on 21.12.2006, adopted a resolution on increasing the number of the Members of the Management Board to 6 persons and on 01.01.2007 appointed a new Member of the Management Board of Kredyt Bank S.A., Mr. Michał Oziembło, who became the Vice President of the Management Board responsible for Consumer Finance function.

On 06.04.2007, Mr. Konrad Kozik, the Vice President of the Management Board, resigned from his position of the Vice President of the Management Board and from the membership in the Management Board as of 27.04.2007.

On 18.04.07, the Supervisory Board dismissed Mr. Bohdan Mierzwiński, the Vice President of the Management Board, from his position of the Vice President of the Management Board and from the membership in the Management Board as of 18.04.07.

As at 30.06.2007, the Management Board of Kredyt Bank S.A. was composed of:

Mr. Ronald Richardson	- President of the Management Board
Mr. Umberto Arts	- Vice-President of the Management Board
Mr. Krzysztof Kokot	- Vice-President of the Management Board
Mr. Michał Oziembło	- Vice-President of the Management Board

At the meeting on 05.06.2007, the Supervisory Board of Kredyt Bank S.A. appointed, as of 01.07.2007, Mr. Andrzej Witkowski, the Chairman of the Supervisory Board, to be a temporary Vice President of the Management Board of Kredyt Bank S.A.

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

On 27.03.2007, Mr. Józef Toczek, a Member of the Supervisory Board of Kredyt Bank S.A. resigned from his position of a Member of the Supervisory Board of Kredyt Bank S.A.

On 05.06.2007, the Annual General Meeting of Shareholders of Kredyt Bank S.A., appointed, as of 05.06.2007, Mr. Francois Gillet (appointed by the Supervisory Board on 29.11.2006) and Mr. Krzysztof Trębaczkiewicz (appointed by the Supervisory Board on 18.04.2007) to be members of the Supervisory Board of Kredyt Bank S.A.

As at 30.06.2007, the Supervisory Board of Kredyt Bank S.A. was composed of:

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

The Bank's and the Group's shares held by members of management and supervisory authorities

As at the date of the publication of this report, i.e. 23.08.2007, as compared to the situation as at the publication date of the annual consolidated financial report for 2006, the number of the Bank's shares held by Members of the Bank's Management Board and Members of the Bank's Supervisory Board did not change. The number and value of shares in the Group's parent company and shares in subsidiaries and associates held by members of the Management Board and members of the Supervisory Board of Kredyt Bank S.A. is presented below.

	Shares of Kredyt Bank S.A.		Shares in subsidiaries and associates	
	Number of shares	Nominal value (in '000 PLN)	Number of shares	Nominal value (in '000 PLN)
Members of the Management Board	5 000	25	0	0
Ronald Richardson	5 000	25	0	0
Members of the Supervisory Board	1 000	5	0	0
Marek Michałowski	1 000	5	0	0

Remunerations of persons managing and supervising the Group's parent company

Detailed information on the remunerations of persons managing and supervising the Group's parent company and contracts entered into by the Issuer and managing persons are presented in Note 63 to the Consolidated Financial Statements of Kredyt Bank Capital Group for the First Half of 2007 Ended 30.06.2007.

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

The main assumption of the main shareholder's strategy, reflected in the strategy of Kredyt Bank S.A. Group, is the accomplishment of higher and higher levels of growth and returns without expanding the Bank's risk. Having regard for the present high market price of the internal growth, Kredyt Bank S.A. Group prefers the business model which entails limited development. However, it does not exclude acquisitions supplementing internal growth.

As assumed by the main shareholder, the policy of increasing dividend levels will be pursued.

The Group's strategic goals:

In terms of their position on the retail market:

- focus on "mass" and "upper mass" customers as well as SMEs (including companies with annual sales up to PLN 16 million);
- focus on key products (consumer and mortgage loans, credit cards, current and savings accounts, investment funds and products linked to WARTA's insurance offer) ,

In terms of their position on the corporate market:

- focus on services to medium-sized companies, including customers of other KBC Group members operating in Poland;
- focus on the increase in customer relations efficiency through the sale of additional products; besides traditional loans and deposits, these are mainly cash management, trade financing, market risk management instruments and leasing.

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

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

Methods of the goals accomplishment:

- implementation of the bancassurance model in cooperation with WARTA S.A. Group on the basis of the major shareholder's experience;
- the development of consumer finance;
- consolidation of the Bank's new brand and close cooperation with entities of KBC Group in Poland to provide the customers with a complete, professional and a modern offer of financial services with limited costs of its development;
- increasing network effectiveness and its expansion (the process of creating 120 new outlets launched in 2006), creating mobile sale teams, activating alternative distribution channels;
- high quality of services and customer satisfaction.

2.4. Corporate Governance

The Management Board of Kredyt Bank S.A. attach great importance to applying Corporate Governance rules in the management process. Corporate Governance is to be as a set of regulations necessary to maintain proper relations between interests of all entities and natural persons involved in running the company's operation.

According to the Management Board, a proper distribution of proportions between executives, shareholders, customers and employees is an essential factor leading to stable development of the Bank in the long term and, accordingly, to an increase in its value as a stable and effective partner.

Best practices in public companies

Kredyt Bank S.A. applies, developed by the Good Practices Committee and recommended by Warsaw Stock Exchange, corporate governance rules concerning joint stock companies admitted to stock exchange trading set forth in the document "The 2005 Best Practices in Public Companies".

On 27.06.2007, the Management Board of Kredyt Bank S.A. submitted, in the form of a current report, its declaration on the observance of corporate governance in Kredyt Bank S.A. The Bank pledged fully keeping declared its intention to observe 47 out of 48 Rules. In the case of Rule No. 20 which specifies the role of independent members of the Supervisory Board, at present, the Bank on current stage respects provisions with reference to the number of independent members in the Supervisory Board. As many as five of nine members of the Supervisory Board are not connected with the Bank's strategic shareholder, with the Bank or with its employees. The last works are underway to define detailed criteria of independence in the Bank's Memorandum and Articles of Association.

Under the corporate governance rules, the Bank adopted the By-laws of the Management Board, of the Supervisory Board and of the General Meeting of Shareholders.

The members of the Supervisory Board have proper education; most of them are graduates of law schools or economics faculties. Besides, all members of the Supervisory Board have long-standing experience in businesses management.

The Supervisory Board function comprises the Audit Committee and the Remunerations Committee. If needed, the Supervisory Board can also appoint another Committees, determine their powers and procedures. The Audit Committee supervises the activities of the Bank's organizational units responsible for internal audit, risk management and compliance function. The Remunerations Committee supervises employees issues and salaries, especially salaries of the Bank's Managements Board members.

The By-laws of the Bank's General Meeting of Shareholders determine detailed rules of conducting the meeting and adopting the resolutions. The By-laws determine, among other things, rules of shareholders' participation in the General Meeting and detailed regulations concerning the appointment of the Supervisory Board by voting in separate groups.

The Bank, observing the corporate governance rules, also presents on its website, in investor relations section, periodical and current stock exchange reports, current reports, basic internal regulations and other information which make it possible to reliably evaluate the company's operations.

2.5. Operating risks

The main rule of Kredyt Bank S.A.'s strategy is full control and minimization of the operating risks. The Bank's supervisory bodies, explicitly the Supervisory Board and Management Board, play the most important role in risk management process. The Bank's Supervisory Board, through the Audit Committee, is informed about the most vital decisions and give the opinion about the actions of the Management Board in this respect.

Committees directly supervise specific types of risks; they are headed by Management Board members, at least two in each committee:

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

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

In the previous year, the main risk management objectives, policy and processes did not change. The Bank's exposure to credit risk, market risk and operating risk did not change as well. The overriding objectives of risk management policy concerning mainly the observance of internal and external limits and optimizing and mitigating risk in the process of ongoing monitoring are being systematically implemented.

More detailed data concerning risk management in Kredyt Bank S.A. Group are presented in Note 78 to the Consolidated Financial Statements of Kredyt Bank Capital Group for the First Half of 2007 Ended 30.06.2007.

2.5.1. Credit risk

Credit policy

Kredyt Bank S.A. Capital Group follows a prudent credit risk policy. The main objective is to prevent impairment of loans portfolio and minimize the share of receivables for which individual evidence of impairment was identified in total gross loan receivables. The primary assumptions of the credit policy are as follows:

- clear-cut division between sale and credit risk management functions;
- ongoing monitoring and early identification of hazards;
- centralization of decision-making powers in the credit process and in the process of the management of impaired loans portfolio;
- risk diversification;
- limited financing of higher-risk business activities.

Credit risk management

The Bank's credit risk is defined as the risk of non-payment of amounts due if a borrower, guarantors, reassurer, contractor or issuer loses its creditworthiness.

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

The process of risk management for individual transactions entails risk assessment for such a transaction and, depending on its level, application of an appropriate decision-making process.

The portfolio risk management is the responsibility of the Credit Risk Committee. In particular, the Credit Risk Committee is responsible for the following:

- acceptance and substantial supervision over the methods of credit risk measurement;
- recommending to the Bank's Management Board and the Supervisory Board admissible level of credit risk in the Bank's and subsidiaries' balance sheets;
- expressing opinions on the Bank's credit policy;
- expressing opinions on creation of write-downs and valuation of collateral;
- expressing opinions on internal credit limits;
- changing risk limits and approval of limit exceeds within the powers of the Bank's Management Board;
- substantial supervision over the program of the Bank's adjustment to the requirements of the New Capital Accord related to credit risk;
- approval of the new products in terms of credit risk.

The Bank manages the credit risk, applying different tools. The monitoring of the Bank's exposure concentration in customers or groups of related customers (in accordance with applicable banking law), and also the monitoring of the utilization of the industry exposure concentration limits are among the basic ones.

Exposure towards 10 major corporate customers

Company	Share (%) in the portfolio as at 30.06.2007 *non-audited*	Comparable data Share (%) in the portfolio as at 31.12.2006	Comparable data Share (%) in the portfolio as at 30.06.2006 *non-audited*
Customer 1	3.8	4.2	3.3
Customer 2	3.0	2.8	2.4
Customer 3	2.9	2.4	2.3
Customer 4	2.4	2.1	2.2
Customer 5	2.4	2.0	2.1
Customer 6	2.2	1.9	1.8
Customer 7	1.9	1.7	1.8
Customer 8	1.8	1.5	1.6
Customer 9	1.7	1.4	1.6
Customer 10	1.6	1.2	1.4
Total	**23.7**	**21.2**	**20.5**

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

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

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

Exposure by industries

	Exposure % **30.06.2007** *non-audited*	**Comparable data Exposure %** **31.12.2006**	**Comparable data Exposure %** **30.06.2006** *non-audited*
Production activities	28.0	29.8	27.5
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	21.3	20.6	23.8
Financial intermediation	15.0	10.4	7.8
Real estate administration and lease	11.3	14.2	14.2
Transport, storing and communication	5.5	3.6	3.2
Public administration and national defence, legally guaranteed social care	5.1	7.0	7.0
Construction	4.4	4.3	4.9
Supplies of electricity, gas and water	3.9	4.1	4.6
Agriculture, hunting and forestry	2.0	2.0	2.1
Hotels and restaurants	1.1	1.3	1.6
Health care and social care	1.0	1.0	0.8
Other services for municipalities, social and individual services	1.0	1.1	1.4
Education	0.3	0.5	1.0
Mining	0.1	0.1	0.1
Total	**100.0**	**100.0**	**100.0**

Geographical exposure

Province	Gross loans structure (%) 30.06.2007 *non-audited*	Comparable data Gross loans structure (%) 31.12.2006	Comparable data Gross loans structure (%) 30.06.2006 *non-audited*
Mazowieckie	23.2	20.8	20.5
Lubelskie	14.3	14.6	13.7
Dolnośląskie	10.5	10.5	10.2
Wielkopolskie	9.5	10.1	9.6
Śląskie	8.6	8.1	9.7
Pomorskie	6.7	7.4	7.5
Małopolskie	6.6	7.8	7.5
Łódzkie	3.6	3.5	4.2
Zachodniopomorskie	3.5	3.8	3.8
Podlaskie	3.3	3.3	3.5
Kujawsko-pomorskie	2.5	2.1	2.2
Podkarpackie	2.4	2.5	1.8
Warmińsko-mazurskie	2.2	2.5	2.0
Świętokrzyskie	1.3	1.3	1.7
Lubuskie	1.0	1.0	0.9
Opolskie	0.6	0.6	0.6
Non-resident	0.2	0.1	0.6
Total	**100.0**	**100.0**	**100.0**

The Bank continues works related to the implementation of the New Capital Accord (NCA). With regard to credit risk, application of an option which involves successive conversion from less advanced approaches (Standard Method) to more advanced approaches (Internal Ratings Method: Basic and Advanced).

The Programme on Quantitative Assessment of Credit Risk - QCR (Quantitative Credit Risk) Programme - was created in 2004 to complete credit risk tasks associated with the New Capital Accord. The implementation of the programme will facilitate among others:

- development and implementation of credit risk measurement models;
- development and implementation of databases and tools facilitating the collection of data for the purposes of model development and their testing;
- reorganization of the credit process taking into account the established level of risk;
- development and implementation of RAROC concept at the Bank;
- development of tools and reporting standards for the purposes of calculating capital adequacy by the standard method and internal ratings.

It is assumed that fulfilment of the above tasks will improve ROE through optimal adjustment in terms of capital requirements, the improvement of efficiency of credit processes at the Bank and enhancement of business management.

The preparations to implement the Standard Method are now related to preliminary tests of the information system applied to calculate the level of risk-weighted assets. And, in the case of the Internal Ratings Method (basic method), efforts are focused on collecting appropriate time series of data and developing PD, LGD and EaD models. The Bank has already implemented rating models covering a significant part of both corporate and retail loan portfolio. The models are now being implemented.

2.5.2. Liquidity risk

The liquidity risk is strictly associated with activities of any bank. It results, among other things, from the mismatch of assets and liabilities in terms of maturity dates what is a natural effect of varied customers' requirements as regards deposits and loans.

Maintenance of financial liquidity, understood as the ability to timely meet financial liabilities, is the crucial element of the policy on assets and liabilities management applied by the Bank. The current liquidity is maintained through correcting the surplus or shortage of liquid cash by operations conducted on the interbank money market. The Bank's safety calls for the maintenance of liquid reserves as well as the term and quality structure of the whole balance sheet. Decisions related to liquidity risk management are made by the Bank's Assets and Liabilities Management Committee. The Risk Management Department measures and monitors strategic (long-term) liquidity.

The Bank hedges the liquidity risk by:

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

Support of KBC Group, the strategic investor, is a crucial factor affecting the safety of the Bank's operations. An analysis of the Bank's liquidity is performed mainly on the basis of the liquidity gap report and the assessment of the deposit base stability e.g. by monitoring the mismatch of the maturity dates of assets and liabilities, what makes it possible to forecast the demand for liquid assets and avoid excessive concentration of cash disbursements on a close date.
To facilitate the liquidity monitoring risk, the Bank applies the following liquidity limits:

- Stock Liquidity Ratio (SLR) – short-term liquidity ratio (up to 5 working days);
- Liquidity Mismatch Ratio (LMR) – liquidity ratio (up to 1 month);
- Coverage Ratio (CR) – strategic liquidity ratio which informs about the degree of financing long-term assets with long-term liabilities.

The stability of the deposits base

A stable deposit base is the main source of the Bank's financing. The diversification of the deposit base allows for the Bank's independence of any specific market segment, customer group or specific deposit type. Except for Mazowieckie Province, the deposits base is also not concentrated in one specific region. Amounts due from the Group to customers by provinces are as follows:

Province	**Deposits structure in %** **30.06.2007** *non-audited*	**Deposits structure in %** **31.12.2006**	**Deposits structure in %** **30.06.2006** *non-audited*
Mazowieckie	32.5	29.4	29.9
Dolnośląskie	8.7	8.8	8.8
Śląskie	7.2	7.1	6.7
Małopolskie	6.7	7.1	7.0
Łódzkie	6.3	6.2	6.2
Wielkopolskie	6.0	6.8	6.1
Podlaskie	5.9	5.8	6.2
Pomorskie	5.9	6.7	6.4
Lubelskie	5.4	5.6	5.9
Podkarpackie	4.2	4.5	4.7
Zachodniopomorskie	3.3	3.5	3.4
Kujawsko-pomorskie	2.6	2.9	3.2
Warmińsko-mazurskie	2.0	2.1	2.0
Świętokrzyskie	1.5	1.6	1.5
Lubuskie	1.1	1.1	1.2
Opolskie	0.7	0.8	0.9
Total	**100.0**	**100.0**	**100.0**

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

	30.06.2007 *non-audited*	**Comparable data** **30.06.2006** *non-audited*
- individual customers	51%	54%
- financial institutions	9%	9%
- business entities	28%	25%
- budgetary sector	12%	12%

	30.06.2007 *non-audited*	**Comparable data** **30.06.2006** *non-audited*
- current deposits	25%	24%
- negotiable term deposits	36%	30%
- term deposits	10%	27%
- saving accounts	29%	19%

Amounts due to customers (by maturity dates)

Amounts due to customers (by maturity dates)	**30.06.2007** *non-audited*	**31.12.2006**	**30.06.2006** *non-audited*
- up to 1 month	15 085 730	13 244 969	11 470 180
- 1-3 months	1 129 368	1 240 152	1 585 902
- 3-6 months	500 210	764 953	881 006
- 6 months to 1 year	290 400	378 044	580 562
- 1 - 3 years	26 324	24 683	49 332
- 3 - 5 years	60 714	77 861	4 166
- 5 - 10 years	26 393	41 626	95 779
- 10 - 20 years	995	988	1 583
- over 20 years	0	173	1
- interest	27 776	33 814	36 982
Total	**17 147 910**	**15 807 263**	**14 705 493**

Gross loans and advances to customers by maturities

Gross loans and advances to customers (by maturity dates)	**30.06.2007** *non-audited*	**31.12.2006**	**30.06.2006** *non-audited*
- up to 1 month	700 321	332 065	236 640
- 1-3 months	705 950	573 940	473 476
- 3-6 months	793 131	696 848	714 032
- 6 months to 1 year	2 880 487	2 734 159	2 557 129
- 1 - 3 years	2 165 841	1 965 898	1 880 917
- 3 - 5 years	1 676 096	1 366 320	1 324 721
- 5 - 10 years	1 767 807	1 691 383	1 759 585
- 10 - 20 years	1 744 250	1 496 784	1 129 223
- over 20 years	1 045 962	664 365	488 396
- past due	943 356	1 038 553	1 558 426
- interest	86 296	83 528	79 501
Total	**14 509 497**	**12 643 843**	**12 202 046**

2.5.3. Market risk

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

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

To increase management quality, the Bank's activity is divided into two parts: trading book and banking book. The risk is monitored for each book separately.

Trading Book

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

Value at Risk (VaR) is the basic metric of risk in trading portfolio; it is calculated by historical method in the time horizon of 10 days, taking into account market figures for the previous 500 days. Value at Risk means such value that the probability of the Bank's loss exceeding this value amount to 1%.

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

	Limit	30.06.2007 *non-audited*	Data for the first half of 2007		
			Average	Minimum	Maximum
VaR	3000.0	522.91	372.30	175.86	1214.45
	Limit	**30.06.2006** *non-audited*	**Data for the first half of 2006 ***		
			Average	Minimum	Maximum
VaR	3000.0	367.98	443.7	152.2	1237.6

* data for the period 09/02/2006 – 30/06/2006. Previous calculations were made separately for foreign exchange item and interest rate.

Trading book – interest rate risk

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

Additionally, the level of interest rate risk is monitored and limited (by establishment of limits) against BPV (basis point value).

All above-mentioned limits concern the total trading book. Trading Book Unit in the Cash Management Department managing the Trading Book is divided into two sections (with the primary term of instruments as the basic division criterion): Short Term Desk (instruments up to 2 years) and Long Term Desk. Internal VaR limits and stop-loss (maximum acceptable loss) restrict the activities of particular sections.

VaR for particular sections – in EUR '000

	Limit	30.06.2007 *non-audited*	Data for the first half of 2007 *non-audited*		
			Average	Minimum	Maximum
Short term Desk	1300.0	220.79	281.75	96.87	803.92
Long Term Desk	1300.0	349.91	325.77	84.05	882.65

VaR for particular sections – in EUR '000

	Limit	30.06.2006 *non-audited*	Data for the first half of 2006 * *non-audited*		
			Average	Minimum	Maximum
Short term Desk	1300.0	330.3	390.8	128.7	746.9
Long Term Desk	1300.0	464.3	269.4	72.9	872.5

Trading book – currency risk

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

In the event of foreign exchange risk, 'value at risk' method is supplemented by stress-testing which is the amount of possible loss in the situation of extremely adverse (critical), but probable, changes in exchange rates.

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

Banking Book

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

Banking book – interest rate risk

The Bank actively manages the interest rate risk for 5 main currencies of the balance sheet: PLN, EUR, USD, CHF, GBP. An interest rate gap prepared separately for each currency is the basic measurement and risk-limiting tool in the banking portfolio. The following risk metrics are calculated on that basis:

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

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

Hedge accounting

As at 30.06.2007, the Bank continued to apply hedge accounting for fair value hedge for asset swaps. The purpose of hedge accounting is to hedge fixed interest rate bonds with IRS, on which the Bank pays a fixed interest rate and receives a floating interest rate.

As at 30.06.2007, the Bank continued to apply hedge accounting of cash flows for asset swaps which consists in the hedging of cash flows resulting from floating interest rate bonds (which involved the conclusion of IRS transaction in which the Bank receives fixed and pays floating interest cash flows).

As at 30.06.2007, the Bank continued to apply hedge accounting also as regards the part of the loans portfolio based on O/N rate. The hedge consist in creating swap structure composed of revolving OIS transaction (the Bank pays cash flow based on O/N rate) and standard IRS transaction in which the Bank pays cash flow based on floating interest rate adjusted to OIS maturity date and receives fixed interest flows. The hedged risk in this case is an interest rate risk resulting from a change of short-term interest rates.

Banking book – currency risk

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

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

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

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

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

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

Average interest rates in Kredyt Bank S.A. in the first half of 2007

Average effective interest rates for customer deposits by main currencies:

	30.06.2007	31.12.2006	30.06.2006
EUR	3.5	2.0	1.4
GBP	-	2.7	2.3
PLN	1.2	2.7	2.8
USD	4.7	3.3	1.8

Average effective interest rates for loans and advances to customers by main currencies:

	30.06.2007	31.12.2006	30.06.2006
CHF	3.8	4.1	4.0
EUR	5.4	5.4	4.7
PLN	6.7	9.2	8.9
USD	6.3	7.7	7.9

2.5.4. Operating risk

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

In 2006, the Bank developed the operating risk management policy, which determines standards of identifying, appraising and monitoring the risk level and profile, in accordance with the standard method of determining capital requirements. The methodology covers, apart from determining the profile of operating risk based on historical data concerning the disclosed events, the identification of current and potential threats, as a result of cyclical self-assessment processes. In business areas, the Bank also implemented standards of mitigating key risks, particularly taking into account the risks which are characterized by low incidence but a significant impact on the financial result.

In 2006, cyclical self-assessment processes were also initiated by business entities. The main objective is to identify an operating risk with existing control mechanisms and increase the awareness of risk existence and its scale. A part of those processes has been already finished, by applying the solutions approved by the Operating Risk Committee, resulting from the analysis. The operating risk coordinators, directly supporting the management staff of business units, play a crucial role in applying operating risk management tools and techniques.

The infrastructure of management and methodology are coherent within the Bank and its subsidiaries. Identification and operating risk rating tools are identical. The whole process is supervised by the Operating Risk Committee which is managed by the President of the Management Board.

2.6. Events and agreements significant for operation of the Group in First Half of the 2007

The following events were material for the Group's operation in the first half of 2007:

- On 23.02.2007, due to the implementation of a new ratings calculation methodology, Moody's Investors Service changed the financial strength rating of Kredyt Bank S.A. from 'D-' to 'D'.
- On 28.02.2007, Fitch Ratings published the following ratings for Kredyt Bank S.A.: rating for the business - "A+", short-term rating - "F1", individual rating - "D", support rating - "1". The outlook for the above rating remains stable.
- The Supervisory Board of Kredyt Bank S.A., under § 24.1.3 of the Bank's Memorandum and Articles of Association, upon the request of the Management Board, on 18.04.2007, appointed the certified auditor, Ernst & Young Audit Sp. z o.o., to perform an independent review and audit of financial statements of Kredyt Bank S.A. and of consolidated financial statements of Kredyt Bank S.A. Capital Group as of 30.06.2007 and 31.12.2007. Kredyt Bank S.A. used services of Ernst & Young Audit Sp. z o.o. related to the audit and the review of the Bank's financial statement for 2002, 2003, 2004, 2005 and 2006.
- On 27.04.2007, Kredyt Bank S.A. was informed by KBC Bank NV that, on 24.04.2007, KBC Securities NV, a wholly-owned subsidiary of KBC Bank NV, purchased 7,690,966 shares of Kredyt Bank S.A. in a block transaction. As we were informed by KBC Bank NV, prior to the purchase, KBC Bank NV held 217,327,103 shares of Kredyt Bank S.A., i.e. 80.00% of share capital of Kredyt Bank S.A. Following the transaction, KBC Bank NV holds 217,327,103 shares in their investment portfolio, i.e. 80-percent share in the share capital of Kredyt Bank S.A., and KBC Securities NV holds 7,690,966 shares of Kredyt Bank S.A. in their trading portfolio, i.e. 2.83-percent share in the share capital of Kredyt Bank S.A. As we were informed by KBC Bank NV, both companies jointly, i.e. KBC Bank NV and KBC Securities NV, are entitled to exercise up to 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A., i.e. 203,744,160 votes.
- On 05.06.2007, the General Meeting of the Shareholders of Kredyt Bank S.A. adopted a resolution on the payment of gross dividend for the financial year 2006 amounting to PLN 0.37 per share, i.e. the total amount of PLN 100,513,785.60. Holders of 271,658,880 Bank's series A to W shares are entitled to dividend from such stocks. The right to dividend was established on 02.07.2007. The dividend was disbursed on 18.07.2007.
- On 15.06.2007, a company named „KREDYT BANK SPÓŁKA AKCYJNA I TOWARZYSTWO UBEZPIECZEŃ I REASEKURACJI WARTA SPÓŁKA AKCYJNA" SPÓŁKA JAWNA was entered into the National Court Register - Register of Entrepreneurs in the District Court for the capital city of Warsaw in Warsaw, 12th Economic Division of the National Court Register. The company was established by Kredyt Bank S.A. and TUiR Warta S.A., which contributed PLN 5,000.00 each. The main objective of the company is to run auxiliary activities to banking and insurance business, including financial intermediation and back office services.

In the first half of 2007, the Bank did not enter into any material agreements with the central bank or the regulatory authorities.

Major post-balance sheet events

On 23.07.2007, Kredyt Bank S.A. entered into a loan agreement of CHF 15 million with a customer being a non-banking financial institution. The total value of agreements concluded by the Bank with this customers over last 12 months amounts to an equivalent of PLN 191,633 thousand.

On 03.08.2007, Kredyt Bank S.A. concluded a revolving loan agreement with a borrower amounting to PLN 300,000 thousand to finance the borrower's current operations.

On 20.08.2007, Kredyt Bank S.A. signed loan agreements with a company from the electro-machines industry for the total amount of PLN 475 million. The above-mentioned amount comprises a syndicated loan with Kredyt Bank S.A.'s share of PLN 435 million and a bilateral loan of PLN 40 million.

Contracts entered into by the Issuer with an entity authorized to audit financial statements

On 10.05.2007, the Bank entered into an agreement with an entity authorized to audit financial statements, Ernst&Young Audit Sp. z o.o. in Warsaw, on the review of the half-year standalone individual and consolidated financial statements of the Bank and of the Group for the first half of 2007 and the audit of the individual and consolidated financial statements of the Bank and of the Group for 2007. The total net remuneration under this agreement amounted to PLN 1,416 thousand (as compared to PLN 1,416 thousand in 2006 under the agreement of 27.04.2006). Furthermore, the Bank entered into an agreement with an entity authorized to audit financial statements concerning the performance of agreed procedures related to the quarterly consolidated financial statements for the first and the third quarters of 2007 with net remuneration under this agreement amounting to PLN 520 thousand (cf. PLN 520 thousand in 2006) and an agreement concerning the performance of agreed procedures related to the financial result and net assets of Reliz Sp.z o.o., the Bank's subsidiary, whose value amounted to PLN 75 thousand (cf. 61 thousand in 2006).

3. Kredyt Bank S.A. Group's products, services and areas of operation

3.1. Retail banking

3.1.1. Business area and distribution channels for retail banking

The Retail Segment in Kredyt Bank S.A. Group provides services to individual customers as well as Small and Medium-sized Enterprises (SME) with annual income not exceeding PLN 16 million. The Segment provides separate services to Private Banking customers.

Kredyt Bank Group offers a full range of financial services, due to close cooperation of the Bank, the Group's companies and entities of KBC Group in Poland. The offer entails:

- traditional banking facilities;
- consumer finance products developed together jointly with Żagiel S.A.;
- insurance products created in cooperation with Warta S.A.;
- KBC TFI products (selling shares in investment funds);
- leasing products of Kredyt Lease company.

The traditional network of the Bank's branches is the main channel of distribution. As at 30.06.2007, it comprised 363 branches, affiliates, banking outlets and agencies located all over Poland. This chain is managed by 10 regional branches located in the biggest Polish cities.

Services for the Private Banking customers are provided separately by 11 branches reporting directly to the Private Banking Department of the Bank's Head Office.

To improve speed and standard of service for small and medium-sized enterprises the Bank created mobile services teams. A chain of retail branches provides cash payment service.

Additionally to the chain created by the Bank, there is a distribution chain of Żagiel S.A. composed of branches, representatives and cooperating shops. In 2006, Żagiel S.A. launched the expansion of the chain under the name of Kredyt Punkt. As at 30.06.2007, about 180 companies operated under the brand of Kredyt Punkt offering, apart from cash loans, instalment loans and credit cards, also selected services provided by the Bank's and Warta's offers.

Measures aimed at enabling the sale of banking facilities through the distribution chain of Warta Group were undertaken. This project is a pivotal measure concerning the implementation of cross-selling banking and insurance products.

KB24 network is yet another primary distribution channel for products targeted at retail customers. At the end of the first half of 2007, the number of KB 24 users amounted to 252 thousand as compared to 200 thousand at the end of the first half of 2006 (an increase by 26%).

in PLN '000	**30.06.2007**	**31.03.2007**	**31.12.2006**	**30.09.2006**	**30.06.2006**
KB24 users	252	240	228	213	200
Quarterly number of bank transfers in KB24	2 892	2 774	2 614	2 223	2 152

3.1.2. Product strategy in retail banking area

In 2007, Kredyt Bank Group continued its action aiming at the development of the retail banking, pursuant to the strategy adopted in Autumn 2005. The basic elements of the product strategy are as follows:

- the launch of new bancassurance products in cooperation with Warta Group and the development of cross-selling banking and insurance products;
- the expansion of the cooperation with KBC TFI in terms of the distribution of shares in investment funds;
- the development of consumer finance products in cooperation with Żagiel;
- mortgage loans;
- credit cards;
- traditional deposit products - personal accounts and saving accounts;
- products for SMEs.

Bancassurance – cooperation with TUiR WARTA Group

The extension of bancassurance products offer and of the sale of insurance products through the Bank's chain are the basic assumptions of Kredyt Bank S.A. Group's strategy.

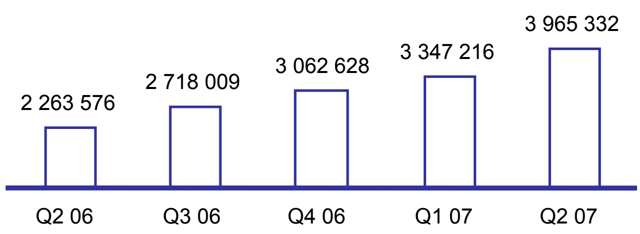
Basic groups of products sold through the chain of Kredyt Bank S.A. Group are as follows:

- investment and insurance products – deposit products connected with life insurance, open-end and close-end investment funds with life insurance;
- insurance agreements connected with loans – insurance agreements for borrowers of Żagiel loans;
- embedded insurance – life insurance within mortgages and cash loans, insurance for credit cards holders, owners of personal accounts and current accounts for SMEs;
- insurance – standalone products (house or car insurance, personal insurance, property insurance for SMEs).

Investment funds – cooperation with KBC TFI

As at 30.06.2007, the total value of net assets of investment funds and insurance and capital funds sold via the Group's distribution network and managed by KBC TFI S.A. amounted to PLN 3,965 million (including non-registered funds). As compared to figures at 31.12.2006, net assets rose by 29.5% (by 75.2% as compared to figures at 30.06.2006). The figure below demonstrates funds' net assets as at the end of particular quarters of 2006 and 2007 in '000' PLN.

Funds' Assets
(including non-registered funds)

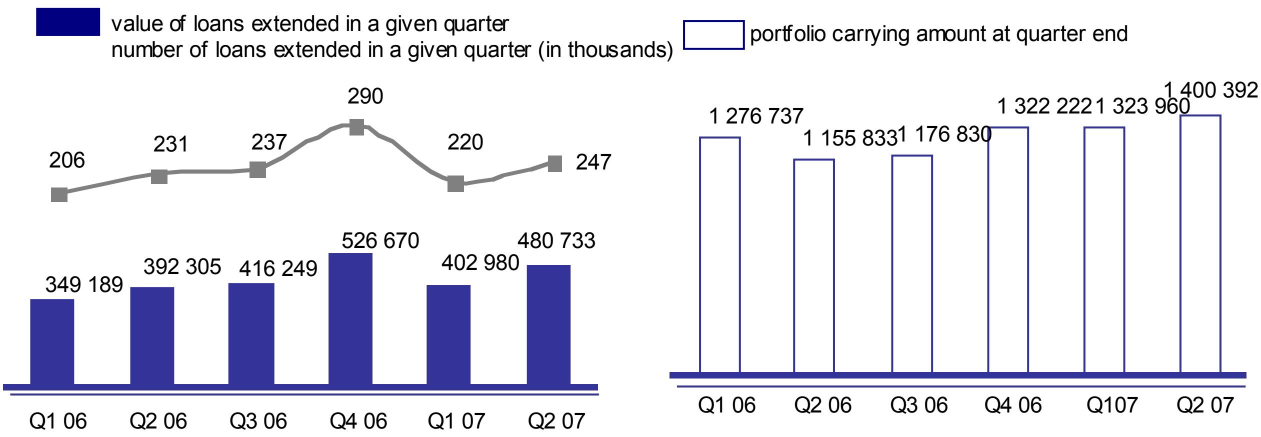


At the end of the second quarter of 2007, KBC TFI managed assets of the total value of PLN 7.5 billion. The value of assets in investment funds managed by KBC TFI amounted to PLN 4.4 billion, i.e. the Society worked out 3.1-percent share in the market at the end of the second quarter of 2007 and it was ranked tenth among all societies of investment funds in Poland. At the end of the second quarter of 2007, KBC TFI S.A. managed 28 investment funds.

Retail and cash loans – cooperation with Żagiel S.A.

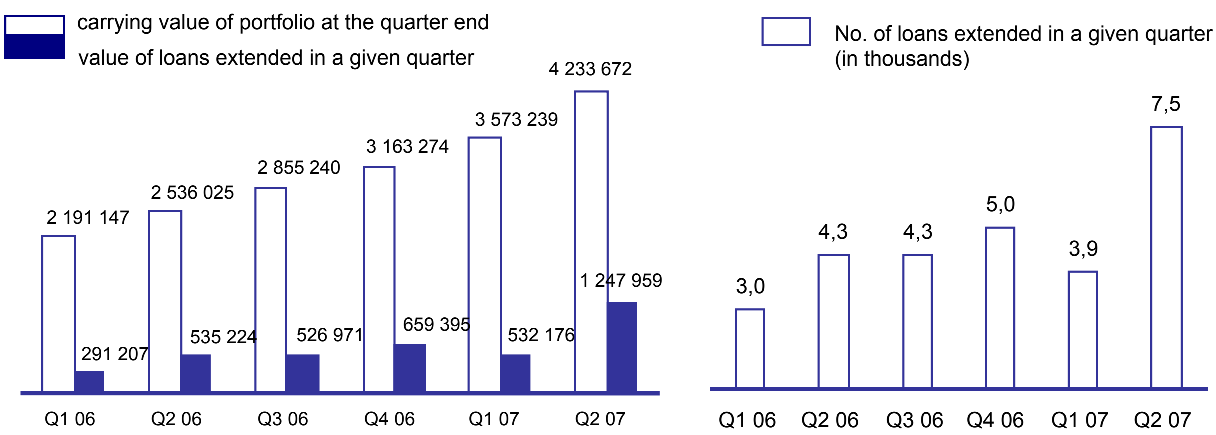
In the first half of 2007, the sales of retail loans and credits from Żagiel amounted to PLN 884 million, i.e. was higher than in the first half of 2006 by 9.4%.

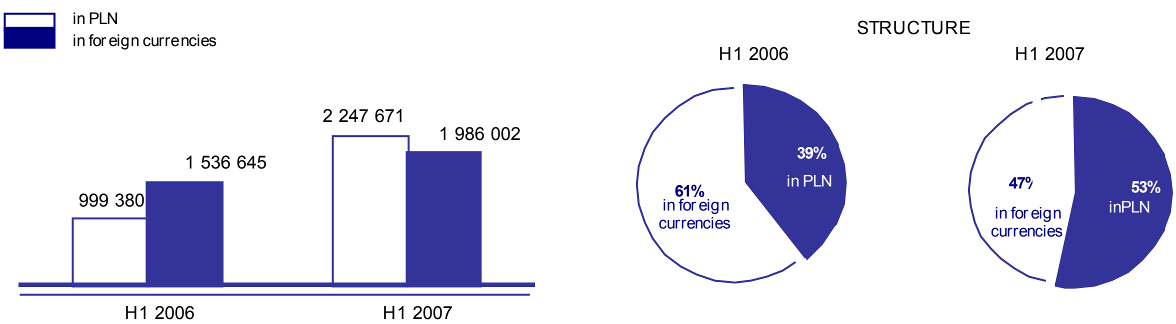
The new distribution network 'Kredyt Punkt' developed by Żagiel throughout the previous year contributed to higher sales, mainly of cash loans. Due to the enhancement of this element of the sale process, the Company managed to reduce the risk resulting from the cooperation with third party distributors and exceed last year's sales. The figures below present loans portfolio volume and sales in PLN '000 and in thousands of facilities.



Mortgage loans

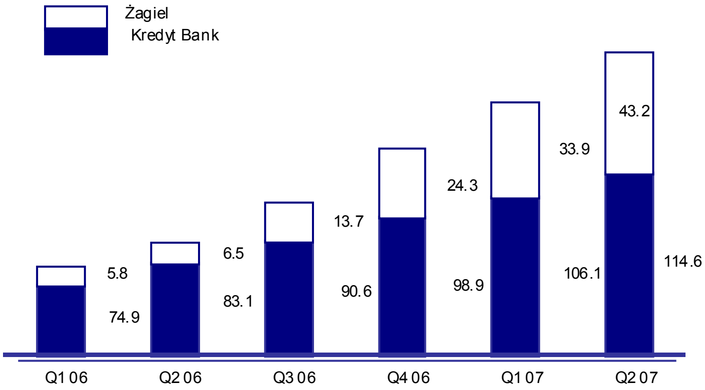
In the first half of 2007, the Bank granted over 11.4 thousand mortgage loans for the total amount of PLN 1,780 million. As compared to the first half of 2006, the sales of loans increased, in value terms, by 115.5%. The indebtness under mortgage loans amounted to PLN 4,234 million (an increase by 67% as compared to previous year's figures). The figures below present mortgage loans portfolio volume and sale in PLN '000 and in thousands of facilities.





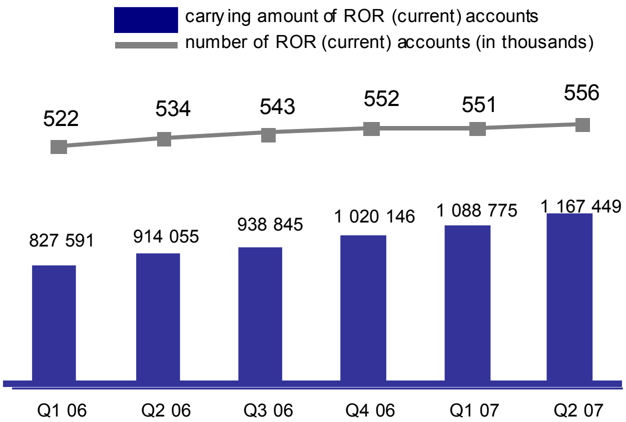
Credit cards

At the end of the first half of 2007, the number of active credit cards sold by Kredyt Bank S.A. Group amounted to 157.8 thousand (an increase by 76% as compared to figures recorded at the end of the first half of 2006). Over 27% of all those credit cards were sold by Żagiel. The figure below presents active credit cards at the end of the period in thousands.

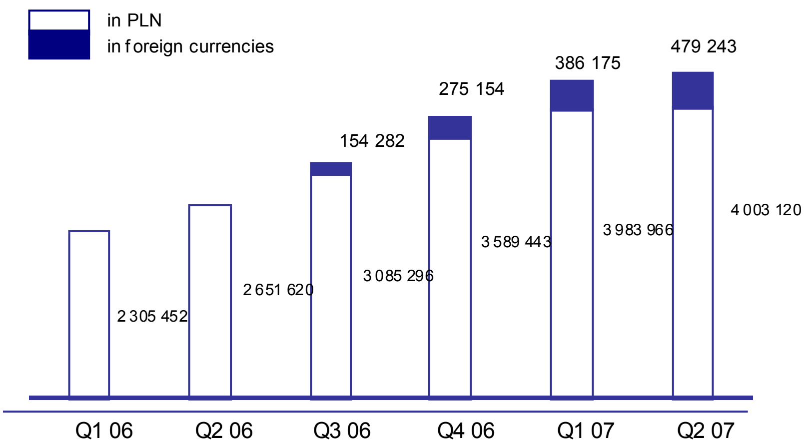


Traditional deposit products

As at 30.06.2007, the number of current accounts was higher by 4.1% as compared to figures at 30.06.2006. The value of funds on these accounts was higher by 14.4% as compared to figures at 31.12.2006 and by 27.7% against figures at 30.06.2006.

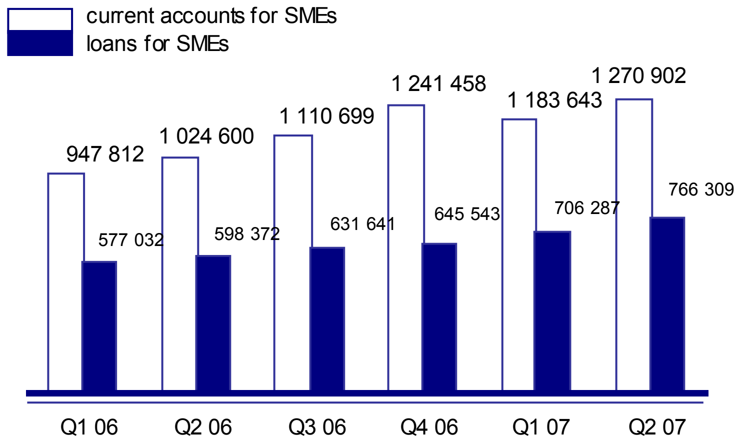


The volumes on the Savings Account, which is one of the basic depositary products, are growing on a continuous basis; as at the end of the first half of 2007, the value of deposited cash was almost PLN 4.5 billion, i.e. increased by 69% as compared to figures at the end of the first half of 2006. The figure below presents cash deposited on saving accounts in PLN and foreign currencies at the end of period in PLN '000.



Small and medium-sized enterprises

At the end of the first half of 2007, the value of loans granted to small and medium-sized enterprises increased by 18.7% as compared to figures at the end of 2006 and by 28.1% as compared to figures at the end of the first half of 2006. After the first half of 2007, the value of cash on current accounts of SMEs was higher by 2.4% as compared to figures at the end of 2006 and by 24% as compared to figures at the end of the first half of 2006. Cash deposited on current accounts of SMEs and indebtedness under loans, in PLN '000, at the end of the period (according to the segmentation applied by the Bank for management purposes) is presented in the figure below.



3.2. Corporate banking

3.2.1. Business area and distribution channels for corporate banking

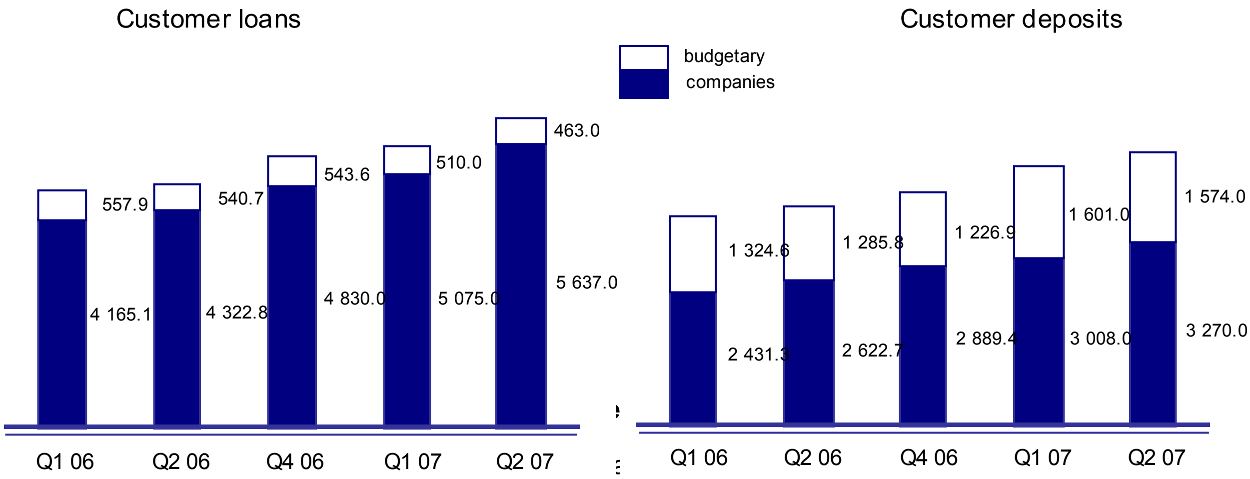
Corporate Segment entails transactions with large companies (with annual income exceeding PLN 16 million) as well as state budgetary units at central and local levels.

Corporate customers are serviced (apart from cash payments and counter services) by 12 Corporate Banking Centres in Białystok, Bydgoszcz, Gdańsk, Katowice, Kraków, Lublin, Łódź, Poznań, Rzeszów, Szczecin, Warsaw and Wrocław. An additional center in Warsaw was established for strategic customers sub-segment. Account Managers are responsible for direct customer relations. In the case of specialist products, they are supported by the employees of the Headquarters organizational units.

In the case of leasing products, customers are services by units and employees of Kredyt Lease, which offers a complete range of services for companies in respect of the leasing of fixed assets and real estates, and also of real estate trade. In the case of corporate finance, customers are services in cooperation with KBC Securities.

The measures taken in the first half of 2007 aimed at the increase in the Bank's shares in corporate customers segment and enhancement of the Bank's image as an easily accessible bank which offers complete highest quality services for large companies. As a result of the campaigns, the volume of deposits and corporate customers' working loans portfolio were on a stable rise.

The figures below present deposits and working loans of corporate segment customers at period end in PLN millions, according to the segmentation applied by the Bank for management purposes.



customers' needs and improve sales organization and customer services quality. The basic assumptions of the product strategy are as follows:

- developing a complete cash and payment management offer,
- developing products and Trade Finance services applying best practices and experiences of the main shareholder, i.e. KBC Group,
- financial risk hedging solutions,
- development of leasing services in cooperation with Kredyt Lease in KB S.A. network.

The Bank offers a complete range of services for corporate customers, both traditional banking products and treasury products, trade finance and corporate finance. The offer is tailored both to the specific character resulting from the customer's size and the nature of its operations: large corporations, medium-sized enterprises, state-owned entities, social associations and organizations.

The Bank offers a complete range of traditional loan facilities, e.g. investment loans, working capital loans in credit or current account, revolving and non-revolving loans, payment and foreign currency facilities. At the same time, customers may also take advantage of other credit-related services, such as factoring, leasing, bank guarantees and sureties, organization of and services related to the issue of debt securities.

Traditional deposit products, such as term deposits, current accounts, paying cards, consolidated current accounts (which make it possible to service multi-branch companies and adjust liquidity management strategy to the specific nature of a company) are supplemented by transaction banking products, such as Bulk Payment System (which makes it possible to identify details of payments, their assignment and settlement against respective settlement accounts of debtors in the customer's accounting system) and cash management products such as closed payments, disbursements in Bank's Branches, other payments to accounts.

All-inclusive services for foreign trade companies form a separate group of services. The Bank offers, e.g. export financing loans, payments under own letters of credits, guarantees in foreign trade, encashment and documentary letters of credit, transfers and cheques in foreign trade, purchase and sale of foreign currencies and forfaiting. As a result of launching new trade financing products, the Bank is perceived as one of the most active participants of the Polish export financing system.

The Bank offers risk insurance products, including products related to the strategy for options hedging currency risk.

In addition, via KBC Securities, the Group's customers have access to corporate finance products, such as consulting on mergers and acquisitions, privatization of state-owned enterprises, capital restructuring and seeking new investors for companies.

3.3. Treasury Segment and cooperation with international financial institutions

The Bank performs transactions on the inter-bank market, both domestic and international, on own account and on behalf of customers. Active participation in the inter-bank market makes it possible to obtain competitive quotations, which is the basis of stabilization and development of existing corporate customers base. The Bank is the Treasury Securities Dealer and Money Market Dealer.

The treasury products offer is being expanded and ensures appropriate services both to Private Banking customers and medium-sized and large companies.

Kredyt Bank S.A. established active relations with domestic and foreign banks providing FX/MM, Custody, Trade Finance and payments services. They are supplemented by cooperation agreements with global foreign institutions, e.g. European Investment Bank, European Reconstruction and Development Bank, Visa International. Due to the base of 35 thousand SWIFT keys exchanged with other institutions, the Bank is able to exchange correspondence with banks and service foreign trade in the majority of countries worldwide.

As at 30.06.2007, Kredyt Bank managed 8 LORO accounts in foreign currencies and 32 LORO accounts in PLN for 35 correspondent banks (33 foreign banks and 2 national banks). The network of NOSTRO accounts included 19 accounts in 17 banks and it fully satisfied the clearing needs of Kredyt Bank.

3.4. Custodian services and investments

Kredyt Bank S.A. holds an authorization of the Polish Securities and Exchange Commission to manage securities accounts; it is also a direct participant of the National Depository for Securities (KDPW) as a Custodian Bank and the participant of the Securities Register (RPW) managed by the National Bank of Poland (NBP).

The Bank's custodian services entail managing accounts of securities, kept in the National Depository for Securities (KDPW) or the Securities Register (RPW), for domestic and foreign, both institutional and private customers. For the special group of customers, i.e. investment funds, the Bank also plays a role of a custodian bank, transfer agent and issue sponsor.

The Bank also deposits securities not traded on organized market, registered in securities registers and on sub-fiduciary accounts in domestic and foreign financial institutions.

3.5. Operations of the Group companies

Żagiel S.A.

As at 30.06.2007, the share capital of Żagiel S.A. amounted to PLN 23,964 thousand. The Bank launched cooperation with Żagiel in 1995. Żagiel S.A. intermediates in the sale of instalment loans as well as in the distribution of selected services offered by the Bank and WARTA S.A. Group. The company offers instalment loans, special purpose cash loans ("Kredyt Błyskawiczny" offer), mortgage loans and mortgage cash loans for natural persons, leasing, EKSTRABIZNES and EKSTRAKONTO accounts and the issue and servicing of VISA Electron Żagiel card. The company also distributes insurance products of WARTA S.A. Group.

Over the years, the company built up a strong position on the retail sale market. Żagiel operates within the network of branches, representatives and cooperating shops. It is one of the major players on the Polish consumer finance market. Professional Customer Service Centre offers a complete range of services for borrowers. The company also operates a modern product sale call centre.

In the first half of 2007, Żagiel S.A. continued the development of a modern distribution network 'Kredyt Punkt' which offers complete loan services and uniform standards of external visualization.

Kredyt Lease S.A.

As at 30.06.2007, the company's share capital amounted to PLN 27,501 thousand. Kredyt Lease is engaged in leasing services, rental and lease of rights and assets, trade in real estate and intermediation in the sale of goods and services. The company focuses mainly on services provided to the Bank, but also offers its services on the market. Kredyt Lease's offer is supplementary to the Bank's offer and provides a complete range of services for corporate customers and SMEs.

In 2006, Kredyt Lease underwent a series of organizational changes to streamline the management process and take full advantage of the opportunities associated with the company's functioning within Kredyt Bank S.A. Group and KBC Group in Poland. The reorganization process entailed the establishment of 3 divisions: Sale, Risk and Restructuring, and Finances and Accounting. Kredyt Lease operates via Regional Sales Coordinators responsible for the sale of leasing products and the cooperation with the sales force of Kredyt Bank S.A. In addition, Kredyt Lease collaborates with WARTA S.A. Group. Agents from WARTA offer car and hardware leasing services.

Kredyt Trade Sp. z o.o.

As at 30.06.2007, the share capital of the company amounted to PLN 64,179 thousand. Kredyt Trade provides services complementary to the Bank's administrative services.

Kredyt International Finance B.V. (KIF)

As at 30.06.2007, the share capital of KIF amounted to EUR 18 thousand. The company was registered on 14.02.2001 to perform and handle the issue of bonds in EUR on foreign markets. KIF B.V. is also involved in sourcing of financial resources for Kredyt Bank S.A. Capital Group on foreign markets. As at 30.06.2007, the company did not have any material commitments related to the issue of securities or loan agreements.

Reliz

As at 30.06.2007, the share capital of Reliz amounted to PLN 50 thousand. ALTUS multi-purpose building in Katowice is the company's main asset. The company is involved in the lease and administration of this real estate.

4. The Group's financial results in the first half of 2007

4.1. Income statement structure

The Group's profit before tax in the first half of 2007 amounted to PLN 230,872 thousand and was lower than profit before tax generated in the first half of 2006 of PLN 289,119 thousand by 20.1%. The Group's net profit in the first half of 2007 amounted to PLN 181,621 thousand and was lower by 38.7% in comparison with the first half of 2006. The material single transaction which involved the sale of a portion of non-performing loans portfolio closed in the first half of 2006 was the most important factor that contributed to the decline, as compared to 2006. Its impact upon consolidated profit before tax amounted to PLN 145,388 thousand and net PLN 130,745 thousand upon net profit.

Excluding this transaction, profit before tax generated in the first half of 2007 would have been higher than in the first half of 2006 by 60.6%, and net profit – by 9.6%. Recurring results improved mainly due to:

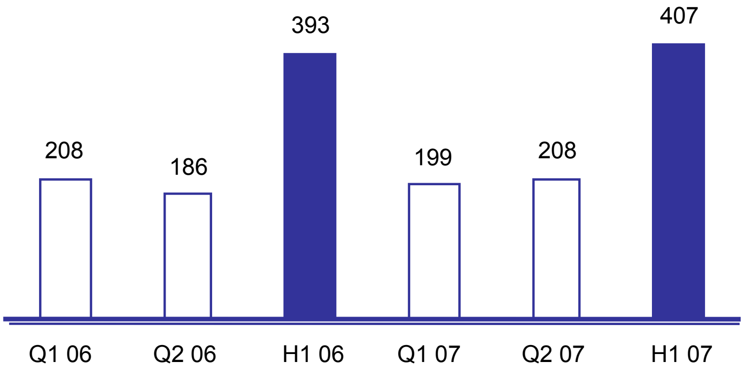
- a substantial increase in the scale of the sale of mortgage loans in the second quarter of 2007, which enabled the Bank to expand retail loans portfolio;
- an increase in the scale of the sale and in corporate customers' loans portfolio;
- an increase in the sale of shares of investment funds;
- effective restructuring and debt recovery measures alongside strict control and low level of credit risk;
- effective management of the Group' functioning costs.

The main items of the Group's income statement are presented below.

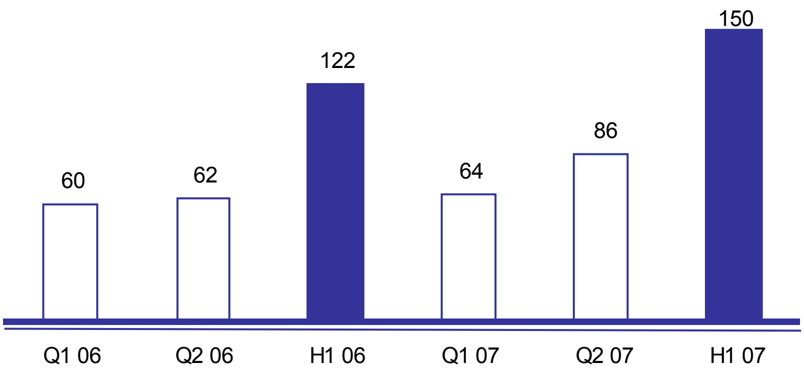
in '000' PLN	**01.01.2007-30.06.2007** *non-audited*	**01.01.2006 - 30.06.2006** *non-audited*	**Change**
Net interest income	406 547	392 961	3.5%
Net fee and commission income	149 425	121 408	23.1%
Net trading income and investments (including dividend income and net result on derivatives used as hedging instruments and hedged items)	78 350	66 332	18.1%
Profit (loss) from the sale of receivables portfolio	11 313	145 388	-92.2%
Profit (loss) on other operating income/expenses	15 431	8 813	75.1%
Total income	**661 066**	**734 902**	**-10.0%**
General administrative expenses (including depreciation)	-453 895	-437 732	3.7%
Net impairment charges for financial assets, other assets and provisions	22 560	-8 857	
Share in profit of associates	1 141	806	41.6%
Profit before tax	230 872	289 119	-20.1%
Income tax expense	-49 251	7 284	
Net profit (loss) from discontinued operations	0	0	
Net earnings (per Bank's shareholders)	**181 621**	**296 403**	**-38.7%**

<u>Net interest income and net fee and commission income</u> worked out by the Group in the first half of 2007 amounted to PLN 555,972 thousand and was higher than net interest income and net fee and commission income generated in the first half of 2006 by 8.1%. The increase resulted from expanded scale of transactions with customers, including the sale of products strategic for the Group such as mortgages, the sale of shares in investment funds and insurance products offered in cooperation with TUiR WARTA S.A.

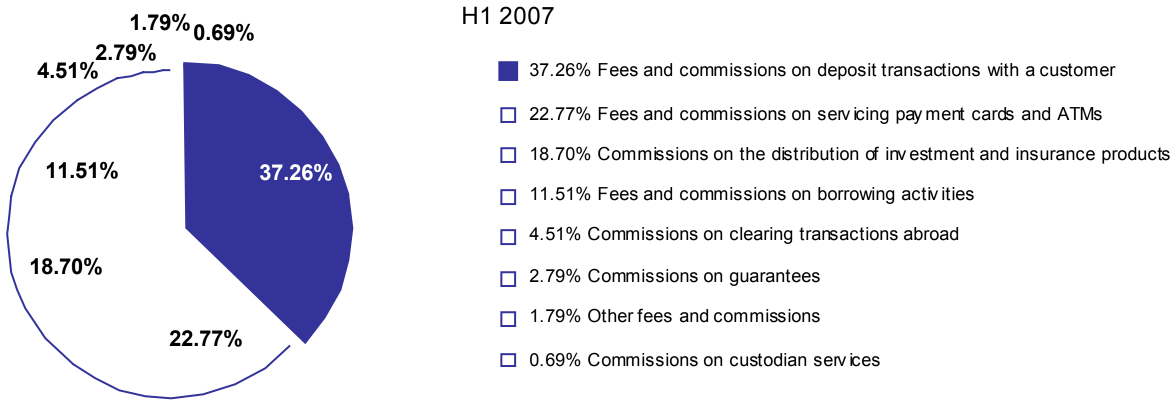
Net interest income was higher as compared to figures recorded in the corresponding period in the previous year by 3.5%. The main reason for the improvement of net interest income was an increase in the sale of loans and the expansion of loans portfolio. The process entailed mainly mortgages and loans for corporate customers. The decrease in mortgages mark-ups adversely affected net interest income. Quarterly net interest income in the first halves of 2006 and 2007 is presented in the figure below (in millions of PLN):

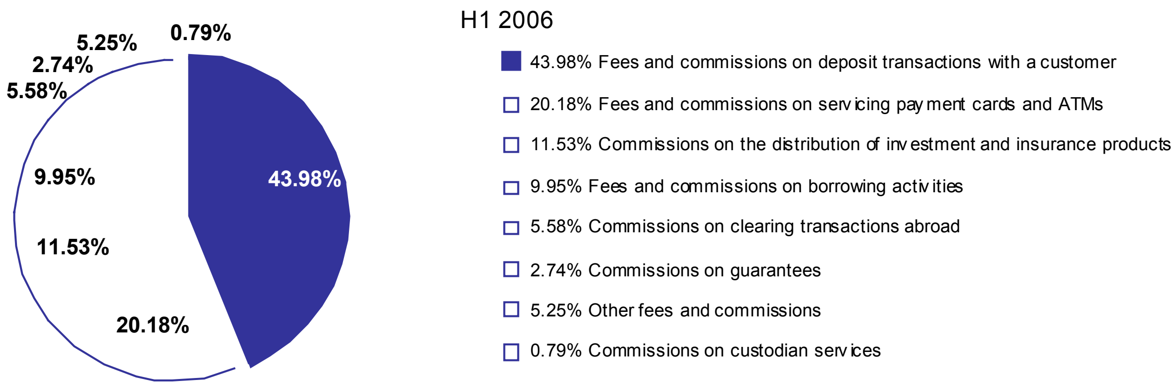


Net fee and commission income was higher as compared to figures recorded in the corresponding period of the previous year by 23.1%. The steady growth of results in particular quarters has been noticeable since the beginning of 2006. Quarterly net fee and commission income in the first halves of 2006 and 2007 is presented in the figure below (in millions of PLN):



An increase in net commission income was mainly associated with the sale of investment and insurance products, payment and credit cards, loans and deposit transactions with customers. The figure below illustrates the structure of fee and commission income:



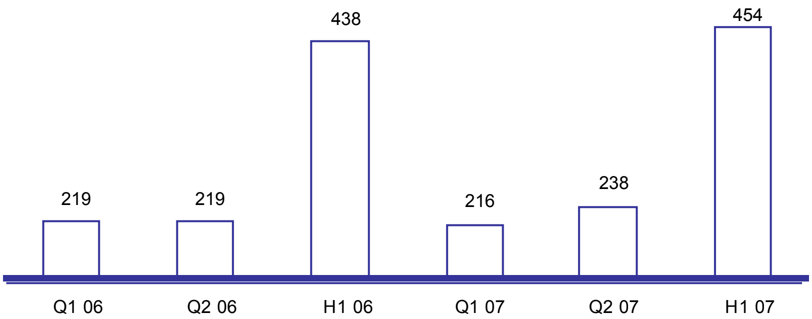


income and profit/loss on hedging and hedged transactions) amounted to PLN 78,350 thousand, i.e. was higher by 18.1% than in the first half of 2006. Net trading income of PLN 75,338 thousand was higher than net trading income in the first half of 2006 of PLN 61,655 thousand. The result comprises the results from the valuation and sale of held-for-trading assets carried at fair value through profit and loss, the result for derivatives and result on exchange transaction.

Profit (loss) from the sale of receivables portfolio – a large portion of non-performing loans portfolio was sold in the second quarter of 2006. Profit from the transaction affecting consolidated net profit, including the transaction costs, provisions for the transaction and the tax effect amounted to PLN 130,745 thousand. The transaction, due to its scale, was of one-off nature. In the first half of 2007, the Bank concluded smaller transactions in the ordinary course of business of debt recovery and restructuring function.

In the first half of 2007, general and administrative expenses amounted to PLN 453,895 thousand and were up by 3.7% in comparison to the first half of 2006.

An increase in such costs was chiefly associated with higher staff costs related mainly to sales support (incentive systems associated with sales results, awards for the accomplishment of sales objectives and training costs). Material costs remained at the level close to the one recorded in the first half of 2006. The costs of buildings lease and maintenance in the first half of 2007 increased due to the project of developing the network and advertising and marketing expenses associated with larger-scale promotional campaigns. These increases were set off by the decrease in other general administrative expenses, including mainly the costs of major repairs and warranty services as well as the costs of auditing the balance sheet, consulting and advisory. Total functioning costs were positively affected by a decline in depreciation expenses. Quarterly levels of functioning costs, general administrative expenses and depreciation expenses in the first halves of 2006 and 2007 are presented in the figure below (in millions of PLN):



In the first half of 2007 operating cost/income ratio was at the level of 68.7%, as compared to 59.6% in the first half of 2006. The profit from the sale of receivables portfolio affected the last year's level of this ratio to a large extent. Net of this impact, this ratio for the first half of 2006 would have amounted to 74.3%.

In the first half of 2007, profit/loss from net impairment charges for loan receivables and other assets and provisions was positive and amounted to PLN 22,560 thousand as compared to negative impact upon the result in the first half of 2006 of – PLN 8,857 thousand.

Contrary to the first half of 2006, in the first half of 2007, income tax deducted from the Group's result amounted to PLN 49,251 thousand. In the first half of 2006, total income tax was positive and amounted to PLN 7,284 thousand. It resulted from the recognition by the Group of the surplus of deferred tax assets over deferred tax liability in the income statement.

4.2. Assets structure

The Group's total assets as at 30.06.2007 amounted to PLN 24,165,556 thousand against PLN 22,232,028 thousand as at 31.12.2006 and PLN 21,263,523 thousand as at 30.06.2006 (an increase by 8.7% and 13.6% respectively).

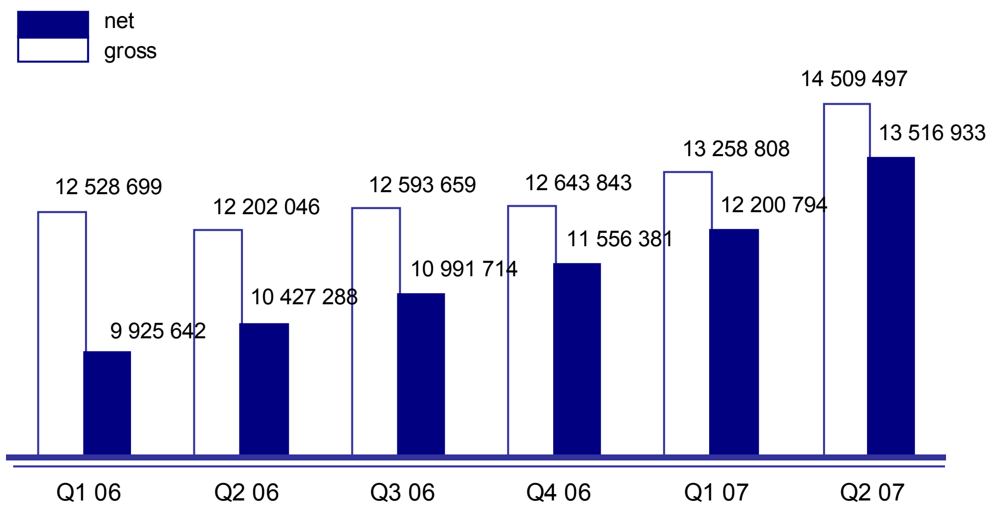
Net loans and advances to customers and investment securities generated the greatest shares in assets structure; they accounted for 78.6% of total assets as at the end of the first half of 2007. The most important changes in the structure of assets as compared to the end of 2006 and to the end of the first half of 2006 were as follows:

- an increase in the share of net loans and advances to customers from 49.0%, through 52.0% to 55.9%; it results from a substantial increase in new loan extension activities, chiefly in the case of mortgages and loans for corporate customers;
- a decrease in the share of investment securities in total assets from 28.8%, through 26.6% to 22.7%.

The value of particular assets is presented in the table below (in '000 PLN):

	30.06.2007 *non-audited*	**31.12.2006**	**30.06.2006** *non-audited*
Cash and balances with Central Bank	555 167	640 743	1 370 052
Gross loans and advances to banks	2 921 670	2 206 403	1 989 529
Impairment losses on loans and advances to banks	-2 260	-2 753	-2 894
Financial assets at fair value through profit or loss, including held-for-trading financial assets (excluding derivatives)	355 333	628 748	325 053
Derivatives, including:	336 449	297 427	239 606
- derivatives used as hedging instruments	13 739	3 403	952
Gross loans and advances to customers	14 509 497	12 643 843	12 202 046
Impairment losses on loans and advances to customers	-992 564	-1 087 462	-1 774 758
Investment securities	5 480 020	5 902 723	6 116 712
- available for sale	3 336 102	3 453 950	3 553 090
- held to maturity	2 143 918	2 448 773	2 563 622
Equity investments classified as available-for-sale	3 957	3 957	18 968
Investments in associates measured with the equity method	11 802	10 661	9 736
Property, plant and equipment	385 944	385 657	361 209
Intangible assets	74 465	85 608	95 110
Goodwill of subordinated companies (goodwill)	36 052	36 052	36 052
Deferred tax asset	164 711	153 729	143 938
Current tax receivables	2 458	15 582	0
Non-current assets classified as held for sale	185 470	194 771	10 537
Other assets	137 385	116 339	122 627
Total assets	**24 165 556**	**22 232 028**	**21 263 523**

An increase in the scale of loan extension activities in the first half of 2007 as compared to the end of 2006 and the first half of 2006 is visible both in net and gross terms. At the end of the first half of 2007, the value of net loans amounted to PLN 13,516,933 thousand as compared to PLN 11,556,381 thousand at the end of 2006 and PLN 10,427,288 thousand at the end of the first half of 2006 (an increase by 17.0% and 29.6% respectively).



The growth rate for gross loans and advances to customers is lower chiefly due to the write-off of non-performing receivables to provisions in the fourth quarter of 2006.

Credit portfolio quality

In the first half of 2007, the Group continued the process of reducing non-performing loans portfolio though effective restructuring and debt recovery measures.

In the fourth quarter of 2006, the Bank wrote off non-recoverable receivables from the balance sheet to off-balance sheet items which contributed to the decrease in non-performing receivables. The total value of the principal amount of receivables written off in 2006 added up to PLN 478 million.

As a result of the said transaction and the improvement of retail and corporate loans sale, the share of receivables for which evidence for impairment was identified in total gross advances to customers decreased almost twice. At the end of the first half of 2007, the ratio was at the level of 10.6% against 13.5% at the end of 2006 and 21.4% at the end of the first half of 2006. As compared to the end of 2006, the value of non-performing receivables, i.e. for which individual evidence for impairment was identified, decreased by 10.2% and by 41.2% as compared to the end of the first half of 2006.

The Group, when estimating credit risk for individual credit exposures and receivables portfolios, applies the prevailing prudent valuation principle. As at 30.06.2007, the ratio of covering receivables for which individual evidence for impairment was identified with impairment charges remains high – 61.1%.

According to the method of presenting the quality of loan receivables portfolio applied by KBC Group, non-performing loans (NPL) were separated from the portfolio of loans for which impairment was identified. NPL are defined in KBC Group as loans for which repayment of interest or principal is delayed over 90 days.

The figures characterizing the quality of loans portfolio of KB S.A. Group are presented below.

in '000 PLN	**30.06.2007** *non-audited*	**31.12.2006**	**30.06.2006** *non-audited*
Loans and advances with no individual evidence of impairment, including interest	12 973 110	10 932 092	9 588 227
Loans and advances with individual evidence of impairment, including interest	1 536 387	1 711 751	2 613 819
including: NPL with interest	1 069 625	1 149 714	1 708 284
Total gross loan and advances to customers	**14 509 497**	**12 643 843**	**12 202 046**
Impairment losses on loans and advances to customers	992 564	1 087 462	1 774 758
including: impairment losses on loans and advances with individual evidence of impairment	938 449	1 030 165	1 726 513
including: Impairment losses on NPL	820 477	850 551	1 354 248
Total net loans and advances to customers	**13 516 933**	**11 556 381**	**10 427 288**
The share of loans and advances with individual evidence of impairment in total gross loans and advances	**10.6%**	**13.5%**	**21.4%**
Share of NPL in total gross loans and advances	7.4%	9.1%	14.0%
Coverage of loans and advances with individual evidence of impairment with impairment losses	61.1%	60.2%	66.1%
Coverage of NPL with impairment losses	76.7%	74.0%	79.3%

The number and value of executory titles and the value of securities established on customers' accounts or assets

In the first half of 2007, within measures aimed to recover debt from unreliable customers, 18,595 banking executory titles were issued for the total amount of PLN 61,735 thousand as compared to 15,553 banking executory titles for the total amount of PLN 67,015 thousand issued in the first half of 2006.

In the case of receivables for which impairment was identified, the total value of loan collateral approved by the Group as at 30.06.2007 amounted to PLN 614,640 thousand as compared to PLN 464,394 thousand as at 30.06.2006.

Gross loans and advances to customers – item-by-item structure

The most important change in the structure of the Group's loan portfolio consists in an ongoing increase in the share of loan receivables due from natural persons in total loans and advances to customer. As at 30.06.2007, it was at the level of 51.5% against 48.8% at the end of 2006 and 44.0% at the end of the first half of 2006.

	30.06.2007 *non-audited*	**31.12.2006**	**30.06.2006** *non-audited*
Natural persons*	**51.5%**	**48.8%**	**44.0%**
- overdraft facilities	7.6%	8.4%	9.5%
- purchased debt	0.2%	0.3%	0.1%
- term loans	35.4%	39.9%	43.1%
- mortgages	56.7%	51.2%	47.2%
- realised guarantees	0.0%	0.0%	0.0%
- other receivables	0.2%	0.1%	0.1%
Corporate customers	**44.7%**	**46.0%**	**50.7%**
- overdraft facilities	20.2%	18.3%	16.0%
- term loans	74.6%	77.4%	79.5%
- purchased debt	0.4%	0.4%	0.5%
- realised guarantees	0.3%	0.5%	1.0%
- other receivables	4.4%	3.3%	3.1%
Budget	**3.2%**	**4.5%**	**4.6%**
- overdraft facilities	2.5%	0.6%	4.5%
- term loans	97.5%	99.4%	95.5%
- purchased debt	0.0%	0.0%	0.0%
Accrued interest	**0.6%**	**0.7%**	**0.7%**
Total	**100.0%**	**100.0%**	**100.0%**

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

4.3. The structure of liabilities and equity

The structure of liabilities as at the end of the first half of 2007, as compared to the end of 2006 and the end of the first half of 2006, remained virtually unchanged. The main category, i.e. amounts due to customers, increased over the previous 6 months by 8.5%, i.e. at a rate similar to the growth rate for the balance sheet total. As compared to the end of the first half of 2006, deposits increased by 16.6%. At end of the first half of 2007, this category accounted for 71.0% of total liabilities and equity.

The value of particular liabilities and equity items is presented in the table below (in '000 PLN):

	30.06.2007 *non-audited*	**31.12.2006**	**30.06.2006** *non-audited*
Amounts due to Central Bank	2 061	1 990	2 342
Amounts due to banks	3 148 703	2 164 826	2 837 316
Derivatives, including	312 915	296 474	247 669
- derivatives used as hedging instruments	22 635	554	900
Amounts due to customers	17 147 910	15 807 263	14 705 493
Issued debt securities	0	0	402 223
Securities sold under repurchase agreements	543 135	1 033 925	401 746
Current tax liability	15 312	961	11 845
Provisions	165 586	169 226	106 648
Deferred tax liability	1 174	1 146	354
Other liabilities	298 417	242 340	211 028
Subordinated liabilities	414 349	421 619	444 853
Equity	2 115 994	2 092 258	1 892 006
Total liabilities and equity	**24 165 556**	**22 232 028**	**21 263 523**

Amounts due to customers – structure by items and types

At the end of the first half of 2007, current deposits of natural persons continued to expand their share in the Group's deposits structure. As compared to the end of 2006 and to the end of the first half of 2006, the share of the corporate segment in total deposits increased.

Group customers' deposits	**30.06.2007** *non-audited*	**31.12.2006**	**30.06.2006** *non-audited*
Natural persons*	**57.5%**	**61.9%**	**62.2%**
- in current account	70.5%	62.3%	50.6%
- term deposits	29.0%	37.3%	48.8%
- other	0.5%	0.4%	0.6%
Corporate customers	**30.3%**	**26.4%**	**24.7%**
- in current account	43.5%	48.6%	51.4%
- term deposits	54.7%	46.1%	46.5%
- loans and advances	0.0%	0.0%	0.0%
- other	1.8%	5.3%	2.2%

Budget	**12.0%**	**11.5%**	**12.8%**
- in current account	55.7%	76.6%	57.0%
- term deposits	44.3%	23.4%	43.0%
- other	0.0%	0.0%	0.0%
Accrued interest	**0.2%**	**0.2%**	**0.3%**
Total	**100.0%**	**100.0%**	**100.0%**

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

Loans and advances borrowed by the Group

In the first half of 2007, the Group did not borrow any material loans and did not sign any material loan agreements.

4.4. Off-balance sheet items

The value of particular off-balance sheet items is presented in the table below (in '000 PLN):

	30.06.2007 *non-audited*	**31.12.2006**	**30.06.2006** *non-audited*
Contingent liabilities, granted and received	4 973 111	5 063 100	5 292 223
1. Liabilities granted, including:	4 640 289	4 561 293	4 847 394
a) financial	3 223 444	3 354 667	3 662 196
b) guarantees	1 416 845	1 206 626	1 185 198
2. Liabilities received	332 822	501 807	444 829
a) financial	50 642	205 139	61 917
b) guarantees	282 180	296 668	382 912
Amounts due under sale/purchase transactions	170 082 745	138 370 817	111 255 861
Other	2 970 785	3 096 732	3 088 994
- received securities and guarantees	2 969 238	3 094 683	3 088 989
- other	1 547	2 049	5

A noticeable increase in the value of off-balance sheet items, mainly amounts due related to sale/purchase transactions, is an effect of an increase in the business activity and larger numbers of transactions with customers.

Loans extended and guarantees issued, including those granted to the Issuer's related parties

As at 30.06.2007, the Bank issued guarantees with the total value of at least 10% of the Bank's equity to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 226,983 thousand. Their average maturities as at 30.06.2007 amount to three years and two months.

As at 30.06.2006, 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 236,858 thousand. Their average maturities as at 30.06.2006 amount to one year and ten months.

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

5. Ratings of the Bank's financial reliability

As at 30.06.2007, Kredyt Bank S.A. obtained the following ratings of financial reliability:

Moody`s Investors Service

Long-term deposit rating	**A2**
Short-term deposit rating	**P1**
Financial strength rating	**D**
Outlook	**Stable**

On 23.02.2007, due to the implementation of a new ratings calculations methodology, Moody's Investors Service changed the financial strength rating of Kredyt Bank S.A. from 'D-' to 'D' (stable outlook).

Fitch Ratings

Company ranking	**A+**
Short-term ranking	**F1**
Support ranking	**1**
Individual ranking	**D**
Outlook for long-term ranking	**Stable**

Confirming the above ratings on 28.02.2007, Fitch Ratings underlined that company rating (scale: AAA to D) and short-term rating (scale: F1 to D) indicate high creditworthiness, entail the support from the strategic investor, i.e. KBC Bank NV, which is rated by Fitch at 'AA-' with a stable outlook.

The individual rating 'D' (scale: A to D) indicates a potential possibility of the occurrence of such a situation in the future which might require the external support for the Bank. And the support rating '1' (scale: 1 to 5) denotes a very high probability of obtaining external support by the Bank.

Fitch Ratings stressed that the Bank's focus on the increase in sales was reflected in slowing down the decrease in the market share, while the Bank's demand for risk remained at a conservative level.

6. The Group's development outlook drivers

External drivers

In the first half of 2007, the growth trend concerning the significant role of the financial sector in the Polish economy consolidated. All types of financial institutions recorded an increase in the value of their assets. Turnovers of the leasing and factoring industries were on the rise. A double increase in interest rates of the central bank (by the total of 50 b.p.) did not materially affect interest rates of bank term deposits, and households still preferred investments on the capital market and usually purchased shares in investment funds. The growth rate for new loans extension process was on the rise (particularly in the case of mortgages). The improved financial situation of enterprises resulted in an increase in the value of deposits in banks.

Despite the growing inflation rate at the end of the first half of the year, money prices and declining stock exchange indices, which can be deemed as signs of upcoming deterioration of overall business conditions, the outlooks for the banking sector in the second half of 2007 are quite optimistic. The positive correlation of high GDP growth and good financial condition of retail customers (salaries, consumption) and corporate customers (profits) will have continued by the end 2007. Further growth in money demand, mainly deposits, will consolidate this trend.

We expect that the deposit base will still compete with interest-free saving and investment products. The Banks will also take advantage of the high growth potential of bancassurance and cash payments market. The improved income levels of the population will trigger off the inflow of cash to investment funds, although its growth may slow down as compared to the figures recorded in 2006 and in the first half of 2007, due to possible price changes on the stock market.

As regards money creation factors, the growth trend in receivables from domestic sectors will continue. First and foremost, further growth in the volumes of mortgages and consumer loans is expected which, in turn, should translate into the development of the distribution network.

The growth trend in corporate customers' receivables will be pursued. Their increase will result, among other factors, from the extensive employment of production capabilities, the inflow of EU funds and good conditions in the construction industry.

The increase in the stability of the Polish financial sector, the increase in the banking ratio and qualitative changes related to the implementation of new regulatory and technological solutions are advantageous for the operations of KB S.A. Group and create positive conditions for the expansion of banking services.

Internal drivers

Internal drivers material for the development of the Group include more wide-spread and in-depth cooperation with WARTA S.A., aimed to develop bancassurance services, establish a banking and insurance group and optimize the synergy effect. Bancassurance concept in Poland becomes more and more popular, which is evidenced by competitive projects implemented in 2006 and in the first half of 2007. Apart from the cooperation in terms of sales and customer service, the Bank continued organizational changes in Kredyt Bank S.A. Group and WARTA S.A. Group to better adjust the management model to the needs resulting from the implemented bancassurance business model. The changes aim at the maximum use of synergy effects both in the sales and support function.

The other key objective for 2007 is to reorganize and to develop consumer finance function on the basis of the existing cooperation with Żagiel and the experience and know-how of KBC Group, the main shareholder of Kredyt Bank S.A.

One of the financial objectives of Kredyt Bank S.A. Group is to accomplish better effectiveness as measured with the expenses/income ratio. The implementation of the adopted strategy of income growth depends, among other factors, on the success of the outlets chain development programme. The following issues will affect strategic objectives: continuation of effective credit risk management and ongoing control and adjustment of operating costs to the scale of operations.

7. Management Board's Statement

Under art. 96.1.5 and art. 96.1.6 of the Ordinance by the Minister of Finance of 19 October 2005 on current and interim information provided by issuers of securities (Journal of Laws of No. 209, item 1744), the Management Board of Kredyt Bank S.A. hereby makes the following statements:

7.1. True and fair view presented in the financial statements

According to the best knowledge of the Management Board of Kredyt Bank S.A., the half-year consolidated financial statement of Kredyt Bank S.A. Capital Group for the period 1.01.2007-30.06.2007 along with the comparable data, were prepared according to the accounting principles effective in the Group and present a true and fair view of the financial standing and assets of Kredyt Bank S.A. Capital Group as well as of its financial result. In addition, the Management Board of Kredyt Bank S.A. hereby declares that the half-year Management Board's report presents the true picture of the development and accomplishments, as well as the situation (including the description of basic risks and threats) of Kredyt Bank S.A. Capital Group in the first half of 2007.

7.2. Appointment of the certified auditor for financial statements

The Management Board of Kredyt Bank S.A. hereby declares that the entity authorized to audit the financial statements which reviewed the half-year consolidated financial statement of Kredyt Bank S.A. Capital Group as at 30.06.2007 was appointed as required by law. This entity and certified auditors performing the audit complied with the conditions on the issue of impartial and independent audit report, as required by the Polish law.

Signatures of all Management Board Members

Date 23.08.2007	Ronald Richardson	President of the Management Board	....
Date 23.08.2007	Umberto Arts	Vice-President of the Management Board	....
Date 23.08.2007	Krzysztof Kokot	Vice-President of the Management Board	....
Date 23.08.2007	Michał Oziembło	Vice-President of the Management Board	....
Date 23.08.2007	Andrzej Witkowski	Vice-President of the Management Board	....

Standalone Condensed Financial Statements

of Kredyt Bank S.A.

for the First Half of 2007

Ended 30 June 2007

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1. Income statement

in PLN '000	**01.01.2007-30.06.2007 non-audited**	**01.01.2006 – 30.06.2006 non-audited**
Interest income	672 170	605 107
Interest expense	-316 245	-269 624
Net interest income	**355 925**	**335 483**
Fee and commission income	175 965	134 969
Fee and commission expense	-26 315	-14 662
Net fee and commission income	**149 650**	**120 307**
Dividend income	7 977	750
Net trading income	75 328	61 795
Net result on derivatives used as hedging instruments and hedged items	-1 505	679
Net gains from investment activities	3 189	3 248
Net income from sale of receivables	11 313	121 306
Other operating income	18 671	23 368
Total operating income	**620 548**	**666 936**
General and administrative expenses	-397 976	-392 024
Net impairment losses on financial assets, other assets and provisions	25 067	-2 270
Other operating expenses	-14 749	-20 195
Total operating expenses	**-387 658**	**-414 489**
Profit before tax	232 890	252 447
Income tax expense	-52 986	10 990
Net profit from business activities	**179 904**	**263 437**
Net profit on discontinued operations	0	0
Net profit	**179 904**	**263 437**
Including:		
attributable to the Shareholders of the Bank	**179 904**	**263 437**

Weighted average number of shares	**271 658 880**	**271 658 880**
Earnings per share for profit attributable to the Shareholders of the Bank (in PLN))	0.66	0.97

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

2. Balance sheet

in PLN '000	**30.06.2007 non-audited**	**31.12.2006**	**30.06.2006 non-audited**
Cash and balances with Central Bank	555 154	640 722	1 370 030
Gross loans and advances to banks	2 921 634	2 205 291	1 988 567
Impairment losses on loans and advances to banks	-2 260	-2 753	-2 894
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	339 176	612 912	325 053
Derivatives including:	336 449	297 427	239 606
- derivatives used as hedging instruments	13 739	3 403	952
Gross loans and advances to customers	14 745 386	12 914 172	12 286 343
Impairment losses on loans and advances to customers	-1 001 594	-1 100 617	-1 713 953
Investment securities:	5 479 960	5 902 663	6 116 652
- available-for-sale	3 336 042	3 453 890	3 553 030
- held-to-maturity	2 143 918	2 448 773	2 563 622
Equity investments classified as available-for-sale	73 830	73 831	73 829
Property, plant and equipment	320 495	325 050	298 297
Intangible assets	73 620	84 394	93 773
Deferred tax asset	141 494	137 123	132 823
Current tax receivable	0	15 393	0
Non-current assets classified as held for sale	1 270	10 571	10 537
Other assets	98 613	87 616	94 737
Total assets	**24 083 227**	**22 203 795**	**21 313 400**

in PLN '000	**30.06.2007 non-audited**	**31.12.2006**	**30.06.2006 non-audited**
Amounts due to Central Bank	2 061	1 990	2 342
Amounts due to banks	3 148 703	2 164 826	2 837 316
Derivatives including:	312 915	296 474	247 669
- derivatives used as hedging instruments	22 635	554	900
Amounts due to customers	17 199 930	15 875 333	14 807 631
Debt securities issued	0	0	402 223
Securities sold under repurchase agreements	543 135	1 053 928	401 746
Current tax liability	15 236	0	11 764
Provisions	100 961	98 775	75 040
Other liabilities	284 153	251 107	245 779
Subordinated liabilities	414 349	421 619	444 853
Total liabilities	**22 021 443**	**20 164 052**	**19 476 363**

in '000 PLN	**30.06.2007 non-audited**	**31.12.2006**	**30.06.2006 non-audited**
Share capital	1 358 294	1 358 294	1 358 294
Share premium	381 718	104 789	104 789
Revaluation reserve	-39 074	18 275	-10 425
Reserves	180 942	120 942	120 942
Current net profit attributable to the shareholders of the Bank	179 904	437 443	263 437
Total equity	**2 061 784**	**2 039 743**	**1 837 037**
Total equity and liabilities	**24 083 227**	**22 203 795**	**21 313 400**
Capital adequacy ratio (%)	**11.18**	**13.45**	**15.80**

3. Off-balance sheet items

in '000 PLN	**30.06.2007 non-audited**	**31.12.2006**	**30.06.2006 non-audited**
Contingent liabilities, granted and received	**5 050 757**	**5 207 977**	**5 485 027**
Liabilities granted, including	4 717 935	4 706 170	5 040 198
- financial	3 309 814	3 497 903	3 853 879
- guarantees	1 408 121	1 208 267	1 186 319
Liabilities received, including:	332 822	501 807	444 829
- financial	50 642	205 139	61 917
- guarantees	282 180	296 668	382 912
Liabilities related to the sale/purchase transactions	**170 082 745**	**138 370 817**	**111 260 647**
Other	**3 027 733**	**3 153 678**	**3 089 326**
- guarantees received	3 027 733	3 153 178	3 089 326
- other	0	500	0

4. Statement of changes in equity

Changes in the period from 01.01.2007 to 30.06.2007 (non-audited)

in PLN '000	Share capital	Share premium	Revaluation reserve	Reserves	Retained earnings/ loss	Net profit/loss for the period	Total equity
Equity at period beginning, as at 01.01.2007	**1 358 294**	**104 789**	**18 275**	**120 942**	**437 443**		**2 039 743**
Valuation of financial assets available-for-sale			-49 219				-49 219
Effects of valuation of derivatives designated for cash flow hedge			-21 582				-21 582
Deferred tax on items recognised in the equity			13 452				13 452
Net profit recognised directly in equity			**-57 349**				**-57 349**
Net profit/loss for the period			0			179 904	179 904
Total recognised income and expenses			**-57 349**			**179 904**	**122 555**
Profit distribution		276 929		60 000	-336 929		0
Dividends to be paid					-100 514		-100 514
Equity at period end, as at 30.06.2007	**1 358 294**	**381 718**	**-39 074**	**180 942**	**0**	**179 904**	**2 061 784**

Changes in the period from 01.01.2006 to 31.12.2006

in PLN '000	Share capital	Share premium	Revaluation reserve	Reserves	Retained earnings/ loss	Net profit/loss for the period	Total equity
Equity at period beginning, as at 01.01.2006	**1 358 294**	**0**	**15 928**	**120 942**	**164 554**	**0**	**1 659 718**
Valuation of financial assets available-for-sale			1 972				1 972
Effects of valuation of derivatives designated for cash flow hedge			1 195				1 195
Deferred tax on items recognised in equity			-820				-820
Net profit recognised directly in equity			**2 347**				**2 347**
Net profit/loss for the period			0			437 443	437 443
Total recognised income and expenses			**2 347**			**437 443**	**439 790**
Profit distribution		104 789			-104 789		0
Dividends paid					-59 765		-59 765
Equity at period end, as at 31.12.2006	**1 358 294**	**104 789**	**18 275**	**120 942**	**0**	**437 443**	**2 039 743**

Changes in the period from 01.01.2006 to 30.06.2006 (non-audited)

in PLN '000	Share capital	Share premium	Revaluation reserve	Reserves	Retained earnings/ loss	Net profit/loss for the period	Total equity
Equity at period beginning, as at 01.01.2006	**1 358 294**	**0**	**15 928**	**120 942**	**164 554**	**0**	**1 659 718**
Valuation of financial assets available-for-sale			-31 152				-31 152
Effects of valuation of derivatives designated for cash flow hedge			-1 113				-1 113
Deferred tax on items recognised in equity			5 912				5 912
Net profit recognised directly in equity			**-26 353**				**-26 353**
Net profit/loss for the period			0			263 437	263 437
Total recognised income and expenses			**-26 353**			**263 437**	**237 084**
Profit distribution		104 789			-104 789		0
Dividends to be paid					-59 765		-59 765
Equity at period end, as at 30.06.2006	**1 358 294**	**104 789**	**-10 425**	**120 942**	**0**	**263 437**	**1 837 037**

5. Cash flow statement

in PLN '000	Notes	01.01.2007-30.06.2007 non-audited	01.01.2006-30.06.2006 non-audited
Net cash flow from operating activities			
Net profit		**179 904**	**263 437**
Adjustments to net profit and net cash from operating activities:		**112 763**	**-371 737**
Current and deferred tax recognised in financial result		52 986	-10 990
Unrealised gains/losses on currency translation differences	15b	-28 078	58 348
Investing and financing activities		**-122 960**	**-648 566**
Depreciation		45 033	53 975
Net increase/decrease in impairment	15c	-100 902	-600 680
Dividends		-7 977	-750
Accrued interest	15d	-58 649	-97 006
Net increase/decrease in provisions		2 186	-2 032
Net gains from investments	15e	-2 651	-2 073
Net increase/decrease in operating assets (excluding cash)		**-1 560 883**	**-131 014**
Net increase/decrease in gross loans and advances to banks :	15f	48 246	-220 246
Net increase/decrease in financial assets at fair value trough profit or loss, including financial assets held for trading and derivatives	15g	235 213	139 779
Net increase/decrease in gross loans and advances to customers		-1 831 214	-84 069
Net increase/decrease in other assets	15h	268	46 741
Income tax paid		-13 396	-13 219
Net increase/decrease in operating liabilities		**1 771 698**	**360 485**
Net increase/decrease in amounts due to Central Bank		71	2 342
Net increase/decrease in amounts due to banks	15i	1 009 949	224 205
Net increase/decrease in derivatives		16 441	27 514
Net increase/decrease in amounts due to customers	15j	1 324 598	138 671
Net increase/decrease in securities sold under repurchase agreements		-510 793	33 045
Net increase/decrease in other liabilities	15k	-68 568	-65 292
Net cash flow from operating activity		**292 667**	**-108 300**

		01.01.2007-30.06.2007 non-audited	01.01.2006-30.06.2006 non-audited
Net cash flow from investing activities			
Inflows		**1 754 449**	**26 300 951**
Disposal of property, plant and equipment and intangible assets		302	249
Disposal of shares in equity investments classified as available-for-sale investments (subsidiaries and associates)	15l	0	17 012
Disposal of investment securities	15m	1 603 534	26 142 761
Dividends received on shares		7 977	750
Interest received		142 636	140 179
Outflows		**-1 327 973**	**-25 597 126**
Acquisition of property, plant and equipment and intangible assets		-34 586	-30 826
Acquisition of investment securities	15m	-1 293 387	-25 566 300
Net cash flow from investing activities		**426 476**	**703 825**
Net cash flow from financing activities			
Inflows		**0**	**0**
Outflows		**-40 122**	**-302 954**
Repayment of subordinated liabilities	15o	0	-157 605
Repayment of borrowed loans and advances		0	-95 454
Other financial outflows	15n	-40 122	-49 895
Net cash flow from financing activities		**-40 122**	**-302 954**
Net increase/decrease in cash		**679 021**	**292 571**
Cash at period beginning		**2 268 737**	**2 248 801**
Cash at period end, including:	15a	**2 947 758**	**2 541 372**
Restricted cash		570 207	501 623

These financial statements of Kredyt Bank S.A. were approved for publication by the Management Board of Kredyt Bank S.A. on 23.08.2007.

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

6. Basis of preparation

Under Article 45.1c of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2002, No. 76, item 694 as amended) ('the Act') and under the decision of the General Meeting of Shareholders of Kredyt Bank S.A. of 25.04.2005, from 01.01.2005, individual financial statements of Kredyt Bank S.A. ('the Bank') have been prepared in accordance with the International Accounting

Standards (IAS) and the International Financial Reporting Standards (IFRS) that were approved by the European Commission.

These condensed standalone financial statements of Kredyt Bank S.A for the first half of 2007 were prepared in line with the requirements of the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) in force as at the date of this financial statements. Specifically, these financial statements have been prepared according to IAS 34 *Interim Financial Reporting* and matters not governed by IFRS must comply with the Act and the provisions of the Ordinance by the Council of Ministers of 19.10.2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005, No. 209, item 1744).

This condensed standalone financial statements of the Bank are supplementary financial statements to the full consolidated financial statements of Kredyt Bank S.A. Capital Group for the first half of 2007.

7. The Bank's financial standing at the end of the first half of 2007

Net profit of PLN 179.9 million generated by the Bank in the first half of 2007 proves that the Management Board's strategy of the development of selected business areas and ongoing restructuring of the operations and assets results in measurable effects.

7.1. *Financial result*

The Bank's profit before tax in the first half of 2007 amounted to PLN 232,890 thousand, while profit before tax generated in the first half of 2006 was equal to PLN 252,447 thousand. Lower profit before tax in the first half of 2007 as compared to the first half of 2006 results mainly from the sale of receivables effected in the second quarter of 2006. Total profit from the sale of receivables amounted to PLN 121,306 thousand.

Good financial result was affected by a few factors, including:

- growing business activity which followed the period of in-depth restructuring of the Bank's processes, mainly in terms of the sale of products offered in cooperation with WARTA, Żagiel and KBC TFI to retail customers;
- continuation of the effective management of the Bank' operating expenses;
- increased brand awareness resulting from the rebranding process supported by marketing campaigns and related increase in customer satisfaction and trust.

Main components of the Bank's income in the comparable periods are presented in the table below:

in PLN '000	**First half of 2007 non-audited**	**First half of 2006 non-audited**
Net interest income	355 925	335 483
Net fee and commission income	149 650	120 307
Net trading income; net gains from investment activities; net result on derivatives used as hedging instruments and hedged items; dividend income	84 989	66 472
Profit/loss from the sale of receivables portfolio	11 313	121 306
Profit/loss from other operating income/expenses	3 922	3 173
Total income	**605 799**	**646 741**

General and administrative expenses	-397 976	-392 024
Net impairment losses on financial assets, other assets and provisions	25 067	-2 270
Income tax expenses	-52 986	10 990
Net profit	**179 904**	**263 437**

Net interest income generated by the Bank in the first half of 2007 amounted to PLN 355,925 thousand and was higher by 6% as compared to net interest income in the corresponding period of the previous year.

Net fee and commission income amounted to PLN 149,650 thousand and was higher by 24% in comparison with the first half of the last year. The level of net fee and commission income was affected to the largest extent by almost double increase in commission income from the distribution of investment and insurance products and an increase in commission income from loans and fees and commissions from card products by over 40%.

In the first half of 2007, net trading income and net gains from investment activities, including net result on derivatives used as hedging instruments and hedged items, amounted to PLN 77,012 thousand as compared to PLN 65,722 thousand generated in the corresponding period in 2006.

The figure comprises results on trading and investment activities related to the disposal of shares of Stalexport from the portfolio of available-for-sale assets.

As at 30.06.2007, the Bank applied:

- fair value hedge of bonds portfolio with nominal value of PLN 25,389 thousand;
- cash flow hedge of:
    - bonds portfolio of the nominal value of PLN 186,000 thousand;
    - loans portfolio with the nominal value of PLN 1,000,000 thousand.

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Net income from the sale of receivables - on 14.04.2006, the Bank concluded with an external entity (BEST I Non-Standardized Closed-end Securitization Investment Fund) an agreement on the sale of receivables of the Bank and Żagiel. The maximum principal of sold receivables amounted to PLN 1,044,771 thousand, which made the transaction the largest transaction so far on the Polish market. As a result of signing two disposal agreements of 9 and 16 June 2006, the principal of PLN 929,970 thousand, including the Bank's amount of PLN 696,413 thousand, was sold. Total profit from the sale of receivables in the first half of 2006 amounted to PLN 121,306 thousand.

In the first half of 2007, the Bank sold a portion of non-performing loans portfolio, with the principal amount of PLN 54,058 thousand. Profit from the transactions charged to profit before tax amounted to PLN 11,313 thousand.

In the first half of 2007, general and administrative expenses amounted to PLN 397,976 thousand and were at a similar level recorded in the corresponding period of the previous year. Optimizing the Bank's general and administrative expenses remains one of the Bank's key objectives. Salaries and wages rose by 9.6 % as compared to figures recorded in the first half of 2006, which results from the proactive staff policy targeted at the support of sale through bonuses and awards for the accomplishment of sales objectives. Expenditure on the lease and maintenance of buildings increased in the first half of 2007 by 9% as compared to the first half of 2006, which is associated with the growing number of the Bank's outlets. However, general administrative expenses continue to decline.

Cost/income ratio in the first half of 2007 amounted to 65.7% and, in comparison with the corresponding period in 2006, it increased by 5 p.p., which results from the recognition of the impact of a single debt sale transaction in income in the first half of 2006.

7.2. *Assets and liabilities*

The relation of working assets to the balance sheet total remains at a high and stable level. As compared to the first half of 2006, loans and advances to customers increased, which is reflected in improved net interest income and net fee and commission income.
Over previous months, the Bank has also recorded stable increase of private and corporate customers' deposits.

7.3. *Improvement of receivables portfolio quality*

According to the method of presenting the quality of loans and advances to customers applied in KBC Group, non-performing loans (NPL) were separated from the portfolio of loans for which evidence for impairment was identified. NPLs are defined as loans with delayed repayment of interest or principal exceeding 90 days.

in PLN '000	**30.06.2007 non-audited**	**31.12.2006**	**30.06.2006 non-audited**
Loans and advances with no individual evidence of impairment, including interest	13 061 083	11 047 080	9 744 506
Loans and advances with individual evidence of impairment, including interest	1 684 303	1 867 092	2 541 837
including: NPL with interest	1 011 999	1 090 607	1 618 518
Total gross loan and advances to customers	**14 745 386**	**12 914 172**	**12 286 343**
Impairment losses on loans and advances to customers	1 001 594	1 100 617	1 713 953
including: impairment losses on loans and advances with individual evidence of impairment	950 493	1 046 335	1 665 708
including: Impairment losses on NPL	765 310	795 763	1 293 520
Total net loans and advances to customers	**13 743 792**	**11 813 555**	**10 572 390**
The share of loans and advances with individual evidence of impairment in total gross loans and advances	11.4%	14.5%	20.7%
Share of NPL in total gross loans and advances	6.9%	8.4%	13.2%
Coverage of loans and advances with individual evidence of impairment with impairment losses	56.4%	56.0%	65.5%
Coverage of NPL with impairment losses	75.6%	73.0%	79.9%
Coverage of gross loans and advances to customers with corresponding impairment losses	6.8%	8.5%	14.0%

Over the last 12 months, the value of the receivables for which evidence for impairment was identified decreased by 34%. As a result, over the last 12 months, the quality ratio for the Bank's gross receivables portfolio improved by 9.3 p.p., and by 6.3 p.p. for NPLs.

7.4. *Capital adequacy ratio*

Capital adequacy ratio was calculated as required by the regulations of the National Bank of Poland and amounted to 11.18%, 13.45% and 15.80% at the end of the first half of 2007, as at 31.12.2006 and at the end of the first half of 2006 respectively.

7.5. *Income and profit by segments*

The Bank's operations, as in previous reporting periods, was divided into four basic sector segments: Corporate Segment, Retail Segment, 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 entails transactions with large companies (with annual income exceeding PLN 16 million) as well as state budgetary units at central and local levels. Beside traditional deposit, credit and settlement services, other specific services are offered. 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 fixed assets and real estates, and also of real estate trade.

Retail Segment

Retail Segment incorporates products targeted at individual customers as well as Small and Medium-sized Enterprises (SME), which annual income does not exceed PLN 16 million. The products on offer comprise a wide range of deposit and loan products, insurance products (bancassurance and assure banking) offered in co-operation with WARTA S.A. as well as clearing services. This offer is addressed to customers through traditional channels of distribution via the Bank's nationwide network of branches as well as the Internet network- KB24. Furthermore, the Bank's offer for this segment includes products offered by KBC TFI including the sale of shares in investment funds.

Treasury Segment

Treasury Segment 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 profit on derivative instruments transactions: forward, FX swap, IRS, CIRS, FRA, interest rate and currency options.

Investment Segment

Investment Segment incorporates the Bank's equity investments in shares of companies whose core business is focused on generating added value for the Bank by specialising in non-banking areas of operation. In addition, the segment focuses on custody services.

Other segments

‘Other’ segment entails the result on sale of debt portfolio and other income and expenses not included in the above-mentioned segments.

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

Bank's net profit in the first half of 2007 (in PLN '000) – basic breakdown into business segments (non-audited)

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Segment income (external)	230 831	444 439	261 832	8 582	18 929	0	**964 613**
2. Segment income (internal)	97 919	259 053	259 341	0	7	-616 320	**0**
3. Total segment income	**328 750**	**703 492**	**521 173**	**8 582**	**18 936**	**-616 320**	**964 613**
4. Segment expenses (external)	-68 451	-168 846	-109 676	0	-11 842	0	**-358 815**
4a. Allocated segment costs	-55 269	-321 193	-5 026	-670	-15 817	0	**-397 975**
5. Segment expenses (internal)	-125 687	-126 954	-356 979	-2 356	-4 344	616 320	**0**
6. Total segment expenses	**-249 407**	**-616 993**	**-471 681**	**-3 026**	**-32 003**	**616 320**	**-756 790**
7. Segment operating profit/loss	**79 343**	**86 499**	**49 492**	**5 556**	**-13 067**	**0**	**207 823**
8. Net impairment charges for financial assets, other assets and provisions	**60 686**	**-35 619**	**0**	**0**	**0**	**0**	**25 067**
9. Segment result	**140 029**	**50 880**	**49 492**	**5 556**	**-13 067**	**0**	**232 890**
10. Income tax payable							**-52 986**
11. Net profit/loss							**179 904**

Bank's net profit in the first half of 2006 (in PLN '000) - basic breakdown into business segments (non-audited)

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Segment income (external)	198 265	388 938	234 625	7 972	121 090	0	**950 890**
2. Segment income (internal)	79 316	217 808	206 001	0	4	-503 129	**0**
3. Total segment income	**277 581**	**606 746**	**440 626**	**7 972**	**121 094**	**-503 129**	**950 890**
4. Segment expenses (external)	-56 591	-138 323	-95 079	-2 905	-11 252	0	**-304 150**
4a. Allocated segment costs	-53 063	-314 921	-4 956	-416	-18 667	0	**-392 023**
5. Segment expenses (internal)	-104 271	-98 386	-297 128	-3 344	0	503 129	**0**
6. Total segment expenses	**-213 925**	**-551 630**	**-397 163**	**-6 665**	**-29 919**	**503 129**	**-696 173**
7. Segment operating profit/loss	**63 656**	**55 116**	**43 463**	**1 307**	**91 175**	**0**	**254 717**
8. Net impairment charges for financial assets, other assets and provisions	63 985	-53 913	0	0	-12 342	0	**-2 270**
9. Segment result	**127 641**	**1 203**	**43 463**	**1 307**	**78 833**	**0**	**252 447**
10. Income tax expenses							**10 990**
11. Net profit/loss							**263 437**

The Bank's major achievements by segments that correspond to the Bank's varied business activities are presented in the Management Board's Report on the Operations of Kredyt Bank S.A. Capital Group.

8. Description of significant accounting policies and accounting estimates

In the first half of 2007, the Bank did not introduce any material changes in the applied accounting policies or accounting estimates as compared to the policies and estimates described in the Bank's published financial statement as at 31.12.2006.

The preparation of financial statements in conformity with IAS/IFRS requires a professional judgment of a Bank's Management Board on the adopted accounting policies 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 at the time, resulting from internal and external conditions. The actual results of future business operations may differ from the present accounting estimates. Therefore, accounting estimates are verified on a regular basis. Changes in estimates are recognised in the financial statement in the period they were made.

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

- measurement of financial assets and liabilities at amortized cost, with the application of effective interest rate method;
- identification and measurement of impairment of financial assets measured at amortised cost and historical cost;
- measurement of financial assets and liabilities at fair value, including derivatives for which no active market exists;
- value of deferred tax assets;
- provisions.

A detailed description of the accounting policies applied in the Bank and the most essential accounting estimates was presented in the consolidated financial statement of the Capital Group of Kredyt Bank S.A. for the first half of 2007, to which this financial statement has been attached.

9. Comparable data

With respect to comparable data included in this standalone financial report, there were changes in the presentation of figures as compared to figures presented in the standalone financial statement of the Bank for the first half of 2006 and in the Bank's financial statement for 2006. The changes were made to adjust the format of the balance sheet, the income statement presented in these financial statements of the Bank to the format applied as at 30.06.2007.

Figures as at 30.06.2006 and 31.12.2006 according to the presentation as at 30.06.2007

	Published data 30.06.2006	Changes	Comparable data 30.06.2006	Explanation
Assets				
Cash and balances with Central Bank	1 370 030		1 370 030	
Gross loans and advances to banks	1 978 568	9 999	1 988 567	a)
Impairment losses on loans and advances to banks	-2 894		-2 894	
Financial assets at fair value through profit or loss, including financial assets held for trading, excluding derivatives	564 659	-239 606	325 053	b)
Derivatives including:	0	239 606	239 606	b)
- derivatives used as hedging instruments	0	952	952	b)
Gross loans and advances to customers	12 281 877	4 466	12 286 343	a)
Impairment losses on loans and advances to customers	-1 713 953		-1 713 953	
Investments securities	6 116 652		6 116 652	
Equity investments classified as available-for-sale	73 829		73 829	
Other assets (*)	511 809	-25 002	486 807	a), c)
Deferred tax asset	132 823		132 823	
Non-current assets classified as held for sale	0	10 537	10 537	c)
Total assets	**21 313 400**	**0**	**21 313 400**	
LIABILITIES				
Amounts due to Central Bank	2 342		2 342	
Amounts due to banks	2 830 304	7 012	2 837 316	a)
Held-for-trading financial liabilities	247 669	-247 669	0	b)
Derivatives, including:		247 669	247 669	b)
- derivatives used as hedging instruments		900	900	b)
Amounts due to customers	14 673 175	134 456	14 807 631	a)
Other financial liabilities (**)	1 248 822		1 248 822	
Current tax liability	11 764		11 764	
Provisions and other liabilities	462 287	-141 468	320 819	a)
Total liabilities	**19 476 363**	**0**	**19 476 363**	
Total equity	**1 837 037**	**0**	**1 837 037**	
Total liabilities and equity	**21 313 400**	**0**	**21 313 400**	

(*) - the item contains: property, plant and equipment; intangible assets; other assets.

(**) - the item contains: debt securities issued; subordinated liabilities; and securities sold under repurchase agreements.

	Published data 30.06.2006	Changes	Comparable data 30.06.2006	Explanation
Interest income	605 069	38	605 107	b)
Interest expense	-269 292	-332	-269 624	b)
Net interest income	**335 777**	**-294**	**335 483**	
Net fee and commission income	**120 307**		**120 307**	
Dividend income	750		750	
Net trading income	63 535	-1 740	61 795	b)
Net result on derivatives used as hedging instruments and hedged items	0	679	679	b)
Net gains from investment activities	1 893	1 355	3 248	b)
Net income from the sale of receivables	121 306		121 306	
Other operating income	23 368		23 368	
Total operating income	**666 936**		**666 936**	
Total operating expenses	**-414 489**		**-414 489**	
Gross profit/loss	**252 447**		**252 447**	
Income tax expense	10 990		10 990	
Net profit/loss	**263 437**	**0**	**263 437**	

a) reclassification of receivables and liabilities on clearing accounts;
b) separation of derivatives valuation, including: valuation of hedging derivatives
c) separation of held-for-sale fixed assets.

	Published data 31.12.2006	Changes	Comparable data 31.12.2006	Explanation
Assets				
Cash and balances with Central Bank	640 722		640 722	
Gross loans and advances to banks	2 182 393	22 898	2 205 291	a)
Impairment losses on loans and advances to banks	-2 753		-2 753	
Financial assets at fair value through profit or loss, including financial assets held for trading, excluding derivatives	612 912		612 912	
Derivatives including:	297 427		297 427	
- derivatives used as hedging instruments	3 403		3 403	
Gross loans and advances to customers	12 907 835	6 337	12 914 172	a)
Impairment losses on loans and advances to customers	-1 100 617		-1 100 617	
Investments securities	5 902 663		5 902 663	
Equity investments classified as available-for-sale	73 831		73 831	
Other assets (*)	526 295	-29 235	497 060	a)
Deferred tax assets	137 123		137 123	
Current tax receivables	15 393		15 393	
Non-current assets classified as held for sale	10 571		10 571	
Total assets	**22 203 795**	**0**	**22 203 795**	
LIABILITIES				
Amounts due to Central Bank	1 990		1 990	
Amounts due to banks	2 160 538	4 288	2 164 826	a)
Derivatives, including:	296 474		296 474	
- derivatives used as hedging instruments	554		554	
Amounts due to customers	15 618 881	256 452	15 875 333	a)
Other financial liabilities (**)	1 475 547		1 475 547	
Current tax liability				
Provisions and other liabilities	610 622	-260 740	349 882	a)
Total liabilities	**20 164 052**	**0**	**20 164 052**	
Total equity	**2 039 743**	**0**	**2 039 743**	
Total liabilities and equity	**22 203 795**	**0**	**22 203 795**	

(*) - the item contains: property, plant and equipment; intangible assets; other assets.

(**) - the item contains: debt securities issued; subordinated liabilities; and securities sold under repurchase agreements.

a) reclassification of receivables and liabilities on clearing accounts.

10. Seasonality or cyclical nature of operations

The Bank's operations are not of seasonal nature.

11. Non-typical factors and events

In the first half of 2007, no untypical events occurred in the Bank that would affect the structure of balance sheet items and the financial result.

12. Issue, redemption and repayments of debt or equity instruments

In the first half of 2007, Kredyt Bank S.A. did not issue any debt or equity securities, or redeem or repay any debt or equity securities.

13. Paid dividend

The General Meeting of the Bank's Shareholders adopted a resolution on the payment of gross dividend for 2006 amounting to PLN 0.37 per share. Total dividend amounted to PLN 100,513,785.60, where the holders of 271,658,880 shares of Kredyt Bank S.A., of series A to W inclusive, are entitled to dividend. The right to dividend was established on 02.07.2007.

The payment of dividend was effected on 18.07.2007.

14. Post-balance sheet events

On 23.07.2007, Kredyt Bank S.A. entered into a loan agreement of CHF 15 million with a customer being a non-banking financial institution.

The total value of agreements entered into by the Bank with this customer over previous 12 months amounts to an equivalent of PLN 191,633 thousand and, as a result, meets the criteria of a material agreement, as its value exceeds the equivalent of 10% of the Bank's equity.

On 03.08.2007, Kredyt Bank S.A. concluded with a borrower revolving loan agreement amounting to PLN 300,000 thousand to finance the borrower's current operations.

On 20.08.2007, the Bank signed loan agreements with a company from the electro-machines industry for the total amount of PLN 475,000,000. The above-mentioned amount comprises a syndicated loan with Kredyt Bank S.A.'s share of PLN 435,000,000 and a bilateral loan of PLN 40,000,000. PLN is the currency of the syndicated loan and the borrowing period is 7 years. The interest rate for the syndicated loan is based on WIBOR plus the Bank's mark-up which, as agreed by the parties, depends on the Borrower's selected financial ratios. The loan amount was secured by the Borrower. The total value of the above-mentioned agreements exceeds 10% of the Bank's equity.

15. Notes to the cash flow statement

a/ Cash and cash equivalents

	30.06.2007	30.06.2006
Cash and balances with Central Bank	555 154	1 370 030
Due from other banks (up to 3 months)	2 392 604	1 171 342
Cash and cash equivalents	**2 947 758**	**2 541 372**

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

b/ Operating activity – unrealised gains/losses on currency translation differences

	30.06.2007	30.06.2006
Currency translation differences for investment securities	5 961	1 436
Currency translation differences on held-for-trading financial assets	-499	-550
Currency translation differences on equity investments	1	0
Currency translation differences on subordinated liabilities	-7 241	14 701
Currency translation differences for received loans	-26 300	42 761
Total	**-28 078**	**58 348**

c/ Operating activity – impairment

	30.06.2007	30.06.2006
Net increase/decrease in impairment charges for amounts due from banks	-493	0
Net increase/decrease in impairment charges for loans and advances to customers	-99 023	-605 295
Net increase/decrease in impairment charges for tangible fixed assets and intangible assets	-1 386	3 789
Net increase/decrease in impairment charges for equity investments	0	826
Total	**-100 902**	**-600 680**

d/ Operating activity – interest

	30.06.2007	30.06.2006
Interest on investment securities	-84 796	-131 102
Interest on borrowed loans	15 525	11 064
Interest on issued debt securities	0	14 167
Interest on subordinated liabilities	10 622	8 865
Total	**-58 649**	**-97 006**

e/ Operating activity – gains/losses from the sale of investments

	30.06.2007	30.06.2006
Sale of equity investments	0	-292
Gain/losses from the sale of investment securities	-1 268	-2 367
Profit/loss on sale of tangible fixed assets and intangible assets	-1 383	586
Total	**-2 651**	**-2 073**

f/ Amounts due from banks

	30.06.2007	30.06.2006
Balance sheet change in net value	-716 836	250 144
Net increase/decrease in Nostro accounts – cash	-11 089	-5 340
Net increase/decrease in term deposits up to 3 months - cash	775 678	-465 050
Impairment	493	0
Total	**48 246**	**-220 246**

g/ Financial assets at fair value through profit or loss account, including held-for-trading financial assets and derivatives

	30.06.2007	30.06.2006
Balance sheet change in financial assets at fair value through profit or loss, including held-for-trading financial assets	273 736	162 565
Balance sheet change in the valuation of derivatives	-39 022	-23 336
Currency translation differences in operating activity	499	550
Total	**235 213**	**139 779**

h/ Operating activity – net increase/decrease in other assets

	30.06.2007	30.06.2006
Balance sheet change in other assets	-10 997	16 702
Net increase/decrease in assets for sale	9 301	-4 689
Other net increase/decrease in tangible fixed assets and intangible assets	7 349	31 779
Other changes	-5 385	2 949
Total	**268**	**46 741**

i/ Amounts due to banks

	30.06.2007	30.06.2006
Balance sheet change	983 877	267 695
Currency translation differences from borrowed loans in operating activity	26 300	-42 761

Interest on borrowed loans in operating activity	-15 525	-11 064
Interest paid on borrowed loans - presentation in financial activity	15 297	10 335
Total	**1 009 949**	**224 205**

j/ Amounts due to customers

	30.06.2007	30.06.2006
Balance sheet change	1 324 598	42 932
Repayment of Banking Guarantee Fund (BGF) loan - presentation in financial activity	0	95 454
Payment of interest on BGF loan - presentation in financial activity	0	285
Total	**1 324 598**	**138 671**

k/ Operating activity – net increase/decrease in other liabilities

	30.06.2007	30.06.2006
Balance sheet change	33 045	-14 134
Dividend payable	-100 514	-59 765
Repayment of leasing payables	14 174	14 207
Other changes	-15 273	-5 600
Total	**-68 568**	**-65 292**

l/ Equity investments classified as available-for-sale

	30.06.2007	30.06.2006
Balance sheet change	1	17 546
Gains on the sale of investments in operating activity	0	292
Currency translation differences	-1	0
Impairment in operating activity	0	-826
Total	**0**	**17 012**

m/ Net increase/decrease in investment securities

	30.06.2007	30.06.2006
Acquisition in investment activity	-1 293 387	-25 566 300
Disposal in investment activity	1 603 534	26 142 761
Interest received in investment activity	142 636	140 179
Net increase/decrease in interest receivables in operating activity	-84 796	-131 102
Net increase/decrease in available-for-sale financial assets in operating activities	48 755	6 025
Currency translation differences in operating activity	5 961	1 436
Balance sheet change	**422 703**	**592 999**

__n/ Financing activity - other financing expenses__

	30.06.2007	30.06.2006
Interest repayment on loans received	-15 297	-10 335
Interest repayment on BGF loan	0	-285
Interest repayment on subordinated liabilities	-10 651	-10 689
Interest payment on own issue payables	0	-14 379
Payment of leasing payables	-14 174	-14 207
Total	**-40 122**	**-49 895**

__o/ Subordinated liabilities__

	30.06.2007	30.06.2006
Balance sheet change	-7 270	-144 728
Payment of interest on subordinated liabilities - presentation in financial activity	10 651	10 689
Accrued interest on subordinated liabilities - presentation in operating activity	-10 622	-8 865
Currency translation differences on subordinated liabilities - presentation in operating activity	7 241	-14 701
Total	**0**	**-157 605**

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

The Bank's share capital did not change as compared to the figure as at 31.12.2006 presented in the Bank's published financial statement, however, the shareholding structure altered.
On 27.04.2007, the Bank was informed by KBC Bank NV that, on 24.04.2007, KBC Securities NV, a wholly-owned subsidiary of KBC Bank NV, purchased 7,690,966 shares of Kredyt Bank S.A. in a block transaction.
Following the transaction, KBC Bank NV holds 217,327,103 shares in their investment portfolio, i.e. 80-percent share in the share capital of Kredyt Bank S.A., and KBC Securities NV holds 7,690,966 shares of Kredyt Bank S.A. in their trading portfolio, i.e. 2.83-percent share in the share capital of Kredyt Bank S.A.
As informed by KBC Bank NV, both companies jointly, i.e. KBC Bank NV and KBC Securities NV, are entitled to exercise up to 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A., i.e. KBC Bank NV and KBC Securities NV jointly may exercise 203,744,160 votes at the General Meeting of Shareholders of Kredyt Bank S.A.

The table below presents Shareholders of Kredyt Bank S.A. holding over 5% of total votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 30.06.2007.

Shareholder	Line of business	Number of shares and votes at the GMS	Share in votes and share capital (%)
KBC Bank NV*	Banking	217 327 103	80.00
Sofina SA	Investment company	15 014 772	5.53

*) *By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17.09.2001, 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.*

As at 30.06.2007, as many as 271,590,820 bearer shares were traded on the main market of the Warsaw Stock Exchange.

As at 30.06.2006, as many as 271,583,872 bearer shares were traded on the main market of the Warsaw Stock Exchange.

17. Shares of Kredyt Bank S.A. held by the Management Board Members and the Supervisory Board Members.

Shares of Kredyt Bank S.A. held by the members of the Management Board of Kredyt Bank S.A. and the members of the Supervisory Board of Kredyt Bank S.A.:

Specification	30.06.2007 Number of shares	30.06.2007 Shares nominal value in PLN '000	31.12.2006 Number of shares	31.12.2006 Shares nominal value in PLN '000	30.06.2006 Number of shares	30.06.2006 Shares nominal value in PLN '000
Members of the Bank's Management Board	5 000	25.0	5 000	25.0	5 000	25.0
Members of the Bank's Supervisory Board	1 000	5.0	1 000	5.0	1 000	5.0
Total	**6 000**	**30.0**	**6 000**	**30.0**	**6 000**	**30.0**

As at 30.06.2007 and in comparable periods, Members of the Management Board and of the Supervisory Board of Kredyt Bank S.A. did not hold shares or interests in other entities of Kredyt Bank S.A. Capital Group.

18. Information on proceedings before courts or public administration authority

In the first half of 2007, the Bank was not a party to any proceedings before court or public administration authority, where the amount(s) claimed would be equal to at least 10% of the Bank's equity.

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

The cases in which the Bank is a plaintiff

With reference to the Bank's failure in the litigation against Inspektoria Towarzystwa Salezjańskiego (Salesian Society Inspectorate) in Wrocław, the guarantor of loans granted by the Bank from February to August 2001 to four entities: St. Jan Bosko's Roman-Catholic Parish, St. Jack's Roman-Catholic Parish and two monastic houses of the Salesian Society in Lublin, the Bank is now pursuing claims by the reason of groundless enrichment against church institutions for the total amount of PLN 14,567.2 thousand with possible extension of the suit. First hearings have already taken place. The defendants replied to lawsuits and applied for the dismissal of all claims. Upon the Bank's request, accounting experts prepared reports to determine whether the resources obtained from lombard loans were transferred to the accounts of the parish and monastic houses and determine the way of disposing the resources from these accounts.

The cases in which the Bank is a defendant

- Three 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 4 March 1997, granted a syndicated loan to LFO. The loan was secured by, among others, a registered pledge on the company's fixed assets 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 proceedings related to the Bank's exercise of the collateral under the loan agreement were unsuccessful; as a result, on 28.03.2003, the Bank, on behalf of syndicate members, called the Minister of Finance representing the State Treasury to pay USD 12.7 million, i.e. 60% of the drawn loan amount and USD 1.6 million of interest. The Finance Minister refused to exercise the surety. On the basis of the executory title obtained by the Bank, the court debt collector enforced the whole claim for the Bank, i.e. PLN 8,120.1 thousand on account of the repayment of loan principle and interest, and PLN 30.0 thousand on account of expenses.
    - The State Treasury requested for determination whether the syndicated loan agreement concluded between LFO and the syndicate of five banks 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 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. We may expect the solution of the case in the court soon. In the first quarter of 2007, the State Treasury changed the lawsuit and claimed PLN 8,207.4 thousand including interest. Upon the request of the State Treasury, the court called upon the trustee in bankruptcy of LFO to participate in the case.
    - Claims of LFO for damages amounting to PLN 119,477 thousand due to the termination of a loan agreement. The suit was filed on 18.06.2003. The Bank is of the opinion that LFO claims are not based on any actual and legal grounds. On 16.03.2005, the court rejected the suit by LFO. 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.

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. At present, the total amount claimed by the plaintiff amounts to PLN 20,665.6 thousand. On 20.03.2007, the court announced its decision and claimed the whole disputed amount with interest from the Bank. The Bank requested the court to justify the verdict. Following the receipt of the justification, the Bank appealed against the court's decision.

- 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). The new hearing date will be determined by the court following the preparation of an opinion by an expert. In the Bank's opinion, the basis for claims specified in the lawsuit are doubtful.
- The court proceedings concerning a loan totalling PLN 2,900.0 thousand extended by the Bank to its client in September 1999 to purchase securities. The Client claims damages for the loss of profit due to the decline in the value of assets on the account in the period of its freeze and failure to generate profit that he might have generated if he had had free access to the account, e.g. loss of profit related to unexercised pre-emptive right offered to him and the failure to take up new shares. The plaintiff also demands amounts collected by the Bank after the termination of the agreement. The total value of the object of the dispute amounts to PLN 10,048.6 thousand. On 30.10.2006, the Bank responded to the suit. The hearing date was set on 12.07.2007, however no substantial decisions were made then.
- On 17.01.2001, the President of the Office for Competition and Customer Protection, upon the request of Polska Organizacja Handlu i Dystrybucji, initiated proceedings concerning competition-restricting practices on payment cards market by VISA and MasterCard as well as 20 banks, including Kredyt Bank S.A. On 29.12.2006, the President of the Office for Competition and Customer Protection issued the decision in which:
  - they imposed a fine on Kredyt Bank of PLN 12,158.4 thousand;
  - HSBC Bank Polska S.A. was fined with PLN 193 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 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.
- In relation to a loan transaction to finance the construction of Altus building in Katowice, the Bank and Reliz Sp. z o.o. are involved in certain disputes of legal nature. 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 court requested the parties to settle the case amicably. Negotiations between the parties are underway.

- From May to August 2005, the Bank entered into nine framework agreements concerning the conclusion of term exchange transactions. Transaction result amounts to PLN 7,986,540.96. The transactions were negotiated by the Bank's employee with customers' consent. As a result of a change of trends on the market, the majority of forwards resulted in huge losses. Customers who were requested to additionally hedge the transaction challenge the concluded transactions.

The 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.

19. Significant transactions with capitally-linked entities with the value equal to or exceeding PLN equivalent of EUR 500 thousand not related to current operations.

In the first half of 2007, no significant transactions had place with the entities linked by capital with the value equal to or exceeding PLN equivalent of EUR 500 thousand not related to current operations.

The major part of the transactions with related parties are standard banking operations, provided at arm's length: granting loans, issuing bank guarantees, issuing own securities, accepting deposits, borrowing loans, currency transactions, transactions made in derivatives. The volumes of transactions and related income and expense have been presented below:

As at 30.06.2007 (non-audited)

in PLN '000

Assets	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total as at 30.06.2007 non-audited
Amounts due from banks	0	184 048	785 278	969 326
Valuation of derivatives	0	65 312	102 706	168 018
Loans and advances to customers	475 192	0	175 319	650 511
Other assets	6 493	0	17 706	24 199
Total assets	**481 685**	**249 360**	**1 081 009**	**1 812 054**

Liabilities	Subsidiaries	Parent company – KBC Bank NV	KBC Group* without KBC Bank N. V.	Total as at 30.06.2007 non-audited
Amounts due to banks	0	1 048 057	95 784	1 143 841
Valuation of derivatives	0	61 505	0	61 505
Amounts due to customers	52 020	0	1 178 134	1 230 154
Subordinated liabilities	0	414 349	0	414 349
Other liabilities	50 752	81 154	3 103	135 009
Total liabilities	**102 772**	**1 605 065**	**1 277 021**	**2 984 858**

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total as at 30.06.2007 non-audited
Granted financing liabilities	86 370	0	0	86 370
Guarantees granted	1 651	5 780	3 147	10 578
Guarantees received	0	11 714	0	11 714
Derivatives	0	15 365 180	604 052	15 969 232
Amounts due under sale/purchase transactions	0	0	96 550	96 550
Total off-balance sheet items	**88 021**	**15 382 674**	**703 749**	**16 174 444**

Income	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total for the first half of 2007 non-audited
Interest income	5 180	3 385	13 411	21 976
Fee and commission income	326	4	29 214	29 544
Net trading income	28	0	0	28
Other operating income	1 278	1	1 358	2 637
Total income	**6 812**	**3 390**	**43 983**	**54 185**

Expenses	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total for the first half of 2007 non-audited
Interest expense	3 480	27 718	9 235	40 433
Fee and commission expense	0	0	19	19
General and administrative expenses	16 921	118	713	17 752
Total expenses	**20 401**	**27 836**	**9 967**	**58 204**

** including WARTA S.A.*

As at 31.12.2006

Assets	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total as at 31.12.2006
Amounts due from banks	0	237 434	346 232	583 666
Valuation of derivatives	0	45 289	765	46 054
Loans and advances to customers	428 319	0	15 219	443 538
Other assets	7 910	23	12 641	20 574
Total assets	**436 229**	**282 746**	**374 857**	**1 093 832**

Liabilities	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total as at 31.12.2006
Amounts due to banks	0	948 958	15 784	964 742
Valuation of derivatives	0	47 565	49	47 614
Amounts due to customers	68 070	0	306 018	374 088
Subordinated liabilities	0	421 619	0	421 619
Other liabilities	76 223	371	103	76 697
Total liabilities	**144 293**	**1 418 513**	**321 954**	**1 884 760**

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total as at 31.12.2006
Guarantees granted	4 421	10 548	1 135	16 104
Guarantees received	0	0	7 999	7 999
Derivatives	0	10 290 804	365 251	10 656 055
Amounts due under sale/purchase transactions	0	319 146	81 779	400 925
Total off-balance sheet items	**4 421**	**10 620 498**	**456 164**	**11 081 083**

As at 30.06.2006 (non-audited)

in PLN '000

Assets	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total as at 30.06.2006 non-audited
Amounts due from banks	0	140 017	351 907	491 924
Valuation of derivatives	0	52 449	688	53 137
Loans and advances to customers	209 132	0	16 050	225 182
Other assets	7 031	504	4 287	11 822
Total assets	**216 163**	**192 970**	**372 932**	**782 065**

Liabilities	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total as at 30.06.2006 non-audited
Amounts due to banks	0	1 498 875	13 702	1 512 577
Valuation of derivatives	0	70 156	104	70 260
Amounts due to customers	102 138	0	146 148	248 286
Issued debt securities	0	402 223	0	402 223
Subordinated liabilities	0	444 853	0	444 853
Other liabilities	66 325	13	210	66 548
Total liabilities	**168 463**	**2 416 120**	**160 164**	**2 744 747**

Off-balance sheet items	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total as at 30.06.2006 non-audited
Granted financing liabilities	191 683	0	0	191 683
Guarantees granted	1 121	13 193	139 050	153 364
Guarantees received	0	124 300	8 823	133 123
Derivatives	4 786	5 401 402	108 293	5 514 481
Amounts due under sale/purchase transactions	0	214 534	18 162	232 696
Other	337	0	0	337
Total off-balance sheet items	**197 927**	**5 753 429**	**274 328**	**6 225 684**

Income	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total for the first half of 2006 non-audited
Interest income	6 172	3 636	7 278	17 086
Fee and commission income	259	20	11 930	12 209
Net trading income	-82	0	0	-82
Other operating income	3 082	302	753	4 137
Total income	**9 431**	**3 958**	**19 961**	**33 350**

Expenses	Subsidiaries	Parent company - KBC Bank NV	KBC Group* without KBC Bank N. V.	Total for the first half of 2006 non-audited
Interest expense	8 414	34 412	2 065	44 891
Fee and commission expense	906	0	2 768	3 674
General and administrative expenses	13 062	1 690	2 882	17 634
Total expenses	**22 382**	**36 102**	**7 715**	**66 199**

** including WARTA S.A.*

20. Remuneration of the key management staff

In the period described in this financial statement, Members of the Bank's Management Board and the Bank's Supervisory Board received the following remuneration:

a. in the first half of 2007 PLN 7,538 thousand
b. in 2006 PLN 15,874 thousand
c. in the first half of 2006 PLN 11,139 thousand

Below, we present information on salaries of each benefits category

in PLN '000

No.	Benefit	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006	01.01.2006 - 30.06.2006
1	Short-term employee benefits	4 969	9 408	5 037
2	Benefits paid after the termination of employment	10	368	4
3	Benefits due on account of the termination of employment	2 559	6 098	6 098

In the first half of 2007 and in comparable periods, Members of the Bank's Management Board and Members of the Bank's Supervisory Board did not receive remuneration for their work in subsidiaries.

21. Information on the Issuer's or its subsidiary's guarantees for loans, credits or other guarantees granted.

As at 30.06.2007, the Bank issued guarantees with the total value of at least 10% of the Bank's equity to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 226,983 thousand. Their average maturity dates as at 30.06.2007 are three years and two months.

As at 30.06.2006, 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 236,858 thousand. Their average maturity dates as at 30.06.2007 are one year and ten months.

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

Signatures of all Management Board Members

date	23.08.2007	Ronald Richardson	President of the Management Board	…………………………………….
date	23.08.2007	Umberto Arts	Vice-President of the Management Board	……………………………………..
date	23.08.2007	Krzysztof Kokot	Vice-President of the Management Board	…………………………………….
date	23.08.2007	Michał Oziembło	Vice-President of the Management Board	…………………………………….
date	23.08.2007	Andrzej Witkowski	Vice-President of the Management Board	…………………………………….

Signature of a person responsible for keeping the Bank's account books

date	23.08.2007	Maria Beata Kucińska	Chief Accountant	…………………………………….