CONSOLIDATED QUARTELY REPORT OF KREDYT BANK S.A.
FOR THE II QUARTER 2005

(Submitted to the Polish Securities and Exchange Commission on August 11, 2005 translated from Polish language)

SELECTED FINANCIAL DATA	In PLN thousand		in EURO thousand	
	II quarters increasingly/ 2005 period from 2005-01-01 to 2005-06-30	II quarters increasingly/ 2004 period from 2004-01-01 to 2004-06-30	II quarters increasingly/ 2005 period from 2005-01-01 to 2005-06-30	II quarters increasingly/ 2004 period from 2004-01-01 to 2004-06-30
Data concerning abbreviated consolidated financial report				
I. Interest income	728 283	669 958	178 479	141 607
II. Income on commissions	148 926	251 260	36 497	53 108
III. Result on banking activity	573 692	640 501	140 594	135 381
IV. Result on operational activity	196 572	58 376	48 174	12 339
V. Gross profit (loss)	196 572	58 376	48 174	12 339
VI. Net profit (loss)	233 161	47 476	57 140	10 035
VII. Total net cash flows	-660 681	1 987 492	-161 912	420 091
VIII. Total assets	20 931 540	23 422 480	5 180 946	5 156 638
IX. Liabilities due to banks	2 552 600	4 612 980	631 816	1 015 583
X. Liabilities due to customers	14 237 118	15 547 254	3 523 952	3 422 847
XI. Equity	1 515 642	1 298 972	375 150	285 979
XII. Share capital	1 358 294	1 358 294	336 203	299 039
XIII. Number of shares	271 658 880	271 658 880		
XIV. Book value per 1 share (in PLN / EUR)	5,58	4,78	1,38	1,05
XV. Diluted book value per 1 share (in PLN / EUR)	5,58	4,78	1,38	1,05
XVI. Capital adequacy ratio	14,52	13,52		
XVII. Profit (loss) per 1 ordinary share (in PLN / EUR)	1,54	-6,81	0,38	(1,44)
XVIII. Diluted profit (loss) per 1 ordinary share (in PLN / EUR)	1,54	-6,81	0,38	(1,44)

SELECTED FINANCIAL DATA	In PLN thousand		in EURO thousand	
	II quarters increasingly/ 2005 period from 2005-01-01 to 2005-06-30	II quarters increasingly/ 2004 period from 2004-01-01 to 2004-06-30	II quarters increasingly/ 2005 period from 2005-01-01 to 2005-06-30	II quarters increasingly/ 2004 period from 2004-01-01 to 2004-06-30
Data concerning abbreviated financial report				
I. Interest income	704 218	620 932	172 581	131 245
II. Income on commissions	149 274	235 318	36 582	49 739
III. Result on banking activity	498 595	507 506	122 190	107 270
IV. Result on operational activity	183 237	57 806	44 906	12 218
V. Gross profit (loss)	183 237	57 806	44 906	12 218
VI. Net profit (loss)	225 919	57 806	55 366	12 218
VII. Total net cash flows	-620 459	2 006 830	-152 055	424 178
VIII. Total assets	20 994 713	22 858 495	5 196 583	5 032 472
IX. Liabilities due to banks	1 300 608	2 438 394	321 925	536 831
X. Liabilities due to customers	15 529 581	17 024 519	3 843 861	3 748 078
XI. Equity	1 491 789	1 293 835	369 246	284 848
XII. Share capital	1 358 294	1 358 294	336 203	299 039
XIII. Number of shares	271 658 880	271 658 880		
XIV. Book value per 1 share (in PLN / EUR)	5,49	4,76	1,36	1,05
XV. Diluted book value per 1 share (in PLN / EUR)	5,49	4,76	1,36	1,05
XVI. Capital adequacy ratio	14,43	13,70		
XVII. Profit (loss) per 1 ordinary share (in PLN / EUR)	1,20	-6,76	0,29	-1,43
XVIII. Diluted profit (loss) per 1 ordinary share (in PLN / EUR)	1,20	-6,76	0,29	-1,43

Interim extended consolidated report

Of the Kredyt Bank S.A. Capital Group

prepared for the second quarter 2005 in accordance with

the International Standards of Financial Reporting

Additional information to the interim extended consolidated report of the Kredyt Bank S.A. Capital Group prepared for the second quarter 2005 in accordance with the International Standards of Financial Reporting

CONTENTS

I. Basis of preparing the report

Pursuant to Article 55, item 6a of the Law on Accountancy of September 29, 1994 (Uniform wording, Journal of Laws of 2002 no. 76, item 694) as later amended ("Law"), starting from January 1, 2005 the consolidated reports of the Kredyt Bank S.A. Group ("Group") are prepared in accordance with IAS/ISFR.

Basing on Article 45, item 1c of the Law and pursuant to the decision of the General Assembly of Kredyt Bank S.A. of April 25, 2005, starting from January 1, 2005 the unit reports of Kredyt Bank S.A. ("Bank") are prepared in accordance with IAS/ISFR.

The consolidated quarterly report of Kredyt Bank S.A. for the second quarter 2005 and financial statements being a part of this report were made in accordance with the International Accounting Standards (IAS) and Financial Reporting (ISFR) that are effective as of the day of their preparation. The report has been prepared as provided for in IAS 34 *Interim financial reporting* with additional details as provided for in the Regulation on current and periodical information submitted by the issuers of securities (Journal of Laws of 2005, no. 49, item 463).

The report for the first quarter 2005 published on May 16, 2005 was the first interim financial report of Kredyt Bank S.A. Capital Group prepared in accordance with IAS/ISFR.

II. The Group's financial situation in the end second quarter 2005

The net financial result equal to PLN 139 million generated by the Group in the second quarter 2005 (PLN 233 million in total over two quarters of 2005) as well as the safe level of the capital adequacy ratio equal to 14.52% are the evidence that profound restructuring of the Bank and the Group operating activity that was implemented last year and strengthening the capital base with the capital support on the part of KBC Bank NV, created stable foundations for generating profits by the Group.

In accordance with the decision of the General Assembly of April 25, 2005 the remaining portion of the net loss, incurred as of the end of 2002 and 2003 that was disclosed in the Bank's 2004 financial report amounting to PLN 588.9 million, was entirely covered, which is also the evidence that the Bank's financial condition has further improved. In order to cover that loss, among other, the Bank's entire 2004 net profit was applied, which, as disclosed in the financial statement preapred as of December 31, 2004 in accordance with the Polish Acounting Standards, was equal to PLN 185.2 million.

Mr Ronald Richardson was appointed the President of the Management Board of Kredyt Bank S.A., which was approved on June 8, 2005 by the Banking Supervisory Commission. He will continue the strategy consisting in the Bank's complex growth, focusing, among other, on a further implementation of bancassurance concept.

Generated financial result

The Group's gross profit in the second quarter 2005 amounted to PLN 98,526 thousand (while a gross profit generated in the second quarter 2004 was equal to PLN 34,625 thousand).

A net profit was equal to PLN 139,007 thousand and was over fivefold higher (i.e. by PLN 111,694 thousand higher) than that achieved in the second quarter 2004.

Total net profit of the Group generated in the first half of 2005 amounted to PLN 233,161 thousand and was five-times higher than a net result generated over the same period of 2004. The following factors exerted an impact on the significant improvement of the financial result:

- Growing business activeness in the corporate and retail banking segment as observed over the last months after a profound restructuring processes had been implemented,
- Continuous mitigation of credit risk supported by efficient restructuring and vindication activities,
- Continuation of effective functioning costs management of the Group

Main components of the Group's income over the comparable periods are presented in the table below

Specification (in PLN thousand)	I half of 2005	II quarter of 2005	I half of 2004	II quarter of 2004
Net interest	364 463	190 666	344 315	175 983
Net commissions	139 938	65 526	234 633	122 736
Result on commercial activity*	69 291	29 894	61 553	32 197
Result on other operating income/costs	11 235	7 169	-1 539	-1 427
Total income	584 927	293 255	638 962	329 489
Costs of the Banks's functioning, general management costs and amortisation	-437 096	-216 918	-539 319	-272 212
Net write-offs by the reason of provisions for a permanent loss in value of credit receivables and other assets	48 741	22 189	-41 267	-22 652
Income tax	35 214	39 106	-9 249	-6 429
Total costs	-353 141	-155 623	-589 835	-301 293

*) "The result on commercial activity" is the sum of the following items: "Net income on sale of products, goods and material", "Income on stock or shares, other securities and other financial instruments", "Result on financial operations" and "Foreign exchange result".

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Net interest generated by the Group in the first half of 2005 amounted to PLN 364,463 thousand and was by 6% higher than that achieved in the comparable period of of 2004 in result of, among others, the increased volume of clients' funds, increase of profit-generating assets participation and fluctuating market interest rates.

Net commissions achieved the value of PLN 139,938 thousand and was by 40% lower in comparison with the first half of last year. The net commissions achieved is a consequence of adopting by the Group (from 01.01.2005) the methodology of effective interest rate to assess the financial assets and liabilities disclosed in accordance with the amortized cost without transforming comparable data, which is conformable with ISFR 1. The commissions received in cash are withdrawn from income on commissions and settled as interest income pursuant to the effective interest rate of contracts. The largest portion of commissions settled by the effective interest rate method refers to retail loans as well as long-term mortgage credits.

Result on commercial activity over the first half of 2005 amounted to PLN 69,291 thousand, exceeding by ca 13% the result of the same period of 2004. It was achieved owing to an increased scale of market activity conducted in the circumstances of the significant fluctuations of the foreign currency rates.

In the first half of 2005 the costs of the Group's functioning amounted to PLN 437,096 thousand and were by 19% lower in comparison with the first half of 2004. Main areas, where the economies achieved by the Group were most significant are as follows: utilization of IT and telecommunication systems, supply of materials and the selection of the services providers.

Lower personnel expenses were connected with the execution of the Bank's restructuring process and the changes resulting from it in respect of the personnel policy conducted at the Bank. Within the framework of that policy a main emphasis was laid on the strengthening of sales divisions, centralizing certain functions as well as optimising the employment in the area of logistics and support of business units. As of the end of the second quarter 2005 the employment at the Bank was equal to 5,548 FTEs, which in comparison with the same period of the last year signifies a decline in employment by 414 FTEs altogether.

Over the first half of 2005 the Group noted a positive impact of net write-offs by the reason of provisions for a permanent loss in value of credit receivables and other assets on the profit-and-loss account. It amounted to PLN 48,741 thousand, while in the comparable period of the last year this impacat was negative and was equal to PLN 41,267 thousand. The achieved result is the effect of consequently lowered level of credit risk in the Group, successful execution of restructuring program of irregular receivables as well as new principles of assessing provisions basing on identification and measurement of loss in value of individual credit exposures and portfolios of receivables pursuant to IAS 39.

Cost/income ratio as of the end of the second quarter of 2005 was equal to 74.7%, which signifies an improvement by 9.7 pp. in relation to the comparable quarter of the last year.

A continuous, positive tendency in the operating results generated by the Bank shows that there is a high probability of settling the tax losses that cumulated over the previous years. That's why the Bank, as of June 30, 2005, recognized an asset item by virtue of the deferred income tax amounting to PLN 41,708 thousand, which was directly reflected in the Group's net result in the first half of 2005.

Further improvement in the quality of credit receivables portfolio

The Group effectively continues the process of decreasing the volume of irregular receivables portfolio through efficient restructuring and vindication activity carried out on the basis of new organisational and procedural solutions implemented last year. Over two quarters of 2005 the value of irregular receivables dropped by over 7% and over the last 12 months by over

20%. In effect, the quality ratio of the Group's gross receivables portfolio improved by 1.2 p.p. over the last two quarters, and over 12 months this improvement was equal to 1.7 p.p.

The Group, appraising credit risk related to individual credit exposures as well as the receivables portfolios applies the imperative principle of prudent valuation. The coverage ratio of irregular receivables by write-offs due to a permanent loss in value increased over the last 12 months by 11.3 p.p. and as of June 30, 2005 the value of this ratio was among the highest in the sector.

Specification	30.06.2005 (in PLN thousand)	31.12.2004 (in PLN thousand)	30.06.2004 (in PLN thousand)
Gross receivables due from customers* (excluding interest)	**13 599 254**	**14 066 472**	**16 120 054**
Regular receivables	9 654 333	9 813 723	11 168 169
Irregular receivables	3 944 921	4 252 749	4 951 885
Interest	47 601	39 480	45 874
Total gross receivables due from customers	**13 646 855**	**14 105 952**	**16 165 928**
Provisions for loss in value of receivables due from customers, including:	2 812 631	2 795 617	2 980 420
Provisions for loss in value of irregular receivables	2 729 925	2 688 175	2 865 502
Total net receivables due from customers	**10 834 224**	**11 310 335**	**13 185 508**
Participation of irregular receivables in total gross receivables	**29,0%**	**30,2%**	**30,7%**
Coverage of irregular receivables by provisions	**69,2%**	**63,2%**	**57,9%**

* excluding banks

Income and results as achieved by the several segments of activity

The Group's operating activity was divided into four basic sector segments: corporate, retail, treasury and investment.

<u>Corporate Segment</u> includes transactions with large companies (with annual income exceeding PLN 6 million) as well as budgetary central units and self-government units. Besides the traditional deposit, credit and settlement services, the specific services are offered, tailored to the customers' individual needs, for instance: organizing of syndicates supporting investment undertakings, financing real estate transactions, financing foreign trade transactions and mass payments. The Bank's offer in this segment is expanded by adding the products of Kredyt Lease, offering a complex servicing of companies regarding the leasing of fixed assets and real estates, and also real estate trading.

<u>Retail Segment</u> includes the offer addressed to individual customers as well as Small and Medium Entities (SME), total income of which does not exceed PLN 6 million. The offer

contains a wide range of deposit and credit products, insurance products (bancassurance and assurebanking) offered in co-opeation with WARTA S.A. as well as clearing services. This offer is addressed through traditional channels of distribution by the Bank's network of branches as well as the Internet servicing network KB24. The results of this segment also comprise the result of Żagiel S.A. specializing in the sale of installment loans as well as in mediation in the distribution of the selected services that are found in the Bank's and WARTA's offer.

Treasury Segment comprises the result of the activity conducted by the Bank's on its own account as the active participant of the money market (treasury and NBP bills), bonds (treasury and commercial) as well as the active participant of the currency market and inter-bank market. The result of the segment also includes the result on the derivative instruments transactions: forward, FX swap, IRS, CIRS, FRA and interest rate and currency swaps.

Investment Segment performs overall capital investments of the Group in the shares of entities, the basic activity of which is directed to generate the value added for the Group through the specialization in the non-banking areas of activity, and also investments in the shares of entities with the expected, high long-term rate of return. Apart from the above the result on custody activity is included in this segment.

Segment income and costs had been determined before inter-segmental exclusions were made. The selling prices among segments are calculated on the basis of transfer prices methodology. The costs and income that may not be rationally assigned to any of the segments are disclosed in items "unassigned costs" and "unassigned income". The Bank's costs are not allocated internally to individual segments. For the needs of this report the costs were allocated using the allocation key, which is the structure of employment in the individual segments.

The results of the segments disclosed in the segmentation note for two qurters 2004 presented in the consolidated financial statement of the Group for the first half of 2004 differ from those presented in this report due to the following amendments made in order to transform the data to comparability:

- new allocation key of costs of activity,
- new rules of calculating inter-segmental settlements.

Additionally, in 2004 a process of profound restructuring was carried out at the Bank, which implemented considerable changes in the organization structure of segments' activity.

Net profit of the Group for two quarters of 2005 (data in PLN thousand) – basic division into trade segments

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Income of the segment (external)	314 447	442 983	261 844	56 687	34 079	-95 318	**1 014 722**
2. Income of the segment (internal)	101 867	266 910	294 275	0	8	-663 060	**0**
3. Total income of the segment	**416 314**	**709 893**	**556 119**	**56 687**	**34 087**	**-758 378**	**1 014 722**
4. Costs of the segment (external)	-88 231	-238 431	-171 831	-45 932	-21 146	95 318	**-470 253**
4a. Allocated costs of the segment	-68 080	-295 937	-14 848	-13 582	-3 217		**-395 664**
5. Costs of the segment (internal)	-168 012	-119 368	-368 784	-6 896	0	663 060	**0**
6. Total costs of the segment	**-324 323**	**-653 736**	**-555 463**	**-66 410**	**-24 363**	**758 378**	**-865 917**
7. Operating result of the segment	**91 991**	**56 157**	**656**	**-9 723**	**9 724**	**0**	**148 805**
8. Net provisions and revaluation of assets	**57 569**	**-9 317**	**0**	**414**	**75**		**48 741**
9. Participation in profits of subsidiaries assessed by ownership rights method				**401**			**401**
10. Result of the segment	**149 560**	**46 840**	**656**	**-8 908**	**9 799**	**0**	**197 947**
11. Other income – not allocated							**41 708**
12. Other costs – not allocated	-114	-5 951	0	-429	0		**-6 494**
13. Net result	**149 446**	**40 889**	**656**	**-9 337**	**9 799**	**0**	**233 161**

Net profit of the Group for two quarters of 2004 (data in PLN thousand) – basic division into trade segments

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Income of the segment (external)	370 804	545 165	139 032	118 346	16 910	-182 516	**1 007 741**
2. Income of the segment (internal)	99 673	272 187	348 794	0	3 264	-723 918	**0**
3. Total income of the segment	**470 477**	**817 352**	**487 826**	**118 346**	**20 174**	**-906 434**	**1 007 741**
4. Costs of the segment (external)	-142 020	-315 080	-102 174	-72 665	-24 752	182 516	**-474 175**
4a. Allocated costs of the segment	-82 904	-316 587	-15 997	-14 951	-3 484		**-433 923**
5. Costs of the segment (internal)	-179 909	-155 898	-375 124	-12 474	-513	723 918	**0**
6. Total costs of the segment	**-404 833**	**-787 565**	**-493 295**	**-100 090**	**-28 749**	**906 434**	**-908 098**
7. Operating result of the segment	**65 644**	**29 787**	**-5 469**	**18 256**	**-8 575**	**0**	**99 643**
8. Net provisions and revaluation of assets	**44 632**	**-109 106**	**0**	**1 947**	**21 260**		**-41 267**
9. Participation in profits of subsidiaries assessed by ownership rights method				**1**	**0**		**1**
10. Result of the segment	**110 276**	**-79 319**	**-5 469**	**20 204**	**12 685**	**0**	**58 377**
11. Other income – not allocated							**0**
12. Other costs – not allocated	-5 435	-3 732	0	-1 734	0		**-10 901**
13. Net result	**104 841**	**-83 051**	**-5 469**	**18 470**	**12 685**	**0**	**47 476**

Below are presented the major achievements of the Group split into segments that correspond with the business activity conducted.

Corporate banking

Over the second quarter 2005 the Bank continued the realization of the adopted strategic goals and expanded the sale of products and services addressed to corporate customers using new organization structure as well as modifications introudced in the end of 2004 and at the beginning of 2005, improving the offer of products.

The value of deposits received from corporate customers has increased owing to attractive deposit and investment products.

In the response to the growing customers' needs with respect to mitigating financial risk the Bank introduced to its offer new solutions in the area of interest rate derivatives.

The result of the segment discloses also the result of the effective vindication of a number of significant credit receivables..

Retail banking and SME

In the second quarter 2005 the Bank continued its efforts aimed at an optimal utilization of continuously expanded sales potential. In order to increase market attractiveness of the Bank's products and services some changes, advantageous for the customers, were introduced, with respect to the offered credits and deposits as well as the applied servicing procedures. The Bank's most noticeable achievements in this area are presented below:

- The sale of retail loans through Żagiel was at a stable level in the second and first quarter 2005; a total value of newly granted installment and cash loans in the first half of 2005 amounted to over PLN 800 million. In order to further expand the scale of activity and attract new customers, among others, the following was accomplished:

    - within the framework of cross-selling strategy realized in the co-operation with Warta S.A. a significant progress was noted in the sale of life insurance policies for the customers contracting installment loans through Żagiel: within last 12 months the number of loan agreements incresed by 18% up to 282 thousand,
    - an agreement was signed on the installment sale of tourist services with one of the major travel agencies
    - the second edition of the Program "Trusted Partner" has been completed, addressed to commercial partners and it was directed to stimulate the growth of sale of installment loans and establishing their loyalty towards Żagiel,
    - several promotion campaigns were carried out,

    - Żagiel S.A. was honoured by a number of prizes and honorable mentions. Among other, the company was granted a title of the 2005 Most Popular

Lublin Brand in the contest organized in the region by Gazeta Wyborcza, Lublin Radio and Television Regional Channel 3; in the ranking "Golden Hundred" published by Kurier Lubelski Żagiel S.A. was classified as "Number One" in the category of profitability.

- Over the first half of 2005 the Bank granted over 3 thousand of mortgage loans for a total amount of PLN 220 million, of which the most dynamic growth (ca 30%) was noted in loans granted in CHF;
- Deposit offer for individual customers is still being expanded. The volumes on the savings accounts, which is one of the basic deposit products, continuously grow: in the first half of 2005 the value of newly placed deposits was equal to over PLN 800 million, while the number of opened accounts grew 2.5 times in comparison with the same period of the last year. 24 thousand of new current accounts were opened over the first half of 2005;
- As of the end of June 2005 the number of credit cards increased almost three-times in comparison with the end of June 2004. The value of transactions effected with the use of credit cards is also continuously growing;
- Starting from May 1, 2005 the Bank made available the expanded network of 1800 ATMs for the holders Ekstrakonto current accounts, where the customers may withdraw money without paying commission. Apart from the devices of independent operators, the Bank's customers received a free access to the ATMs network, pursuant to an agreement signed, composed of the ATMs of Kredyt Bank as well as few other banks. This is the second-largest ATMs network in Poland, which contributes a lot to increase the competitiveness of the Bank's offer;
- The number of users of electronic distribution channels is steadily growing. As of the end of June 2005 the number of KB 24 users was equal to 152 thousand. In comparison with the first quarter 2005 (133 thousand users), the number of users grew by 19 thousand, i.e. by 14.3%. Among KB 24 users individual customers account for over 80%, while SME account for 19%;
- Over the second quarter 2005, similarly as in the entire first half of 2005 the Group noted good results in respect of investment funds management. In the segment of funds with the guaranteed protection of capital as well as opened funds the assets were growing, of which the assets worth over PLN 400 million were sold by the Bank's distribution network;
- In June 2005 "Rzeczpospolita" daily awarded the Bank with honourable mention for the best company account for active companies from SME segment. Ekstrabiznes account received the maximum number of points and was found the most advantageous for the companies frequently using banking account;
- Over the first half 2005 the number of customers in SME segment grew by 3 thousand;
- Bearing in mind that in the second quarter 2005 KBC Securities started its activity, the Bank added to its offer the products from Corporate Finance area, offering advisory services, services connected with preparing public offers, mergers, take-overs as well as attracting investors. This is one of the future areas of development, especially for the SMEs segment, which is one of key target markets for Kredyt Bank as well as KBC Group in Poland;
- Under the cross-selling strategy executed in co-operation with Warta S.A. as well as the other entities from KBC Group operating on the Polish market, the Bank in the first half of 2005 has intensely developed the related product offer. On August

1, 2005 the first business estabalishment started its activity, fully realizing the idea of selling financial products “under one roof”. This establishment offers a complete banking and insurance servicng of customers – individuals, SMEs and corporates. KBC Securities offer comprises any services connected with the securities trading on derivative instruments market. Moreover the customers may purchase participation units of KBC TFI Investment Funds Association,

Investment segment

Over the second quarter 2005 the Bank continued its activity aimed at putting to order and maximizing the effects of the Group’s activity.

A merger of the following companies was registered:

- Towarzystwo Funduszy Inwestycyjnych Kredyt Banku S.A. (TFI KB)
- Warta Asset Management S.A. (Warta AM),
- Warta Towarzystwo Funduszy Inwestycyjnych S.A. (Warta TFI)

The merger took place by way of transferring on to TFI KB all the assets of the above mentioned subsidiaries of TUiR Warta S.A. in exchange for shares that were granted TUiR Warta S.A. by TFI KB. Simultaneously the name of TFI KB was changed for:”KBC Towarzystwo Funduszy Inwestycyjnych S.A.” (KBC TFI).

In result of the companies merger the initial capital of KBC TFI was increased up to the total amount equal to PLN 25,258 thousand. Kredyt Trade Sp. z o.o., the Bank’s subsidiary, holds 39.6% participation in capital and votes at the General Assembly of KBC TFI, while the remaining 60.4% participation is held by KBC Group, including Warta S.A..

- ➢ The Bank sold all its shares held in Solaris Bus and Coach Sp. z o.o., accounting for 82.32% participation in capital and votes at the General Assembly of the company.
- ➢ KBC TFI S.A., with the assets located in the investment funds equal to PLN 1.7 billion is ranked among 10 largest TFIs in Poland, which means that KBC TFI S.A. had 3.75% participation on the investment funds market as of June 30, 2005. As of the end of the second quarter 2005 KBC TFI S.A. totally managed 14 investment funds:
  - 5 open investment funds: KB Pieniądz FIO, Warta Papierów Dłużnych FIO, KB Obligacja FIO, Warta Third Pillar Balanced FIO and KB Balanced FIO),
  - 3 specialist open investment funds (ALFA SFIO, BETA SFIO, GAMMA SFIO),
  - 1 closed investment fund investing in foreign investment funds denominated in US Dollars (KBC Dolar FIZ),
  - 5 investment funds with capital protection (KB Kapitał Plus FIZ, KB Kapitał Plus II FIZ, KB Kapitał Plus III FIZ, KB Klik Europa FIZ and KB Klik Ameryka FIZ).

- ➢ KBC TFI S.A. is still a leader on the Polish market of investment funds with the protection of capital. A dynamic growth of assets results from the attractive features of the product: a full protecation of the capital invested, a possibility of achieving a high rate of return. Other funds are still introduced to the offer of KBC TFI.

As of June 30, 2005 the entities from KBC Group did not issue, reedem or repay debt and equity securities.

III. Structure of the Group

The Kredyt Bank S.A. Capital Group comprises legally independent economic entities, and their activity is strictly coordinated. The capital links connecting the members of the Group, determining the character of the Group, are strengthened by the commercial ties, agreements concluded, joint offer of products, exercising by the Bank control functions with respect of operating and financial policy as well as the transfer of managing persons and know-how.

The composition and ownership structure of the Group as of June 30, 2005 is presented below.

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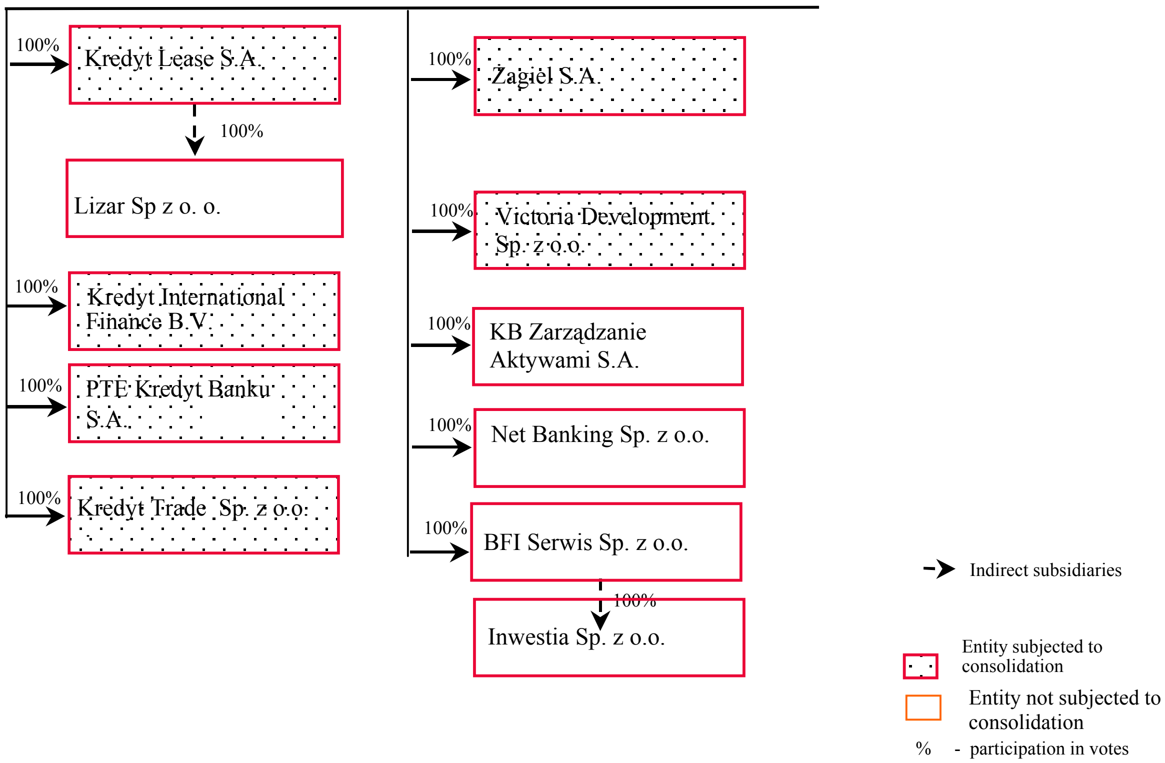
Grupa Kapitałowa Kredyt Banku S.A.

KREDYT BANK S.A. CAPITAL GROUP



A brief characteristics of the companies composing the Group was presented in published, consolidated 2004 annual report of the Group.

Entities subjected and not subjected to consolidation of Kredyt Bank S.A. Capital Group

In result of adopting ISFR standards the Group applies the methodology of determining the criteria of significance which is similar to that applied by the Bank's Major Shareholder.
As of June 30, 2005 the following companies were subject to consolidation:

- Kredyt Trade Sp. z o.o.
- Victoria Development Sp z o.o.
- Żagiel S.A.
- Kredyt Lease S.A.
- Kredyt International Finance BV
- PTE Kredyt Banku S.A. (General Pension Association).

Due to the fact that the financial data as well as the scope of operating activity conducted are insignificant the Group does not consolidate financial statements of the following entities that were not consolidated either in the published, consolidated financial statement of the Group for the first quarter 2005:

- Net Banking Sp. z o.o.
- Investia Sp. z o.o.
- BFI Serwis Sp. Z o.o.
- KB Zarządzanie Aktywami S.A.
- Lizar Sp. z o.o.

The stock and shares held by the Group in the above mentioned companies are disclosed in accordance with IAS 39 at the cost of purchase taking into account the decreases resulting from a possible loss in value measured according to IAS 39 and IAS 36.

In comparison with the first quarter 2005 Towarzystwo Funduszy Inwestycyjnych S.A. Kredyt Banku S.A. was excluded from consolidation. From its merger with Warta Asset Management S.A. and Warta Towarzystwo Funduszy Inwestycyjnych S.A. a new company was established, i.e. KBC Towarzystwo Funduszy Inwestycyjnych S.A. (KBC TFI), which was registered on April 25, 2005. At present Kredyt Trade Sp. z o.o., the subsidiary of Kredyt Bank S.A., holds KBC TFI shares accounting for 39.6% participation in capital and votes at the General Assembly.
The shares of KBC TFI are assessed by ownership rights menthod.

Moreover, the Group holds the shares in Dolwis S.A. and Korporacja Budowlana Inwestycje Sp. z o.o., but does not exercise actual control and does not exert a significant impact on the financial and operating activity of the said companies. Due to that reason they are not subject to consolidation. The investment in stock/shares of the above companies were classified to the portfolio of assets available for sale and assessed in accordance with fair market value in correspondence with capital from revaluation. In comparable data presented in this report the stock/shares of these companies were disclosed in "capital investments" item and evaluated at purchase cost, because the Group did not transform comparaable data in accordance with IAS 39.

On April 28, 2005 the Bank sold the entire stake of shares of Solaris Bus and Coach Sp. z o.o.

IV. Application of IAS/ISFR for the first time

The manner of application of IAS/ISFR for the financial statements prepared in accordance with IAS/ISFR for the first time, as in the case of this report of the Bank, is determined by ISFR 1 - *Applicatin of ISFR for the first time*.

The preparation of financial statements for the first time conformable with ISFR requires the judgement of entity's Management Board of the adopted accounting principles and estimations applied.

January 1, 2004 is the date of adopting ISFR for the Group and the Bank, i.e. the opening balance prepared according to ISFR.

The adopted accounting principles for preparing financial statements are applied in a continuous manner in all presented periods, starting from the opening balance (January 1, 2004), except for the exemptions from applying the specified IAS/ISFR, which are permitted by ISFR 1.

ISFR 1 determines two categories of exemptions from the principles of preparing the opening balance in accordance with ISFR according to each IAS/ISFR:

a) exemption from applying of some aspects of the specified IAS/ISFR (ISFR 1 item 12 a);
b) prohibition to retrospectively apply some aspects of the specified IAS/ISFR (ISFR 1 item 12 b).

The Bank has selected the following options as regards the exemptions from applying some aspects of the specified IAS/ISFR as permitted by ISFR 1:

a) do not apply retrospectively the stipulations of IAS 22 *A merger of economic units* in relation to mergers of economic units accomplished in the past (before the day ISFR became effective) (ISFR 1, item 13 a);
b) assess as of the first day of ISFR application the items of the tangible fixed assets as well as intangible assets according to fair market value and adopt that figure as the assumed cost fixed on that day (ISFR 1, item 13 b);
c) fix once again, as of the day of adopting ISFR, the financial assets disclosed according to fair market value, including its changes disclosed in the profit and loss account or as the assets available for sale (ISFR 1, item 13 g);
d) present comparable data that are not conformable with IAS 32 and IAS 39 (ISFR 1, item 36A).

The adoption of the above options is consistent with the accounting policy with respect to the first application of ISFR as adopted by the Bank's Major Shareholder.

V. Description of significant accounting principles applied

The accounting principles applied by the Group to prepare the consolidated financial statement for the financial year ended on December 31, 2004 were based on the Polish accounting standards as provided for in the Law as well as the executive regulations. Polish standards were to a significant extent consistent with IAS that were effective on that day.

A detailed description of the accounting principles applied in the Group was presented in 2004 consolidated annual report published on March 11, 2005.

Pursuant to the stipulations in IAS 34, item 15 and ISFR 1, item 46, the description of the major changes in the applied accounting principles is presented below. That description results from the adoption of IAS/ISFR by the Group.

All new accounting principles implemented by the Group on January 1, 2005 require relevant estimations as well as applying a professional judgement by the Management Board. The areas that require the largest extent of profound, professional expertise and judgement are as follows:

a) identification and estimation of a loss in value of financial assets in the portfolios of assets assessed by the amortized cost;
b) identification and measurement of a loss in value of all other assets, where the fair market value may not be reliably fixed;
c) recognition of assets by virtue of the deferred tax.

1. The assessment of assets and liabilities according to the amortized cost applying effective interest rate

Pursuant to the data presented in the consolidated financial statement of the Group prepared as of December 31, 2004, the accounting principle adopted in 2003 and 2004 provided that the income by the reason of administrative fee on installment loans are recognized in advance, at the moment of granting a loan, except for commissions collected on promotional installment loans with zero interest rate that are recognized on linear basis in commission income, in proportion to the elapse of actual crediting period in overall crediting period, bearing in mind the risk existing for this product, i.e. the risk of returning a portion of commission fees in the case of earlier repayment of a loan.

In the fourth quarter 2004 the Bank's Management Board decided to extend this accounting principle by the settlement over time, with application of exponential function, of all commission income and direct costs, connected with the entire class of installment loans recognized as promotional. The decision to extend the accounting principle was caused, among other, by the fact that the Group's entities were just completing preparatory work aimed at the adoption of the International Standards of Financial Reporting as the basis for the preparation of financial statements.

Starting from January 1, 2005, in result of adopting the method of assessing financial assets and liabilities according to the amortized cost applying the effective interest rate, the Group settles over time in the profit and loss account commission/fees income and costs as well as certain external costs connected with the assessed financial assets and liabilities in accordance with the stipulations as provided in IAS 39. The Group decided to select the option of non-transformation of comparable data which was mentioned in paragraph IV of this report.

Method of the effective interest rate

The effective interest rate is the rate that discounts the future, expected flow of pecuniary payments to a current net balance worth during a period until maturity or until a moment of the next market evaluation of the defined item of the financial assets and liabilities, and its establishment includes any due or cashier payments as well as pecuniary transfers paid or received by the Bank under the agreement on a given instrument, excluding future, possible credit losses.

The Group assesses the following financial assets and liabilities applying the method of amortized cost taking into account the effective interest rate:

- Credits and loans granted as well as the other own receivables – not intended for trading,
- Financial assets held until maturity,
- Financial liabilities not intended for trading, which are not derivative instruments,
- Financial assets for which the fair market value may not be reliably fixed.

The above method is not applied to assess the receivables where the dates and amounts of cash flows are not specified, which does not allow to calculate the effective interest rate.

The disclosure of assessment in the profit and loss account

The purpose of the assessment by the amortized cost taking into account the effective interest rate is to secure that income and costs are commensurable with the assessed financial assets and liabilities related over the entire period when they are held in the portfolio and at the same time the achievement of the constant rate of return on the assets portfolio financed by the defined deposits portfolio.

Pursuant to IAS 39 the manner of settlement of commissions/fees and some external costs connected with the financial instruments (by the method of the effective interest rate or by the linear method) depends on the type of a given instrument. In the case of financial instruments with the fixed cash flows, the method of the effective interest rate is applied. In the case of instruments with undefined cash flows, it is impossible to calculate the effective interest rate and commissions/fees are settled linearly over time. The manner of settling over time of the several types of commissions/fees in the profit and loss account as interest or commission income and the necessity of their settlement over time, and not the possibility of their single disclosure in the profit and loss account depends on the economic nature of the commission/fee.

The items composing the commissions/fees settled over time include, for instance, fees for a positive appraisal of credit application, commissions for granting credit, commissions for transferring credit amount on the borrowers account, fees for establishing additional collateral, etc. The collection of the above commissions and fees constitutes an integral part of return generated by the specified financial instrument. This category includes also the fees and costs connected with the changes of contractual terms, which modifies the value of originally calculated effective interest rate. Any significant amendment to the terms of a given financial instrument in the economic sense is connected with the termination of the financial instrument of the previous type and creation of a new instrument of different characteristics. The fees that are collected on newly created instrument include, among other, the fees for annex changing the future cash flows, the fees for the restructuring of credit agreements, for the postponement of payment deadlines etc. The specified types of fees are deferred and settled over time in the profit and loss account by applying the method of the effective interest rate or linear method, depending on the type of product.

Furthermore, if the conclusion of the defined loan agreements is probable, the fees by the reason of the Bank's obligation to conclude them are considered as remuneration for a permanent commitment aimed at the purchase of the financial instrument, and these fees are deferred and disclosed as the adjustment of the effective return at the moment of concluding a given agreement (by the method of the effective interest rate or linear method, depending on the type of product).

The fees received, provided that they do not exert an impact on the schedule of future cash flows, are recognized only once in the profit and loss account.

All fees/commissions and external costs connected with granting consumer loans through Żagiel are settled in the profit and loss account applying the amortized cost method and taking into account the effective interest rate.

<u>Interest income and costs</u>

Interest income and costs are disclosed in the profit and loss account according to the amortized cost method and taking into account the effective interest rate.

In the case of irregular receivables the interest is included in the profit and loss account basing on the probability of its receipt and is recognized on an accrual basis at the moment of its receipt.

2. A permanent loss in value of assets assessed according to the amortized cost

Credit receivables constitute the most important group of financial assets disclosed in the Group's balance sheet in accordance with the amortized cost. As the Group decided not to transform the comparable data as provided in IAS 39, the balance value of credit receivables as of January 1, 2004 and December 31, 2004 was disclosed in accordance with the Polish accounting principles which were in force at the Bank and Group on the mentioned dates. The Polish principles required the classification of credit exposures to 5 risk groups (normal, watch, sub-standard, doubtful and loss receivables) applying the criterion of repayment timeliness and the criterion of the borrower's economic and financial situation. Specific provisions for the risk connected with credit exposures have been established at least in the amounts required for the several risk groups (from 1.5% to 100% of the basis of establishment of the specific provisions). The Group, while estimating the amount of provisions for the needs of the Polish regulations, estimated the value of collateral in accordance with the regulations in force as well as the internal principles in force in the Group.

As of January 1, 2005 the Group introduced the principles of measurement of loss in value of credit receivables stemming from the stipulations of IAS 39.

In accordance with IAS 39 all the receivables are subjected to the analysis from a point of view of a loss in value, not only those that are burdened with the increased credit risk. If the Group identifies the premises that indicate to a loss in value, then the loss in value is calculated, which is equal to a difference between the book value of credit receivable and its economic value measured as a current value of the expected, future cash flows.

At least once a quarter the Group carries out an analysis to determine whether or not a loss in value of the individual items of assets occurred and/or the loss in value of a portfolio of the financial assets. The methodology of appraising the circumstances indicating to the occurrence of the loss in value of credits has been elaborated in cooperation with the Bank's major shareholder on the basis of the Group's experience acquired in the banking services sector, analyzing historical data over a long term and taking into account the current specificity of a local market and the characteristics of the financial assets portfolios managed by the Group.

The circumstances indicating to the loss in value

The analysis of circumstances indicating to the risk of loss in value is accomplished for individual credits as well as portfolios (groups) of credits.

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

The list of circumstances includes the gradation of their significance: the loss in value may be evidenced by one circumstance or a combination of a number of circumstances.

In the case of receivables portfolios the phenomena concerning all homogenous assets that may be classified, assessed and quantified in relation to the entire portfolios, but not the individual receivables, are the circumstances of the loss in value.

Measurement of the individual loss in value

All credit receivables are subjected to the measurement of the individual loss in value in the case of which some individual signals, indicating to the loss in value, were identified.

The process of estimating future, expected cash flows is carried out by specially dedicated IT tool and is based on the analysis of the relevant scenario. The economic value of the receivables secured by credit collateral is estimated, taking into account the recovered value of collateral. In case of those receivables, where the vindication value of collateral is the only expected future cash flow, a group estimation of a possibility of recovering these collateral is performed. The Bank acquires knowledge about the quality of collateral portfolio in a form of statistical data updated on a periodical basis, relating to the historical effectiveness of vindication as well as current market value of the several types of collateral adjusted by the costs of their vindication.

The quality of the measurement process of individual loss in value of credit receivables is verified in multi-stage process of independent audit.

<u>Measurement of portfolio's loss in value</u>

In the situation where no objective circumstances occurred indicating to the loss in credit value assessed on individual basis, regardless if it constitutes a significant reporting item, such exposure is included in the credit portfolio of similar characteristics and the portfolio analysis of the loss in value is conducted.

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

The measurement of the portfolio loss in value is performed basing on historical parameters of losses generated by the similar assets portfolios. Historical tendencies of losses are cleared of single events and are updated by a current risk profile of homogenous groups of assets. This way the continuous risk of portfolios is identified, and a defined probability exists that this risk will be transformed into individual losses.

The process of estimating portfolio provision is performed in quarterly intervals and is directly monitored by the Bank's Credit Committee and the Bank's Management Board. The following phenomena, apart from the historical tendencies, exert a significant impact on the level of the portfolio provision:

a) fluctuations in the receivables portfolio for which the individual losses in values are not identified;
b) the Group's operating effectiveness in the processes of credit risk management, particularly taking into account the restructuring and vindication activities;
c) Poland's macroeconomic situation and its direct impact on the basic ratios applied in the banking sector;
d) The Group's credit policy in relation to the selected sectors of economy as well as receivables portfolios compared with the models adopted by other banks.

3. Financial assets assessed in fair market value by the profit and loss account

In the consolidated financial statement for the financial year ended on December 31, 2004 the Group classified its financial assets in the following categories: financial assets earmarked for trading, credits and loans granted as well as other Group's receivables, financial assets held until maturity and financial assets available for sale.

Starting from January 1, 2005 the Group introduced, in accordance with IAS 39 and instead of the category "financial assets earmarked for trading", a broader term: "financial assets assessed in the fair market value by the profit and loss account".

The following is included in the category of "financial assets assessed in the fair market value by the profit an loss account":

a) financial assets calculated while their initial disclosure as the financial assets assessed in the fair market value by the financial result, or,
b) financial assets qualified as those earmarked for trading, provided that the below conditions are met:

- were purchased or contracted basically for sale or buying back at a close date,
- constitute a portion of the portfolio of defined financial instruments managed jointly and there exists a current, actual formula of generating short-term profits, or,
- are the derivative instruments (except for the calculated derivative instruments which are the effective hedging instruments).

4. Goodwill

As of January 1, 2004 the Group ceased to amortize the goodwill in comparable data. At that day the goodwill of entities consolidated by the Bank is equal to net values disclosed in the 2003 closing balance sheet. Within semi-annual periods the Group carries out a test to check a loss in net goodwill basing on the models elaborated in cooperation with the Bank's Major Shareholder. The said models are based on generally applied assessment principles of capital investments, among other take into account the future discounted cash flows.

5. Compensation of financial assets and liabilities

Pursuant to IAS 32 the financial assets and liabilities are compensated and disclosed in the balance sheet as net amounts, in the situation when a given entity holds a valid legal title (stemming from an agreement or legal regulations) to compensate the named amounts and intends to settle net amount or simultaneously realize the asset item and fulfill the obligation.

6. Fixed assets earmarked for sale

In accordance with ISFR 5 the Group classifies as fixed assets earmarked for sale those items when it is expected that their book value will be recovered mainly in result of sale transactions, and not by their further use. The following conditions are to be met in order to classify assets item as that earmarked for sale:

- availability for immediate sale in its current state,
- the sale has to be highly probable,
- the expected selling price is rational in relation to a current, fair market value of a given assets item.

The assets items earmarked for sale are disclosed as the lesser of: current book value or fair market value decreased by costs of sale.

7. Presentation in the financial statement

The interim report contains the condensed financial data. The manner of their transformation from those disclosed in the reports published in the past has been presented in chapter VI of this report.

VI. Clarification of switching to ISFR and the related amendments to opening balance

As the accounting principles applied by the Bank, while preparing opening balance in accordance with ISFR, differ from the principles applied on the same date in the moment of their historical preparation (these were Polish Accounting Standards – "PAS"), and pursuant to ISFR 1, the adjustments that have occurred were disclosed in the undistributed profit from previous years.

As indicated in the interim financial report for the first quarter 2005, the value of the said adjustments to the opening balance was assessed according to the best knowledge of the Management Board, applying the adequate, professional judgement. It was also mentioned in the report that the risk exists that in the successive interim periods of 2005 other data or facts may appear and it will be possible to use them for more precise estimations and then the adjustment to the opening balance may change.

Over the second quarter 2005 the Bank intensively continued implementation work, in effect of which more precise estimatins were obtained, primarily those concerning a loss in value of credit receivables portfolios. The adjustment to the opening balance as of 01.01.2005 by virtue of aplying IAS 39 for the first time, adjusted in the second quarter 2005, was included in the undistributed result from previous years and had no impact on the profit-and-loss account for the first half of 2005.

As mentioned in the interim financial report for the first quarter 2005, the Bank, in accordance with IAS 12, did not calculate the adjustment effect of the deferred income tax by virtue of applying ISFR for the first time. In accordance with that what has been presented in the Group's consolidated financial statement prepared as of December 31, 2004, the accounting principle applied in 2003 and 2004 provided, that at the Bank, bearing in mind balance and tax losses incurred in 2002 and 2003 and the uncertainty of settlement of the surplus of asset item over the provision for the deferred tax, the assets by virtue of deferred tax were recognized only up to the amount of provision for the deferred tax.

IAS/ISFR adjustments to the consolidated equity of the Group and other reporting items in the periods covered by this report

Table 1 – Adjustment of the opening balance of the consolidated equity as of January 1, 2004 in accordance with IAS

PLN thousand

	Consolidated equity as of December 31, 2003 according to Polish Accounting Standards	**644 481**
1	Adjustments by the reason of introducing IAS disclosed in the undistributed result (loss) from previous years:	
a)	Withdrawal of subsidiaries assessment by the ownership rights method	13 858
b)	Recognition of permanent loss in value of investment in subsidiaries' shares that were assessed by ownership rights method, and according to IAS 27 are disclosed at purchase price decreased by permanent loss in value	-16 253
	IAS total adjustments	-2 395
	Consolidated equity as of January 1, 2004 according to IAS	**642 086**

Table 2 – Adjustment of the closing balance of the consolidated equity as of June 30, 2004 according to IAS

PLN thousand

	Consolidated equity as of June 30, 2004 according to Polish Accounting Standards	**1 295 913**	
	Including net result for current period		***58 250***
	Adjustment by virtue of transforming to comparability financial data disclosed in accordance with Polish Accounting Standards – settlement over time of commissions collected on promotional installment credits	-30 079	*-15 360*
	Equity as of June 30, 2004 according to Polish Accounting Standards after transformation to comparability	**1 265 834**	
	Including net result for current period		*42 890*
1	Adjustments by virtue of introducing IAS having an impact on undistributed result from previous years:		
a)	Withdrawal of subsidiaries assessment by ownership rights method not consolidated by applying full consolidation method and deconsolidation effect of entities considered as insignificant ones	13 857	-
b)	Recognition of permanent loss in value of investment in shares of subsidiaries that were assessed by ownership rights method, and according to IAS 27 are disclosed at purchase price decreased by permenent loss in value	-16 254	-
		-2 397	
2	Adjustments by virtue of introducing IAS having an impact on net result of current period:		
a)	Withdrawal of subsidiaries assessment by ownership rights method in correspondence with the result of current period	-5 459	*-5 459*
b)	Reversal of a permanent loss in value of capital investments in the shares of subsidiaries assessed by ownership rights method and according to IAS 27 are disclosed at purchase price decreased by permanent loss in value	616	*616*
c)	Reversal of goodwill amortization charged to profit and loss account for six months of 2004 according to Polish Accoutnig Standards	9 429	*9 429*
		4 586	4 586
	Total IAS adjustments	2 189	*4 586*
	Consolidated equity as of June 30, 2004 according to IAS	**1 268 023**	
	Including net result of current period		***47 476***

Explanation of the adjustments to the consolidated equity as of January 1, 2004 and June 30, 2004

In accordance with IAS 27 the investments in the stock and shares of entities that are not consolidated by a full consolidation method are disclosed at the purchase cost, recognizing a permanent loss in value measured in accordance with IAS 36, provided that it is impossible to reliably fix fair market value of these investments.

In accordance with ISFR 1 and ISFR 3 the Bank discontinued as of January 1, 2004 to amortize goodwill. From that date, in semi-annual periods the tests are conducted to trace a permanent loss in goodwill value.

Moreover, the comparable data as of June 30, 2004 presenting the consolidated equity according to the Polish Accounting Standards were transformed in order to include the change of the Polish Accounting Standards principle (performed in the fourth quarter 2004) consisting in the settlement over time all fees and commissions collected on retail loans considered to be promotional ones. More details on the above may be found in chapter V item 1 of this report.

Table 3 – Presentation of significant reclassifications of the consolidated balance items in comparison with the data published as of June 30, 2004 according to the Polish Accounting Standards

PLN thousand

	ASSETS		**30.06.2004 Polish Accounting Standards**	**Adjustments**	**30.06.2004 ISFR**
I	Financial assets (*)	A	8 870 425	-4 987	8 865 438
II	Receivables due from customers	B	16 841 946	-676 018	16 165 928
III	Write-offs for permanent loss in value	C	-2 887 885	-92 535	-2 980 420
IV	Capital investments	D	67 477	16 682	84 159
V	Intangible and legal assets and fixed assets	E	891 817	-2 401	889 416
VI	Assets by virtue of deferred income tax	F	12 024	137 146	149 170
VII	Goodwill	G	45 708	1 586	47 294
VIII	Other assets	B	223 094	-21 599	201 495
	TOTAL ASSETS		**24 064 606**	**-642 126**	**23 422 480**

	LIABILITIES		**30.06.2004 Polish Accounting Standards**	**Adjustments**	**30.06.2004 ISFR**
I	Financial liabiities (**)	I	21 595 165	5 860	21 601 025
II	Provisions	H	133 847	-84 788	49 059
III	Provision for deferred income tax	J	3 276	135 101	138 377
IV	Special funds and other liabilities	K	1 005 456	-670 409	335 047
	OVERALL LIABILITIES		22 737 744	-614 236	22 123 508
V	TOTAL EQUITY	L	1 326 862	-27 890	1 298 972
	TOTAL LIABILITIES		**24 064 606**	**-642 126**	**23 422 480**

(*) – this item contains the following: cashier, operations with the central bank, receivables due from banks, financial assets earmarked for trading, financial assets available for sale, financial assets held until maturity

(**) – this item contains the following: liabililties due to banks and customers, liabilities by virtue of sold securities with the repurchase promise, liabilities related to the issue of debt securities, liabilities related to financial instruments, subordinated liabilities.

Explanation of reclassification adjustments to comparable data for six months of 2004:

Adjustment in Assets	Amount PLN thousand	Title	Adjustment in Liabilities	Amount PLN thousand
A	-4 987	Change in the scope of consolidation	L	-4 987
B	-686 854	Compensation of interest accrued on irregular receivables due from financial and non-financial customers with deferred interest	K	-686 854
B F	-10 763 2 045	Commissions on credits settled settled over time	L	- 8 718
C	-92 535	Reversal of general risk provision amounting to PLN 92,535 thousand and estaablishment of specific provisions for normal credits, watch and irregular credits in a total amount as above	H	-92 535
D	2 979	Withdrawal of subsidiaries assessment by ownership rights method and renewed application of purchase price with the recognition of a permanent loss in investment value	L	2 979
E	-2 401	Compensation of assets and liabilities due to settlement of investments in fixed assets	K	-2 401
D	5 860	Change in the scope of consolidation	I	5 860
G	9 429	Withdrawal of goodwill amortization for the first half of 2004	L	9 429
F	135 101	Presentation of assets and provision by virtue of deferred income tax (separately at the assets side and liabilities side)	J	135 101
		Change in the scope of consolidation	K L	5 232 - 5 232
G D	- 7 843 7 843	Withdrawal of goodwill reclassification in subsidiary		
		Linear settlement of commission	H K L	7 747 13 614 - 21 361
TOTAL	**-642 126**			**-642 126**

Including a total adjustment of equity L ***-27 890***

Table 4 – Adjustment of closing balance of consolidated equity as of December 31, 2004 according to IAS

PLN thousand

	Consolidated equity as of December 31, 2004 according to Polish Accounting Standards	**1 459 954**	
	Including net result of current period		***185 176***
1	Adjustments by virtue of introducing IAS having an impact on undistributed result from previous years:		
a)	Withdrawal of subsidiaries assessment by ownership rights method not consolidated by full consolidation method and deconsolidation effect of entities considered as insignificant ones.	13 857	
b)	Recognition of permanent loss in value of investment in shares of subsidiaries that were assessed by ownership rights method, and according to IAS 27 are disclosed at purchase price decreased by permenent loss in value	-16 254	
		-2 397	
2	Adjustments by virtue of introducing IAS having an impact on net result of current period:		
a)	Withdrawal of subsidiaries assessment by ownership rights method	-11 012	*-11 012*
b)	Release of general risk provision equal to PLN 97,317 thousand and establishment of specific provisions for normal, watch and irregular credits equal to PLN 97,272 thousand	45	*45*
c)	Reversal of permanent loss in value of investments in shares of subsidiaries that were assessed by ownership rights method, and according to IAS 27 they are disclosed at purchase price decreased by permanent loss in value	2 062	*2 062*
d)	Reversal of goodwill amortization charged to 2004 profit and loss account according to Polish Accounting Standards	13 247	*13 247*
		4 342	4 342
	Total IAS adjustments	1 945	*4 342*
	Consolidated equity as of December 31, 2004 according to IAS	**1 461 899**	
	Including net result of current period		***189 518***

Explanation of the adjustments to the consolidated equity as of December 31, 2004

The comments are the same as in the case of adjustments made as of January 1, 2004 and June 30, 2004.

Table 5- Presentation of significant reclassifications of consolidated balance sheet items in comparison with data published according to Polish Accounting Standards as of December 31, 2004

PLN thousand

	ASSETS		31.12.2004 Polish Accounting Standards	Adjustments	31.12.2004 ISFR
I	Financial assets (*)		8 632 398	0	8 632 398
II	Receivables due from customers	B	14 772 682	-666 730	14 105 952
III	Write-offs for permanent loss in value	C	-2 698 345	-97 272	-2 795 617
IV	Capital investments	D	74 054	11 561	85 615
V	Intangible and legal assets and fixed assets	E	611 627	-2 069	609 558
VI	Assets by virtue of deferred income tax	F	18 423	67 274	85 697
VII	Goodwill	G	29 262	6 790	36 052
VIII	Other assets	B	230 630	-21 262	209 368
	TOTAL ASSETS		**21 670 731**	**-701 708**	**20 969 023**

	LIABILITIES		31.12.2004 Polish Accounting Standards	Adjustments	31.12.2004 ISFR
I	Financial liabilities (**)	I	19 021 870	16 465	19 038 335
II	Provisions	H	134 756	-97 317	37 439
III	Liabilities by virtue of deferred income tax	J	10 048	67 274	77 322
IV	Special funds and other liabilities	K	1 044 103	-690 075	354 028
	OVERALL LIABILITIES		20 210 777	-703 653	19 507 124
V	TOTAL EQUITY	L	1 459 954	1 945	1 461 899
	TOTAL LIABILITIES		**21 670 731**	**-701 708**	**20 969 023**

(*) i (**) – the same as in Table 3

Explanation of reclassification adjustments to comparable data for 12 months of 2004:

Adjustment in Assets	Amount In PLN thousand	Title	Adjustment In liabilities	Amount In PLN thousand
B	-687 992	Setting off interest accrued on irregular receivables due from financial and non-financial customers with deferred interest	K	-687 992
C	-97 272	Release of provision for general risk totally amounting to PLN 97,317 thousand and specific provisions established for credits in normal situation, watch and irregular credits totally amounting to PLN 97,272 thousand	H L	-97 317 45
D	-11 362	Withdrawal of subsidiaries assessment by ownership rights method and renewed application of purchase price with recognition of permanent loss in investment value	L	-11 362
E	-2 069	Compensation of assets and liabilities by virtue of investment in fixed assets	K	-2 069
D	16 465	Change in the scope of consolidation	I	16 465
G	13 248	Reversal of goodwill amortization charged to 2004 profit and loss account according to PAS	L	13 248
F	67 274	Presentation of assets and provisions by virtue of deferred income tax (separately at assets side and liabilities side)	J	67 274
G D	-6 458 6 458	Withdrawal of goodwill reclassification in subsidiary		

		Change in the scope of consolidation	K L	-14 14
TOTAL	**-701 708**			**-701 708**

Including total adjustment to equity L ***-1 945***

Table 6 – Adjustment of opening balance of consolidated equity as of January 1, 2005 according to IAS

		PLN thousand
	Consolidated equity as of January 1, 2005 according to Polish Accounting Standards	**1 459 954**
1	Adjustments by virtue of introducing IAS disclosed in capital from revaluation	
a)	Assessment in fair market value of debt securities reclassified from portfolio held until maturity to portfolio of assets available for sale	2 726
b)	Shifting of assessment of debt securities assessed in fair market value reclassified from portfolio of assets available for sale to portfolio of assets assessed in fair market value by profit and loss account	25 539
		28 265
2	Adjustments by virtue of introducing IAS disclosed in undistributed result from previous years:	
a)	Withdrawal of subsidiaries assessment by ownership rights method not consolidated by full consolidation method and deconsolidation effect of entities considered insignificant ones	2 835
b)	Recognition of permanent loss in value of investments in shares of subsidiaries that were assessed by ownership rights method and currently are disclosed at purchase cost	-14 191
c)	Assessment in fair market value of Solaris and Wolny Obszar Gospodarczy (Free Economic Zone) reclassified from „capital investments" item to portfolio of assets available for sale	13 281
d)	Withdrawal of goodwill amortization disclosed in 2004 profit and loss account according to Polish Accounting Standards	13 247
e)	Shifting of assessment of debt securities assessed in fair market value reclassified from portfolio of assets available for sale to portfolio of assets assessed in fair market value by profit and loss account	-25 539
f)	Reversal of provision for general risk	84 168
g)	Reversal of provision equal to 1.5% created for consumer credits in normal situation and watch credits	20 981
h)	Loss in value of credit receivables measured for individual exposures	-93 624
i)	Loss in value of credit receivables portfolios	-135 672
j)	Assessment of financial assets and liabilities disclosed according to amortized cost with application of effective interest rate	-95 505
		-230 019
	Total IAS adjustments	-201 754
	Consolidated equity as of January 1, 2005 according to IAS	**1 258 200**

Explanation of adjustments to the consolidated equity as of January 1, 2005 along with the indication of changes in relation to figures presented in the financial report for the first quarter 2005:

Due to the fact that the Bank applied IAS 39 for the first time as of January 1, 2005, the adjustments that were caused by that fact were included in the opening balance of equity on that day. The adjustments stemming from IAS 39 are described below:

1a) – The Bank defined again (in accordance with ISFR 1 item 13g), as of the day of introducing ISFR, the financial assets as available for sale; in accordance with the Polish Accounting Standards these assets were classified as assets held until maturity, and their book value as of January 1, 2005 was equal to PLN 190,110 thousand;

1b) – The Bank defined again, as of the day of introducing ISFR, the financial assets disclosed in fair market value with its changes disclosed in the profit and loss account; according to the Polish Accounting Standards these assets were disclosed as available for sale, and their book value as of January 1, 2005 amounted to PLN 862,249 thousand;

2a) and 2b) – the amendments are presented similarly as in comparable periods of 2004.

2c) – as of January 1, 2005 the Group did not exercise actual control and did not exert a significant impact on the financial and operating activity of Solaris Sp. z o.o. and Wolny Obszar Gospodarczy S.A. despite the fact that the Group holds over 50% of stock/shares in both companies. As of January 1, 2005 the investments in the stock/shares of these companies were classified to portfolio of assets available for sale and are assessed according to the estimated fair market value. In the comparable data presented in this report the stock/shares of these companies were disclosed in “capital investments” item and assessed according to the purchase cost according to IAS 27;

2d) – adjustment of goodwill amortization: according to ISFR 1 and ISFR 3 the Group discontinued to amortize goodwill as of January 1, 2004. From that date on, within semi-annual periods the test is performed to check if a permanent loss in goodwill value has occurred;

2e) – this adjustment corresponds with the adjustment 1b)

2f) – reversal of provision for general risk established at the Bank in accordance with the Polish Banking law;

2g) – the reversal of provision at the Bank for the risk connected with consumer credits classified to “normal” category as well as credits classified to “watch” category in accordance with Polish regulations on establishing provisions for credit risk;

2h) – loss in value measured for individual credit exposures; in the report for the first quarter of 2005 the value of amendment was equal to PLN –103,427 thousand;

2i) – collective loss in value measured for homogeneous portfolios of credit receivables; in the report for the first quarter 2005 the value of amendment was equal to PLN –263,296 thousand;

2j) – assessment of the financial assets and liabilities disclosed by the amortized cost applying the effective interest rate; in the report for the first quarter 2005 the value of amendment was equal to PLN –94,544 thousand.

IAS/ISFR adjustments of the Bank's equity and other reporting items in periods covered by this report

Table 7 – Adjustment of opening balance of equity as of January 1, 2004 according to IAS

PLN thousand

	Equity as of December 31, 2003 according to the Polish Accounting Standards	**644 481**
1	Adjustments by virtue of introducing IAS disclosed in capital from revaluation:	
a)	Withdrawal of subsidiaries assessment by ownership rights method	5 442
		5 442
2	Adjustments by virtue of introducing IAS disclosed in undistributed result (loss) from previous years:	
b)	Withdrawal of subsidiaries assessment by ownership rights method	409 984
c)	Recognition of permanent loss in value of investments in shares of subsidiaries that were assessed by ownership rights method , and according to IAS 27 are disclosed at purchase price decreased by permanent loss in value	-402 400
		7 584
	Total IAS adjustment	13 026
	Equity as of January 1, 2004 according to IAS	**657 507**

Table 8 – Adjustment of closing balance of equity as of June 30, 2004 according to IAS

PLN thousand

	Equity as of June 30, 2004 according to Polish Accounting Standards	**1 295 913**	
	Including net result of current period		***58 250***
1	Adjustment by virtue of transforming financial data to comparability according to Polish Accounting Standards – settlement over time of commissions collected on promotional installment loans	-21 361	*-6 642*
	Equity as of June 30, 2004 according to Polish Accounting Standards after transformation to comparability	**1 274 552**	
	Including net result of current period		***51 608***
2	Adjustments by virtue of introducing IAS disclosed in capital from revaluation:		
a)	Withdrawal of subsidiaries assessment by ownership rights method in correspondence with capital from revaluation	5 501	-
		5 501	
3	Adjustments by virtue of introducing IAS having an impact on undistributed result from previous years:		
a)	Withdrawal of subsidiaries assessment by ownership rights method	409 984	-
b)	Recognition of permanent loss in value of investments in shares of subsidiares that were assessed by ownership rights method, and according to IAS 27 are disclosed at purchase price decreased by permanent loss in value	-402 400	-
		7 584	
4	Adjustments by virtue of introducing IAS having an impact on net result of current period:		
a)	Withdrawal of subsidiaries assessment by ownership rights method in correspondence with result of current period	-4 397	*-4 397*
b)	Reversal of loss in value of capital investments in stock and shares of subsidiaries disclosed at purchase price	10 595	10 595
		6 198	*6 198*
	Total IAS adjustments	*19 283*	*6 198*
	Equity as of June 30, 2004 according to IAS	**1 293 835**	
	Including net result of current period		***57 806***

Explanation of adjustments to equity as of 01.01.2004 oraz 30.06.2004

In accordance with IAS 27, if the controlling entity prepares unit financial statement, the investments in stock and shares of subsidiaries not calssified as assets earmerked for sale, are disclosed at purchase price or fair market value fixed according to MSR 39. As it is impossible to reliably fix fair market value as of January 1, 2004, the Group discloses the value of capital investments in stock and shares of subsidiaries at purchase price decreased by a permanent loss in value measured in accordance with IAS 36.

Moreover, comparable data as of June 30, 2004 related to Bank's equity were transformed in order to take into account the change in the accounting principle of the Polish Accounting Standards (performed in fourth quarter 2004) consisting in settling over time all fees and commissions collected on retail credits considered promotional ones. More details on the above may be found in section V item 1 of this report.

Table 9 – Presentation of significant reclassifications of balance sheet items in comparison with data published according to the Polish Accounting Standards for two quarters of 2004

PLN thousand

	ASSETS		**30.06.2004 Polish Accounting Standards**	**Adjustments**	**30.06.2004 ISFR**
I	Financial assets (*)		8 713 255	0	8 713 255
II	Receivables due from customers	A	16 225 523	-641 145	15 584 378
III	Write-offs for permanent loss in value of receivables due from customers	B	-2 518 452	-153 469	-2 671 921
IV	Capital investments	C	265 824	-24 528	241 296
V	Intangible and legal assets and tangible fixed assets	D	733 206	-21 252	711 954
VI	Assets by virtue of deferred income tax	E	0	135 101	135 101
VII	Other assets	A	144 453	-21	144 432
	TOTAL ASSETS		**23 563 809**	**-705 314**	**22 858 495**

	LIABILITIES		**30.06.2004 Polish Accounting Standards**	**Adjustments**	**30.06.2004 ISFR**
I	Financial liabilities (**)		20 899 781	0	20 899 781
II	Provisions	F	230 371	-189 533	40 838
III	Provision by virtue of deferred income tax	G	413	135 101	135 514
IV	Special funds and other liabilities	H	1 137 331	-648 804	488 527
	OVERALL LIABILITIES		22 267 896	-703 236	21 564 660
V	OVERALL EQUITY	J	1 295 913	-2 078	1 293 835
	TOTAL LIABIITIES		**23 563 809**	**-705 314**	**22 858 495**

(*) – This item contains: cashier, operations with the central bank, receivables due from banks, financial assets earmarked for trading, financial assets available for sale, financial assets held until maturity.

(**) – This item contains: liabilities due to banks and customers, liabilities by virtue of sold securities with the repurchase promise, liabilities stemming from the issue of debt securities, liabilities by virtue of financial instruments, subordinated liabiities.

Explanation of reclassification adjustments to comparable data for the first and second quarters 2004:

Adjustment in Assets	Amount PLN thousand	Title	Adjustment in Liabilities	Amount PLN thousand
A	-641 166	Setting off interest accrued on irregular receivables due from financial and non-financial customers with deferred interest	H	-641 166
B	-92 535	Reversal of provision for general risk totally amounting to PLN 92,535 thousand and creation of specific provisions for credits in normal situation watch and irregular credits totally equal to the specified amount	F	-92 535
B	-60 934	Recognition of permanent loss in value for capital investments in the amount exceeding purchase price of shares of subsidiaries: the surplus of permanent value is charged to credits granted these entities.	J	-60 934
C	-24 528	Withdrawal of subsidiaries assessment by ownership rights method and repeated application of purchase price with recognition of permanent loss in value of investment	J	-24 528
D	-21 252	Setting off assets and liabilities by virtue of settlement of investment in fixed assets	H	-21 252
E	135 101	Presentation of assets and provisions by virtue of deferred income tax (separately in assets side and liabilities side)	G	135 101
		Transforming of financial data to comparability by virtue of deferred settlement over time of commissions collected on installment loans considered promotional ones	H F J	13 614 13 614 -21 361
		Withdrawal of negative assessment of subsidiries assessed according to Polish Accounting Standards by ownership rights mehtod	F J	-104 745 104 745
Total	**-705 314**			**-705 314**
		Including total adjustment of equity	*J*	***-2 078***

Table 10 – Adjustment of closing balance of equity as of 31.12.2004 according to IAS

		PLN thousand	
	Equity as of 31.12.2004 according to Polish Accounting Standards	**1 459 954**	
	Including net result for current period		***185 176***
1	Adjustments by virtue of introducing IAS having an impact on capital from revaluation:		
a)	Withdrawal of assessment of subsidiaries by ownership rights method	285	-
		285	
2	Adjustments by virtue of introducing IAS having an impact on undistributed result from previous years:		
a)	Withdrawal of assessment of subsidiaries by ownership rights method	409 984	-
b)	Recognition of permanent loss in value of investments in shares of subsidiaries that were assessed by ownership rights method, and according to IAS 27 are disclosed according to purchase price decreased by permanent loss in value	-402 400	-
		7 584	
3	Adjustments due to introducing IAS having an impact on net result of current period:		
a)	Withdrawal of assessment of subsidiaries by ownership rights method	-71 090	*-71 090*
b)	Reversal of loss in value of capital investments in stock and shaes disclosed according to purchase price	45 075	*45 075*
c)	Reversal of general risk provisions totally amounting to PLN 97,317 thousand and creation of specific provisions for normal credits, watch and irregular credits totally amounting to PLN 97,272 thousand	45	*45*
		-25 970	-25 970
	Total IAS adjustments	-18 101	*-25 970*
	Equity as of 31.12.2004 according to IAS	**1 441 853**	

Including net result of current period	***159 206***

Explanation to adjustments of equity as of December 31, 2004

With respect to disclosing investments in stock and shares of subsidiaries, the adjustment of equity was performed similarly as in the case of adjustments of equity as of January 1, 2004 and June 30, 2004 (basing on the same stipulation in IAS 27).

Table 11 – Presentaion of significant reclassifications of balance sheet items in comparison with data published as of December 31, 2004 according to Polish Accounting Standards

PLN thousand

	AKTYWA		**31.12.2004 Polish Accounting Standards**	**Adjustments**	**31.12.2004 ISFR**
I	Financial assets (*)		8 602 189	0	8 602 189
II	Receivables due from customers	A	14 672 760	-665 353	14 007 407
III	Write-offs for permanent loss in value of receivables due from customers	B	-2 399 004	-146 877	-2 545 881
IV	Capital investments	C	231 038	-54 945	176 093
V	Intangible and legal assets and tangible fixed assets	D	515 884	-16 291	499 593
VI	Assets by virtue of deferred income tax	E	0	67 274	67 274
VII	Other assets	A	184 993	-21	184 972
	TOTAL ASSETS		**21 807 860**	**-816 213**	**20 991 647**

	LIABILITIES		**31.12.2004 Polish Accounting Standards**	**Adjustments**	**31.12.2004 ISFR**
I	Financial liabilities (**)		19 116 613	0	19 116 613
II	Provision	F	220 259	-183 721	36 538
III	Liabilities by virtue of deferred income tax	G	0	67 274	67 274
IV	Special funds and other liabilities	H	1 011 034	-681 665	329 369
	OVERALL LIABILITIES		20 347 906	-798 112	19 549 794
V	EQUITY	J	1 459 954	-18 101	1 441 853
	TOTAL LIABILITIES		**21 807 860**	**-816 213**	**20 991 647**

(*) and (**) – as in the Table 9

Explanation of reclassification adjustments to comparable data for 12 months of 2004:

Adjustment in Assets	Amount PLN thousand	Title	Adjustment in liabilities	Amount PLN thousand
A	-665 374	Setting off interest accrued on irregular receivables due from financial and non-financial customers with deferred interest	H	-665 374
B	-97 272	Reversal of provision for general risk totally amounting to PLN 97,317 thousand and creation of specific provisions for credits in normal situation, watch and irregular credits totally amounting to PLN 97,272 thousand	F J	-97 317 45
B	-49 605	Recognition of permanent loss in value for capital investments in the amount exceeding purchase price of shares of subsidiaries: the surplus of permanent value is charged to credits granted these entities.	J	-49 605
C	-54 945	Withdrawal of subsidiaries assessment by ownership rights method and repeated application of purchase price with recognition of permanent loss in value of investment	J	-54 945
D	-16 291	Setting off assets and liabilities by virtue of investment in fixed assets	H	-16 291
E	67 274	Presentation of assets and provisions by virtue of deferred income tax (separately at assets side and liabilities side)	G	67 274
		Withdrawal of negative assessment of subsidiries assessed according to Polish Accounting Standards by ownership rights method	F J	-86 404 86 404
Total	**-816 213**			**-816 213**
		Including total adjustment of equity	J	***-18 101***

Table 12 – Adjustment of opening balance of equity as of January 1, 2005 according to IAS

PLN thousand

	Equity as of January 1, 2005 according to Polish Accounting Standards	**1 459 954**
1	Adjustments by virtue of introducing IAS disclosed in capital from revaluation:	
a)	Withdrawal of subsidiaries assessment by ownership rights method in correspondence with capital from revaluation	285
b)	Assessment of debt securities in fair market value reclassified from portfolio held until maturity to portfolio of assets available for sale	2 726
c)	Shifting of assessment of debt securities assessed in fair market value reclassified from the portfolio of assets available for sale to portfolio of assets assessed in fair market value by profit and loss account	25 539
		28 550
2	Adjustments by virtue of introducing IAS disclosed in undistributed result from previous years:	
a)	Withdrawal of subsidiaries assessment by ownership rights method	338 894
b)	Recognition of permanent loss in value of investments in shares of subsidiaries that were assessed by ownership rights method, and according to IAS 27 are disclosed by purchase price decreased by permanent loss in value	-380 919
c)	Assessment of Solaris and Wolny Obszar Gospodarczy in fair market value reclassified from „capital investments" item to portfolio of assets available for sale	13 281
d)	Shifting of assessment of debt securities assessed in fair market value reclassified from portfolio of assets available for sale to portfolio of assets assessed in fair market value by the profit and loss account	-25 539
e)	Reversal of provision for general risk	84 168
f)	Reversal of provision equal to 1.5% created for consumer credits in normal situation and watch credits	20 982
g)	Loss in value of credit receivables measured for individual exposures	-91 918
h)	Loss in value of credit receivables portfolios	-131 971
i)	Assessment of financial assets and liabilities disclosed according to amortized cost with application of effective interest rate	-74 120
		-247 143
	Total IAS adjustments	**-218 593**
	Equity as of January 1, 2005 according to IAS	1 241 361

Explanation to adjustments of equity as of January 1, 2005 along with the indication of changes in relation to values presented in the financial report for the first quarter 2005

As far as the disclosure of investments in stock and shares of subsidiaries is concerned, the adjustment of equity was performed similarly to the adjustment as of January 1, 2004, June 30, 2004 and December 31, 2004 (based on the same stipulation of IAS 27). While calculating the adjustment by virtue of loss in value of investments in the shares of Żagiel, the adjustment to net assets of the said company was taken into account in result of assessing credit receivables according to amortized cost applying effective interest rate.

Moreover, due to the fact that the Bank applied IAS 39 for the first time as of January 1, 2005, the adjustments by that reason were included in the opening balance of equity on that day. The nature of the adjustments is similar to the adjustments described in Table 6 concerning the transformation of opening balance of the Group's equity.

The changes in relation to the values as presented in the financial statement for the first quarter 2005 are as follows:

2g) the loss in value measured in individual credit exposures; in the report for the first quarter 2005 the value of adjustment was equal to PLN –102,239 thousand;

2h) collective loss in value measured for homogenous portfolios of credit receivables; in the report for the first quarter 2005 the value of adjustment was equal to PLN –255,951 thousand.

VII. Information on significant events that occurred after the balance date

On July 7, 2005 Kredyt International Finance BV, a subsidiary of Kredyt Bank S.A. repaid before maturity a loan amounting to CHF 200 million, and also repaid EURO 30 million – a remaining portion of a loan amounting to EURO 180 million. Both loans were granted by KBC Bank NV Dublin Branch on October 7, 2002.
Kredyt Bank's guarantees, securing the repayment of the above mentioned loans, expired in result of the above transactions.

On July 14, 2005 Kredyt Bank S.A. concluded with KBC Bank NV two loan agreements on market terms with five-year repayment deadline. The loans were equal to EURO 150 million and CHF 150 million. The amount of each loan exceeds 10% of the Bank's equity.

On July 26, 2005 an agreement was signed with Ernst & Young Audit Sp. z o.o. on reviewing and auditing the Bank's financial statements as well as the consolidated financial statements of Kredyt Bank S.A. Capital Group for the year 2005.

On July 4, 2005 Kredyt Bank and Warta announced that early in September new corporate visualization and similar logotypes would be introduced, with their coloring and graphics referring to a common shareholder – Belgian Group KBC. The names of the companies shall remain unchanged. New visualization and logo of Warta and Kredyt Bank will emphasize a close co-operation and the membership of the Bank and the insurer in the international structure of KBC Group. KBC strategy assumes that the logotypes of its subsidiaries in Europe will be made uniform, thus the Group's entities will become more recognizable and this will also allow to maximize the synergy effect .

On July 25, 2005 Kredyt Trade Sp. z o.o. – the subsidiary of Kredyt Bank S.A. – sold to KBC Asset Management N.V. 2,422,605 shares of KBC Towarzystwo Funduszy Inwestycyjnych S.A. accounting for 9.59% participation in capital and votes at the General Assembly of KBC Towarzystwo Funduszy Inwestycyjnych S.A.
After the sale transaction of the shares of KBC Towarzystwo Funduszy Inwestycyjnych S.A., Kredyt Trade Sp. z o.o. holds 30% participation in capital and votes at the General Assembly of KBC Towarzystwo Funduszy Inwestycyjnych S.A.

VIII. Changes in conditional liabilities or conditional assets

The changes that took place over the second quarter of 2005 regarding off-balance sheet items, presented in the table below, stemmed from the Group's current operating activity.

OFF-BALANCE SHEET ITEMS (PLN thousand)	30.06.2005 end of second quarter 2005	31.03.2005 end of first quarter 2005	31.12.2004 end of fourth quarter 2004
I. Off-balance sheet conditional liabilities granted and received	4 881 643	5 373 546	5 771 653
1. Liabilities granted:	4 143 495	4 542 041	5 256 655
a) financial	1 725 254	1 964 483	2 085 879
b) guarantee	2 418 241	2 577 558	3 170 776
2. Liabilities received:	738 148	831 505	514 998
a) financial	250 052	347 135	51 707
b) guarantee	488 096	484 370	463 291
II. Liabilities relating to execution of purchase/sale operations	79 285 047	67 730 468	31 099 032
III. Other (by virtue of):	3 386 797	3 582 739	3 649 245
- collateral received	3 386 701	3 582 643	3 649 150
- other	96	96	95
Total off balance sheet items	**87 553 487**	**76 686 753**	**40 519 930**

IX. Information on shareholders holding over 5% stakes in the share capital and votes at GAS

As of June 30, 2005 in comparison with March 31, 2005 no changes occurred in the shareholders' structure who hold directly or indirectly through the subsidiaries over 5% participation in the share capital of the Controlling Entity as well as over 5% of votes at GAS.

Shareholder	*Scope of activity*	Number of shares and votes at GAS	Participation in votes and capital (%)
KBC Bank N.V.*	Banking	232 341 875	85.53

*/ By the Resolution of the Banking Supervision Commission No. 81/KNB/81 of September 17, 2001 KBC Bank NV is entitled to exercise no more than 75% of votes at the General Assembly of Kredyt Bank S.A.

The Bank's shares are not privileged and therefore the number of the shares held is equal to the number of votes at the General Assembly. All the Bank's shares are admitted to public trading.

The Bank's share capital as of June 30, 2005 was equal to PLN 1,358,294,400 and was divided into 271,658,880 shares, nominal value of each share equal to PLN 5.00, which includes 271,582,105 bearer shares and 76,775 registered shares. In comparison with March 31, 2005 the Bank's share capital did not change.

As of June 30, 2005 there were 271,582,105 bearer shares traded on the primary market of the Warsaw Stock Exchange.

X. Changes in specification of shares of controlling entity as well as shares and stock in subsidiaries and affiliates held by the Management Board Members and the Supervisory Board Members of Kredyt Bank S.A.

In the period from March 31, 2005 to June 30, 2005 the below changes occurred in the specification of shares of controllilng entity as well as stock and shares in subsidiaries and affiliates held by the Management Board Members and the Supervisory Board Members of Kredyt Bank S.A.:

- Mr Andre Bergen, the Supervisory Board Member of Kredyt Bank S.A., purchased 23,491 ordinary bearer shares of Kredyt Bank S.A. of nominal value equal to PLN 117,455.
- The Management Board Member of Kredyt Bank S.A. purchased 5,000 ordinary bearer shares of Kredyt Bank S.A. of nominal value equal to PLN 25,000.

XI. Information on proceedings before courts or public administration authority

Over the second quarter 2005 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 are presented those proceedings before courts, where the amounts claimed are the highest.

The cases where the Bank is a plaintiff

The cases of the highest amounts claimed are the cases against the Salesian Society in Lublin, Saint Jan Bosko Roman-Catholic Parish in Lublin and Saint Jack Roman-Catholic Parish in Pogorzeliska.
The Bank has also filed four suits against the above mentioned entities totally amounting to PLN 14,567,292.83 by the reason of groundless acquiring of wealth in connection with the non-repayment of loans granted by the Bank in 2001.

The cases where the Bank is a defendant

The cases, where the amounts claimed are the highest, are as follows:

- Plaintiff: Plasma Fractionating Laboratory Co. Ltd. (LFO) – claiming for payment of indemnity – by the reason of termination of a credit agreement equal to PLN 119,477 thousand. The suit was filed on June 18, 2003. The Bank is of the opinion that the LFO Sp. z o.o. claims are deprived of the actual and legal basis. On March 16, 2005 the court rejected the suit of LFO Sp. z o.o. On May 4, 2005 LFO filed a complaint about that verdict, but it has not been examined yet.
- Plaintiff: Plasma Fractionating Laboratory Co. Ltd. (LFO) – claiming to deprive the executory title of the enforceability clause. The suit was filed on January 6, 2005. The value of the object of the dispute is equal to PLN 102,154 thousand (for all syndicate members, while the amount falling on to the Bank is equal to PLN 6,787 thousand). On May 12, 2005 the hearing was postponed without fixing the date of the next hearing.
- The Banks – members of the syndicate approached the court in order to concede the enforceability clause to the executory title issued on December 1, 2004 against the State Treasury being the guarantor of the

loan granted LFO. The first instance court by its ruling of March 23, 2005 dismissed the Banks' application. On April 22, 2005 the banks filed a complaint about the court's ruling, which has not been examined yet.

- Plaintiff: Receiver in bankruptcy of the bankrupt's estate of company active in developer's sector (as applied for the name of the company is treated as confidential) claiming for payment of indemnity equal to PLN 32,256 thousand by the reason of effecting by the Bank financial orders from the company's account on basis of bank transfers and checks bearing a forged signature of one of the persons entitled to represent the company towards the Bank (the suit was filed on February 6, 2004). On January 13, 2005 the court suspended the proceedings until penal proceeding is completed. The Bank is continuously claiming that the receiver's in bankruptcy demands are prescribed.

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

XII. Significant transactions with the entities linked by capital with the value equal to or exceeding PLN equivalent of EURO 500 thousand not related to current operating activity

In the second quarter 2005 no significant transactions took place with the entities linked by capital, where the value of a single transaction was equal to or exceeded PLN equivalent of EURO 500 thousand and which did not stem from a current operating activity.

XIII. Information on granting by the issuer or its subsidiary the sureties of credit or loan repayment or granting guarantee

The specification below presents the exposures by virtue of guarantees or sureties of credits and loans granted by the Bank its subsidiary: Kredyt International Finance BV (KIF BV) as of June 30, 2005, where 10% of the Bank's own funds were exceeded.

Lp.	Customer's name	Amount of surety/ guarantee in foreign currency	Amount of surety/ guarantee (PLN thousand)	Date of issuance	Valid until
1.	KIF BV	30,000,000 EUR	121,203	7.10.2002	28.06.2007
2.	KIF BV	200,000,000 CHF	521,440	7.10.2002	1.10.2006
3.	KIF BV	150,000,000 EUR	606,015	28.11.2002	22.02.2007
	TOTAL		**1,248,658**		

By the reason of guarantee granted the Bank receives annual commission equal to 0.1% of guarantee amount.

Financial Statment of Kredyt Bank

BALANCE SHEET		as at IIQ 2005	as at IQ 2005	as at IVQ 2004	as at IIQ 2004
ASSETS					
I	Cash, operations with the Central Bank	874 515	421 440	1 512 560	1 062 229
II	Debt securities eligilble for refinancing with the Central Bank	-	-	-	-
III	Receivables due from banks	2 934 602	3 730 273	2 699 473	3 194 190
IV	Financial assets designed at fair value through profit or lost including: financial assetts available for trading	673 144	528 083	527 835	608 921
V	Financial assets available for sale	2 594 059	2 704 380	2 399 650	2 076 846
VI	Receivables due from customers	13 572 107	13 802 602	14 007 407	15 584 378
VII	Impairment on receivables due from customers	- 2 552 278	- 2 825 281	- 2 545 881	- 2 671 921
VIII	Financial assets held until maturity	1 954 231	1 855 500	1 462 671	1 771 069
IX	Capital investments	126 946	125 744	176 093	241 296
X	Intangible fixed assets, including:	120 617	129 988	138 720	160 392
XI	Tangible fixed assets	346 211	367 280	360 873	551 562
XII	Related to deferred income tax	238 192	231 682	67 274	135 101
XIII	Other assets	112 367	143 676	184 972	144 432
TOTAL ASSETS		**20 994 713**	**21 215 367**	**20 991 647**	**22 858 495**

LIABILITIES					
I	Liabilities due to Central Bank		-	-	-
II	Liabilities due to banks	1 300 608	1 852 134	1 125 115	2 438 394
III	Liabilities due to customers	15 529 581	15 518 530	16 021 358	17 024 519
IV	Liabilities relating to sold securities with repurchase promise	777 150	762 772	718 772	-
V	Liabilities relating to issuance of own securities	402 941	409 384	418 150	330 570
VI	Other liabilities relating to financial instruments	273 343	276 676	233 932	418 348
VII	Subordinated liabilities	613 270	608 105	599 286	687 950
VIII	Provision for deferred income tax	196 484	231 682	67 274	135 514
IX	Provisions	75 385	9 793	36 538	40 838
X	Special funds and other liabilities	334 162	362 689	329 369	488 527
TOTAL LIABILITIES		**19 502 924**	**20 031 765**	**19 549 794**	**21 564 660**
XI	Share capital	1 358 294	1 358 294	1 358 294	1 358 294
XII	Share capital called, not paid (a negative figure)	-	-	-	-
XIII	Supplementary capital	29	350 940	350 910	351 033
XIV	Other capital	154 690	184 732	154 782	108 041
	- reserve capital	120 942	173 779	173 779	173 779
	-capital from revaluation	33 748	10 953	- 18 997	- 65 738
XV	Net profit (or loss) from previous years	- 247 143	- 785 192	- 581 339	- 581 339
XVI	Net profit (or loss)	225 919	74 828	159 206	57 806
TOTAL EQUITY		**1 491 789**	**1 183 602**	**1 441 853**	1 293 835
TOTAL EQUITY AND LIABILITIES		**20 994 713**	**21 215 367**	**20 991 647**	**22 858 495**

Capital adequacy ratio	**14,43**	**13,34**	**14,40**	**13,70**
Book value	**1 491 789**	**1 183 602**	**1 441 853**	**1 293 835**
Number of shares outstanding	**271 658 880**	**271 658 880**	**271 658 880**	**271 658 880**
Book value per 1 share (in PLN)	**5,49**	**4,36**	**5,31**	**4,76**
Diluted number of shares	**271 658 880**	**271 658 880**	**271 658 880**	**271 658 880**
Diluted book value per 1 share (in PLN)	**5,49**	**4,36**	**5,31**	**4,76**

OFF-BALANCE SHEET ITEMS		as at IIQ 2005	as at IQ 2005	as at IVQ 2004	as at IIQ 2004
I	Off-balance sheet contingent liabilities	4 965 386	5 464 832	5 867 635	5 813 489
1	Liabilities granted:	4 225 204	4 630 462	5 349 060	5 408 386
	- related to financing	1 805 245	2 052 904	2 178 284	2 078 548
	- related to guarantees	2 419 959	2 577 558	3 170 776	3 329 838
2	Liabilities received:	740 182	834 370	518 575	405 103
	- related to financing	252 086	350 000	55 284	50 000
	- related to guarantees	488 096	484 370	463 291	355 103
II	Liabilities connected with purchase/sale transactions	79 285 047	67 780 468	31 099 032	62 734 987
III	Other, including:	3 399 002	3 595 154	3 661 768	2 963 648
	- collaterals received	3 398 910	3 595 062	3 661 677	2 963 556
	- liabilities by virtue of leasing agreements	92	92	91	92
TOTAL OFF- BALANCE SHEET ITEMS		**87 649 435**	**76 840 454**	**40 628 435**	**71 512 124**

PROFIT AND LOSS ACCOUNT		IIQ 2005 period from 01.04.2005 to 30.06.2005	IIQ 2005 period from 01.01.2005 to 30.06.2005	IIQ 2004 period from 01.04.2004 to 30.06.2004	IIQ 2004 period from 01.01.2004 to 30.06.2004
I	Interest income	356 959	704 218	312 362	620 932
II	Interest expense	- 184 673	- 379 149	- 157 955	- 321 871
III	Net interest income(I - II)	172 286	325 069	154 407	299 061
IV	Commissions earned	70 887	149 274	120 172	235 318
V	Commissions paid	- 23 751	- 43 391	- 42 782	- 82 465
VI	Net commissions (IV - V)	47 136	105 883	77 390	152 853
VII	Income on shares, other securities and other financial instruments of variable income	3 733	4 520	7 205	7 205

VIII	Result on financial operations	80 024	85 811	4 310	52 718
IX	Result on foreign exchange operations	- 55 242	- 22 688	17 643	- 4 331
X	Result on banking activity	247 937	498 595	260 955	507 506
XI	Other operating income	19 780	27 777	8 238	16 106
XII	Other operating expense	- 8 574	- 19 767	- 9 874	- 18 796
XIII	Costs of the Bank's functioning	- 166 416	- 327 977	- 179 771	- 358 016
XIV	Depreciation of fixed assets and intangible fixed assets	- 32 700	- 65 741	- 37 963	- 75 884
XV	Provisions written-off and revaluation	- 529 271	- 753 124	- 369 050	- 949 458
XVI	Reversal of provisions and revaluation	577 653	823 474	366 215	936 348
XVII	Net provisions and revaluation	48 382	70 350	- 2 835	- 13 110
XVIII	Result from operating activities	108 409	183 237	38 750	57 806
XIX	Gross profit (or loss)	**108 409**	**183 237**	**38 750**	57 806
XX	Corporate income tax	41 708	41 708	-	-
XXI	Other obligatory decrease of profit (increase of loss)	-	-	-	-
XXII	Net profit (loss) from discontinued operations	974	974		
XXII	Net profit (loss)	**151 091**	**225 919**	**38 750**	**57 806**

Net profit (or loss) (for 12 months)	**327 319**		**- 1 258 199**	
Average weighed number of ordinary shares	**271 658 880**		**186 243 852**	
Profit (or loss) per 1 ordinary share (in PLN)	**1,20**		**- 6,76**	
Diluted average weighed number of ordinary shares	**271 658 880**		**186 243 852**	
Diluted profit (loss) per 1 ordinary share (in PLN)	**1,20**		**- 6,76**	

	BREAKDOWN OF CHANGES IN THE BANK'S EQUITY	**IQ 2005** period from 01.01.2005 to 31.03.2005	**IQ 2005** period from 01.01.2005 to 31.03.2005	**IQ 2005** period from 01.01.2005 to 31.03.2005	**IQ 2004** period from 01.01.2004 to 31.03.2004
I	Equity - opening balance under Polish Accounting Standars		1 459 954	644 481	644 481
	Adjustments - first time using IFRS		- 352 895	13 026	13 026
I	Equity - opening balance under IFRS	1 183 602	1 107 059	657 507	657 507
	Adjustments of opening balance estimated in IIQ 2005	134 302	134 302		
	Equity - opening balance	1 317 904	1 241 361		
1	**1. Share capital - opening balance**	1 358 294	1 358 294	1 056 451	1 056 451
	- issueance of share (W series)			301 843	301 843
1	**Share capital - closing balance**	**1 358 294**	**1 358 294**	**1 358 294**	**1 358 294**
2	Supplementary capital - opening balance	350 940	350 910	1 020 023	1 020 023
	Changes in the supplementary capital	- 350 911	- 350 881	- 669 113	- 668 990
	a) increases (due to)	-	35	301 864	301 853
	- issueance of shares over face value	-		301 843	301 843
	- sale of fixed assets	-	35	21	10
	b) decreases (due to)	350 911	350 916	970 977	970 843
	- loss coverage	350 910	350 910	969 988	969 988
	- costs of shares issue	1	6	989	855
2	**Supplementary capital - closing balance**	**29**	**29**	**350 910**	**351 033**
3	Capital from revaluation - opening balance under Polish Accounting Standars	10 953	- 19 282	- 46 861	- 46 861
	Adjustments - first time using IFRS		28 550	5 442	5 442
3	Capital from revaluation - opening balance under IFRS	10 953	9 268	- 41 419	- 41 419
	Changes in the from revaluation capital	22 795	24 480	22 422	- 24 319
	a) increase (due to)	22 801	24 521	33 318	-
	- due to evaluation of financial assets	22 801	24 521	33 318	
	b) decreases (due to)	6	41	10 896	24 319
	- sale of fixed assets	6	41	139	10
	- by virtue of foreign exchange differences arising from conversion of foreign subsidiaries	-		4	4
	- by virtue of foreign exchange differences arising from conversation of roreign branches	-		10 753	1 013
	- due to evaluation of financial assets	-		-	23 292
3	**Capital from revaluation - closing balance**	**33 748**	**33 748**	**- 18 997**	**- 65 738**
4	General banking risk fund - opening balance	173 779	173 779	173 779	173 779
	- loss coverage	- 52 837	- 52 837		
4	**General banking risk fund - closing balance**	**120 942**	**120 942**	**173 779**	**173 779**
5	**Other items of the remaining reserve capitals (funds) - opening balance**	-	-	62 000	62 000
	- loss coverage	-	-	- 62 000	- 62 000
5	**Other items of the remaining reserve capitals - closing balance**	**-**	**-**	**-**	**-**
6	Profit/loss related to previous years - opening balance under Polish Accounting Standars	-	- 403 747	- 1 620 911	- 1 620 911
6a	Profit/loss related to previous years - opening balance under IFRS	- 785 192			
	Adjustments - first time using IFRS	134 302	- 247 143	7 584	7 584
6	Profit/loss related to previous years - opening balance under IFRS	- 650 890	- 650 890	- 1 613 327	- 1 613 327
6.1	Profit related to previous years - opening balance under Polish Accounting Standars	-	185 176	-	-
6.1a	Profit related to previous years - opening balance under IFRS	159 206			
	- loss coverage	- 185 176	- 185 176		
	Adjustments - first time using IFRS		- 25 970		
6.2	Profit related to previous years - closing balance under IFRS	- 25 970	- 25 970	-	-

6.3	Loss related to previous years - opening balance under Polish Accounting Standars	-	-588 923	-1 620 911	-1 620 911
6.3a	Loss related to previous years - opening balance under IFRS	-944 398			
	Adjustments - first time using IFRS	134 302	-221 173	7 584	7 584
	- loss coverage	588 923	588 923	1 031 988	1 031 988
6.4	Loss related to previous years - closing balance under IFRS	-221 173	-221 173	-581 339	-581 339
6.5	**Profit (loss) related to previous years - closing balance**	**-247 143**	**-247 143**	**-581 339**	**-581 339**
7	**Net profit**	**225 919**	**225 919**	**159 206**	**57 806**
II.	**Equity - closing balance**	**1 491 789**	**1 491 789**	**1 441 853**	**1 293 835**

CASH FLOW STATEMENT		**IIQ 2005** period from 01.04.2005 to 30.06.2005	**IIQ 2005** period from 01.01.2005 to 30.06.2005	**IIQ 2004** period from 01.04.2004 to 30.06.2004	**IIQ 2004** period from 01.01.2004 to 30.06.2004
A	**NET CASH FLOWS FROM OPERATING ACTIVITY - indirect method**	**821 330**	**1 744 154**	**835 077**	**1 326 131**
I	**Net profit/loss**	**151 091**	**225 919**	**38 750**	**57 806**
II	**Total adjustments:**	**670 239**	**1 518 235**	**796 327**	**1 268 325**
1	Depreciation	32 700	65 741	37 962	75 884
2	Foreign exchange gains/losses	7 295	5 715	-57 328	-41 758
3	Interest and dividend	27 409	-14 875	-32 621	-45 102
4	Profit/loss from investment activity	157	6 672	-62	-1 453
5	Change in other provisions	-97 052	-115 577	-34 197	-22 913
6	Change in debt securities	-80 661	795 657	243 423	327 682
7	Charge in receivables due from banks	476 408	-217 543	224 815	101 897
8	Charge in receivables due from customers	230 495	358 886	429 772	1 189 548
9	Change in shares and other securities and other financial assets	-61 402	-75 719	-47 542	75 217
10	Charge in liabilities due from banks	75 521	990 901	-578 409	-713 617
11	Charge in liabilities due from customers	131 100	-489 625	615 414	334 116
12	Change in liabilities related to sold securities with repurchase promise	14 503	59 835	-	
13	Change in other liabilities	-175 117	43 514	-37 834	-53 944
14	Change in accruals and prepayments	11 318	6 275	25 801	-249
15	Other adjustments	77 565	98 378	7 133	43 017
B	**NET CAHS FLOWS FROM INVESTMENT ACTIVITY (I - II)**	**-27 079**	**-1 473 286**	**138 926**	**199 383**
I	**Inflows**	**9 684 934**	**20 915 546**	**1 686 843**	**2 122 269**
1	Sale of shares in subsidiaries	**-**		**270**	**270**
2	Sale of shares in other entities, other securities and other financial assets	9 684 547	20 910 662	1 665 066	2 121 680
3	Sale of intangible fixed assets and tangible fixed assets	387	3 685	21 507	319
4	Other investment inflows	-	1 199	-	
II	**Outflows**	**9 712 013**	**22 388 832**	**1 547 917**	**1 922 886**
1	Purchase of shares in subsidiaries	**-**		**100**	**100**
2	Purchase of shares in other entities, other securities and other financial assets	9 709 607	22 353 362	1 545 005	1 911 911
3	Purchase of intangible fixed assets and tangible fixed assets	2 236	35 470	-	5 878
4	Other investment outflows	170		2 812	4 997
C	**NET CASH FLOWS FROM FINANCIAL ACTIVITY (I - II)**	**-659 901**	**-891 327**	**494 457**	**481 316**
I	**Inflows**	**-**	**-**	**602 831**	**602 831**
	Net income from issuance of shares and additional equity contributions	-		602 831	602 831
II	**Outflows**	**659 901**	**891 327**	**108 374**	**121 515**
1	Long-term credits repaid to banks	616 877	811 577	-	
2	Financial leasing liabilities paid	18 694	24 910	21 859	21 859
3	Decrease in subordinated liabilities	-		60 000	60 000
4	Other financial outflows	24 330	54 840	26 515	39 656
D	**TOTAL NET CASH FLOWS (A+/-B+/-C)**	**134 350**	**-620 459**	**1 468 460**	**2 006 830**
E	**CHANGE IN CASH SHOWN IN BALANCE SHEET**	**134 350**	**-620 459**	**1 468 460**	**-2 006 830**
F.	**F. CASH-OPENING BALANCE**	**3 167 250**	**3 922 059**	**2 545 265**	**2 006 895**
G.	**G. CASH - CLOSING BALANCE (F+/- D), including:**	**3 301 600**	**3 301 600**	**4 013 725**	**4 013 725**
	-of the limited availability	541 562	541 562	607 021	607 021

Consolidated financial statement of Kredyt Bank S.A. Capital Group for II Q under IFRS

BALANCE SHEET		as at 30.06.2005 / IIQ 2005	as at 31.03.2005 / IQ 2005	as at 31.12.2004 / IVQ 2004	as at 30.06.2004 / IIQ 2004
ASSETS					
I	Cash, operations with the Central Bank	874 534	421 460	1 512 591	1 099 231
II	Debt securities eligible for refinancing with the Central Bank	0	0	0	0
III	Receivables due from banks	2 934 638	3 730 350	2 699 524	3 255 325
IV	Financial assets at fair value, in particular available for trading	703 653	528 083	557 760	621 236
V	Financial assets available for sale	2 594 645	2 704 968	2 399 852	2 078 515
VI	Receivables due from clients	13 646 855	13 767 479	14 105 952	16 165 928
VII	Impairement on receivables due from clients	-2 812 631	-2 985 285	-2 795 617	-2 980 420
VIII	Financial assets held to maturity	1 954 231	1 885 923	1 462 671	1 811 131
IX	Investments in subsidiaries	35 668	45 588	85 615	84 159
X	Investments in associaties	10 582	0	0	0
XI	Intangible fixed assets	121 436	131 259	140 187	165 811
XII	Goodwill	36 052	36 052	36 052	47 294
XIII	Tangible fixed assets	407 502	407 487	469 371	723 605
XIV	Deferred income tax assets	260 570	257 191	85 697	149 170
XV	Other assets	163 805	242 613	209 368	201 495
TOTAL ASSETS		**20 931 540**	**21 173 168**	**20 969 023**	**23 422 480**
LIABILITIES					
I	Liabilities due to Central Bank	0	0	0	0
II	Liabilities from banks	2 552 600	3 117 359	3 007 090	4 612 980
III	Liabilities from customers	14 237 118	14 078 551	14 061 105	15 547 254
IV	Liabilities relating to sold securities with repurchase promise	777 150	762 772	718 772	0
V	Liabilities relating to issuance of own securities	402 941	409 384	418 150	334 493
VI	Other liabilities relating to financial instruments	273 343	276 676	233 932	418 348
VII	Subordinated liabilities	613 270	608 105	599 286	687 950
VIII	Provision for deferred income tax	206 736	243 685	77 322	138 377
IX	Provisions	75 923	11 255	37 439	49 059
X	Special funds and other liabilities	276 817	447 773	354 028	335 047
TOTAL LIABILITIES		**19 415 898**	**19 955 560**	**19 507 124**	**22 123 508**
	Equity held by shareholders	**1 515 642**	**1 217 608**	**1 461 899**	**1 268 023**
XI	Share capital	1 358 294	1 358 294	1 358 294	1 358 294
XII	Share capital called, not paid (a negative figure)	0	0	0	0
XIII	Supplementary capital	29	350 940	350 910	351 033
XIX	Other capital	154 177	184 451	154 497	102 540
	- reserve capital	120 942	173 779	173 779	173 779
	-foreign exchange differences from conversion of subsidiaries	-513	-281	-285	-5 501
	-capital from revaluation	33 748	10 953	-18 997	-65 738
XX	Net profit (or loss) from previous years	-230 019	-770 231	-591 320	-591 320
XXI	Net profit (or loss)	233 161	94 154	189 518	47 476
XXII	Equity held by minority shareholders	0	0	0	30 949
TOTAL EQUITY		**1 515 642**	**1 217 608**	**1 461 899**	**1 298 972**
TOTAL EQUITY AND LIABILITIES		**20 931 540**	**21 173 168**	**20 969 023**	**23 422 480**
Capital adequacy ratio		**14,52**	**13,49**	**14,72**	**13,52**
Book value		**1 515 642**	**1 217 608**	**1 461 899**	**1 298 972**
Number of shares outstanding		**271 658 880**	**271 658 880**	**271 658 880**	**271 658 880**
Book value per 1 share (in PLN)		**5,58**	**4,48**	**5,38**	**4,78**
Diluted number of shares		**271 658 880**	**271 658 880**	**271 658 880**	**271 658 880**
Diluted book value per 1 share (in PLN)		**5,58**	**4,48**	**5,38**	**4,78**

OFF-BALANCE		as at 30.06.2005 / IIQ 2005	as at 31.03.2005 / IQ 2005	as at 31.12.2004 / IVQ 2004	as at 30.06.2004 / IIQ 2004
I	Off-balance sheet contingent liabilities	4 881 643	5 373 546	5 771 653	5 876 278
	1. Liabilities granted:	4 143 495	4 542 041	5 256 655	5 332 357
	a) related to financing	1 725 254	1 964 483	2 085 879	1 984 067
	b) related to guarantees	2 418 241	2 577 558	3 170 776	3 348 290
	2. Liabilities received:	738 148	831 505	514 998	543 921
	a) related to financing	250 052	347 135	51 707	26 598
	b) related to guarantees	488 096	484 370	463 291	517 323
II	Liabilities connected with purchase/sale transactions	79 285 047	67 730 468	31 099 032	62 738 521
III	Other, including:	3 386 797	3 582 739	3 649 245	4 652 738
	- collaterals received	3 386 701	3 582 643	3 649 150	4 645 602
	- others	96	96	95	7 136
TOTAL OFF- BALANCE SHEET ITEMS		**87 553 487**	**76 686 753**	**40 519 930**	**73 267 537**

PROFIT AND LOSS ACCOUNT		II Q 2005	30.06.2005 / IIQ 2005	II Q 2004	30.06.2004 / IIQ 2004
I	Interest income	367 923	728 283	337 475	669 958
II	Interest expense	-177 257	-363 820	-161 492	-325 643
III	Net interest income(I - II)	190 666	364 463	175 983	344 315
IV	Commissions earned	70 663	148 926	127 805	251 260
V	Commissions paid	-5 137	-8 988	-5 069	-16 627
VI	Net commissions (IV - V)	65 526	139 938	122 736	234 633
VII	Net income from sold products and goods	960	1 690	6 161	9 454
VIII	Income on shares, other securities and other financial instruments of variable income	3 733	4 520	2 855	3 009
IX	Result on financial operations	80 026	85 813	4 012	52 234
X	Result on foreign exchange operations	-54 825	-22 732	19 169	-3 144
XI	**Result on banking activity**	286 086	573 692	330 916	640 501
XII	Other operating income	22 050	32 355	24 474	39 051
XIII	Other operating expense	-14 881	-21 120	-25 901	-40 590
XIV	Costs of the Bank's functioning	-181 132	-365 826	-227 592	-451 063
XV	Depreciation of fixed assets and intangible fixed assets	-35 786	-71 270	-44 620	-88 256
XVI	Provisions written-off and revaluation	-529 670	-757 679	-408 815	-1 001 409
XVII	Reversal of provisions and revaluation	551 859	806 420	386 163	960 142
XVIII	Net provisions and revaluation	22 189	48 741	-22 652	-41 267
XIX	Result on operating activities	98 526	196 572	34 625	58 376
XX	**Gross profit (or loss)**	**98 526**	**196 572**	**34 625**	**58 376**
XXI	Corporate income tax	39 106	35 214	-6 429	-9 249
XXII	Other obligatory decrease of profit (increase of loss)	0	0	0	0
XXIII	Share in (profit) loss of companies valuated under the equity method	401	401	0	1
XXIV	Profit (or loss) of minority shareholders	0	0	-883	-1 652
XXIV	Profit (or loss) from discontinueted operations	974	974	0	0
XXV	**Net profit (loss)**	**139 007**	**233 161**	**27 313**	**47 476**
Net profit (or loss) (for 12 months)			**375 203**		**-1 268 529**
Average weighed number of ordinary shares			**243 783 743**		**186 243 852**
Profit (or loss) per 1 ordinary share (in PLN)			**1,54**		**-6,81**
Diluted average weighed number of ordinary shares			**243 783 743**		**186 243 852**
Diluted profit (loss) per 1 ordinary share (in PLN)			**1,54**		**-6,81**

	BREAKDOWN OF CHANGES IN THE BANK'S EQUITY	II Q 2005	30.06.2005 / IIQ 2005	31.12.2004 / IVQ 2004	30.06.2004 / IIQ 2004
I	Equity - opening balance under Polish Accounting Standards		1 459 954	644 481	644 481
	Adjustments - first time using IFRS		-338 219	-2 397	-2 397
I.a	Equity - opening balance under IFRS	1 217 608	1 121 735	642 084	642 084
	Adjustments of opening balance estimated in II Q 2005	136 465	136 465		
	1. Equity - opening balance	1 354 073	1 258 200		
1	Share capital - opening balance	1 358 294	1 358 294	1 056 451	1 056 451
	- issuance of shares (W series)			301 843	301 843
1.a	**Share capital - closing balance**	**1 358 294**	**1 358 294**	**1 358 294**	**1 358 294**
2	Supplementary capital - opening balance	350 940	350 910	1 020 023	1 020 023
	Changes in the supplementary capital	-350 911	-350 881	-669 113	-668 990
	a) increases (due to)	0	35	301 864	301 853
	- issuance of shares over face value	0		301 843	301 843
	- sale of fixed assets	0	35	21	10
	b) decreases (due to)	350 911	350 916	970 977	970 843
	- loss coverage	350 910	350 910	969 988	969 988
	- costs of shares issued	1	6	989	855
2.1	**Supplementary capital - closing balance**	**29**	**29**	**350 910**	**351 033**
3	Capital from revaluation - opening balance under Polish Accounting Standards	10 953	-18 997	-41 423	-41 423
	Adjustments - first time using IFRS	0	28 265	0	0
3.a	Capital from revaluation - opening balance under IFRS	10 953	9 268	-41 423	-41 423
	Changes in supplementary capital	22 795	24 480	22 426	-24 315
	a) increase (due to)	22 801	24 521	33 318	0
	- due to evaluation of financial assets	22 801	24 521	33 318	0
	- by virtue of foreign exchange differences arising from conversion of foreign branches	0	0	0	0
	b) decreases (due to)	6	41	10 892	24 315
	- sale of fixed assets	6	41	139	10
	- by virtue of foreign exchange diiferences arising from conversion of foreign branches	0		10 753	1 013
	- due to evaluation of financial assets	0	0	0	23 292
3.1	**Capital from revaluation - closing balance**	**33 748**	**33 748**	**-18 997**	**-65 738**
4	General banking risk fund - opening balance	173 779	173 779	173 779	173 779
	- loss coverage	-52 837	-52 837		
4.1	**General banking risk fund - closing balance**	**120 942**	**120 942**	**173 779**	**173 779**
5	Other items of the remaining reserve capitals (funds) - opening balance	0		62 000	62 000
	- loss coverage	0		-62 000	-62 000
5.1	**Other items of the remaining reserve capitals - closing balance**	**0**	**0**	**0**	**0**
6	**Foreign exchange differences from conversion of subsidiaries**	**-513**	**-513**	**-285**	**-5 501**
7	Profit/loss related to previous years - opening balance under Polish Accounting Standards		-403 747	-1 620 911	-1 620 911
	Profit/loss related to previous years - opening balance under IFRS	-770 231			
	Adjustments - first time using IFRS	136 465	-230 019	-2 397	-2 397
7.a	Profit/loss related to previous years - opening balance under IFRS	-633 766	-633 766	-1 623 308	-1 623 308
7.1	Profit related to previous years - opening balance under Polish Accounting Standards		185 176	0	0
	Profit related to previous years - opening balance under IFRS	189 518			
	- loss coverage	-185 176	-185 176	0	0
	Adjustments - first time using IFRS		4 342		
7.2	Profit related to previous years - closing balance under IFRS	4 342	4 342	0	0
7.3	Loss related to previous years - opening balance under Polish Accounting Standards		-588 923	-1 620 911	-1 620 911
	Loss related to previous years - opening balance under IFRS	-959 749			
	Adjustments - first time using IFRS	136 465	-234 361	-2 397	-2 397
7.4	- loss coverage	588 923	588 923	1 031 988	1 031 988
7.5	**Loss related to previous years - closing balance under IFRS**	**-234 361**	**-234 361**	**-591 320**	**-591 320**
7.6	**Profit (loss) related to previous years - closing balance**	**-230 019**	**-230 019**	**-591 320**	**-591 320**
8	**Net profit**	233 161	233 161	189 518	47 476
II.	**Equity - closing balance**	**1 515 642**	**1 515 642**	**1 461 899**	**1 268 023**

CASH FLOW STATEMENT	II Q 2005	30.06.2005 / IIQ 2005	II Q 2004	30.06.2004 / IIQ 2004
A. NET CASH FLOWS ON OPERATING ACTIVITIES (I+/-II) - indirect method	**862 684**	**1 686 451**	**829 655**	**1 993 542**
I. Net profit (loss)	**139 007**	**233 161**	**27 313**	**47 476**
II. Total adjustments:	**723 677**	**1 453 290**	**802 342**	**1 946 066**
1. Profit (loss) of minority shareholders	-			-1 652
2. Share in (profit) loss of companies valuated under the equity method	- 401	-401	-	-1
3. Depreciation, including:	35 786	71 270	44 620	88 256
-goodwill of subsidiaries written-off and negative goodwill of subsidiaries	-		-	
4. Foreign exchange gains/losses	7 236	5 664	- 58 722	-40 590
5. Interest and dividend	26 725	-16 057	- 28 946	-38 256
6. Profit/loss from investment activity	- 4 558	4 481	- 1 877	-5 090
7. Change in reserves	- 103 135	-115 953	- 33 927	-21 699
8. Change in stock	- 293	-371	459	612
9. Change in debt securities	- 80 661	795 657	226 712	303 815
10. Change in receivables from financial sector	- 766 461	-921 615	143 958	-744 243
11. Change in receivables from non-financial sector and budget sector	249 596	350 507	436 077	1 176 263
12 . Change in receivables related to purchased securities with repurchase promise	-		-	
13.Change in shares and other securities and other financial assets	- 61 402	-75 719	- 47 401	75 656
14. Change in liabilities due to financial sector	719 366	1 064 994	- 482 200	855 070
15. Change in liabilities due to non-financial sector and budget sector	164 587	-449 143	633 389	376 846
16. Change in liabilities related to sold securities with repurchase promise	14 503	59 835	-	
17. Change in liabilities related to securities	-		-	
18.Change in other liabilities	- 170 795	-1 972	- 148 347	-167 163
19. Change in accruals and prepayments	14 927	10 220	25 755	11 584
20. Change in income to be received and in deferred income	- 10 851	-22 391	- 700	457
21. Other adjustments	689 508	694 284	93 492	76 201
III. Net cash flows on operating activity - indirect method (I+/-II)	**862 684**	**1 686 451**	**829 655**	**1 993 542**
B. NET CASH FLOW ON INVESTEMENT ACTICIVITY (I-II)	**(41 647)**	**(1 468 374)**	**130 880**	**191 116**
I. Inflows on investment activities	9 685 337	20 934 777	1 695 392	2 138 461
1. Sale of shares in subsidiaries	-		-	
2. Sale of shares in joint subsidiaries	-		-	
3. Sale of shares in affiliates	-		-	
4. Sale of shares in other entities, other securities and other financial assets	9 685 145	20 911 260	1 665 665	2 124 098
5. Sale of intangible fixed assets and tangible fixed assets	-	22 310	29 325	13 568
6. Sale of real estate investment and intangible fixed assets	-		- 381	
7. Other investment income	192	1 207	783	795
II. Outflows on investments activities	9 726 984	22 403 151	1 564 512	1 947 345
1. Purchase of shares in subsidiaries	-	10 317	-	
2. Purchase of shares in joint subsidiaries	-		-	
3. Purchase of shares in affiliates	-		-	
4. Purchaseof shares in other entities, other securities and other financial assets	9 709 607	22 353 362	1 548 501	1 915 432
5. Purchase of intangible fixed assets and tangible fixed assets	17 377	39 382	11 161	26 816
6. Investment in real estate and intangible fixed assets	-		-	
7. Other investment expeditures	-	90	4 850	5 097
III. Net cash flows on investment activity(I-II)	**(41 647)**	**(1 468 374)**	**130 880**	**191 116**
C. NET CASH FLOW ON FINANCIAL ACTICIVITIES (I-II)	**(653 482)**	**(878 758)**	**523 451**	**(197 166)**
I. Inflows on financial activities	-	-	**607 093**	**612 080**
1. Contracting long-term credits with banks	-		- 2	395
2. Contracting long-term loans with financial institutions other than banks	-		3 067	3 067
3. Issuance of debt securities	-		- 200	3 875
4. Increase in subordinated liabilities	-		-	
5. Net income from inssuance of shares and additional equity contributions	-		602 831	602 831
6. Other financial income	-		1 397	1 912
II. Outflows on financial activities	**653 482**	**878 758**	**83 642**	**809 246**
1. Long-term credits repaid to banks	616 877	811 577	774	854
2. Long-term loans repaid to financial institutions other than banks	-		657	657
3. Redemption of securities	-		- 11 522	707 700
4. Due to other financial liabilities	-		-	
5. Financial leasing liabilities paid	12 275	12 341	- 49	27
6. Decrease in subordinated liabilities	-		60 000	60 000
7. Dividends and other payments for owners	-		-	
8. Dividends and other participation in profits paid to minority shareholders	-		-	
9. Expenses related to profit distribution other then payments for owners	-		-	
10. Purchase of own shares	-		-	
11. Other financial expenditures	24 330	54 840	33 782	40 008
III. Net cash flows on financial activity (I-II)	**(653 482)**	**(878 758)**	**523 451**	**(197 166)**
D. TOTAL NET CASH FLOWS (A+/-B+/-C)	**167 555**	**(660 681)**	**1 483 986**	**1 987 492**
E. CHANGE IN CASH DISCLOSED IN BALANCE SHEET	**167 555**	**(660 681)**	**1 483 986**	**1 987 492**
- including change in cash related to foreign exchange differences				
F. CASH - OPENING BALANCE	**3 203 287**	**4 031 523**	**2 643 768**	**2 140 262**
G. CASH - CLOSING BALANCE (F+/- D), including:	**3 370 842**	**3 370 842**	**4 127 754**	**4 127 754**
-of the limited availability	**541 562**	**541 562**	**607 021**	**607 021**