



**Interim Consolidated Financial Statements  
of Kredyt Bank S.A. Capital Group  
for the Third Quarter of 2007  
prepared in accordance with  
International Financial Reporting Standards**

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## **Notes to the Interim Consolidated Financial Statements of Kredyt Bank S.A. Capital Group for the third quarter of 2007**

### **1. Basis of preparation**

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

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

The interim consolidated financial statements for the third quarter of 2007 has been prepared in line with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) in force as at the date of this statement. Specifically, this report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and matters not governed by IFRS must comply with the Act and the provisions of the Ordinance by the Minister of Finance dated 19 October 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005, No. 209, item 1744).

### **2. The Group's financial standing at the end of the third quarter of 2007**

Net profit of PLN 281 million generated by the Group during the three quarters of 2007 is the evidence that the strategy adopted by the Management Board focused on the development of selected business areas and that the continuous restructuring of operating activities and assets is bringing measurable results to shareholders.

#### **2.1. Financial result**

##### ***Group's net profit and profit before tax***

The Group's net profit in three quarters of 2007 amounted to PLN 281,010 thousand, while net profit generated in three quarters of 2006 amounted to PLN 386,739 thousand. Profit before tax in three quarters of 2007 amounted to PLN 363,411 thousand as compared to PLN 391,628 thousand in three quarters of 2006.

The decrease in profit before tax generated in three quarters of 2007 as compared to profit before tax in three quarters of 2006 resulted mainly from the sale of receivables in the second quarter of 2006. Total net income on sale of receivables amounted then to PLN 145,388 thousand. Net profit for three quarters of 2007 was lower than net profit for three quarters of 2006 also due to the deduction from

net profit for three quarters of 2007 of income tax of PLN 82,401 thousand as compared to the addition of PLN 4,889 thousand to net profit for three quarters of 2006.

With respect to all significant categories of operating income (excluding net income on sale of receivables), in three quarters of 2007, as compared to three quarters of 2006, an increase was observed which resulted from the increasing business activeness.

The main elements of the consolidated income statement of the Group are presented in the table below.

<i>in PLN '000'</i>	<b>3rd quarter of 2007</b>	<b>Three quarters of 2007</b>	<b>3rd quarter of 2006</b>	<b>Three quarters of 2006</b>
Net interest income	228 512	635 059	187 878	580 839
Net fee and commission income	69 860	219 285	69 388	190 796
Net trading income and investments *	39 738	116 760	35 562	101 144
Net income from sale of receivables	9 773	21 086	0	145 388
Net income from other operating income/expenses	4 778	20 209	-4 133	4 680
<b>Total</b>	<b>352 661</b>	<b>1 013 727</b>	<b>288 972</b>	<b>1 023 874</b>
General and administrative expenses	-243 708	-697 603	-222 323	-660 055
Net impairment losses on financial assets, other assets and provisions	21 767	44 327	35 115	26 258
<b>Profit before tax**</b>	<b>132 539</b>	<b>363 411</b>	<b>102 509</b>	<b>391 628</b>
Income tax expense	-33 150	-82 401	-12 173	-4 889
<b>Net profit</b>	<b>99 389</b>	<b>281 010</b>	<b>90 336</b>	<b>386 739</b>

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

\*\* Including share in profits of associates.

**Net interest, fee and commission income**

Net interest income generated by the Group in three quarters of 2007 amounted to PLN 635,059 thousand, i.e. it was higher by 9.3% than the corresponding figure generated in three quarters of 2006.

Net fee and commission income in three quarters of 2007 amounted to PLN 219,285 thousand and was higher by 14.9% than the corresponding figure in the corresponding period of the previous year.

The higher net interest income, and net fee and commission income were directly affected by a significant increase in the value of the loan portfolio.

**Net trading income and investments**

In three quarters of 2007, net trading income and investments, including net result on derivatives used as hedging instruments and hedged items amounted to PLN 116,760 thousand as compared to PLN 101,144 thousand recorded in the analogous period of 2006.

As at 30.09.2007, the Group applied:

- hedge accounting of the fair value of the bonds portfolio with nominal value of PLN 25,389 thousand;
- the cash flow hedge accounting for:
  - the bonds portfolio with the nominal value of PLN 386,000 thousand;
  - the loans portfolio with the nominal value of PLN 2,840,000 thousand;

**Net income from sale of receivables**

On 14.04.2006, the Bank and an external entity (BEST I Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty) concluded an agreement on the sale of receivables of Kredyt Bank S.A. and Żagiel S.A. The maximum amount of the principal of the receivables sold was determined at PLN 1,044,771 thousand, which made that transaction the biggest one effected on the Polish market. As a result of signing the two disposing contracts on 9 and 16 June 2006, the principal of PLN 929,970 thousand was sold.

Total net result on sale of receivables in three quarters of 2006 amounted to PLN 145,388 thousand, as compared to PLN 21,086 thousand recorded in three quarters of 2007. In three quarters of 2007, the Group did not effect any material single sales of receivables.

**General and administrative expenses**

The Group's general and administrative expenses after three quarters of 2007 amounted to PLN 697,603 thousand and, as compared to the corresponding period of 2006, they increased by 5.7%.

### **Cost/income ratio (CIR)**

Cost/income ratio (CIR) for three quarters of 2007 was equal to 68.8%, which denotes an increase as compared to the analogous period in 2006 by 4.3 p.p. The lower CIR achieved in three quarters of 2006 resulted from net income on the sale of receivables. When comparing the ratios in the third quarter of 2007 and in the third quarter of 2006, CIR decreased significantly – by 7.8 p.p.

<i>in %</i>	<b>3rd quarter of 2007</b>	<b>Three quarters of 2007</b>	<b>3rd quarter of 2006</b>	<b>Three quarters of 2006</b>
Cost/income ratio (CIR)	69.1	68.8	76.9	64.5

### **Net impairment losses on financial assets, other assets and provisions**

At the end of the third quarter of 2007, the Group generated positive balance of net impairment losses on financial assets, other assets and provisions of PLN 44,327 thousand. The release of provisions was the effect of, among other things, effective restructuring and debt collection activities with respect to doubtful receivables and the reversal of write-downs of other assets.

### **Corporate income tax**

At the end of the third quarter of 2007, the Bank's corporate income tax amounted to PLN 80,190 thousand. The Bank had a positive tax basis which resulted in the deduction of current tax of PLN 50,033 thousand. At the same time, deferred tax of PLN 30,157 thousand was charged on the Bank's financial result. Total income tax expense in the Group after three quarters of 2007 amounted to PLN 82,401 thousand as compared to PLN 4,889 thousand debited to the Group's result after three quarters of 2006.

## **2.2. Standalone financial result of the Bank**

Net profit in the standalone financial statements higher by PLN 10,487 thousand as compared to the result of Kredyt Bank S.A. Capital Group is an effect of the adopted accounting principle for the valuation of shares of subsidiaries and associates in the standalone financial statements. Shares in the standalone financial statements are recognised as available-for-sale assets at cost less impairment. Under IAS 39, impairment losses for equity investments recognised at historical cost are not reversed. As a result, in the case of shares fully covered by the impairment loss, the change in the value of net assets of subsidiaries is not reflected in the valuation of such shares in the standalone financial statements. In the case of other subsidiaries, the change in the value of their net assets does not affect the valuation of the shares of such companies in the standalone financial statements unless it results in the need to recognise impairment.

## **2.3. Assets and liabilities**

### ***Gross loans and advances to customers***

Over the last months, the Group recorded an increase in the portfolio of gross loans and advances to customers. The value of gross loans and advances to customers at the end of the third quarter of 2007 increased by 12% as compared to the second quarter of 2007, and by 28.9% as compared to the corresponding period in the previous year.

Dynamic growth was observed both in the retail loans as well as the corporate loans. The high sale rate was especially observed in the sales of mortgages.

### ***Investment securities portfolio***

In the third quarter of 2007, the level of investment securities portfolio remained high, which resulted from the increasing volume of amounts due to customers which, according to the adopted policy, are invested in debt securities.

### ***Customers' deposits portfolio***

Customers' deposits in three quarters of 2007 increased by 9.0% as compared to three quarters of 2006, and decreased by 0.8% as compared to the second quarter of 2007. The decrease results mainly from the settlement of prepayments related to the purchase of unit linked products in investment funds which, at the end of the second quarter, were being registered.

## **2.4. Improvement in the quality of receivables portfolio**

In the third quarter of 2007, as in previous reporting periods, the Group continued the process of decreasing the volume of the impaired loans portfolio through efficient restructuring and debt collection activities.

In the third quarter of 2007, the value of impaired loans, i.e. for which individual evidence for impairment was identified, decreased by 5.9%, and by 36.3% over the previous 12 months. As a result, in the third quarter of 2007, the quality ratio for the Group's gross receivables portfolio improved by 1.7 p.p. and by 9.1 p.p. within 12 months.

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

In the third quarter of 2007, the quality ratio for the Group's NPL portfolio improved by 1.9 p.p. and by 7.8 p.p. over the year.

The Group, when estimating credit risk for individual credit exposures and loan portfolios, follows the prudence concept. As at 30.09.2007, the coverage ratio for loans with individual evidence for impairment remains high – 63.3%, and the coverage ratio for NPL was 76.2%.

in PLN '000'	30.09.2007	30.06.2007	31.12.2006	30.09.2006
Loans and advances with no evidence of impairment	14 804 758	12 973 110	10 932 092	10 334 195
Loans and advances with evidence of impairment	1 445 160	1 536 387	1 711 751	2 269 428
including: NPL	893 400	1 069 625	1 149 714	1 673 714
<b>Total gross loan and advances to customers</b>	<b>16 249 918</b>	<b>14 509 497</b>	<b>12 643 843</b>	<b>12 603 623</b>
Impairment losses on loans and advances to customers	968 713	992 564	1 087 462	1 601 945
including:				
impairment losses on loans and advances with evidence of impairment	914 726	938 449	1 030 165	1 554 813
including:				
impairment losses for NPL	681 171	820 447	850 551	1 340 323
<b>Total net loans and advances to customers</b>	<b>15 281 205</b>	<b>13 516 933</b>	<b>11 556 381</b>	<b>11 001 678</b>
The share of loans and advances with evidence of impairment in total gross loans and advances	8.9%	10.6%	13.5%	18.0%
The share of NPLs in total gross loans and advances	5.5%	7.4%	9.1%	13.3%
Coverage of loans and advances with evidence of impairment with impairment losses	63.3%	61.1%	60.2%	68.5%
Coverage of NPL with corresponding impairment losses	76.2%	76.7%	74.0%	80.1%
Coverage of gross loans and advances to customers with impairment losses	6.0%	6.8%	8.6%	12.7%

## 2.5. Capital adequacy ratio

The capital adequacy ratio, calculated in compliance with regulations of the National Bank of Poland in force, as of 30.09.2007 amounted to 10.65% as compared to 14.03% recorded as of 30.09.2006 and 11.29% as of 30.06.2007.



## **2.6. Income and results by segments**

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

### ***Corporate Segment***

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

### ***Retail Segment***

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

### ***Treasury Segment***

The Treasury Segment comprises the result of the transactions performed by the Bank on its own account as an active participant of the money market (Treasury and NBP bills), bonds market (Treasury and commercial bonds), currency market and interbank market. The result of the segment also includes net income on derivative instruments transactions: forward, FX swap, IRS, CIRS, FRA, interest rate and currency options.

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### **Investment Segment**

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

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

## Consolidated net profit for three quarters of 2007 by business segments

PLN '000'

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	377 880	782 604	419 648	54 476	20 512	-45 822	1 609 298
2. Segment income (internal)	155 163	402 125	427 270	0	12	-984 570	0
<b>3. Total segment income</b>	<b>533 043</b>	<b>1 184 729</b>	<b>846 918</b>	<b>54 476</b>	<b>20 524</b>	<b>-1 030 392</b>	<b>1 609 298</b>
4. Segment expenses (external)	-127 439	-348 202	-199 118	-43 017	-24 396	45 822	-696 350
4a. Allocated expenses	-80 945	-484 392	-7 091	-842	-23 554	0	-596 824
5. Segment expenses (internal)	-203 711	-212 724	-557 301	-3 523	-7 311	984 570	0
<b>6. Total segment expenses</b>	<b>-412 095</b>	<b>-1 045 318</b>	<b>-763 510</b>	<b>-47 382</b>	<b>-55 261</b>	<b>1 030 392</b>	<b>-1 293 174</b>
<b>7. Segment result</b>	<b>120 948</b>	<b>139 411</b>	<b>83 408</b>	<b>7 094</b>	<b>-34 737</b>	<b>0</b>	<b>316 124</b>
<b>8. Net impairment losses on financial assets, other assets and provisions</b>	<b>80 189</b>	<b>-31 575</b>	<b>0</b>	<b>0</b>	<b>-4 287</b>	<b>0</b>	<b>44 327</b>
<b>9. Segment share in profits of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 960</b>	<b>0</b>	<b>0</b>	<b>2 960</b>
<b>10. Segment result</b>	<b>201 137</b>	<b>107 836</b>	<b>83 408</b>	<b>10 054</b>	<b>-39 024</b>	<b>0</b>	<b>363 411</b>
11. Income tax expense							-82 401
<b>12. Net profit/loss</b>							<b>281 010</b>

## Consolidated net profit for three quarters of 2006 by business segments

PLN '000'

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Eliminations	Total
1. Segment income (external)	317 722	663 394	363 849	45 123	145 563	-54 118	1 481 533
2. Segment income (internal)	120 529	334 975	314 600	0	7	-770 111	0
<b>3. Total segment income</b>	<b>438 251</b>	<b>998 369</b>	<b>678 449</b>	<b>45 123</b>	<b>145 570</b>	<b>-824 229</b>	<b>1 481 533</b>
4. Segment expenses (external)	-98 202	-290 620	-150 722	-32 055	-14 630	54 118	-532 111
4a. Allocated expenses	-76 549	-469 465	-7 145	-1 932	-30 512		-585 603
5. Segment expenses (internal)	-159 091	-150 513	-455 511	-4 996	0	770 111	0
<b>6. Total segment expenses</b>	<b>-333 842</b>	<b>-910 598</b>	<b>-613 378</b>	<b>-38 983</b>	<b>-45 142</b>	<b>824 229</b>	<b>-1 117 714</b>
<b>7. Segment result</b>	<b>104 409</b>	<b>87 771</b>	<b>65 071</b>	<b>6 140</b>	<b>100 428</b>	<b>0</b>	<b>363 819</b>
8. Net impairment losses on financial assets, other assets and provisions	109 300	-65 152	0	-3 655	-14 235	0	26 258
9. Segment share in profits of associates	0	0	0	1 551	0	0	1 551
<b>10. Segment result</b>	<b>213 709</b>	<b>22 619</b>	<b>65 071</b>	<b>4 036</b>	<b>86 193</b>	<b>0</b>	<b>391 628</b>
11. Income tax expense							-4 889
<b>12. Net profit/loss</b>							<b>386 739</b>

## 2.7. Corporate banking

In the third quarter of 2007, the activities promoting the Bank's services were continued. The aim of the campaign was to increase KB's shares in the corporate clients segment and to strengthen the Bank's image as an easily accessible bank, offering the highest quality of services which provides complex customer service for big companies. As a result of the campaigns carried out, the credit portfolio of corporate clients was steadily growing in 2006 and in three quarters of 2007.

<i>in PLN '000'</i>	<b>3rd quarter of 2007</b>	<b>2nd quarter of 2007</b>	<b>1st quarter of 2007</b>	<b>4th quarter of 2006</b>	<b>3rd quarter of 2006</b>
Gross value of performing loans portfolio at quarter end (*)	6 320 621	5 637 176	5 075 270	4 829 965	4 727 777

(\*) Breakdown according to management reporting

At the end of the third quarter, the value of corporate customers' deposits decreased as compared to the second quarter of 2007. The decrease results mainly from the settlement of prepayments related to the purchase of shares in investment funds which, at the end of the second quarter, were being registered.

<i>in PLN '000'</i>	<b>As at 30.09.2007</b>	<b>As at 30.06.2007</b>	<b>As at 31.03.2007</b>	<b>As at 31.12.2006</b>	<b>As at 30.09.2006</b>
- in current account	2 364 371	2 258 001	2 050 775	2 030 284	2 230 946
- term deposits	1 959 020	2 842 530	2 097 642	1 926 611	1 687 171
<b>Total (*)</b>	<b>4 323 391</b>	<b>5 100 531</b>	<b>4 148 417</b>	<b>3 956 895</b>	<b>3 918 117</b>

(\*) Corporate customers in breakdown according to management reporting The item does not include: amounts due to individual entrepreneurs, individual farmers, non-commercial institutions providing services for households, budgetary entities and interest.

## 2.8. Retail and SME banking

### Instalment and cash loans

The sale of retail loans and advances through Żagiel's distribution network in the third quarter of 2007 amounted to PLN 557 million, i.e. increased by 15.9% as compared to the second quarter of 2007 and by 33.9% against the level in the third quarter of 2006. In comparison with the second quarter of 2007, the number of loans granted increased from 247 thousand to 263 thousand in the third quarter of 2007, whereas it went up by 26 thousand loans against figures recorded for the third quarter of 2006. The gross value of the portfolio increased by 9.6% as compared to the second quarter of 2007, and by 30.5% against the figures recorded in the third quarter of 2006.

<i>in PLN '000'</i>	3rd quarter of 2007	2nd quarter of 2007	1st quarter of 2007	4th quarter of 2006	3rd quarter of 2006
<b>Żagiel - instalment and cash loans (*)</b>					
Number of loans granted in the quarter (in '000')	263	247	220	290	237
Value of loans granted in the quarter	557 257	480 733	402 980	526 670	416 249
Gross value of the portfolio at the end of the quarter	1 535 521	1 400 392	1 323 960	1 322 222	1 176 830

(\*) Instalment and cash loans in breakdown according to management reporting

### Mortgages

In the third quarter of 2007, the Bank granted 6.9 thousand mortgages for the total amount of PLN 1,093 million. The gross value of the portfolio of mortgages as compared to the second quarter of 2007 increased by 22.3% and, as compared to the corresponding period in the previous year, by 81.4%.

<i>in PLN '000'</i>	3rd quarter of 2007	2nd quarter of 2007	1st quarter of 2007	4th quarter of 2006	3rd quarter of 2006
<b>Mortgages</b>					
Number of loans granted in the quarter (in '000')	6,9	7,5	3,9	5,0	4,3
Value of loans granted in the quarter	1 092 845	1 247 959	532 176	659 395	526 971
Gross value of the portfolio at the end of the quarter (*)	5 178 520	4 233 672	3 573 239	3 163 274	2 855 240

(\*) Mortgages in breakdown according to management reporting The item contains: amounts due from private persons, individual entrepreneurs, individual farmers

### Current accounts for individual clients

As at 30.09.2007, the number of current accounts was lower by 1.1% as compared to figures at 30.06.2007 and higher by 3.9% as compared to figures at 30.09.2006. The carrying amount of current accounts for individual customers increased as compared to the second quarter of 2007 by 4.8% and by 30.3% as compared to the third quarter of 2006.

<i>in PLN '000'</i>	<b>As at 30.09.2007</b>	<b>As at 30.06.2007</b>	<b>As at 31.03.2007</b>	<b>As at 31.12.2006</b>	<b>As at 30.09.2006</b>
<b>ROR</b>					
Number (in '000')	564	558	551	552	543
Carrying amount (*)	1 223 526	1 167 449	1 088 775	1 020 146	938 845

(\*) RORs in breakdown according to management reporting

### Saving accounts for individual customers

The number of savings accounts, at the end of the third quarter of 2007, increased by 5.3% as compared to the end of the second quarter of 2007, and by 39.3% as compared to the corresponding quarter of 2006.

At the end of the third quarter of 2007, the value of deposited cash was over PLN 4.5 billion, i.e. increased by 0.8% as compared to figures at the end of the second quarter of 2007, and by 39.4% as compared to the end of the third quarter of 2006.

<i>in PLN '000'</i>	<b>As at 30.09.2007</b>	<b>As at 30.06.2007</b>	<b>As at 31.03.2007</b>	<b>As at 31.12.2006</b>	<b>As at 30.09.2006</b>
<b>Savings Account</b>					
Number (in '000')	298	283	261	237	214
Carrying amount (*)	4 516 583	4 482 363	4 370 142	3 864 597	3 239 578

(\*) Savings account in breakdown according to management reporting

### Credit cards

At the end of the third quarter of 2007, as compared to the end of the second quarter of 2007, the number of credit cards increased by 10.8%, and by 68.3% as compared to the end of the third quarter of 2006.

<i>in '000'</i>	<b>As at 30.09.2007</b>	<b>As at 30.06.2007</b>	<b>As at 31.03.2007</b>	<b>As at 31.12.2006</b>	<b>As at 30.09.2006</b>
Credit cards (aggregate for KB and Żagiel)	175	158	140	123	104

### Electronic distribution channels

The number of users of electronic distribution channels has been growing systematically. As of 30.09.2007 the number of KB24 users was equal to 265 thousand. As compared to figures at 30.06.2007, their number increased by 5.2%, and by 24.4% as compared to figures at 30.09.2006. As compared to the second quarter of 2007, the number of bank transfers made via KB24 increased by 3.5% and by 34.7% as compared to the third quarter of 2006.

<i>in '000'</i>	<b>As at 30.09.2007</b>	<b>As at 30.06.2007</b>	<b>As at 31.03.2007</b>	<b>As at 31.12.2006</b>	<b>As at 30.09.2006</b>
Number of KB24 users	265	252	240	228	213
Number of transfers made via KB24 in the quarter	2 994	2 892	2 774	2 614	2 223

### Offer for SME segment

At the end of the third quarter of 2007, the value of loans granted to SMEs increased by 8.7% as compared to the end of the second quarter of 2007, and by 31.9% against the figures recorded in the third quarter of 2006. The value of cash on current accounts of SMEs at the end of the third quarter of 2007 increased by 26.0% as compared to the corresponding period in 2006 and by 10.1% as compared to the second quarter of 2007.

<i>in PLN '000'</i>	<b>As at 30.09.2007</b>	<b>As at 30.06.2007</b>	<b>As at 31.03.2007</b>	<b>As at 31.12.2006</b>	<b>As at 30.09.2006</b>
Loans for SMEs (*)	833 003	766 309	706 287	645 543	631 641
Current accounts for SMEs (*)	1 399 259	1 270 902	1 183 643	1 241 458	1 110 699

(\*) Breakdown according to management reporting

### Number of Bank's outlets

In the third quarter of 2007, the Bank continued to develop the sale network by opening new outlets.

<i>in units</i>	<b>As at 30.09.2007</b>	<b>As at 30.06.2007</b>	<b>As at 31.03.2007</b>	<b>As at 31.12.2006</b>	<b>As at 30.09.2006</b>
Outlets	367	363	352	336	333



## 2.9. Investment funds and unit funds in unit-linked insurance plans

Total net assets of the funds (including non-registered funds) sold as at 30.09.2007 via the Bank's distribution network amounted to PLN 3,997,111 thousand. As compared to figures at 30.06.2007, they decreased by 6.6%, and increased by 36.2% as compared to figures at 30.09.2006.

<i>in PLN '000'</i>	<b>As at 30.09.2007</b>	<b>As at 30.06.2007</b>	<b>As at 31.03.2007</b>	<b>As at 31.12.2006</b>	<b>As at 30.09.2006</b>
Net assets of funds (including non-registered funds) sold via the Bank's distribution network	3 702 286	3 965 332	3 347 216	3 062 628	2 718 009
Net assets of funds (excluding non-registered funds) sold via the Bank's distribution network	3 695 336	3 248 864	3 214 130	3 007 849	2 677 790

At the end of the third quarter of 2007, KBC TFI managed total assets amounting to PLN 7.9 billion.

The value of assets in investment funds managed by KBC TFI amounted to PLN 4.9 billion, which, as at the end of the third quarter of 2007, accounted for the Society's market share of 3.5%. The Society was ranked eighth among all investment funds societies in Poland.

The third quarter of 2007 was yet another period for KBC TFI of thorough works on the development of its product offer. At the end of the third quarter of 2007, KBC TFI S.A. managed the total of 32 investment funds.

## 2.10. Issue, redemption and repayment of debt and equity securities

In the third quarter of 2007, the Bank did not issue, redeem or repay any equity securities.

## 3. Information on dividend

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

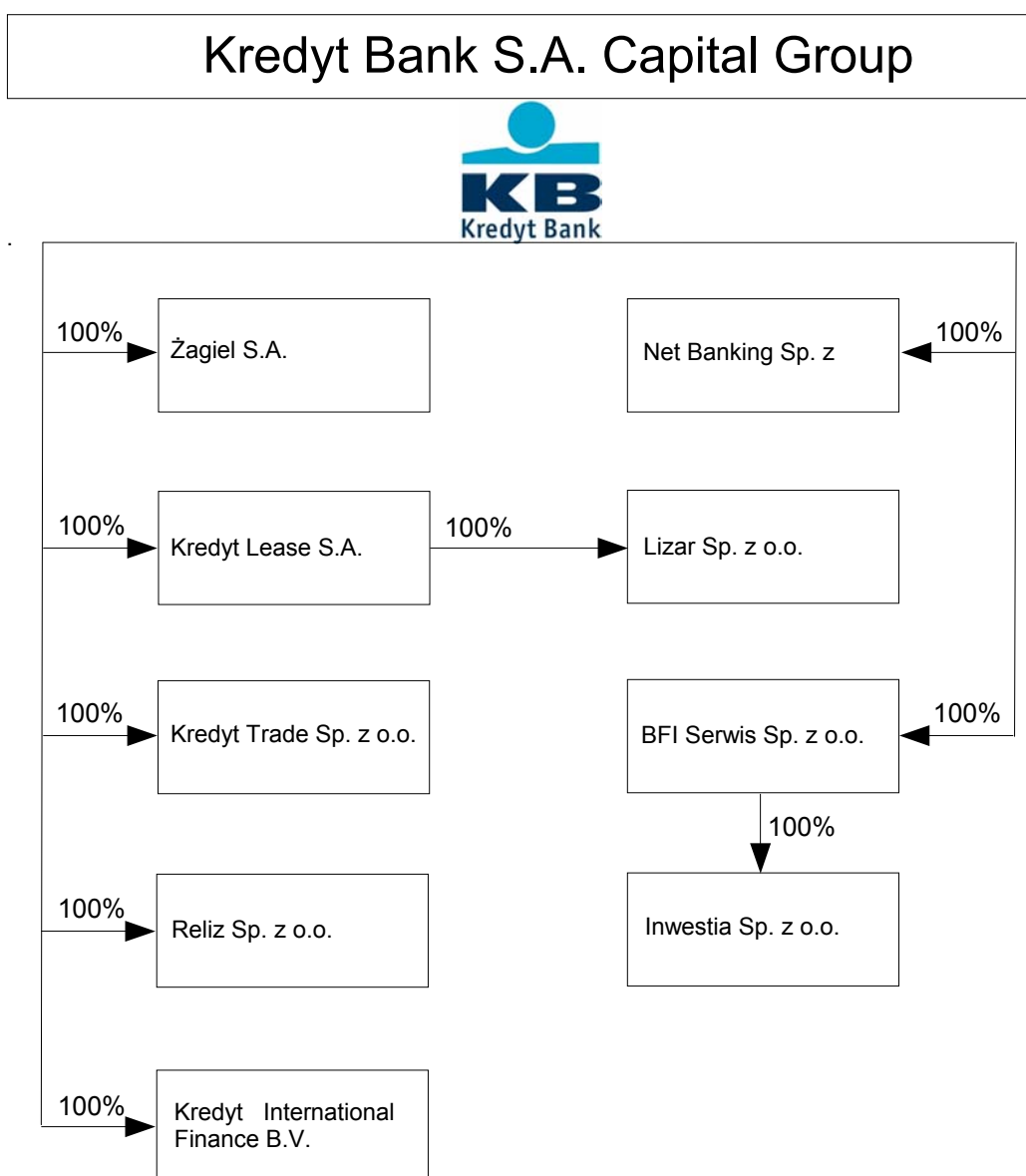
- reserves - PLN 60,000,000.00;
- dividend payment - PLN 100,513,785.60;
- Bank's share premium - PLN 276,929,147.69.

The payment of dividend was effected on 18.07.2007.

#### 4. Group's structure

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

Below, we present the composition and ownership structure of the Group as of 30.09.2007.



As of 30.09.2007 the following companies were fully consolidated: Kredyt Lease S.A., Kredyt International Finance B.V, Kredyt Trade Sp. z o. o., Żagiel S.A. and Reliz Sp. z o.o.

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

## **5. Description of significant accounting principles and accounting estimates, and comparable data**

In the third quarter of 2007, the Group did not introduce any material changes in the accounting principles and methods of accounting estimates as compared to the principles and methods described in the Group's published consolidated financial statements as of 31.12.2006.

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

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

- measurement of financial assets and liabilities at amortised cost with the use of the effective interest rate;
- identification and measurement of impairment for financial assets measured at amortised cost and historical cost;
- deferred tax asset;
- provisions.

### **5.1. The measurement of financial assets and liabilities at amortised cost with the use of the effective interest rate**

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

**Effective interest rate method**

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

The Group measures the following financial assets and liabilities at amortized cost taking into account the effective interest rate method:

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

The above method is not applied to measure receivables, when the dates and amounts of cash flows are not specified, which excludes a possibility of calculating the effective interest rate.

**Recognition of the measurement in the income statement**

The purpose of the measurement at amortised cost with the use of the effective interest rate is to ensure that income and expenses related to the measured financial assets and liabilities are matched over the entire period when they are held in the portfolio, and, at the same time, to accomplish the constant rate of return on the assets portfolio financed with the defined deposits portfolio.

According to IAS 39, the method of settling commissions/fees and certain external costs connected with the financial instruments (with the effective interest method rate or on a straight-line basis) depends on the nature of a given instrument. In the case of financial instruments with fixed cash flows schedules, the method of the effective interest rate is applied. In the case of instruments with undefined cash flows schedules, it is impossible to calculate the effective interest rate and commissions/fees are settled on the straight-line basis over time.

However, the way of recognizing particular types of commissions/fees settled over time in the income statement as interest income or commission income, and the general necessity for their settlement over time, and not the possibility of their one-off recognition in the income statement, depends on the economic nature of a given commission/fee.

Commissions/fees settled over time include, among others, fees for a positive appraisal of a loan application, commissions for granting a credit, commissions for releasing a credit, fees for establishing additional collateral, etc. Such commissions and fees constitute an integral part of the return generated by a specific financial instrument. This category also includes fees and costs of changes of contractual terms, which modify the value of initial effective interest rate. Any significant amendment to the conditions of a given financial instrument in economic terms is connected with the expiry of the financial instrument of the previous type and establishment of a new instrument with different characteristics. The fees that are collected in this category include, among others, fees for preparing an annex changing a future cash flows schedule, fees for restructuring loan agreements, fees for postponement of payment dates, etc. The above-mentioned types of fees are deferred and amortised

in the income statement by applying the effective interest rate method or on a straight-line basis, depending on a type of a product.

Furthermore, if the conclusion of the defined loan agreements is probable, fees related to the Bank's commitment to conclude them are deemed as remuneration for permanent commitment in the acquisition of the financial instrument; they are deferred and recognised as an adjustment to the effective return at the time of concluding a given agreement (with the method of the effective interest rate or on a straight-line basis, depending on a type of a product).

### ***Interest income and expense***

Interest income and expense are recognised in the income statement at amortized cost, using the effective interest rate.

## **5.2. Impairment of assets measured at amortised cost and historical cost**

Loan receivables constitute the most significant class of financial assets recognised in the Group's balance sheet at amortised cost and subject to impairment. At each balance sheet date (at least once per quarter), the Group analyses whether there is an indication that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence for impairment as a result of one or more events that occurred after initial recognition of the asset and that loss event or events have an impact on the estimated future cash flows generated by the financial asset or a group of financial assets. Expected future losses are not taken into account in estimates of impairment.

If the Group identifies an evidence for impairment, the amount of the impairment loss is determined as the difference between the book value of the loan and its economic value measured as the present value of estimated future cash flows discounted using the effective interest rate of contracts. The impairment loss is recognised in income statement. If there is no evidence that the impairment occurred, the previously recognised impairment losses are reversed through income statement.

### ***Evidence for impairment***

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

The catalogue of objective evidence for impairment includes quantitative and qualitative data in static and dynamic terms, in relation to elements of exposure service by the borrower as well as the borrower's financial and economic situation, market and macro-economic environment, which is reflected in the possibility of generating financial resources necessary to serve the debt.

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

In the case of receivables portfolios, the evidence concern the whole population of homogenous assets. These evidences may be identified, assessed and quantified in relation to the entire portfolios, not the individual receivables.

**Measurement of individual impairment**

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

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

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

**Measurement of portfolio impairment**

In the event where no objective evidence for loan impairment assessed on individual basis occurred, regardless of whether or not it constitutes a significant reporting item, such exposure is included in the credit portfolio of similar nature and the portfolio analysis of the impairment is conducted.

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

The portfolio impairment is measured basing on historical parameters of losses generated by similar assets portfolios. Historical trends for losses are cleared of one-off events and are updated against a current risk profile of homogenous groups of assets. Hence, the portfolios systematic risk is identified.

The process of estimating portfolio impairment is performed on a monthly basis since 31.08.2007. The following phenomena, apart from corrected historical trends, have a material impact upon the level of the portfolio impairment:

- fluctuations in the loans portfolios for which no individual impairment has been identified;
- the Group's operating effectiveness in credit risk management processes, particularly taking into account the restructuring and debt collecting activities;
- Poland's macroeconomic situation and its direct impact on the material ratios applied in the banking sector;
- the Group's credit policy for selected sectors of economy as well as receivables portfolios compared to the models adopted by other banks.

### **5.3. Financial assets at fair value through profit or loss**

The following assets are included in the category of 'financial assets at fair value through profit or loss':

- a) financial assets which, at initial recognition, were designated by the Bank as measured at fair value through profit or loss, as the items are managed in a portfolio on the basis of fair value measurement;
- b) financial assets classified as held for trading, if they meet the following conditions:
  - are acquired or contracted for the purpose of selling or repurchasing them in the near term;
  - constitute a portion of the portfolio of specific financial instruments managed jointly, for which there is a confirmation of actual formula of generating short-term profits, or
  - are derivative instruments (except for derivatives that are designated and effective hedging instruments).

Financial assets at fair value through profit or loss are recognised at fair value in the balance sheet beginning from the date of the transaction settlement. Fair value is determined on the basis of quotations in active markets, including prices of the latest transactions and generally adopted measurement models based on variables that can be observed in the market environment.

For financial assets recognised in the balance sheet at fair value, for which no active market is identified, the measurement is performed on the basis of generally accepted valuation models based on variables that can be observed in the market environment.

#### 5.4. Hedge accounting

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

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

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

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

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

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

#### 5.5. Investment properties

As at 30 September 2007, as the sale of certain assets classified as non-current assets held for sale (IFRS 5) was not possible, the Group reclassified them into investment properties. Under IAS 40 and pursuant to the policy of the Bank's main shareholder, the Group values investment properties using the cost model.



## 5.6. Goodwill

As of 01.01.2004, the Group ceased to amortise goodwill. Once a year the Group performs a goodwill impairment test based on the models developed in cooperation with the Bank's Major Shareholder. The models comply with IAS/IFRS requirements and are based on generally applied rules of equity investments measurement, among others, they take into consideration discounted future cash flows.

## 5.7. Comparable data

The comparable data for the previous periods presented in these financial statements include the presentation changes introduced as at 30.09.2007.

	Published data	Changes	Comparable data	Explanations
	30.09.2006		30.09.2006	
<b>ASSETS</b>				
Gross loans and advances to banks	2 746 110	8 299	2 754 409	a)
Financial assets at fair value through profit or loss, including financial assets held for trading	477 082	-231 534	245 548	b)
Derivatives, including:	0	231 534	231 534	b)
- derivatives used as hedging instruments	0	1 032	1 032	b)
Gross loans and advances to customers	12 593 659	9 964	12 603 623	a)
Non-current assets classified as held for sale	0	10 571	10 571	c)
Other assets	154 777	-28 834	125 943	a),c)
<b>TOTAL ASSETS</b>	<b>22 458 549</b>	<b>0</b>	<b>22 458 549</b>	

	Published data	Changes	Comparable data	Explanations
	30.09.2006		30.09.2006	
<b>LIABILITIES</b>				
Amounts due to banks	2 644 691	5 772	2 650 463	a)
Held-for-trading financial liabilities	224 955	-224 955	0	b)
Derivatives	0	224 955	224 955	b)
Amounts due to customers	15 492 817	112 470	15 605 287	a)
Other liabilities	287 430	-118 242	169 188	a)
<b>Total liabilities</b>	<b>20 466 654</b>	<b>0</b>	<b>20 466 654</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22 458 549</b>	<b>0</b>	<b>22 458 549</b>	

	Published data	Changes	Comparable data	Explanations
	30.09.2006		30.09.2006	
<b>INCOME STATEMENT</b>				
Interest income	982 989	2 941	985 930	b)
Interest expense	-402 811	-2 280	-405 091	b)
<b>Net interest income</b>	<b>580 178</b>	<b>661</b>	<b>580 839</b>	
Net trading income	97 965	54	98 019	b)
Net result on derivatives used as hedging instruments and hedged items	0	-715	-715	b)
<b>Profit before tax</b>	<b>391 628</b>	<b>0</b>	<b>391 628</b>	
<b>Net profit</b>	<b>386 739</b>	<b>0</b>	<b>386 739</b>	

Clarification of major reclassifications:

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

## 6. Post-balance sheet events

On 05.10.2007, Kredyt Bank S.A. signed, with a customer from the ship-building industry, an annex to the guarantee line agreement of 24 September 2004, increasing the amount of guarantee facilities by PLN 156,000 thousand to PLN 290,500 thousand, with the validity period by 30 April 2011.

Furthermore, the Bank entered into an agreement with the same customer concerning the line to open import letters of credit without financing of EUR 12,660,000 (i.e. PLN 47,664.9 thousand at the average exchange rate of the NBP as at 5.10.2007) with the validity period of opened letters of credit by 30 August 2010.

The total value of the agreements concluded with this customer exceeds the equivalent of 10% of the Bank's equity.

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

In comparison with the information presented as of 30.06.2007 in the interim consolidated financial statements of the Group, the Bank's share capital and its shareholding structure have not changed.

A list of Shareholders of Kredyt Bank S.A. having more than 5% of the total number of votes at the General Meeting of Shareholders of Kredyt Bank S.A. as at 30.09.2007 and as at the publication date of this financial statements is presented in the table below.

Shareholder	Line of business	Number of shares and votes at GMS	Share in votes and in share capital (in %)
KBC Bank NV*	Banking	217 327 103	80.00
Sofina S.A.	Investment company	15 014 772	5.53

\*/ By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V. is entitled to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.

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

As of the date of publication of this report, i.e. 09.11.2007, in comparison with the information as of the date of the publication of the consolidated financial statements for the first half of 2007, no changes occurred in the ownership of the Bank's shares as well as shares in the Group's subsidiaries held by members of the Bank's Management Board and the members of the Bank's Supervisory Board.

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

## **9. Information on proceedings before courts or public administration authority**

In the third quarter of 2007, the Bank was not a party to any proceedings before court or public administration authority, where the amount claimed would be equal to at least 10% of the Bank's equity.

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

### **9.1. The cases in which the Bank is the plaintiff**

With reference to the Bank's failure in the litigation against Inspektoria Towarzystwa Salezjańskiego (Salesian Society Inspectorate) in Wrocław, the guarantor of loans granted by the Bank from February to August 2001 to four entities: St. Jan Bosko's Roman-Catholic Parish, St. Jack's Roman-Catholic Parish and two monastic houses of the Salesian Society in Lublin, the Bank is now pursuing claims by the reason of groundless enrichment against church institutions for the total amount of PLN 14,567,2 thousand with possible extension of the suit. The first hearings have already taken place. The defendants replied to lawsuits and applied for the dismissal of all claims. Upon the Bank's request, accounting experts prepared reports to determine whether the resources obtained from lombard loans had been transferred to the accounts of the parish and monastic houses and determine the way of disposing the resources from these accounts. In two cases the court dismissed the suits; in both cases the Bank appealed against the court decision.

### **9.2. The cases in which the Bank is the defendant**

The highest claim cases are as follows:

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

- The State Treasury requested for determination whether the syndicated loan agreement concluded between LFO and the syndicate of five banks had expired on 28.02.1998 as a result of the occurrence of a contractual condition, and, as a result, the commitment of the State Treasury as the guarantor of the loan under the guarantor's agreement had expired as well. The State Treasury is represented by the General Public Prosecutor's Office of the State Treasury. Experts' opinions and auxiliary opinions were prepared and additional witnesses were questioned. The courts should resolve the cases soon. In the first quarter of 2007, the State Treasury changed the lawsuit and claimed PLN 8,207.4 thousand including interest. Upon the request of the State Treasury, the court called upon the trustee in bankruptcy of LFO to participate in the case. In the meantime, the parties submitted pleadings.
- Claims of LFO for damages due to the termination of the loan agreement amounting to PLN 119,477 thousand. The lawsuit was submitted on 18.06.2003. The Bank is of the opinion that LFO claims are not based on any actual and legal grounds. On 16.03.2005, the court rejected the suit by LFO. At present, after being heard by courts of all instances, the case was referred to the Circuit Court in Warsaw, which, as a result of LFO bankruptcy, stayed legal proceedings.
- A trustee in bankruptcy of a company operating in the real estate developing sector (the name of the company is subject to confidentiality application) claims for payment of indemnity of PLN 32,256 thousand by the reason of effecting by the Bank of financial orders from the company's account on the basis of bank transfers orders and checks bearing a forged signature of one of the persons authorized to represent the company in dealings with the Bank. At the hearing on 21.11.2006, the plaintiff limited its claim for interest. At present, the total amount claimed by the plaintiff amounts to PLN 20,665.6 thousand. On 20.03.2007, the court announced its decision and claimed the whole disputed amount with interest from the Bank. The Bank requested the court to justify the verdict. Following the receipt of the justification, the Bank appealed against the court's decision. Having lodged the appeal, the Bank requested to summon the member of the company's management board who had forged signatures. Furthermore, the Bank lodged a motion claiming that the proceedings in the first instance had been invalid (the motion regards the composition of the panel of judges). The trustee in bankruptcy lodged another pleading in this case.
- A suit filed by MSG Investment Sp. z o.o. in liquidation. The plaintiff claims that, as a result of debt recovery measures taken by the Bank, he lost PLN 25 million (no calculations are presented in the lawsuit). A new date of the hearing will be determined by the Court after a report is prepared by a court expert. In the Bank's opinion, the basis for claims specified in the lawsuit are doubtful.
- The court proceedings concerning a loan totalling PLN 2,900.0 thousand extended by the Bank to its client in September 1999 to purchase securities. The Client claimed damages for the loss of profit due to the decline in the value of assets on the account in the period of its freeze and failure to generate profit that he might have generated if he had had free access to the account, e.g. loss of profit related to unexercised pre-emptive right offered to him and the failure to take up new shares. The plaintiff also demanded amounts collected by the Bank after the termination of the agreement. The total value of the object of the dispute amounts to

PLN 10,048.6 thousand. On 30.10.2006, the Bank responded to the suit. The hearing took place on 12.07.2007, nevertheless no decision was taken.

- On 17.01.2001, the President of the Office for Competition and Customer Protection, upon the request of Polska Organizacja Handlu i Dystrybucji, initiated proceedings concerning competition-restricting practices on payment cards market by VISA and MasterCard as well as 20 banks, including Kredyt Bank S.A. On 29.12.2006, the President of the Office for Competition and Customer Protection issued the decision in which:
  - they imposed a fine on Kredyt Bank of PLN 12,158.4 thousand;
  - HSBC Bank Polska S.A. was fined with PLN 193.0 thousand and the proceedings against this company were discontinued (under a binding agreement between HSBC and Kredyt Bank S.A., the fine for HSBC should be paid by Kredyt Bank S.A. as well).

The decision was to be enforced immediately as regards the order to discontinue the practice of joint determination of interchange fee rate. On 17.01.2006 and 19.01.2007, appeals against Decision No. DAR 15/2006 of the President of the Office for Competition and Customer Protection were made on behalf of HSBC Bank Polska and Kredyt Bank. In this decision, the President of the Office for Competition and Customer Protection resolved that joint determination by the Banks, Visa and MasterCard of the interchange fee restricted competition. On 18.01.2007, the President of the Office for Competition and Customer Protection issued a decision in which they obliged the banks to jointly and severally pay PLN 157.6 thousand to the Polish Organization of Commerce and Distribution (POHiD) as reimbursement of the proceedings costs. Kredyt Bank S.A. complained against this decision on 31.01.2007 and deemed it unjustified.

- In relation to a loan transaction to finance the construction of Altus building in Katowice, the Bank and Reliz Sp. z o.o. ("Reliz") are involved in certain disputes of legal nature. The said disputes are related to claims of the guarantor of the loan to finance the building, i.e. Mostostal Zabrze Holding S.A. against the Bank and the building owner. The court requested the parties to settle the case amicably. Negotiations between the parties are underway.
- From May to August 2005, the Bank entered into nine framework agreements concerning the conclusion of term exchange transactions. The transaction result amounts to PLN 7,986.5 thousand. The transactions were negotiated by the Bank's employee with customers' consent. As a result of a change of trends on the market, the majority of forwards resulted in huge losses. Customers who were requested to additionally hedge the transaction challenge the concluded transactions. Seven proceedings are pending in these cases, including two proceedings that were suspended by the end of the criminal proceedings. Four proceedings were combined and will be heard jointly: the next hearing in the case will be held on 28.11.2007. In the seventh case, the next hearing will be held at the beginning of December 2007.
- The trustee in bankruptcy for a company from the media industry claims damages of PLN 4,350.0 thousand due to improper performance by Inwestycyjny Dom Maklerski Kredyt Banku S.A. of the firm commitment underwriting agreement for series F shares of the said company by alleged improper settlement of proceeds from the issue of such shares. On 27.04.2007, the Bank responded to the suit. At the hearing on 24.09.2007, the Court obliged the Bank and

KBC Securities (the legal successor of Inwestycyjny Dom Maklerski since 01.04.2005) to present documents in the case. The next hearing will be held on 17.12.2007.

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

#### **10. Related party transactions**

On 05.09.2007 and 28.09.2007, Kredyt Bank S.A. entered into two multicurrency loan agreements with KBC Bank NV, branch in Dublin, up to the amount equivalent to EUR 250 million each. Both loan agreements were concluded on market terms with the 5-year repayment time limit.

In the third quarter of 2007, no other significant transactions had place with related parties whose total value, in the period from the beginning of the financial year, would be equal to or exceed PLN equivalent of EUR 500 thousand, and whose nature and terms were not related to current operations.

#### **11. Information on loan guarantees or sureties issued by the Issuer or its subsidiary**

As at 30.09.2007, the Bank issued guarantees with the total value of at least 10% of the Bank's equity to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 235,000 thousand.

As at 30.09.2006, the Bank issued guarantees with the total value of at least 10% of the Bank's equity to one company and its subsidiaries. The guarantees were issued for the total amount of PLN 238,037 thousand.

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

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

There is no additional information which, in the Issuer's opinion, is material to assess its staff or financial situation, its assets, financial results and their changes, and information that is material to assess the potential satisfaction of the Issuer's commitments.

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

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

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**14. Factors which will affect the result in the next quarter**

In the opinion of the Bank's Management Board, no events other than events resulting from the current operation of the Bank and its subsidiaries will affect the results in the next quarter of 2007.



### Signatures of Management Board Members

date	09.11.2007	Ronald Richardson	President of the Management Board	.....
date	09.11.2007	Umberto Arts	Vice-President of the Management Board	.....
date	09.11.2007	Krzysztof Kokot	Vice-President of the Management Board	.....
date	09.11.2007	Michał Oziębło	Vice-President of the Management Board	.....

## CONSOLIDATED FINANCIAL STATEMENTS OF KREDYT BANK CAPITAL GROUP

### 1. Consolidated Income Statement

<i>in PLN '000</i>	3rd quarter of 2007 01.07.2007 – 30.09.2007	three quarters of 2007 01.01.2007 – 30.09.2007	3rd quarter of 2006 01.07.2006 – 30.09.2006	three quarters of 2006 01.01.2006 – 30.09.2006
Interest income	424 857	1 144 473	331 540	985 930
Interest expense	-196 345	-509 414	-143 662	-405 091
<b>Net interest income</b>	<b>228 512</b>	<b>635 059</b>	<b>187 878</b>	<b>580 839</b>
Fee and commission income	95 248	270 989	78 483	213 647
Fee and commission expense	-25 388	-51 704	-9 095	-22 851
<b>Net fee and commission income</b>	<b>69 860</b>	<b>219 285</b>	<b>69 388</b>	<b>190 796</b>
Dividend income	0	1 328	277	1 027
Net trading income	39 682	115 020	36 364	98 019
Net result on derivatives used as hedging instruments and hedged items	-244	-1 749	-1 394	-715
Net gains from investment activities	300	3 489	592	3 840
Net income from sale of receivables	9 773	21 086	0	145 388
Other operating income	15 403	50 732	4 785	36 677
<b>Total operating income</b>	<b>363 286</b>	<b>1 044 250</b>	<b>297 890</b>	<b>1 055 871</b>
General and administrative expenses	-243 708	-697 603	-222 323	-660 055
Net impairment losses on financial assets, other assets and provisions	21 767	44 327	35 115	26 258
Other operating expenses	-10 625	-30 523	-8 918	-31 997
<b>Total operating expenses</b>	<b>-232 566</b>	<b>-683 799</b>	<b>-196 126</b>	<b>-665 794</b>
<b>Net operating income</b>	<b>130 720</b>	<b>360 451</b>	<b>101 764</b>	<b>390 077</b>
Share in profit of associates	1 819	2 960	745	1 551
<b>Profit before tax</b>	<b>132 539</b>	<b>363 411</b>	<b>102 509</b>	<b>391 628</b>
Income tax expense	-33 150	-82 401	-12 173	-4 889
<b>Net profit from business activities</b>	<b>99 389</b>	<b>281 010</b>	<b>90 336</b>	<b>386 739</b>
Net profit	<b>99 389</b>	<b>281 010</b>	<b>90 336</b>	<b>386 739</b>
Including:				
<b>attributable to the Shareholders of the Bank</b>	<b>99 389</b>	<b>281 010</b>	<b>90 336</b>	<b>386 739</b>
Weighted average number of ordinary shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)	0,37	1,03	0,33	1,42

## 2. Consolidated Balance Sheet

<i>in PLN '000</i>	<b>30.09.2007</b>	<b>30.06.2007</b>	<b>31.12.2006</b>	<b>30.09.2006</b>
<b>Assets</b>				
Cash and balances with Central Bank	973 593	555 167	640 743	417 868
Gross loans and advances to banks	4 323 866	2 921 670	2 206 403	2 754 409
Impairment losses on loans and advances to banks	-2 260	-2 260	-2 753	-2 894
Financial assets at fair value through profit or loss, including financial assets held for trading (excluding derivatives)	249 838	355 333	628 748	245 548
Derivatives including:	308 779	336 449	297 427	231 534
- derivatives used as hedging instruments	24 080	13 739	3 403	1 032
Gross loans and advances to customers	16 249 918	14 509 497	12 643 843	12 603 623
Impairment losses on loans and advances to customers	-968 713	-992 564	-1 087 462	-1 601 945
Investments securities:	5 482 085	5 480 020	5 902 723	6 957 139
- available-for-sale	3 420 429	3 336 102	3 453 950	4 291 824
- held-to-maturity	2 061 656	2 143 918	2 448 773	2 665 315
Equity investments classified as available-for-sale	3 962	3 957	3 957	18 968
Investments in associates valued using the equity method	13 621	11 802	10 661	10 481
Property, plant and equipment	382 284	385 944	385 657	431 025
Intangible assets	64 728	74 465	85 608	87 643
Goodwill on subordinated companies	36 052	36 052	36 052	36 052
Deferred tax asset	137 836	164 711	153 729	126 726
Current tax receivable	3 805	2 458	15 582	5 858
Non-current assets classified as held for sale	1 270	185 470	194 771	10 571
Investment properties	221 465	0	0	0
Other assets	127 085	137 385	116 339	125 943
<b>Total assets</b>	<b>27 609 214</b>	<b>24 165 556</b>	<b>22 232 028</b>	<b>22 458 549</b>

<i>in PLN '000</i>	<b>30.09.2007</b>	<b>30.06.2007</b>	<b>31.12.2006</b>	<b>30.09.2006</b>
<b>Liabilities</b>				
Amounts due to Central Bank	2 078	2 061	1 990	2 365
Amounts due to banks	6 833 515	3 148 703	2 164 826	2 650 463
Derivatives including:	268 994	312 915	296 474	224 955
- derivatives used as hedging instruments	18 775	22 635	554	0
Amounts due to customers	16 963 662	17 147 910	15 807 263	15 605 287
Debt securities issued	0	0	0	0
Liabilities arising from repurchase transactions	500 151	543 135	1 033 925	1 299 267
Current tax liability	1 462	15 312	961	1 712
Provisions	170 474	165 586	169 226	74 949
Deferred tax liability	1 182	1 174	1 146	164
Other liabilities	231 602	298 417	242 340	169 188
Subordinated liabilities	415 676	414 349	421 619	438 304
<b>Total liabilities</b>	<b>25 388 796</b>	<b>22 049 562</b>	<b>20 139 770</b>	<b>20 466 654</b>

**Equity**

Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Share premium	383 711	383 711	104 789	104 789
Revaluation reserve	-34 043	-39 074	18 275	-806
Reserves	180 942	180 942	120 942	120 942
Currency translation differences from the translation of subordinated companies and foreign branches	-664	-668	-646	-577
Retained earnings/loss	51 168	51 168	22 514	22 514
Current net profit attributable to the shareholders of the Bank	281 010	181 621	468 090	386 739
<b>Total equity attributable to the shareholders of the Bank</b>	<b>2 220 418</b>	<b>2 115 994</b>	<b>2 092 258</b>	<b>1 991 895</b>

**Minority interest**

<b>Total equity</b>	<b>2 220 418</b>	<b>2 115 994</b>	<b>2 092 258</b>	<b>1 991 895</b>
Total equity and liabilities	<b>27 609 214</b>	<b>24 165 556</b>	<b>22 232 028</b>	<b>22 458 549</b>

Capital adequacy ratio (%)	10,65	11,29	13,69	14,03
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	8,17	7,79	7,70	7,33

### 3. Off-Balance Sheet Items

<i>in PLN '000</i>	<b>30.09.2007</b>	<b>30.06.2007</b>	<b>31.12.2006</b>	<b>30.09.2006</b>
<b>Contingent liabilities, granted and received</b>	<b>7 056 389</b>	<b>4 973 111</b>	<b>5 063 100</b>	<b>5 409 301</b>
Liabilities granted, including:	5 817 295	4 640 289	4 561 293	5 013 020
- financial	4 202 092	3 223 444	3 354 667	3 601 446
- guarantees	1 615 203	1 416 845	1 206 626	1 411 574
Liabilities received, including:	1 239 094	332 822	501 807	396 281
- financial	670 002	50 642	205 139	70 867
- guarantees	569 092	282 180	296 668	325 414
<b>Liabilities related to the sale/purchase transactions</b>	<b>170 301 827</b>	<b>170 082 745</b>	<b>138 370 817</b>	<b>116 462 237</b>
Other	<b>3 098 694</b>	<b>2 970 785</b>	<b>3 096 732</b>	<b>3 010 748</b>
- collaterals received	3 097 150	2 969 238	3 094 683	3 010 743
- other	1 544	1 547	2 049	5

#### 4. Statement of Changes in Consolidated Equity

Changes in the period from 1 January to 30 September 2007

	Share capital	Share premium	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies and foreign branches	Retained earnings (losses)	Net profit for the period	Total equity attributable to shareholders of the Bank	Minority interest	Total equity
<i>in PLN '000</i>										
<b>Equity at opening balance – as of 01.01.2007</b>	<b>1 358 294</b>	<b>104 789</b>	<b>18 275</b>	<b>120 942</b>	<b>-646</b>	<b>490 604</b>	<b>0</b>	<b>2 092 258</b>		<b>2 092 258</b>
Valuation of financial assets available-for-sale			-49 002					-49 002		<b>-49 002</b>
Effects of valuation of derivatives designated for cash flow hedge			-15 588					-15 588		<b>-15 588</b>
Deferred tax on items recognised in equity			12 272					12 272		<b>12 272</b>
<b>Net profit recognised directly in the equity</b>			<b>-52 318</b>					<b>-52 318</b>		<b>-52 318</b>
Net profit for the period							281 010	281 010		<b>281 010</b>
<b>Total of recognised income and expenses</b>			<b>-52 318</b>				<b>281 010</b>	<b>228 692</b>		<b>228 692</b>
Profit's distribution		278 922		60 000		-338 922		0		<b>0</b>
Dividends paid						-100 514		-100 514		<b>-100 514</b>
Currency translation differences					-18			-18		<b>-18</b>
<b>Equity at end of period – as of 30.09.2007</b>	<b>1 358 294</b>	<b>383 711</b>	<b>-34 043</b>	<b>180 942</b>	<b>-664</b>	<b>51 168</b>	<b>281 010</b>	<b>2 220 418</b>	<b>0</b>	<b>2 220 418</b>

## Changes in the period from 1 January to 31 December 2006

	Share capital	Share premium	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies and foreign branches	Retained earnings (losses)	Net profit for the period	Total equity attributable to shareholders of the Bank	Minority interest	Total equity
<i>in PLN '000</i>										
<b>Equity at opening balance – as of 01.01.2006</b>	<b>1 358 294</b>	<b>0</b>	<b>15 928</b>	<b>120 942</b>	<b>-637</b>	<b>187 068</b>	<b>0</b>	<b>1 681 595</b>	<b>0</b>	<b>1 681 595</b>
Valuation of financial assets available-for-sale			1 972					1 972		1 972
Effects of valuation of derivatives designated for cash flow hedge			1 195					1 195		1 195
Deferred tax on items recognised in equity			-820					-820		-820
<b>Net profit recognised directly in the equity</b>			<b>2 347</b>					<b>2 347</b>		<b>2 347</b>
Net profit for the period							468 090	468 090		468 090
<b>Total of recognised income and expenses</b>			<b>2 347</b>				<b>468 090</b>	<b>470 437</b>		<b>470 437</b>
Profit's distribution		104 789				-104 789				
Dividends paid						-59 765		-59 765		-59 765
Currency translation differences					-9			-9		-9
<b>Equity at end of period – as of 31.12.2006</b>	<b>1 358 294</b>	<b>104 789</b>	<b>18 275</b>	<b>120 942</b>	<b>-646</b>	<b>22 514</b>	<b>468 090</b>	<b>2 092 258</b>	<b>0</b>	<b>2 092 258</b>

## Changes in the period from 1 January to 30 September 2006

	Share capital	Share premium	Revaluation reserve	Reserves	Currency translation differences from the translation of subordinated companies and foreign branches	Retained earnings (losses)	Net profit for the period	Total equity attributable to shareholders of the Bank	Minority interest	Total equity
<i>in PLN '000</i>										
<b>Equity at opening balance – as of 01.01.2006</b>	<b>1 358 294</b>	<b>0</b>	<b>15 928</b>	<b>120 942</b>	<b>-637</b>	<b>187 068</b>	<b>0</b>	<b>1 681 595</b>		<b>1 681 595</b>
Valuation of financial assets available-for-sale			-20 029					-20 029		-20 029
Effects of valuation of derivatives designated for cash flow hedge			-361					-361		-361
Deferred tax on items recognised in equity			3 656					3 656		3 656
<b>Net profit recognised directly in the equity</b>			<b>-16 734</b>					<b>-16 734</b>		<b>-16 734</b>
Net profit for the period							386 739	386 739		386 739
<b>Total of recognised income and expenses</b>			<b>-16 734</b>				<b>386 739</b>	<b>370 005</b>		<b>370 005</b>
Profit's distribution		104 789				-104 789		0		0
Dividends paid						-59 765		-59 765		-59 765
Currency translation differences					60			60		60
<b>Equity at end of period – as of 30.09.2006</b>	<b>1 358 294</b>	<b>104 789</b>	<b>-806</b>	<b>120 942</b>	<b>-577</b>	<b>22 514</b>	<b>386 739</b>	<b>1 991 895</b>	<b>0</b>	<b>1 991 895</b>



## 5. Consolidated Cash Flow Statement

<i>in PLN '000</i>	3rd quarter of 2007 01.07.2007 – 30.09.2007	three quarters of 2007 01.01.2007 – 30.09.2007	3rd quarter of 2006 01.07.2006 – 30.09.2006	three quarters of 2006 01.01.2006 – 30.09.2006
<b>Net cash flow from operating activities</b>	<b>757 677</b>	<b>1 051 654</b>	<b>1 137 071</b>	<b>1 014 276</b>
<b>Net profit</b>	<b>99 389</b>	<b>281 010</b>	<b>90 336</b>	<b>386 739</b>
<b>Adjustments to net profit and net cash from operating activities:</b>	<b>658 288</b>	<b>770 644</b>	<b>1 046 735</b>	<b>627 537</b>
Current and deferred tax recognised in financial result	33 150	82 401	12 173	4 889
Non-realised profit (loss) from currency translation differences	9 311	-18 790	-30 461	28 013
<b>Investing and financing activities</b>	<b>-59 019</b>	<b>-148 030</b>	<b>-341 140</b>	<b>-1 181 018</b>
Depreciation	34 402	84 131	26 898	85 198
Share in profit (loss) of subordinated companies	-1 819	-2 960	-745	-1 551
Net increase/decrease in impairment	-38 496	-108 693	-239 084	-1 060 331
Dividends	0	-1 328	-277	-1 027
Interest	-57 578	-116 227	-96 516	-193 522
Net increase/decrease in provisions	4 888	1 248	-31 699	-2 898
Profit (loss) on disposal of investments	-416	-4 201	283	-6 887
<b>Net increase/decrease in operating assets (excluding cash)</b>	<b>-1 828 024</b>	<b>-3 467 512</b>	<b>-235 958</b>	<b>-164 754</b>
Net increase/decrease in gross loans and advances to banks	-191 937	-143 691	75 385	-144 861
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	131 712	366 604	86 698	226 477
Net increase/decrease in gross loans and advances to customers	-1 740 421	-3 606 075	-401 577	-287 644
Paid income tax	-21 034	-38 837	-12 540	679
Net increase/decrease in other assets	-6 344	-45 513	16 076	40 595
<b>Net increase/decrease in operating liabilities (excluding cash)</b>	<b>2 502 870</b>	<b>4 322 575</b>	<b>1 642 121</b>	<b>1 940 407</b>
Net increase/decrease in amounts due to Central Bank	17	88	23	2 365
Net increase/decrease in amounts due to banks	2 738 361	3 748 310	-167 585	56 620
Net increase/decrease in derivatives	-43 921	-27 480	-22 714	4 800
Net increase/decrease in amounts due to customers	-184 248	1 156 399	899 794	995 402
Net increase/decrease in liabilities arising from repurchase transactions	-42 984	-533 774	897 521	930 566
Net increase/decrease in other liabilities	35 645	-20 968	35 082	-49 346
<b>Net cash flow from operating activities</b>	<b>757 677</b>	<b>1 051 654</b>	<b>1 137 071</b>	<b>1 014 276</b>

	3rd quarter of 2007 01.07.2007 – 30.09.2007	three quarters of 2007 01.01.2007 – 30.09.2007	3rd quarter of 2006 01.07.2006 – 30.09.2006	three quarters of 2006 01.01.2006 – 30.09.2006
<b>Net cash flow from investing activities</b>	<b>45 555</b>	<b>458 075</b>	<b>-767 347</b>	<b>-60 949</b>
<b>Inflows</b>	<b>902 720</b>	<b>2 651 527</b>	<b>9 802 193</b>	<b>36 111 556</b>
Disposal of property, plant and equipment and intangible assets	885	2 194	915	9 576
Disposal of shares in equity classified as available-for-sale	0	0	0	17 012
Disposal of investment securities	893 119	2 496 653	9 789 176	35 931 937
Dividends		1 328	277	1 027
Interest received	8 716	151 352	11 825	152 004
<b>Outflows</b>	<b>-857 165</b>	<b>-2 193 452</b>	<b>-10 569 540</b>	<b>-36 172 505</b>
Acquisition of property, plant and equipment and intangible assets	-23 284	-66 184	-29 660	-66 325
Acquisition of equity investments classified as available for sale	-5	-5	0	0
Acquisition of investment securities	-833 876	-2 127 263	-10 539 880	-36 106 180
<b>Net cash flows from investing activities</b>	<b>45 555</b>	<b>458 075</b>	<b>-767 347</b>	<b>-60 949</b>
<b>Cash flow from financing activities</b>	<b>825 453</b>	<b>796 893</b>	<b>-481 643</b>	<b>-771 779</b>
<b>Inflows</b>	<b>941 999</b>	<b>941 999</b>	<b>0</b>	<b>0</b>
Proceeds from borrowings	941 999	941 999	0	0
<b>Outflows</b>	<b>-116 546</b>	<b>-145 106</b>	<b>-481 643</b>	<b>-771 779</b>
Dividend paid	-100 514	-100 514	-59 765	-59 765
Repayment of subordinated liabilities	0	0	0	-157 605
Repurchase of debt securities issued	0	0	-400 000	-400 000
Repayment of loan and advances	0	0	0	-95 454
Other financial outflows	-16 032	-44 592	-21 878	-58 955
<b>Net cash flow from financing activities</b>	<b>825 453</b>	<b>796 893</b>	<b>-481 643</b>	<b>-771 779</b>
<b>Net increase/decrease in cash</b>	<b>1 628 685</b>	<b>2 306 622</b>	<b>-111 919</b>	<b>181 548</b>
<b>Cash at the beginning of the period</b>	<b>2 947 807</b>	<b>2 269 870</b>	<b>2 542 356</b>	<b>2 248 889</b>
<b>Cash at the end of the period including:</b>	<b>4 576 492</b>	<b>4 576 492</b>	<b>2 430 437</b>	<b>2 430 437</b>
restricted cash	600 221	600 221	522 272	522 272

## STANDALONE CONDENSED FINANCIAL STATEMENTS OF KREDYT BANK S.A.

## 1. Income Statement

<i>in PLN '000</i>	3rd quarter of 2007 01.07.2007 – 30.09.2007	three quarters of 2007 01.01.2007 – 30.09.2007	3rd quarter of 2006 01.07.2006 – 30.09.2006	three quarters of 2006 01.01.2006 – 30.09.2006
Interest income	400 968	1 073 138	310 674	915 781
Interest expense	-197 609	-513 854	-147 645	-417 269
<b>Net interest income</b>	<b>203 359</b>	<b>559 284</b>	<b>163 029</b>	<b>498 512</b>
Fee and commission income	95 385	271 350	78 335	213 304
Fee and commission expense	-25 350	-51 665	-9 526	-24 188
<b>Net fee and commission income</b>	<b>70 035</b>	<b>219 685</b>	<b>68 809</b>	<b>189 116</b>
Dividend income	0	7 977	277	1 027
Net trading income	39 610	114 938	33 919	95 714
Net result on derivatives used as hedging instruments and hedged items	-244	-1 749	-1 394	-715
Net gains from investment activities	300	3 489	592	3 840
Net income from sale of receivables	9 773	21 086	0	121 306
Other operating income	7 296	25 967	7 185	30 553
<b>Total operating income</b>	<b>330 129</b>	<b>950 677</b>	<b>272 417</b>	<b>939 353</b>
General and administrative expenses	-198 848	-596 824	-193 720	-585 744
Net impairment losses on financial assets, other assets and provisions	15 910	40 977	35 971	33 701
Other operating expenses	-8 394	-23 143	-8 297	-28 492
<b>Total operating expenses</b>	<b>-191 332</b>	<b>-578 990</b>	<b>-166 046</b>	<b>-580 535</b>
<b>Net operating income</b>	<b>138 797</b>	<b>371 687</b>	<b>106 371</b>	<b>358 818</b>
<b>Profit before tax</b>	<b>138 797</b>	<b>371 687</b>	<b>106 371</b>	<b>358 818</b>
Income tax expense	-27 204	-80 190	-11 130	-140
<b>Net profit from business activities</b>	<b>111 593</b>	<b>291 497</b>	<b>95 241</b>	<b>358 678</b>
<b>Net profit</b>	<b>111 593</b>	<b>291 497</b>	<b>95 241</b>	<b>358 678</b>
Including:				
<b>attributable to the Shareholders of the Bank</b>	<b>111 593</b>	<b>291 497</b>	<b>95 241</b>	<b>358 678</b>
Weighted average number of ordinary shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per ordinary share (in PLN)	0,41	1,07	0,35	1,32

## 2. Balance Sheet

<i>in PLN '000</i>	<b>30.09.2007</b>	<b>30.06.2007</b>	<b>31.12.2006</b>	<b>30.06.2006</b>
<b>Assets</b>				
Cash and balances with Central Bank	973 576	555 154	640 722	417 848
Gross loans and advances to banks	4 323 821	2 921 634	2 205 291	2 753 542
Impairment losses on loans and advances to banks	-2 260	-2 260	-2 753	-2 894
Financial assets at fair value through profit or loss, including financial assets held for trading, excluding derivatives	233 493	339 176	612 912	245 548
Derivatives including:	308 779	336 449	297 427	231 534
- derivatives used as hedging instruments	24 080	13 739	3 403	1 032
Gross loans and advances to customers	16 495 935	14 745 386	12 914 172	12 900 526
Impairment losses on loans and advances to customers	-948 748	-1 001 594	-1 100 617	-1 687 686
Investments securities:	5 482 025	5 479 960	5 902 663	6 957 079
- available-for-sale	3 420 369	3 336 042	3 453 890	4 291 764
- held-to-maturity	2 061 656	2 143 918	2 448 773	2 665 315
Equity investments classified as available-for-sale	73 835	73 830	73 831	73 829
Property, plant and equipment	323 239	320 495	325 050	298 458
Intangible assets	63 780	73 620	84 394	86 391
Deferred tax asset	119 238	141 494	137 123	113 772
Current tax receivable	0	0	15 393	5 858
Non-current assets classified as held for sale	1 270	1 270	10 571	10 571
Other assets	87 291	98 613	87 616	87 554
<b>Total assets</b>	<b>27 535 274</b>	<b>24 083 227</b>	<b>22 203 795</b>	<b>22 491 930</b>

<i>in PLN '000</i>	<b>30.09.2007</b>	<b>30.06.2007</b>	<b>31.12.2006</b>	<b>30.06.2006</b>
<b>Liabilities</b>				
Amounts due to Central Bank	2 078	2 061	1 990	2 365
Amounts due to banks	6 833 515	3 148 703	2 164 826	2 650 463
Derivatives including:	268 994	312 915	296 474	224 955
- derivatives used as hedging instruments	18 775	22 635	554	0
Amounts due to customers	17 010 007	17 199 930	15 875 333	15 703 022
Liabilities arising from repurchase transactions	500 151	543 135	1 053 928	1 301 268
Current tax liability	1 317	15 236	0	0
Provisions	102 692	100 961	98 775	45 211
Other liabilities	222 436	284 153	251 107	184 445
Subordinated liabilities	415 676	414 349	421 619	438 304
<b>Total liabilities</b>	<b>25 356 866</b>	<b>22 021 443</b>	<b>20 164 052</b>	<b>20 550 033</b>
<b>Equity</b>				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Share premium	381 718	381 718	104 789	104 789
Revaluation reserve	-34 043	-39 074	18 275	-806
Reserves	180 942	180 942	120 942	120 942
Retained earnings/loss	0	0	0	0
Current net profit attributable to the shareholders of the Bank	291 497	179 904	437 443	358 678
<b>Total equity</b>	<b>2 178 408</b>	<b>2 061 784</b>	<b>2 039 743</b>	<b>1 941 897</b>
<b>Total equity and liabilities</b>	<b>27 535 274</b>	<b>24 083 227</b>	<b>22 203 795</b>	<b>22 491 930</b>
Capital adequacy ratio (%)	10,55	11,18	13,45	13,78
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	8,02	7,59	7,51	7,15

### 3. Off-Balance Sheet Items

<i>in PLN '000</i>	<b>30.09.2007</b>	<b>30.06.2007</b>	<b>31.12.2006</b>	<b>30.06.2006</b>
<b>Contingent liabilities, granted and received</b>	<b>7 090 323</b>	<b>5 050 757</b>	<b>5 207 977</b>	<b>5 423 748</b>
Liabilities granted, including	5 851 229	4 717 935	4 706 170	5 027 467
- financial	4 244 718	3 309 814	3 497 903	3 614 372
- guarantees	1 606 511	1 408 121	1 208 267	1 413 095
Liabilities received, including:	1 239 094	332 822	501 807	396 281
- financial	670 002	50 642	205 139	70 867
- guarantees	569 092	282 180	296 668	325 414
<b>Liabilities related to the sale/purchase transactions</b>	<b>170 301 827</b>	<b>170 082 745</b>	<b>138 370 817</b>	<b>116 462 237</b>
<b>Other</b>	<b>3 181 172</b>	<b>3 027 733</b>	<b>3 153 678</b>	<b>3 052 825</b>
- collaterals received	3 181 172	3 027 733	3 153 178	3 052 825
- other	0	0	500	0

#### 4. Statement of Changes in Shareholders' Equity

Changes in the period from 1 January to 30 September 2007

<i>in PLN '000</i>	Share capital	Share premium	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit for the period	Total equity
<b>Equity at opening balance – as of 01.01.2007</b>	<b>1 358 294</b>	<b>104 789</b>	<b>18 275</b>	<b>120 942</b>	<b>437 443</b>	<b>0</b>	<b>2 039 743</b>
Valuation of financial assets available-for-sale			-49 002				-49 002
Effects of valuation of derivatives designated for cash flow hedge			-15 588				-15 588
Deferred tax on items recognised in equity			12 272				12 272
<b>Net profit recognised directly in the equity</b>			<b>-52 318</b>				<b>-52 318</b>
Net profit for the period			0			291 497	291 497
<b>Total of recognised income and expenses</b>			<b>-52 318</b>			<b>291 497</b>	<b>239 179</b>
Profit's distribution		276 929		60 000	-336 929		0
Dividends paid					-100 514		-100 514
<b>Equity at end of period – as of 30.09.2007</b>	<b>1 358 294</b>	<b>381 718</b>	<b>-34 043</b>	<b>180 942</b>	<b>0</b>	<b>291 497</b>	<b>2 178 408</b>

## Changes in the period from 1 January to 31 December 2006

<i>in PLN '000</i>	Share capital	Share premium	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit for the period	Total equity
<b>Equity at opening balance – as of 01.01.2006</b>	<b>1 358 294</b>	<b>0</b>	<b>15 928</b>	<b>120 942</b>	<b>164 554</b>	<b>0</b>	<b>1 659 718</b>
Valuation of financial assets available-for-sale			1 972				1 972
Effects of valuation of derivatives designated for cash flow hedge			1 195				1 195
Deferred tax on items recognised in equity			-820				-820
<b>Net profit recognised directly in the equity</b>			<b>2 347</b>				<b>2 347</b>
Net profit for the period			0			437 443	437 443
<b>Total of recognised income and expenses</b>			<b>2 347</b>			<b>437 443</b>	<b>439 790</b>
Profit's distribution		104 789			-104 789		0
Dividends paid					-59 765		-59 765
<b>Equity at end of period – as of 31.12.2006</b>	<b>1 358 294</b>	<b>104 789</b>	<b>18 275</b>	<b>120 942</b>	<b>0</b>	<b>437 443</b>	<b>2 039 743</b>



**Changes in the period from 1 January to 30 September 2006**

<i>in PLN '000</i>	Share capital	Share premium	Revaluation reserve	Reserves	Retained earnings (losses)	Net profit for the period	Total equity
<b>Equity at opening balance – as of 01.01.2006</b>	<b>1 358 294</b>	<b>0</b>	<b>15 928</b>	<b>120 942</b>	<b>164 554</b>	<b>0</b>	<b>1 659 718</b>
Valuation of financial assets available-for-sale			-20 029				-20 029
Effects of valuation of derivatives designated for cash flow hedge			-361				-361
Deferred tax on items recognised in equity			3 656				3 656
<b>Net profit recognised directly in the equity</b>			<b>-16 734</b>				<b>-16 734</b>
Net profit for the period						358 678	358 678
<b>Total of recognised income and expenses</b>			<b>-16 734</b>			<b>358 678</b>	<b>341 944</b>
Profit's distribution		104 789			-104 789		0
Dividends paid					-59 765		-59 765
<b>Equity at end of period – as of 30.09.2006</b>	<b>1 358 294</b>	<b>104 789</b>	<b>-806</b>	<b>120 942</b>	<b>0</b>	<b>358 678</b>	<b>1 941 897</b>

## 5. Cash Flow Statement

<i>in PLN '000</i>	3rd quarter of 2007 01.07.2007 – 30.09.2007	three quarters of 2007 01.01.2007 – 30.09.2007	3rd quarter of 2006 01.07.2006 – 30.09.2006	three quarters of 2006 01.01.2006 – 30.09.2006
<b>Net cash flow from operating activities</b>	<b>757 945</b>	<b>1 050 612</b>	<b>1 135 011</b>	<b>1 026 711</b>
<b>Net profit</b>	<b>111 593</b>	<b>291 497</b>	<b>95 241</b>	<b>358 678</b>
<b>Adjustments to net profit and net cash from operating activities:</b>	<b>646 352</b>	<b>759 115</b>	<b>1 039 770</b>	<b>668 033</b>
Current and deferred tax recognised in financial result	27 204	80 190	11 130	140
Non-realised profit (loss) from currency translation differences	9 307	-18 771	-30 395	27 953
<b>Investing and financing activities</b>	<b>-76 556</b>	<b>-199 516</b>	<b>-130 130</b>	<b>-778 696</b>
Depreciation	23 578	68 611	23 153	77 128
Net increase/decrease in impairment	-47 665	-148 567	-27 251	-627 931
Dividends	0	-7 977	-277	-1 027
Interest	-57 578	-116 227	-96 516	-193 522
Net increase/decrease in provisions	1 731	3 917	-29 829	-31 861
Profit (loss) on disposal of investments	3 378	727	590	-1 483
<b>Net increase/decrease in operating assets (excluding cash)</b>	<b>-1 834 246</b>	<b>-3 395 129</b>	<b>-427 068</b>	<b>-558 468</b>
Net increase/decrease in gross loans and advances to banks :	-191 937	-143 691	75 385	-144 861
Net increase/decrease in financial assets at fair value through profit or loss, including financial assets held for trading and derivatives	131 900	367 113	86 698	226 477
Net increase/decrease in gross loans and advances to customers	-1 750 549	-3 581 763	-614 183	-698 252
Net increase/decrease in other assets	-18 408	-31 804	-11 571	1 648
Paid income tax	-5 252	-4 984	36 603	56 520
<b>Net increase/decrease in operating liabilities (excluding cash)</b>	<b>2 520 643</b>	<b>4 292 341</b>	<b>1 616 233</b>	<b>1 977 104</b>
Net increase/decrease in amounts due to Central Bank	17	88	23	2 365
Net increase/decrease in amounts due to banks	2 738 361	3 748 310	-167 585	56 620
Net increase/decrease in derivatives	-43 921	-27 480	-22 714	4 800
Net increase/decrease in amounts due to customers	-189 924	1 134 674	895 391	1 034 062
Net increase/decrease in liabilities arising from repurchase transactions	-42 984	-553 777	899 522	932 567
Net increase/decrease in other liabilities	59 094	-9 474	11 596	-53 310
<b>Net cash flow from operating activities</b>	<b>757 945</b>	<b>1 050 612</b>	<b>1 135 011</b>	<b>1 026 711</b>

	3rd quarter of 2007 01.07.2007 – 30.09.2007	three quarters of 2007 01.01.2007 – 30.09.2007	3rd quarter of 2006 01.07.2006 – 30.09.2006	three quarters of 2006 01.01.2006 – 30.09.2006
<b>Net cash flow from investing activities</b>	<b>49 985</b>	<b>476 461</b>	<b>-763 265</b>	<b>-59 440</b>
<b>Inflows</b>	<b>901 845</b>	<b>2 656 294</b>	<b>9 801 279</b>	<b>36 102 230</b>
Disposal of property, plant and equipment and intangible assets	10	312	1	250
Disposal of shares in equity classified as available-for-sale	0	0	0	17 012
Disposal of investment securities	893 119	2 496 653	9 789 176	35 931 937
Dividends	0	7 977	277	1 027
Interest received	8 716	151 352	11 825	152 004
<b>Outflows</b>	<b>-851 860</b>	<b>-2 179 833</b>	<b>-10 564 544</b>	<b>-36 161 670</b>
Acquisition of property, plant and equipment and intangible assets	-17 979	-52 565	-24 639	-55 465
Acquisition of equity investments classified as available for sale	-5	-5	-25	-25
Acquisition of investment securities	-833 876	-2 127 263	-10 539 880	-36 106 180
<b>Net cash flows from investing activities</b>	<b>49 985</b>	<b>476 461</b>	<b>-763 265</b>	<b>-59 440</b>
<b>Cash flow from financing activities</b>	<b>820 742</b>	<b>780 620</b>	<b>-483 568</b>	<b>-786 522</b>
<b>Inflows</b>	<b>941 999</b>	<b>941 999</b>	<b>0</b>	<b>0</b>
Proceeds from borrowings	941 999	941 999	0	0
<b>Outflows</b>	<b>-121 257</b>	<b>-161 379</b>	<b>-483 568</b>	<b>-786 522</b>
Repayment of subordinated liabilities	0	0	0	-157 605
Dividends paid	-100 514	-100 514	-59 765	-59 765
Repayment of loan and advances	0	0	0	-95 454
Repurchase of debt securities issued	0	0	-400 000	-400 000
Other financial outflows	-20 743	-60 865	-23 803	-73 698
<b>Net cash flow from financing activities</b>	<b>820 742</b>	<b>780 620</b>	<b>-483 568</b>	<b>-786 522</b>
<b>Net increase/decrease in cash</b>	<b>1 628 672</b>	<b>2 307 693</b>	<b>-111 822</b>	<b>180 749</b>
<b>Cash at the beginning of the period</b>	<b>2 947 758</b>	<b>2 268 737</b>	<b>2 541 372</b>	<b>2 248 801</b>
<b>Cash at the end of the period including:</b>	<b>4 576 430</b>	<b>4 576 430</b>	<b>2 429 550</b>	<b>2 429 550</b>
restricted cash	600 221	600 221	522 272	522 272