THE SECURITIES AND EXCHANGE COMMISSION

Consolidated quarterly report QSr 2/2006

(In accordance with & 86, item 2 and & 87, item 1 of the Regulation of the Finance Minister of October 19, 2005 – Journal of Laws No. 209, item 1744)

(for banks)

For the second quarter of financial year 2006 comprising the period from 2006-01-01 to 2006-06-30 containing the abbreviated consolidated financial statement prepared in accordance with the International Accounting Standards and International Standards of Financial Reporting
currency: PLN
as well as the abbreviated financial statement prepared in accordance with the International Accounting Standards and International Standards of Financial Reporting
currency: PLN

date of submission: 2006-07-27

KREDYT BANK S.A.
(issuer's full name)

KREDYTB
(issuer's abbreviated name)

Banks (banking)
(sector according to the classification of the Warsaw Stock Exchange)

01-211 (postal code) Warszawa (city)

Kasprzaka (street) 2/8 (number)

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527-020-40-57 (Tax Identification Number)
006228968 (Statistical Number REGON)
www.kredytbank.pl (www)

Data from consolidated financial statement

SELECTED FINANCIAL DATA	In PLN thousand		In EURO thousand	
	2 quarters increasingly/ 2006 a period from 2006-01-01 to 2006-06-30	2 quarters increasingly/ 2005 a period from 2005-01-01 to 2005-06-30	2 quarters increasingly/ 2006 a period from 2006-01-01 to 2006-06-30	2 quarters increasingly/ 2005 a period from 2005-01-01 to 2005-06-30
I. Net interest	393 255	367 231	100 829	89 997
II. Net commissions and fees	121 408	142 055	31 128	34 813
III. Result on operating activity	288 313	196 601	73 922	48 181
IV. Gross profit (loss)	289 119	197 002	74 129	48 279
V. Net profit for the Bank's shareholders	296 403	233 190	75 996	57 148
VI. Minority shares in net profit	0	0	0	0
VII. Total net cash flows	293 467	-620 486	75 243	-152 063
VIII. Total assets	21 263 523	20 718 945	5 258 823	5 128 325

IX. Liabilities due to banks	2 830 304	2 552 600	699 981	631 816
X. Liabilities due to customers	14 571 037	14 237 118	3 603 660	3 523 952
XI. Equity	1 892 006	1 515 642	467 925	375 150
XII. Share capital	1 358 294	1 358 294	335 929	336 203
XIII. Number of shares	271 658 880	271 658 880		
XIV. Book value per 1 share (in PLN / EURO)	6.96	5.58	1.72	1.38
XV. Capital adequacy ratio	15.96	14.52		
XVI. Profit (loss) per 1 ordinary share (in PLN / EURO)	1.09	0.86	0.28	0.21

Data from abbreviated financial statement

XVII. Net interest	335 777	327 837	86 092	80 343
XVIII. Net commissions and fees	120 307	108 000	30 846	26 468
XIX. Result on operating activity	252 447	183 266	64 726	44 913
XX. Gross profit (loss)	252 447	183 266	64 726	44 913
XXI. Net profit for the Bank's shareholders	263 437	225 948	67 544	55 373
XXII. Minority shares in net profit	0	0	0	0
XXIII. Total net cash flows	292 571	-620 459	75 014	-152 056
XXIV. Total assets	21 313 400	20 791 729	5 271 158	5 146 340
XXV. Liabilities due to banks	2 830 304	1 300 608	699 981	321 925
XXVI. Liabilities due to customers	14 673 175	15 529 581	3 628 920	3 843 861
XXVII. Equity	1 837 037	1 491 789	454 330	369 246
XXVIII. Share capital	1 358 294	1 358 294	335 929	336 203
XXIX. Number of shares	271 658 880	271 658 880		
XXX. Book value per 1 share (in PLN / EURO)	6.76	5.49	1.67	1.36
XXXI. Capital adequacy ratio	15.80	14.43		
XXXII. Profit (loss) per 1 ordinary share (in PLN/EURO)	0.97	0.83	0.25	0.20

CONSOLIDATED FINANCIAL STATEMENT OF KREDYT BANK GROUP

1. CONSOLIDATED INCOME STATEMENT

in PLN '000'	2nd quarter of 2006 01.04.2006 - 30.06.2006	Two quarters of 2006 01.01.2006 - 30.06.2006	2nd quarter of 2005 01.04.2005- 30.06.2005	Two quarters of 2005 01.01.2005 - 30.06.2005
Interest income	316 982	654 352	371 021	731 051
Interest expense	-131 356	-261 097	-176 911	-363 820
Interest income	**185 626**	**393 255**	**194 110**	**367 231**
Fee and commission income	69 124	135 164	75 369	151 043
Fee and commission expense	-7 519	-13 756	-5 136	-8 988
Fee and commission income	**61 605**	**121 408**	**70 233**	**142 055**
Dividend income	750	750	750	750
Net trading income	34 330	63 395	26 109	73 628
Profit (loss) from investment activities	1 553	1 893	2 798	-5 087
Income from sale of receivables portfolio	145 388	145 388	0	0
Other operating income	19 437	31 892	18 645	28 794
Total operating income	**448 689**	**757 981**	**312 645**	**607 371**
General and administrative expenses	-218 665	-437 732	-217 221	-437 096
Net impairment charges for financial assets, other assets and provisions	-4 609	-8 857	20 514	49 230
Other operating expenses	-18 010	-23 079	-16 437	-22 904
Total operating expense	**-241 284**	**-469 668**	**-213 144**	**-410 770**
Net operating income	**207 405**	**288 313**	**99 501**	**196 601**
Share of profit (loss) of associates	368	806	401	401
Profit before tax	**207 773**	**289 119**	**99 902**	**197 002**
Income tax expense	472	7 284	39 106	35 214
Net profit from business activities	**208 245**	**296 403**	**139 008**	**232 216**
Net profit (loss) from discontinued operations	0	0	0	974
Net profit	**208 245**	**296 403**	**139 008**	**233 190**
Including attributable to:				
Shareholders of the Bank	**208 245**	**296 403**	**139 008**	**233 190**
Weighed average number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per share (in PLN)	0,77	1,09	0,51	0,86

2. CONSOLIDATED BALANCE SHEET

in PLN '000'	**30.06.2006 end of the 2nd quarter of 2006**	**31.03.2006 end of the 1st quarter of 2006**	**31.12.2005 end of 2005**	**30.06.2005 end of the 2nd quarter of 2005**
ASSETS				
Cash and balances with Central Bank	1 370 052	425 879	607 090	874 534
Gross due from banks	1 979 530	1 653 085	2 229 615	2 931 032
Allowances for impairment losses of dues from banks	-2 894	-2 894	-2 894	-2 894
Financial assets measured at fair value through the profit and loss account, including held-for-trading assets	564 659	919 045	703 888	703 653
Gross loans and advances to customers	12 197 580	12 528 699	12 306 286	13 643 961
Allowances for impairment losses of loans and advances to customers	-1 774 758	-2 603 057	-2 604 206	-2 809 737
Investments in securities:	6 116 712	6 285 529	6 709 711	4 548 876
- available for sale	3 553 090	3 896 339	4 417 879	2 594 645
- held to maturity	2 563 622	2 389 190	2 291 832	1 954 231
Equity investments classified as available for sale	18 968	35 690	35 690	35 668
Investments in associates measured with the equity method	9 736	9 368	8 929	10 582
Property, plant and equipment	361 209	384 112	416 400	426 932
Intangible assets	95 110	105 460	111 475	121 436
Goodwill of subsidiaries	36 052	36 052	36 052	36 052
Deferred tax assets	143 938	118 872	112 968	54 475
Income tax	0	13 412	13 412	0
Other assets	147 629	168 172	156 928	144 375
TOTAL ASSETS	**21 263 523**	**20 077 424**	**20 841 344**	**20 718 945**

in PLN '000'	**30.06.2006 end of the 2nd quarter of 2006**	**31.03.2006 end of the 1st quarter of 2006**	**31.12.2005 end of 2005**	**30.06.2005 end of the 2nd quarter of 2005**
LIABILITIES				
Due to Central Bank	2 342	0	0	0
Due to banks	2 830 304	2 265 981	2 562 167	2 552 600
Held-for-trading financial liabilities	247 669	231 796	220 155	273 343
Due to customers	14 571 037	14 386 427	14 533 624	14 237 118
Issued debt securities	402 223	407 227	402 435	402 941
Securities sold under repurchase agreements	401 746	234 410	368 701	777 150
Income tax liabilities	17 252	16	4	267
Provisions	106 648	75 506	77 847	75 923
Deferred tax liabilities	354	928	864	641
Other liabilities	347 089	266 860	404 371	270 050
Subordinated liabilities	444 853	432 975	589 581	613 270
Total liabilities	**19 371 517**	**18 302 126**	**19 159 749**	**19 203 303**

Equity attributable to shareholders of the Bank				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Share premium	104 789	0	0	0
Revaluation reserve	-10 425	21 425	15 928	32 539
Reserves	120 942	120 942	120 942	120 942
Currency translation differences from the translation of subordinated companies and foreign branches	-511	-589	-637	-513
Retained earnings/loss	22 514	187 068	-228 810	-228 810
Current net profit (loss) attributable to shareholders of the Bank	296 403	88 158	415 878	233 190
Equity attributable to shareholders of the Bank	**1 892 006**	**1 775 298**	**1 681 595**	**1 515 642**
Minority interest				
Total equity	**1 892 006**	**1 775 298**	**1 681 595**	**1 515 642**
TOTAL LIABILITIES AND EQUITY	**21 263 523**	**20 077 424**	**20 841 344**	**20 718 945**

Capital adequacy ratio (%)	15,96	17,41	16,42	14,52
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	6,96	6,54	6,19	5,58

3. OFF-BALANCE SHEET ITEMS

in PLN '000'	**30.06.2006 end of the 2nd quarter of 2006**	**31.03.2006 end of the 1st quarter of 2006**	**31.12.2005 end of 2005**	**30.06.2005 end of the 2nd quarter of 2005**
Contingent liabilities, granted and received	5 292 223	4 298 008	4 089 190	4 881 643
1. Liabilities granted, including:	4 847 394	3 936 479	3 577 985	4 143 495
a) financial	3 662 196	2 799 243	2 451 828	1 725 254
b) guarantees	1 185 198	1 137 236	1 126 157	2 418 241
2. Liabilities received, including:	444 829	361 529	511 205	738 148
a) financial	61 917	55 894	11 831	250 052
b) guarantees	382 912	305 635	499 374	488 096
Liabilities related to the sale/purchase transactions	111 255 861	93 759 916	79 905 636	79 285 047

4. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Changes in the period from 1 January to 30 June 2006

in PLN '000'	Share capital	Share premium	Revaluation reserve	Currency translation differences from the translation of subordinated companies and foreign branches	Reserves	Retained earnings (losses)	Current net profit	Total equity
Equity at opening balance – as of 01.01.2006	**1 358 294**	**0**	**15 928**	**-637**	**120 942**	**187 068**	**0**	**1 681 595**
Changes in equity:	0	104 789	-26 353	126	0	-164 554	0	**-85 992**
- profit allowance		104 789				-104 789		
- dividends paid						-59 765		**-59 765**
- valuation of financial assets			-32 265					**-32 265**
- currency translation differences				126				**126**
- deferred tax			5 912					**5 912**
Current net profit							**296 403**	**296 403**
Equity at period end – as of 30.06.2006	**1 358 294**	**104 789**	**-10 425**	**-511**	**120 942**	**22 514**	**296 403**	**1 892 006**

Changes in the period from 1 January to 31 December 2005

in PLN '000'	Share capital	Share premium	Revaluation reserve	Currency translation differences from the translation of subordinated companies and foreign branches	Reserves	Retained earnings (losses)	Current net profit	Total equity
Equity at opening balance – as of 01.01.2005	**1 358 294**	**350 910**	**8 059**	**-285**	**173 779**	**-632 557**	**0**	**1 258 200**
Changes in equity:	0	-350 910	7 869	-352	-52 837	403 747	0	**7 517**
- covering retained loss		-350 910			-52 837	403 747		**0**
- valuation of financial assets			11 377					**11 377**
- currency translation differences				-352				**-352**
- other changes			-41					**-41**
- deferred tax			-3 467					**-3 467**
Current net profit (loss)							**415 878**	**415 878**
Equity at period end (closing balance) – as of 31.12..2005	**1 358 294**	**0**	**15 928**	**-637**	**120 942**	**-228 810**	**415 878**	**1 681 595**

Changes in the period from 1 January to 30 June 2005

in PLN '000'	Share capital	Share premium	Revaluation reserve	Currency translation differences from the translation of subordinated companies and foreign branches	Reserves	Retained earnings (losses)	Current net profit	Total equity
Equity at opening balance – as of 01.01.2005	**1 358 294**	**350 910**	**8 059**	**-285**	**173 779**	**-632 557**	**0**	**1 258 200**
Changes in equity:	0	-350 910	24 480	-228	-52 837	403 747	0	**24 252**
- covering retained loss		-350 910			-52 837	403 747		
- valuation of financial assets			24 521					**24 521**
- currency translation differences				-228				**-228**
- other changes			-41					**-41**
Current net profit (loss)							**233 190**	**233 190**
Equity at period end (closing balance) – as of 30.06..2005	**1 358 294**	**0**	**32 539**	**-513**	**120 942**	**-228 810**	**233 190**	**1 515 642**

5. CONSOLIDATED CASH FLOW STATEMENT

in PLN '000'	2nd quarter of 2006 01.04.2006 - 30.06.2006	Two quarters of 2006 01.01.2006 - 30.06.2006	2nd quarter of 2005 01.04.2005 - 30.06.2005	Two quarters of 2005 01.01.2005- 30.06.2005
Net cash flow from operating activities	**1 370 318**	**-129 675**	**70 117**	**929 574**
Net profit (loss)	**208 245**	**296 403**	**139 008**	**233 190**
Adjustments to net profit (loss) and net cash from operating activities:	**1 162 073**	**-426 078**	**-68 891**	**696 384**
Current and deferred tax income recognized in financial result (negative sign)	-472	-7 284	-39 106	-35 214
Non-realized profit/loss from currency translation differences	46 346	58 474	4 357	8 176
Investing and financing activities	**-776 161**	**-742 582**	**73 165**	**-10 269**
Depreciation	27 769	58 300	35 786	71 270
Share in profit (loss) of subordinated companies	-368	-806	-401	-401
Impairment	-827 922	-821 247	-24 141	-124 748
Dividends	-750	-750	-750	-750
Net increase/decrease in provisions (release of provisions - negative sign)	31 142	28 801	64 668	38 484
Profit (loss) from investments	-6 032	-6 880	-1 997	5 876
Cash flow related to profit from operating activities before inclusion of changes in assets and liabilities from operating activities	**-730 287**	**-691 392**	**38 416**	**-37 307**
Net increase/decrease in operating assets (excluding cash)	**835 357**	**-110 196**	**443 476**	**735 532**
Net increase/decrease in loans and advances:	**524 594**	**-106 461**	**620 988**	**204 802**
- to banks	198 424	-214 771	486 236	-199 519
- to other financial entities	-38 076	-24 562	52 935	56 897
- to non-financial entities	353 560	32 452	53 011	282 282
- to budgetary sector	10 686	100 420	28 806	65 142
Net increase/decrease in available for sale assets	26 633	6 025	9 091	-20 893
Net increase/decrease in held-for-trading assets	358 666	147 354	-144 579	713 841
Net increase/decrease in hedging derivatives recognized as assets	-483	-421	0	0
Net increase/decrease in interest due	-70 253	-142 499	-99 007	-218 989
Net increase/decrease in expense paid in advance	309	-6 919	275	-1 881
Net increase/decrease in held for sale assets	4 476	-4 224	-260	1 301
Net increase/decrease in income tax assets	-24 594	-23 686	-1 332	-8 826
Net increase/decrease in income tax liabilities	13 412	13 412	0	5 107
Paid income tax	-13 254	-13 219	-15 319	3 902
Net increase/decrease in other assets	15 851	20 442	73 619	57 168

	2nd quarter of 2006 01.04.2006 - 30.06.2006	Two quarters of 2006 01.01.2006 - 30.06.2006	2nd quarter of 2005 01.04.2005 - 30.06.2005	Two quarters of 2005 01.01.2005- 30.06.2005
Net increase/decrease in operating liabilities (excluding cash)	**1 057 003**	**375 510**	**-550 783**	**-1 841**
Net increase/decrease in deposits from central bank	2 303	2 303	0	0
Net increase/decrease in deposits from banks	532 564	222 200	-563 002	-242 540
Net increase/decrease in deposits from other financial entities	-84 123	38 587	-24 735	20 399
Net increase/decrease in deposits from non-financial customers	264 038	-103 251	149 981	51 573
Net increase/decrease in deposits from budgetary sector	99 297	199 083	37 399	105 875
Net increase/decrease in held-for-trading liabilities	182 424	60 549	11 170	99 246
Net increase/decrease in liabilities measured at fair value through profit and loss account recognized as liabilities	890	890	0	0
Net increase/decrease in accrued interest – expense	20 387	34 435	6 880	23 627
Net increase/decrease in income tax liability	17 236	17 248	267	-5 511
Net increase/decrease in other liabilities	93 559	-43 718	-155 451	-79 106
Other adjustments	-71 572	-52 816	-13 292	24 596
Net cash flow from operating activities	**1 370 318**	**-129 675**	**70 117**	**929 574**
Net cash flow from investing activities	**209 245**	**710 911**	**84 379**	**-1 304 481**
Acquisition of property, plant and equipment	-17 471	-27 982	-2 740	-36 337
Disposal of property, plant and equipment	6 766	8 634	5 145	26 849
Acquisition of intangible assets	-4 370	-8 683	-1 208	-3 192
Disposal of intangible assets	-1	27	0	150
Acquisition of shares in subsidiaries	0	0	0	-10 317
Disposal of shares in subsidiaries	17 012	17 012	0	0
Dividends on shares	750	750	750	750
Interest received	95 719	140 179	54 239	107 456
Acquisition of available for sale assets/liabilities	-10 038 631	-25 120 235	-9 578 083	-21 068 376
Disposal of available for sale assets/liabilities	10 334 910	25 955 593	9 719 700	20 330 398
Acquisition of investments held to maturity	-351 540	-446 065	-131 909	-1 285 334
Disposal of investments held to maturity	162 168	187 168	16 102	639 348
Other investment outflows	0	0	2 065	-6 993
Other inflows from investments	3 933	4 513	318	1 117
Net cash flows related to investing activities	**209 245**	**710 911**	**84 379**	**-1 304 481**

	2nd quarter of 2006 01.04.2006 - 30.06.2006	Two quarters of 2006 01.01.2006 - 30.06.2006	2nd quarter of 2005 01.04.2005 - 30.06.2005	Two quarters of 2005 01.01.2005- 30.06.2005
Cash flow from financing activities	**-116 690**	**-287 769**	**-20 188**	**-245 579**
Repayment of subordinated liabilities	0	-157 605	0	0
Finance lease rentals	-1 161	-1 389	-405	-586
Repayment of loans and advances	-95 454	-95 454	0	-194 700
Other financial inflows	2 367	2 367	0	0
Other financial outflows	-22 442	-35 688	-19 783	-50 293
Net cash flow from financing activities	**-116 690**	**-287 769**	**-20 188**	**-245 579**
Balance sheet change in cash, including:	**1 462 873**	**293 467**	**134 308**	**-620 486**
Cash at period beginning	**1 079 483**	**2 248 889**	**3 167 347**	**3 922 141**
Cash at period end	**2 542 356**	**2 542 356**	**3 301 655**	**3 301 655**
Including restricted cash	501 623	501 623	541 562	541 562

Kredyt Bank

Interim Consolidated Financial Statement

of Kredyt Bank Capital Group

for the Second Quarter of 2006

according to

International Financial Reporting Standards

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Notes to the interim consolidated financial report of Kredyt Bank Capital Group for the second quarter of 2006

1. Basis of preparing this financial report

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 KB Group') have been prepared in compliance with International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS).

Pursuant to Article 45 Clause 1c of the Act and according to the decision of the General Shareholders Meeting of Kredyt Bank S.A. dated 25 April 2005, effectively from 01.01.2005, separate financial statements of Kredyt Bank S.A. ('the Bank') have been prepared in accordance with IAS/IFRS.

The interim consolidated financial report for the second quarter of 2006 and the financial statements included in this report were prepared in line with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) in the version being in force as at the date of their preparation. Specifically, this report has been prepared according to IAS 34 *Interim Financial Reporting* and matters not governed by IFRS must comply with the Act and the provisions of the Ordinance by the Ministry 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 KB Capital Group's financial standing at the end of the second quarter of 2006

Net profit of PLN 296 million generated by the KB Group in the first half of 2006 is the evidence that the profound restructuring of the Bank's and the Group's operations carried out is bringing measurable results in a form of the capital base being rapidly rebuilt.

In May 2006, due to covering balance losses incurred in 2002 and 2003, permanent improvement of the financial results as well as the capital adequacy ratio maintained at a high and safe level, the Bank received from the Commission for Banking Supervision an opinion stating that basic objectives of the Recovery Plan had been achieved and the Commission did not see any reasons for Kredyt Bank S.A. to continue the recovery activities.

2.1. Financial result

The KB Capital Group's net profit in the second quarter of 2006 amounted to PLN 208 245 thousand, while net profit generated in the second quarter of 2005 amounted to PLN 139 008 thousand. The profit before tax amounted to PLN 207 773 thousand, as compared to PLN 99 902 thousand in the second quarter of 2005. In cumulative terms, the net profit for the first half of 2006 amounted to PLN 296 403 thousand in comparison with the profit of PLN 233 190 thousand generated in the first half of 2005.

The following factors contributed to the good financial result:

- sale of a part of non-performing loans portfolio – an impact of the transaction on the consolidated net profit, taking into account the transaction costs, provisions against risks connected with the transaction and the tax effect, amounted to PLN 130 745 thousand;
- growing business activeness as observed over the last months after the profound restructuring of processes had been implemented in the KB Capital Group, mostly in the range of sales of products offered in cooperation with WARTA, Żagiel and KBC TFI to retail clients;
- continuation of the effective cost management in the Group;
- increase in the brand awareness resulting from the rebranding process, supported by marketing campaigns, and, in consequence, an increase in satisfaction and trust of the clients.

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

in PLN '000'	**Two quarters of 2006**	**Second quarter of 2006**	**Two quarters of 2005**	**Second quarter of 2005**
Net interest fee and commission income	514 663	247 231	509 286	264 343
Net income from trading and investments	65 288	35 883	68 541	28 907
Net income from sale of receivables portfolio	145 388	145 388	0	0
Profit from other operating income/expenses	8 813	1 427	5 890	2 208
Total income	**734 152**	**429 929**	**583 717**	**295 458**
General and administrative expenses and depreciation	-437 732	-218 665	-437 096	-217 221
Net impairment charges for financial assets, other assets and provisions	-8 857	-4 609	49 230	20 514
Income tax expense	7 284	472	35 214	39 106
Net profit	**296 403**	**208 245**	**233 190**	**139 008**

Net interest fee and commission income generated by the Group after the first half of 2006 amounted to PLN 514 663 thousand what signifies it reached a level similar to the result achieved in the analogues half of the previous year. In the second quarter of 2006, the income amounted to PLN 247 231 thousand and was lower by 6% in comparison with the result achieved in the second quarter of 2005. This is the result of, first of all, a changing product and currency structure of the credit portfolio and a slightly decreased margin on particular credit products. Additionally, the Bank maintains a high level of the debt securities portfolio, what, in the light of decreasing interest rates, has an impact on the level of generated interest income.

Fee and commission income was lower in comparison with the net fee and commission income generated in the first half of 2005, which is a consequence of adopting by the Bank a policy with regard to development of retail loan receivables portfolio, changes in legal regulations concerning this type of credit products as well as rules of accounting measurement and recognition in statements being in force. Due to the changes in legal regulations, the Group has performed verification of fees collected from clients, in result of which most of them are amortised into interest income with the use of the effective interest rate method. An analogues situation occurred in the first quarter of 2006, when compared to the first quarter of 2005.

As far as distribution of investment and insurance products is concerned, the Group recorded over a 7-fold increase in its commission income.

Net trading income and investments in the first half of 2006 amounted to PLN 65 288 thousand in comparison with PLN 68 541 thousand generated in the first half of 2005. The high reference base in 2005 resulted from restructuring of long-term portfolios of debt securities in that period due to reclassification of financial instruments portfolios performed as at 01.01.2005 in relation to first-time adoption of IAS/IFRS (a part of securities from the portfolio of assets available for sale was reclassified to the portfolio of financial assets measured at fair value through the profit and loss account). In result of the reclassification, the Bank sold a part of securities and purchased instead, without increasing the exposure to interest rate risk, securities generating higher interest income. In result of these transactions, the Bank achieved a profit from sales in the amount of PLN 16 million.

The net trading income generated in the second quarter of 2006 increased in comparison with both the income for the first quarter of 2006 (by 18%) and for the second quarter of 2005 (by 31%). This is the evidence for growing activeness of the Bank in this segment of its operating activity.

Net income from sale of receivables portfolio – an impact of the transaction on the consolidated net profit, taking into account the transaction costs, provisions against risks connected with the transaction and the tax effect, amounted to PLN 130 745 thousand.

Detailed information concerning the sold receivables portfolio has been presented in Chapter 2.4 of this report.

After the second quarter of 2006, the operating expenses of the Group amounted to PLN 437 732 thousand and were at the similar level as compared to the analogues period of 2005. Optimization of operating expenses is still one of the key targets of the Group. Remuneration costs increased by 2% as compared to the first half of 2005, which is a consequence of an active HR policy performed in the Bank, directed at the support for sales activities through bonus systems and rewards for accomplishment of sales targets. Advertising expenses increased by 22% in the first half of 2006 in comparison with the first half of 2005 whereas administrative costs are still decreasing.

Cost/income ratio (CIR) for the first half of 2006 was equal to 60%, i.e. improved by 15 p.p. against the first half of 2005. After the second quarter of 2006 the ratio amounted to 51% and was by 22 p.p. lower as compared to the second quarter of 2005. The level of the ratio was impacted by income from the transaction of sale of the receivables portfolio.

In the second quarter of 2006, net impairment charges for loan receivables and other assets and provisions amounted to PLN –4 609 thousand.

The continuous positive trend in the net operating income generated by the Bank confirms a high probability of future realization of negative temporary differences, currently identified in income tax calculation. Therefore, in the second quarter of 2006, similarly to previous reporting periods, the Bank recognized in the income statement a surplus of deferred tax asset over deferred tax liability amounting to PLN 18 763 thousand. This difference directly affected the Group's result in the second quarter of 2006. Detailed information on the policy of recognizing deferred tax has been presented in Chapter 5.5 of this report.

2.2. Standalone financial result of the Bank

A difference between the standalone and consolidated results is the consequence of the adopted accounting principle concerning measurement of stock and shares of the subsidiaries in the standalone statement. Stock and shares are recognized in the standalone statement as assets available for sale at cost less impairment, but not including a surplus of net assets value over their cost. Pursuant to IAS 39, allowances for impairment of capital investments recognized at historical cost are not reversible. Therefore, an increase in net assets of the subsidiaries is not reflected in the measurement of their stock in the standalone statement.

2.3. Assets and liabilities

A share of working assets in the balance sheet total remains at a high and stable level.

As a result of the response to volatile conditions on the debt instruments market in the second half of 2005, the securities portfolio has been extended. This policy was continued also in the second quarter of 2006.

The Bank, over the last few months, has been recording a stable level of the portfolio of retail and corporate customer deposits, whereas there is a dynamic increase in area of some products addressed mainly to individual customers. A more detailed explanation is presented in the section on retail banking.

2.4. Improvement in the quality of receivables portfolio

As in the previous reporting periods, the Group continued the process of limiting non-performing loans portfolio in the second quarter of 2006 through efficient restructuring and debt recovery activities. The sale of a part of the portfolio was the most essential transaction carried out in the second quarter of 2006.

On 14.04.2006, the Bank entered into an agreement with an external entity (BEST I Niestandaryzowany Fundusz Inwestycyjny Zamknięty) concerning the sale of the receivables belonging to the Bank and Żagiel. The maximal amount of the capital of the receivables sold was agreed at the level of PLN 1 044 771 thousand, what makes this transaction the biggest of all the transactions conducted on the Polish market so far. In the result of two real agreements signed on June 9 and June 16, 2006, the capital in the amount of PLN 929 970 thousand was sold. The split of the receivables portfolios sold is as follows:

in PLN '000'	**Receivables (capital)**
Balance liabilities	814 500
Off-balance liabilities	115 470
Total equity	**929 970**

The transaction had a significant impact on the improvement of the Group's loan portfolio quality. Within the second quarter of 2006, the value of the portfolio of non-performing loans, i.e. those for which individual evidence for impairment was identified, decreased by 25.7%, and by 36.2% over the last 12 months. In result, the Group's non-performing loans portfolio quality ratio has improved by 8.2 p.p. over the last 12 months.

The Group, conducting estimations of the credit risk related to individual loan exposures as well as the loan portfolios, applies the imperative prudence principle. On 30.06.2006, the coverage of receivables for which individual evidence for impairment was identified with allowances for impairment losses reached the level which was among the highest in the sector.

in PLN '000'	30.06.2006	31.03.2006	31.12.2005	30.06.2005
Gross loans and advances to customers * (without interest)	**12 118 079**	**12 444 251**	**12 226 390**	**13 588 918**
Performing loans, for which individual evidence for impairment was not identified	9 600 243	9 054 848	8 739 256	9 644 224
Non-performing loans, for which individual evidence for impairment was identified	2 517 836	3 389 403	3 487 134	3 944 694
Interest	79 501	84 448	79 896	55 043
Total gross loan and advances to customers	**12 197 580**	**12 528 699**	**12 306 286**	**13 643 961**
Allowances for impairment losses, including:	-1 774 758	-2 603 057	-2 604 206	-2 809 737
non-performing loans, for which individual evidence for impairment was identified	-1 726 513	-2 552 475	-2 552 206	-2 732 658
Total net loans and advances to customers	**10 422 822**	**9 925 642**	**9 702 080**	**10 834 224**
Loans for which individual evidence for impairment was identified to total gross loans	**20,8%**	**27,2%**	**28,5%**	**29,0%**
Coverage of loans for which individual evidence for impairment was identified with allowances for impairment losses	**68,6%**	**75,3%**	**73,2%**	**69,3%**

* excluding banks

2.5. Capital adequacy ratio

The capital adequacy ratio has been calculated in compliance with regulations of the National Bank of Poland in force.

2.6. Income and results by segments

The KB Group's operations, similarly to previous reporting periods, have been split into four primary business segments: Corporate Banking, Retail Banking, Treasury and Investments.

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

Retail Segment offers products addressed to individual customers as well as Small and Medium-size Enterprises (SME), whose annual income does not exceed PLN 16 million. The offer contains 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 directed at customers through traditional channels of distribution via the Bank's countrywide network of branches as well as the Internet network - KB24. The results of this segment also comprise the result of Żagiel S.A. specializing in the sale of installment loans as well as in intermediation in the distribution of the selected services included in the Bank's and WARTA's offers. Moreover, the Bank's offer for this segment includes also units in investment funds managed by KBC TFI.

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, and interest rate and currency options.

Investment Segment focuses on capital investments of the Group in shares of companies whose core business involves generating added value for the Group by specializing in non-banking areas of business, and also on investments in the shares of companies with the expected high long-term rate of return. In addition, the segment focuses on custodian services.

Net income from the sale of the receivables portfolio was recognized in Other.

Segment income and expenses had been determined before inter-segmental exclusions were made. Selling prices between the segments are calculated on the basis of the transfer prices methodology. The expenses and income that may not be reasonably assigned to any of the segments are disclosed in items: 'unallocated expenses' and 'unallocated income'.

On 01.01.2006 the Bank implemented a cost allocation methodology based on 'statement of cost of operations. The methodology enables a precise analysis of profitability of particular types of products and clients as well as measurement of effectiveness of the segments. The split of costs into segments presented in the report was prepared on the basis of the above model and replaced the simplified methodology applied to the end of the previous year. As it was presented in interim reports in 2005, the simplified methodology consisted in allocation of costs of operations to particular segments with the use of allocation keys including: employment structure, usable space and auxiliary keys prepared on the basis of measurement of involvement of particular units in the operations of separated segments. Application of the current methodology to transform comparable data turned out to be impractical. The comparable data, however, were transformed in order to include discontinued operations.

Consolidated net profit for the two quarters of 2006 – by business segments

in PLN '000

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

Consolidated net profit for the two quarters of 2005 – by business segments

in PLN '000

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Segment income (external)	314 447	444 307	260 870	56 685	34 079	-95 318	**1 015 070**
2. Segment income (internal)	101 867	266 910	294 275	0	8	-663 060	**0**
3. Total segment income	**416 314**	**711 217**	**555 145**	**56 685**	**34 087**	**-758 378**	**1 015 070**
4. Segment expenses (external)	-88 231	-238 431	-171 831	-45 930	-21 146	95 318	**-470 251**
4a. Allocated expenses	-68 080	-297 721	-14 848	-13 582	-3 217		**-397 448**
5. Segment expenses (internal)	-168 012	-119 368	-368 784	-6 896	0	663 060	**0**
6. Total segment expenses	**-324 323**	**-655 520**	**-555 463**	**-66 408**	**-24 363**	**758 378**	**-867 699**
7. Segment operating profit	**91 991**	**55 697**	**-318**	**-9 723**	**9 724**	**0**	**147 371**
8. Net impairment changes for financial assets, other assets and provisions	**57 569**	**-8 827**	**0**	**413**	**75**	**0**	**49 230**
9. Share of profit of associates measured with the equity method	**0**	**0**	**0**	**401**	**0**	**0**	**401**
10. Segment result	**149 560**	**46 870**	**-318**	**-8 909**	**9 799**	**0**	**197 002**
11. Profit from discontinued operations							**974**
12. Income tax expense							**35 214**
13. Net profit/loss	**149 560**	**46 870**	**-318**	**-8 909**	**9 799**	**0**	**233 190**

2.7. High Reputation Brand

In Premium Brand 2006 survey, Kredyt Bank and Warta were recognized as 'High Reputation Brands' in the 'finance' category together with 8 other well-known brands. This means that the clients themselves regard the companies reliable, socially responsible and trustful. The respondents evaluated eight values: good name, medial atmosphere around a brand, trust, brand awareness as well as social responsibility, readiness to recommend a brand to others, satisfaction from using a brand and loyalty.

2.8. Corporate banking

In the second quarter of 2006, the Bank acquired 79 new clients in the area of corporate banking. For 12 of them the Bank provides full range of banking services. 11 new accounts were opened for clients recommended by KBC Group. In the second quarter of 2006 loans for the amount of over PLN 540 million were granted to new clients.

The Bank's representative became a member of a negotiating group, the target of which is to agree tasks and roles of banks in absorbing means from the European Union funds in the period of 2007-2013. A project defining the banks' roles, based mostly on the proposal of Kredyt Bank, was approved by institutions which will be responsible for consideration of funds applications. The project assumes the necessity to finance investments that will be subsidized with EU funds, with a banking credit.

In May and June a campaign promoting corporate banking was carried out. The aim of the campaign was to increase KB's shares in the corporate clients segment and to strengthen the Bank's image as a bank easily accessible, offering the highest quality of services which provides complex customer service for big companies. International experience in servicing corporate clients and the role of KB's advisors in the development of the companies serviced by them were emphasized in the advertising campaign.

Systematically, the scale of transactions performed via the Bank has also been increasing.

2.9. Retail and SME banking

In the second quarter of 2006, the Bank continued its efforts to expand retail banking area. As in the previous quarters, a particular emphasis was put on actions connected with active aquisition of new clients and development of the product offer. The activities were mainly focused on:

- further dynamic development of the bancassurance in cooperation with WARTA Group;
- development of Żagiel's offer;
- expanding cooperation with KBC TFI in area of distributing investment funds units.

In May the Bank opened its first 'new-standard' outlet. It is first from of 120 outlets the Bank is planning to open in the nearest years. After the expansion of the network is completed, the Bank should be ranked among the top Polish banks as far as the number of outlets is concerned. Promotion of the new unit was supported with a special offer dedicated to new clients.

Żagiel was awarded a title of Wojewódzki Lider Biznesu 2006 (Local Business Leader 2006) in the 'big enterprise' category granted by the Regional Chamber of Commerce in Lublin. The prize and the title of Wojewódzki Lider Biznesu was also granted to the company last year.

Clients of the SME segment were offered by the Bank a new range of products specially tailored to the needs of enterprises operating in different areas of business. The offer was accompanied by an advertising campaign.

Retail and cash loans

The sales of retail loans through Żagiel's distribution network in the second quarter of 2006 amounted to PLN 392 million, i.e. increased by 12% as compared to the first quarter of 2006. Similarly, there was an increase in the volume of loans granted – in the second quarter of 2006, 231 thousand credits were granted versus 206 thousand in the first quarter of 2006.

in PLN '000'	**2nd quarter of 2006**	**1st quarter of 2006**	**4th quarter of 2005**	**2nd quarter of 2005**
Żagiel – installment and cash loans				
Number of loans granted in the quarter (in '000)	231	206	288	240
Value of loans granted in the quarter	392 305	349 189	528 843	407 328
Gross value of the portfolio at the end of the quarter	1 155 833	1 276 737	1 423 623	1 264 744

Mortgage loans

In the second quarter of 2006 an advertising campaign of mortgage loans was conducted. The promotional materials emphasized the role of free life insurance, an essential element in the opinion of the clients, offered in cooperation with WARTA. The actions carried out contributed to an increase in sales.

In the second quarter of 2006 the Bank granted 4.3 thousand mortgage loans for the total amount of over PLN 535 million. Against the first quarter of 2006, the sales of loans grew by 84% in terms of their value and by 43% in terms of their quantity, whereas as compared to the second quarter of 2005 the sales of loans increased by 135% in terms of their value and by 59% in terms of their quantity.

in PLN '000'	**2nd quarter of 2006**	**1st quarter of 2006**	**4th quarter of 2005**	**2nd quarter of 2005**
Mortgage loans				
Number of loans granted in the quarter (in '000)	4,3	3,0	4,4	2,7
Value of loans granted in the quarter	535 224	291 207	351 289	227 583
Gross book value of the portfolio at the end of the quarter *	2 536 025	2 191 147	2 035 351	1 720 834

* The item includes: loans to private persons, individual entrepreneurs, individual farmers

Current accounts for individual clients

In the second quarter of 2006, a number of current accounts increased by 12 thousand. The number of opened current & savings accounts (ROR) is by over 2% higher than the number at the end of the first quarter of 2006 and by 11% higher than the figures recorded at the end of the second quarter of 2005.

in PLN '000'	**30.06.2006**	**31.03.2006**	**31.12.2005**	**30.06.2005**
ROR accounts				
Number (in '000)	534	522	508	481
Book value	914 055	827 591	766 090	719 782

Savings accounts for individual customers

A deposit offer for individual customers is still being expanded. The volumes on the savings accounts, which is one of the Bank's basic depositary products, are growing on a continuous basis: as at the end of the second quarter of 2006, the value of deposited cash exceeded PLN 2.6 billion, i.e. increased by 15% as compared to the end of the first quarter of 2006 and by over 68% as compared to the end of the second quarter of 2005. The number of existing Accounts increased by 48% against the analogues period of the previous year.

in PLN '000'	**30.06.2006**	**31.03.2006**	**31.12.2005**	**30.06.2005**
Savings Accounts				
Number (in '000)	191	176	160	129
Book value	2 651 620	2 305 452	1 951 041	1 582 090

Credit cards

At the end of the second quaeter of 2006, the number of credit cards issued increased by 69% against figures at the end of the second quarter of 2005, whereas, as compared to the end of the first quarter of 2006, the increase added up to 11%.

in '000'	**30.06.2006**	**31.03.2006**	**31.12.2005**	**30.06.2005**
Credit cards	83	75	66	49

Electronic distribution channels

The number of users of electronic distribution channels has been growing systematically. As at 30.06.2006 the number of KB24 users was equal to 200 thousand. In comparison with the figures as at 30.06.2005, the number of users grew by 32%.

in '000'	**30.06.2006**	**31.03.2006**	**31.12.2005**	**30.06.2005**
Number of KB24 users	200	189	165	152
Number of wire transfers via KB24 in the quarter	2 152	2 034	1 925	1 653

Offer for SME segment

in PLN '000'	**30.06.2006**	**31.03.2006**	**31.12.2005**	**30.06.2005**
Loans for SME	598 372	577 032	688 745	625 198
Current accounts for SME	1 024 600	947 812	1 009 595	904 100

Number of Bank's customer

A number of the Bank's clients in the retail and SME segments is growing systematically. In comparison with the figures as at 30.06.05 it increased by 7%.

in '000'	**30.06.2006**	**31.03.2006**	**31.12.2005**	**30.06.2005**
Individual customers	824	810	797	774
SME	85	84	81	78
Total number of customers	909	894	878	852

2.10. Investment funds

As at 30.06.2006, the total value of net assets in investment funds sold via the Bank's distribution network and managed by KBC TFI and WARTA amounted to PLN 2 263 million. In comparison with figures as of 30.06.2005, this means more than a double growth.

in PLN '000'	**30.06.2006**	**31.03.2006**	**31.12.2005**	**30.06.2005**
Net assets in investment funds sold via the Bank's distribution network	2 263 576	2 136 475	1 834 117	933 732

As of the end of the second quarter of 2006, TFI S.A. managed investment funds for the total amount of PLN 5.7 billion.

KBC TFI, with assets in investment funds for the total amount of PLN 3.2. billion occupies the seventh position among all Investment Fund Societies in Poland.

The second quarter of 2006 was yet another period for KBC TFI of intensive works on development of the its product offer. TFI performed the subscription for KBC Plus FIZ, a capital guaranteed fund, where investor's profit depends on changes in the value of a basket of 30 shares of companies with a good financial standing. The fund was offered as a part of 'FUNDUSZ + LOKATA' product.

As of the end of the second quarter of 2006, KBC TFI managed 22 investment funds:

- 5 open-end investment funds (KBC Pieniężny FIO, KBC Papierów Dłużnych FIO, KBC Obligacyjny FIO, KBC Stabilny FIO i KBC Aktywny FIO);
- 3 specialized open-end investment funds (ALFA SFIO, BETA SFIO, KBC GAMMA SFIO);
- 1 close-end investment fund investing in foreign investment funds denominated in US Dollars (KBC Dolar FIZ);
- 12 closed-end capital guaranteed funds (KB Kapitał Plus FIZ, KB Kapitał Plus II FIZ, KB Kapitał Plus III FIZ, KB Klik Europa FIZ, KB Klik Ameryka FIZ, KBC Złoty Dolar FIZ i KBC Elita FIZ, KBC Indeks Nieruchomości, KBC Byki i Niedźwiedzie, KBC Klik Plus FIZ KBC ELITA II FIZ, KBC PLUS FIZ);
- 1 close-end investment fund (KBC SIGMA FIZ) in liquidation.

At the beginning of April of the current year KBC TFI S.A. introduced to its offer a highly innovative solution concerning assets management on order via sub-funds of KBC Portfel VIP Specjalistyczny Fundusz Inwestycyjny Otwarty, a specialized open-end investment fund.

KBC TFI S.A. in cooperation with KBC Asset Management N.V conducted works on next capital guaranteed funds. In the second quarter of 2006, works were conducted on KBC Index Światowych Nieruchomości FIZ.

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

As at 30.06.2006, entities from KB S.A. Group did not issue, redeem or repay any debt or equity securities.

3. Information on dividend

The General Meeting of Shareholders of the Bank passed a resolution to pay dividend for the financial year 2005 in the gross amount of PLN 0.22 per share. The total amount of the dividend was equal to PLN 59 764 953.60 and 271 658 880 A to W shares of Kredyt Bank S.A. are participating shares. 29.06.2006 was the date of establishing the rights to dividend.

The dividend was paid as on 18.07.2006.

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 nature of the relationship, are strengthened by business relations, contracts, 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 at 30.06.2006.

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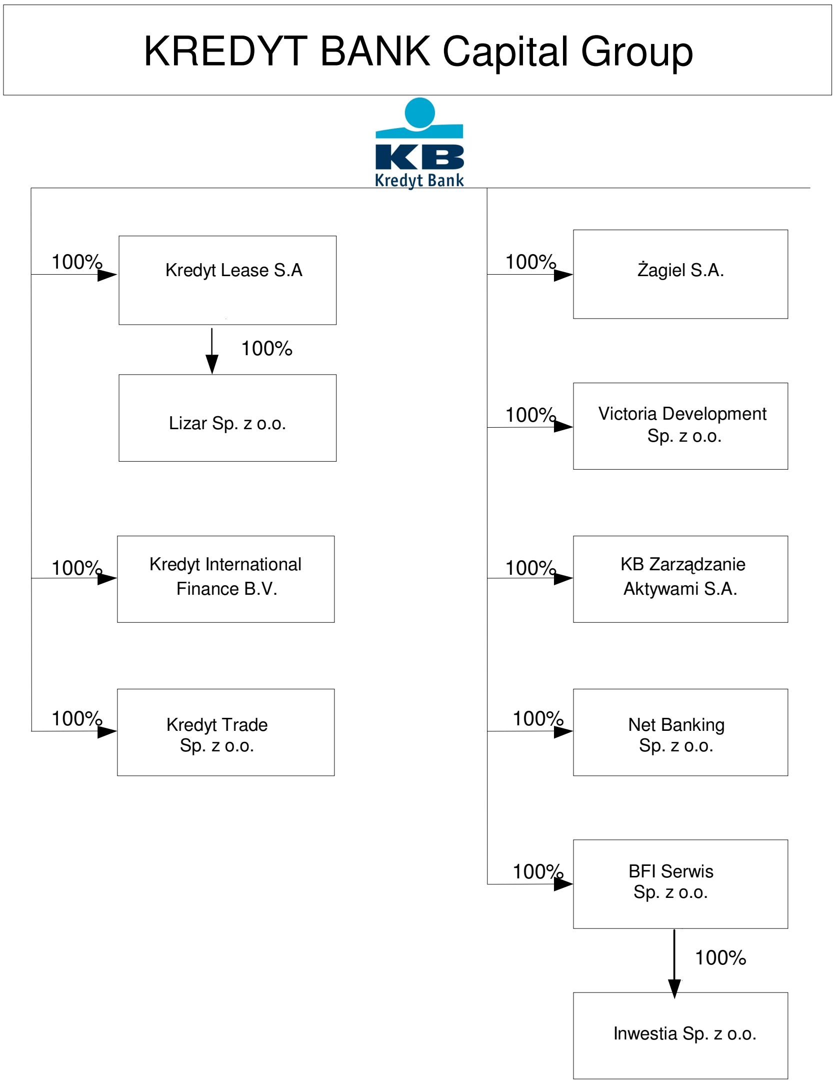

As a result of the IFRS adoption, the Group applies the materiality criteria in line with the methodology adopted by the Bank's Main Shareholder.

As at 30.06.2006, similarly to 31.03.2006, the following companies were consolidated: Kredyt Lease S.A., Kredyt International Finance B.V, Kredyt Trade Sp. z o. o., Żagiel S.A. and Victoria Development Sp. z o. o.

As compared to 30.06.2005, the Bank ceased the consolidation process of PTE of Kredyt Bank S.A. due to its liquidation.

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., KB Zarządzanie Aktywami S.A., Net Banking Sp. z o.o., BFI Serwis Sp. z o.o., Inwestia Sp. z o.o.

Stock and shares held by the Group in the above-mentioned companies are classified as assets available for sale and recognized at cost less impairment.

On 10.04.2006 the Bank and BFI Serwis Sp. z o.o., its subsidiary, transferred - pursuant to a sales agreement signed on 31.03.2006 - its ownership right to the whole packet of inscribed shares of Zakłady Przemysłu Jedwabniczego Dolwis S.A constituting 75.36% of the share capital of ZPJ Dolwis S.A. and 75.36% of votes at the General Meeting for the benefit of Zakłady Odzieżowe Bytom S.A. The shares selling price amounted to PLN 167 267.75

Kredyt Bank S.A. sold for redemption 16 720 shares in BFI Serwis Sp. z o.o. (a subsidiary of Kredyt Bank) for the benefit of BFI Serwis Sp. z o.o. They constituted 86.86% stake in the share capital and the total number of votes at the meeting of shareholders of BFI Serwis Sp. z o.o. After the shares were Kredyt Bank S.A. owns 2 529 shares in BFI Serwis Sp. z o.o., which means 100% stake in the share capital and the total number of votes at the meeting of shareholders of BFI Serwis Sp. z o.o.

5. Description of significant accounting principles and accounting estimates and comparable data

In second first quarter of 2006, the Group did not introduce any material changes in the applied accounting principles and methods of performing accounting estimates as compared to the principles and methods described in the Group's published consolidated financial statements as of 31.12.2005.

Preparation of financial statements under IAS/IFRS requires a professional judgment of the Bank's Management Board on the adopted accounting principles and accounting estimates applied with respect to balance sheet items and income statement items. Estimates refer to uncertain future events and are performed basing on historical data and a number of assumptions based on the facts available at the time, resulting from internal and external conditions. The actual results of future business operations may differ from the current accounting estimates. Therefore, accounting estimates are verified on a regular basis. Changes in estimates are recognized 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 amortized cost, with the application of the effective interest rate method;
- identification and measurement of impairment of financial assets measured at amortized cost and historical cost;
- measurement of financial assets and liabilities at fair value, including derivatives for which no active market exists;
- deferred tax assets;
- provisions.

5.1. Measurement of financial assets and liabilities at amortized cost, with the application of the effective interest rate method

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

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, what excludes a possibility of calculating the effective interest rate.

Recognition of the measurement in the income statement

The purpose of the measurement at amortized 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 assets portfolio financed with the defined deposits portfolio.

Pursuant to IAS 39, the settlement of commissions/fees and certain external expenses connected with financial instruments (with the use of the effective interest rate method or on a straight-line basis) depends on a type 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 disclosure in the income statement, depends on the economic nature of a given commission/fee.

The commissions/fees settled over time include, for instance, fees for approval of a loan application, commissions for granting a credit, commissions for releasing cash under loans, 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 expenses connected with changes of contractual terms, what modifies the value of the originally calculated 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 over time 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 recognized 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/expense

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

In the event of loans for which individual evidence for impairment was identified, interest is recognized into the income statement based on the probability of their payment.

5.2. Impairment of assets measured at amortized cost

Loan receivables constitute the most important portion of financial assets recognized in the Group's balance sheet at amortized cost. On 01.01.2005 the Group implemented the principles of measuring impairment of loan receivables in accordance with IAS 39.

According to IAS 39, all loans are subject to an impairment testing, not only receivables that bear increased credit risk. If the Group identifies premises that indicate the impairment, the impairment is calculated as difference between the book value of loan receivable and its economic value measured as the present value of the expected future cash flows.

The methodology of evaluating the circumstances indicating the impairment of loans has been elaborated in cooperation with the Bank's Main Shareholder on the basis of the Group's experience acquired in the banking services sector, analyzing historical data over on a long-term basis and taking into account the current specific character of the local market and the features of the financial assets portfolios managed by the Group.

Impairment triggers

Analysis of impairment triggers is performed for individual loans as well as portfolios (groups) of loans.

The catalogue of objective triggers includes quantitative and qualitative data in static and dynamic terms, in relation to both elements of exposure servicing by the borrower as well as the borrower's financial and economic situation, the management and control processes, market and macro-economic environment, what is reflected in the possibility of generating financial resources necessary to cover the indebtedness.

The list of triggers determines the level of their materiality: impairment may be evidenced by one circumstance or a combination of circumstances.

In the case of receivables portfolios, the events concerning the whole population of homogenous assets that may be identified, assessed and quantified in relation to the entire portfolios, but not the individual receivables, are the triggers indicating the impairment.

Measurement of individual impairment

Measurement of individual impairment is performed for all loan receivables for which some individual triggrs indicating the impairment were identified.

A process of estimating future, expected cash flows is carried out in a specially dedicated IT tool. An economic value of the receivables secured with collateral is estimated taking into account the recoverable amount of such collateral. In the case of those receivables for which the debt recovery value of collateral is the only expected future cash flow, a group estimation of a possibility of recovering the collateral is prepared. The Bank gathers knowledge about the quality of collateral portfolio in a form of statistical data updated on a regular basis, referring to the historical effectiveness of debt recovery as well as the present market value of particular types of collateral, adjusted with the costs of their collection.

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

Measurement of portfolio impairment

In the situation where no objective triggers indicating the loss in a loan value assessed on individual basis has occurred, regardless of whether it constitutes a material reporting item or not, such exposure is included in the loans portfolio of similar features, and the portfolio impairment analysis is conducted.

Homogenous loans portfolios are grouped 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 the similar assets portfolios. Historical trends for losses are cleared of single events and are updated with a current risk profile of homogenous groups of assets. Thus, the systematic risk of portfolios is identified, which will be transformed into individual losses with specific probability.

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

a) fluctuations in the loan portfolios;

b) the Group's operating effectiveness of the credit risk management processes, particularly taking into account the restructuring and debt recovery activities;

c) Poland's macroeconomic situation and its direct impact on the key ratios applied in the banking sector;

d) the Group's credit policy in relation to selected sectors of economy as well as receivables portfolios against models adopted by other banks.

5.3. Financial assets measured at fair value through profit and loss

From 01.01.2005, the Group introduced, in accordance with IAS 39, and instead of the 'held-for-trading assets' category, a broader term, i.e.: 'financial assets measured at fair value through the profit and loss'.

The following is included in the category of 'financial assets measured at fair value through profit and loss':

a) financial assets determined, upon their initial recognition, as financial assets measured at fair value through the profit and loss account, or

b) financial assets classified as held for trading, if they meet the following conditions:

- are purchased or contracted mainly for sale or repurchase on a close date;
- constitute a portion of the portfolio of specific financial instruments managed jointly, for which there exists the confirmation of actual formula of generating short-term profits, or
- they are derivative instruments (except for specific derivative instruments which are effective hedging instruments).

Financial assets and liabilities carried at fair value through profit and loss are recognized at fair value in the balance sheet beginning from the date of the transaction. The fair value is determined on the basis of quotations on active markets, including the prices of recent transactions and generally accepted valuation models based on variables that can be observed in the market environment.

In the case of financial assets and liabilities recognized 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. Certain variables, e.g. future interest rates, volatility parameters, correlations, obviously must be professionally assessed. The models and variables are verified independently on a regular basis. A change in adopted models or variables in these models might affect accounting estimates related to measurement.

5.4. Hedge accounting

Hedge accounting recognizes effects of compensation of changes in fair value of a hedging instrument and a hedged item influencing the income statement. According to principles of hedge accounting adopted, the Group determines certain derivative instruments as hedging of fair value of particular assets, provided the criteria defined under IAS 39 are met. The Group applies hedge accounting to hedging relation, when all the following criteria are met:

- Upon the establishment of hedging, hedging relations as well as the purpose of the Group's risk management and strategy have been officially determined and documented. The documentation includes identification of hedging instruments, hedged items or transactions and the nature of the hedged risk as well as the way in which the Group will assess the effectiveness of hedging instrument in compensating the risk of changes in fair value of a hedged item or cash flows related to the risk hedged,
- It is expected that hedging will be highly effective in compensating changes in fair value (or cash flows) resulting from the risk hedged, in accordance with originally documented strategy of risk management, concerning this particular hedging relation,
- Effectiveness of hedging can be reliably assessed, that is fair value or cash flows related to a hedged item, resulting from the risk hedged, and fair value of a hedging instrument can be assessed reliably,
- Hedging is assessed on regular basis and its high effectiveness is confirmed in all accounting periods with regard to which hedging was established.

The hedging of fair value, meeting the conditions of hedge accounting, is recognized by the Group in the following manner:

- gains or losses resulting from the revaluation of fair value of a hedging derivative are recognised in the income statement;
- gains or losses related to the hedged item, resulting from the hedged risk, adjust the carrying amount of the hedged item and are recognized in the income statement. This rule applies to a hedged item which, in other circumstances, is measured at cost. When the hedged item is an available-for-sale financial asset, gains or losses resulting from the hedged risk are recognized in the income statement.

The Group ceases to apply the accounting rules of fair value hedging if a hedging instrument expires, is sold, terminated or completed, hedging fails to meet the criteria of hedge accounting or the Group cancels a hedging relation.

In the case of a hedging instrument which in other circumstances would be recognized at amortized cost, an adjustment of the balance-sheet total resulting from application of the hedge accounting is amortized in income statement. The depreciation starts when the hedging relations stop to be identified, i.e. when a hedged item stops to be adjusted with changes in the fair value resulting from the hedged risk. An adjustment is settled with an effective interest rate calculated as on the date of starting the depreciation.

In the case of a hedged instrument being an available for sale asset and measured at fair value, in accordance with a generally adopted rule, the whole change in the fair value is recognized in revaluation reserve since the moment a hedging relation stops to be identified.

As at 30.06.2006 the book value of the hedged item and of the hedging item and the amounts of their revaluation at fair value are not material for the financial statements.

5.5. Deferred tax assets

The Bank, as of 30.06.2005, due to the its improving financial result, decided to begin prudently recognizing a surplus of the deferred tax asset over deferred tax liability in the value that is probable to be tax-deductible in the future. The accounting policy adopted by the Bank stipulates in this respect that at the end of each subsequent quarter, the Bank recognizes the surplus of the deferred tax asset over deferred tax liability in the value of the probable future realization amount within the nearest 2 years. The probability of realizing net deferred tax asset is determined on the basis of financial plans and tax forecasts prepared by the Bank's Management Board, updated on an ongoing basis as at the end of each of the quarters.

5.6. Goodwill

As of 01.01.2004, the Group ceased to amortize goodwill. Once a year the Group performs a net goodwill impairment test based on the models developed in cooperation with the Bank's Main Shareholder. The models are pursuant to directives included in IAS/IFRS and based on generally accepted principles of the measurement of capital investments, among others, they take into consideration discounted future cash flows.

5.7. Comparable data

As far as comparable data included in this financial report are concerned, presentation changes occurred against the data presented in the consolidated financial report of the Capital Group of Kredyt Bank S.A. prepared for the first half of 2005. The changes were aimed at adjusting a format of the balance sheet, income statement, statement of changes in equity and cash flow statement presented in interim consolidated financial statements of the Group to a format applied as at 31.12.2005.

Furthermore, with respect to comparable data for the first half of 2005, the balance-sheet total was diminished as a result of recognition of net deferred tax assets and liabilities and compensation of Zakładowy Fundusz Świadczeń Socjalnych. The net profit is different due to recognition in the income statement of measurement of fixed assets sold, presented as at 01.01.2005 in the share premium.

Table 1

Significant reclassifications in the consolidated balance sheet against the data published after the first half of 2005

Income statement	**Published data**	**Changes**	**Comparable data**	**Clarifications**
	1st half of 2005		**1st half of 2005**	
in PLN '000'	01.01.2005 - 30.06.2005		**01.01.2005 - 30.06.2005**	
Interest income	364 463	2 768	367 231	a)
Fee and commission income	139 938	2 117	142 055	b)
Other operating income	32 355	-3 561	28 794	a), b), c)
General and administrative expenses	-437 096	0	-437 096	
Net impairment charges for financial assets, other assets and provisions	48 741	489	49 230	c)
Other operating expenses	-21 120	-1 784	-22 904	b), c)
Profit before tax	**196 572**	**29**	**196 601**	
Net profit (loss) from discontinued operations	974	0	974	
Net profit	**233 161**	**29**	**233 190**	

Balance sheet	**Published data**	**Changes**	**Comparable data**	**Clarifications**
in PLN '000'	**30.06.2005 end of 2nd quarter of2005**		**30.06.2005 end of 2nd quarter of2005**	
ASSETS				
Financial assets (*)	9 061 701	-6 500	9 055 201	d)
Gross loans and advances to customers	13 643 961	0	13 643 961	
Allowances for impairment losses of loans and advances	-2 809 737	0	-2 809 737	
Equity investments classified as available for sale (**)	46 250	0	46 250	
Other assets (***)	728 795	0	728 795	
Deferred tax assets	260 570	-206 095	54 475	e)
TOTAL ASSETS	**20 931 540**	**-212 595**	**20 718 945**	

in PLN '000'	**30.06.2005 end of 2nd quarter of2005**	**Changes**	**30.06.2005 end of 2nd quarter of2005**	**Clarifications**
Liabilities				
Financial liabilities (****)	18 856 422	0	18 856 422	
Income tax	267	0	267	
Other liabilities and provisions	352 473	-6 500	345 973	d)
Deferred tax liabilities	206 736	-206 095	641	e)
Total liabilities	**19 415 898**	**-212 595**	**19 203 303**	
Share premium	29	-29	0	c)
Other equity	1 515 613	29	1 515 642	c)
Total equity	**1 515 642**	**0**	**1 515 642**	
TOTAL LIABILITIES AND EQUITY	**20 931 540**	**-212 595**	**20 718 945**	

(*) – the item contains: cash and balances with Central Bank; gross amounts due from banks; held-for-trading assets, available for sale and held to maturity assets;

(**) – the item contains also stock or shares in associates measured with the equity method;

(***) – the item contains: property, plants and equipment, intangible assets, goodwill of subsidiaries, other assets;

(****) – the item contains: amounts due to banks and customers; held-for-trading financial liabilities, issued debt securities; securities sold under repurchase agreements; subordinated liabilities.

Clarifications to significant reclassifications in the consolidated statement against data published after the second quarter of 2005:

a) reclassification of statutory interest income and expense;
b) reclassification of fee and commission income and expense referring to fees and commissions for distribution of financial products;
c) reclassification of the measurement of fixed assets;
d) compensation of ZFŚS;
e) deferred tax asset compensation with deferred tax liability

Table 2

Significant reclassifications in the separate statement against the data published after the first half of 2005

Income statement	**Published data**	**Changes**	**Comparable data**	**Clarifications**
in PLN '000'	**1st half of 2005** **01.01.2005 - 30.06.2005**		**1st half of 2005** **01.01.2005 - 30.06.2005**	
Interest income	325 069	2 768	327 837	a)
Fee and commission income	105 883	2 117	108 000	b)
Other operating income	27 777	-3 561	24 216	a), b), c)
General and administrative expenses	-393 718	0	-393 718	
Net impairment charges for financial assets, other assets and provisions	70 350	489	70 839	c)
Other operating expenses	-19 767	-1 784	-21 551	b), c)
Profit before tax	**183 237**	**29**	**183 266**	
Net profit (loss) from discontinued operations	974	0	974	
Net profit	**225 919**	**29**	**225 948**	

Balance sheet	**Published data**	**Changes**	**Comparable data**	**Clarifications**
in PLN '000'	**30.06.2005 end of 2nd quarter of2005**		**30.06.2005 end of 2nd quarter of 2005**	
ASSETS				
Financial assets (*)	9 030 551	-6 500	9 024 051	d)
Gross loans and advances to customers	13 569 213	0	13 569 213	
Allowances for impairment losses of loans and advances	-2 549 384	0	-2 549 384	
Equity investments classified as available for sale	126 946	0	126 946	
Other assets (**)	579 195	0	579 195	
Deferred tax assets	238 192	-196 484	41 708	e)
TOTAL ASSETS	**20 994 713**	**-202 984**	**20 791 729**	

in PLN '000'	**30.06.2005 end of 2nd quarter of2005**		**30.06.2005 end of 2nd quarter of2005**	**Clarifications**
Liabilities				
Financial liabilities (***)	18 896 893	0	18 896 893	
Other liabilities and provisions	409 547	-6 500	403 047	d)
Deferred tax liabilities	196 484	-196 484	0	
Total liabilities	**19 502 924**	**-202 984**	**19 299 940**	
Share premium	29	-29	0	c)
Other equity	1 491 760	29	1 491 789	c)
Total equity	**1 491 789**	**0**	**1 491 789**	
TOTAL LIABILITIES AND EQUITY	**20 994 713**	**-202 984**	**20 791 729**	

(*) – the item contains: cash and balances with Central Bank; gross amounts due from banks; held-for-trading assets, available for sale and held to maturity assets;

(**) – the item contains: property, plants and equipment, intangible assets, other assets;

(***)– the item contains: amounts due to banks and customers; held-for-trading financial liabilities, issued debt securities; securities sold under repurchase agreements; subordinated liabilities;

Clarifications to significant reclassifications in the consolidated statement against data published after the second quarter of 2005:

a) reclassification of statutory interest income and expense;

b) reclassification of fee and commission income and expense referring to fees and commissions for distribution of financial products;

c) reclassification of the measurement of fixed assets;

d) compensation of ZFŚS;

e) deferred tax asset compensation with deferred tax liability.

6. Information on major post-balance sheet events

From 30.06.2006 to the date of publication of this report no major post-balance sheet events having influence on the financial figures published occurred.

7. Change in contingent liabilities

In PLN '000'	**30.06.2006**	**31.03.2006**	**31.12.2005**	**30.06.2005**
I. Off-balance sheet contingent liabilities granted and received	**5 292 223**	**4 298 008**	**4 089 190**	**4 881 643**
1. liabilities granted:	4 847 394	3 936 479	3 577 985	4 143 495
a) financial	3 662 196	2 799 243	2 451 828	1 725 254
b) guarantees	1 185 198	1 137 236	1 126 157	2 418 241
2. liabilities received:	444 829	361 529	511 205	738 148
a) financial	61 917	55 894	11 831	250 052
b) guarantees	382 912	305 635	499 374	488 096
II. Liabilities related to the sale/purchase transactions	**111 255 861**	**93 759 916**	**79 905 636**	**79 285 047**

The changes that occurred in the second quarter of 2006 regarding off-balance sheet items, presented in a table above, resulted from the Group's current operations.

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

In comparison with the information presented as of 31.03.2006 in the interim consolidated financial report of the Group, the Bank's share capital has not changed. However, the composition of the shareholders has been changed.

On 02.06.2006 KBC Bank NV, executing a resolution by the Commission for Banking Supervision No. 81/KNB/01 dated 17.09.2001 pursuant to which KBC Bank NV has the right to exercise not more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A., carried out a transaction of sale for the benefit of Sofina S.A. of 15 014 772 shares of Kredyt bank S.A. constituting 5.53% stake in share capital and votes. Before the sale transaction, KBC Bank NV owned 232 341 875 shares of Kredyt Bank S.A. constituting 85.53% stake in the share capital of Kredyt Bank S.A. After the sale transaction, KBC Bank NV owns 217 327 103 shares of Kredyt Bank S.A. constituting 80% stake in the share capital of Kredyt Bank S.A.

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 30.06.2006 is presented in the table below.

Shareholder	Scope of activity	Number of shares and votes at GSM	Participation in votes and in share capital (in %)
KBC Bank N.V.*	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 dated 17.09.2001 KBC Bank NV has the right to exercise no more than 75% of votes at the General Meeting of Shareholders of Kredyt Bank S.A.

9. The Bank's shares and the shares in the Group's subsidiaries and associates held by the Management Board and the Supervisory Board members

As of the date of publication of this report, i.e. 27.07.2006, comparison with the information as of the date of publication of the annual consolidated financial report, some changes occurred in the ownership of the Bank's shares as well as shares in the subsidiaries and associates held by members of the Bank's Management Board and the members of the Bank's Supervisory Board in result of changes in the composition of the above-mentioned bodies.

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

10. Information on proceedings before courts or public administration authority

In the second quarter of 2006 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 shareholders' equity.

Those proceedings before courts, where the individual amounts claimed are the highest, are presented below.

10.1. The proceedings, in which the Bank is a plaintiff

Since the outcome of a litigation against Inspektoria Towarzystwa Salezjańskiego in Wrocław (Salesian Society Inspectorate) was disadvantageous for the Bank, where Inspektoria Towarzystwa Salezjańskiego was the guarantor of repayment of loans granted to four entities by the Bank over the period February – August 2001: St. Jan Bosko's Roman-Catholic Parish in Lublin, St. Jack's Roman Catholic Parish and two Monastic Houses of the Salesian Society in Lublin. Currently the Bank is suing the church institutions by the reason of groundless enrichment for a total amount of PLN 14 567 thousand with a possibility of extending a complaint. The initial hearings have already been held. The defendant institutions filed their responses to the suits, where they appealed to entirely dismiss the complaints.

10.2. The proceedings in which the Bank is a defendant

The highest amounts were claimed in the cases specified below:

- Three court proceedings related to loan granted to Laboratorium Frakcjonowania Osocza Sp. z o.o. in Mielec (LFO). The Bank is a leasing bank in the syndicate of five banks, which on the basis of an agrement of 4.03.1997 granted a syndicate credit to Laboratorium Frakcjonowania Osocza Sp. z o.o. in Mielec. The credit was secured by, among others, a registered pledge on the company's fixed assets and by a guarantee of State Treasury up to 60% of the used credit amount and interest on the used credit amount. As the assumptions of the investment project, being the basis for the loan granted, are not carried out and the due dates of payments have not been met, the Bank acting in the name of the banks' syndicate terminated the agreement in accordance with its terms and demanded payment of the receivables from LFO Sp. z o.o. As at 30.06.2003 the Bank's share in the syndicate amounted to PLN 12,4 million. The proceeding concerning execution by the Bank of the collateral defined by provisions of the credit agreement turned to be ineffective. Therefore, on 28.03.2003 the Bank, on behalf of the banks' syndicate, addressed a demand for payment of the amount of USD 12.7 million constituting 60% of the credit amount used and USD 1.6 million of interest to the Finance Minister representing the State Treasury: In his letter of 1.07.2003, the Finance Minister refused to meet the guarantee commitments until the court verifies LFO's claim. Banks – participants of the syndicate approached the court in order to concede the enforceability clause to the banking executory title (BET) issued on 01.12.2004 against the State Treasury. On 23.05.2006 the enforceability clause of BET was delivered to the Bank.

    - Plaintiff: Laboratorium Frakcjonowania Osocza Sp. z o.o. (LFO) is claiming for a compensation equal to PLN 119 477 thousand due to the termination of a loan agreement. The complaint was filed on 18.06.2003. The Bank is of the view that

LFO's claims are lacking any actual and legal grounds. On 16.03.2005 LFO's suit was rejected by the court 's ruling. On 04.05.2005 LFO appealed against the said ruling. On 12.08.2005 the court dismissed LFO complaint against the dismissal of the suit. On 21.12.2005 the plaintiff's cassation complaint was delivered. The Bank filed a response to the suit applying to dismiss the cassation complaint. On 17.05.2006 at its proceedings in camera, the Supreme Court reversed the ruling of the Court of Appeal and the ruling of the District Court to dismiss the suit of LFO claiming for compensation from the Bank. The Bank filed a motion to deliver the decision of the Supreme Court including reasons for the decision.

- Plaintiff: Laboratorium Frakcjonowania Osocza Sp. z o.o. LFO claimed to deprive the executory title of the enforceability clause. The suit was filed on 06.01.2005. The disputed amount amounts to PLN 102 154 thousand (totally for all syndicate members, while the Bank's portion amounts to PLN 6 787 thousand).The court appointed an expert, who checked the correctness of calculating the amounts that were specified in the banking executory title issued by the Bank in favour of all participants of the banking syndicate. The expert charged the Bank with the incorrectness in calculating the amount of indebtedness. The Bank provided its explanation and questioned the expert's opinion. At the hearing dated 18.01.2006 the court closed the trial. The ruling was announced on 31.01.2006. The banking executory title was partially deprived of the enforceability clause, amounting to PLN 252 377.13. Simultaneously the court maintained the banking executory title in the amount of PLN 101 902 thousand. The Plaintiff lodged an appeal from the judgement. On 25.05.2006 the Court of Appeal dismissed the plaintiff's appeal from the ruling of the District Court on deprival of the BET of the enforceability clause.

- The Finance Minister, in the name of the State Treasury, ordered to determine that the syndicate credit agreement concluded between LFO and the syndicate of five banks expired on 28.02.1998 by the reason of fulfilment of a condition specified in the agreement, i.e. a failure to deliver defined documents, and thus expired the obligation of the State Treasury being the guarantor of this credit on the basis of surety agreement concluded on 01.07.1997 between the Bank, acting in the name of the banks' syndicate, and the State Treasury. On 02.01.2006 the Bank filed a response to the suit applying to dismiss a complaint. Additionally, (in the face of possible termination) a statement of counter-claim for payment was filed by the five banks against the State Treasury. In the light of the decision on the case to concede the enforceability clause to the banking executory title issued against the State Tresury, the Bank filed a motion to reverse the suit of the State Treasury due to a lack of legal interest of the plaintiff. The Bank also applied for discontinuance of the proceedings concerning the Bank's counter-claim due to the fact that the proceedings became groundless.

• On 05.01.2006 the Bank received a suit filed by Gdańsk Archdiocese, containing a counter-executory complaint against the executory banking titles issued by the Bank. The plaintiff claims that the credit agreements concluded in connection with the activity of Stella Maris Publishing House of Gdańsk Archdiocese are not valid as the persons acting in the name of

Archdiocese were lacking the required empowerment. The claimed amount is equal to PLN 14 979 thousand. The Bank prepared a reply to the suit, applying to entirely dismiss a complaint. The District Court in Gdańsk fixed a date of a trial as on 17.02.2006 and considered itself competent only as for a portion of the claimed amount, while the proceedings concerning its remaining portion would be conducted by the District Court in Bydgoszcz. In connection with the efforts made to amicably settle the dispute both parties filed motions to the courts to suspend the proceedings. On 06.03.2006 the Bank together with other creditors signed Agrement with Gdańsk Archdiocese. Gdańsk Archdiocese received from The Holy See an approval for alienation of the goods listed in the Agreement. In the case conducted in the District Court in Bydgoszcz, the Court returned the suit to the plaintiff by its ruling of 30.03.2006. The proceedings in the District Court in Gdańsk were discontinued on 25.04.2006 on the plaintiff's motion. On 12.04.2006 the Bank acting on the basis of provisions of the Agreement dated 06.03.2006 sent motions to discontinue all executory proceedings initiated against Gdańsk Archdiocese.

- Plaintiff: the receiver in bankruptcy of a company active in developer's sector (as applied for, the name of this company is confidential) claiming to award the amount of PLN 32 256 thousand by the reason of executing by the Bank financial transfers from the company's account on the basis of bank transfer orders and cheques bearing a forged signature of one of the persons authorised to represent the company towards the Bank. The suit was filed on 06.02.2004. On 13.01.2005 the court suspended the proceedings until a penal proceeding is over. On 20.09.2005, by the court's ruling, the civil proceedings were initiated in connection with the sentence in a criminal case pertaining to the forgery of signatures on cheques. The next hearing will be held on 13.09.2006.

The Bank's Management Board is of the view that any risks connected with the proceedings before courts or public administration bodies are properly secured by the provisions created.

11. Significant transactions with related parties not stemming from current operating activity

In the second quarter of 2006 no significant transactions were concluded with the related parties, total value of which from the beginning of the financial year equal to or exceeding the PLN equivalent of EURO 500 thousand, and the nature and terms of which did not stem from the current operating activity.

12. Information on issued guarantees or sureties by the Bank or its subsidiary

As of 30.06.2006 the Bank granted guarantees in favour of one company and its subsidiaries of total value exceeding 10% of the Bank's equity. The total amounts of these guarantees were equal to PLN 236 858 thousand. As of 30.06.2006 their average maturity was a year and ten months.

As of 30.06.2005 the Bank granted to its subsidiary the guarantees of total value accounting for at least 10% of the Bank's equity. The guarantees amounted to PLN 1 248 658 thousand. On 07.07.2005 the above mentioned guarantees expired since the secured loans were repaid.

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

13. Other information, which, in the issuer's opinion, is material for the assessment of its personnel or financial situation, its assets, financial results and their changes and information material for the assessment of the potential fulfilment of the issuer's commitments

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

14. Position of the Management Board with regard to a possible earlier realization of a published forecast of financial results.

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

15. Factors which will exert an impact on the result within the next quarter

The Bank's Management Board is of the view that any events other than those resulting from the current activities of the Bank and the Group's subsidiaries will not exert an impact on the result in the third quarter of 2006.

Signatures of all Management Board Members

date 27.07.2006	Ronald Richardson	President of the Management Board	....
date 27.07.2006	Umberto Arts	Deputy President of the Management Board	....
date 27.07.2006	Krzysztof Kokot	Deputy President of the Management Board	....
date 27.07.2006	Konrad Kozik	Deputy President of the Management Board	....
date 27.07.2006	Bohdan Mierzwiński	Deputy President of the Management Board	....

STANDALONE INDIVIDUAL FINANCIAL STATEMENT OF KREDYT BANK S.A.

1. INCOME STATEMENT

in PLN '000'	2nd quarter of 2006 01.04.2006 - 30.06.2006	Two quarters of 2006 01.01.2006 - 30.06.2006	2nd quarter of 2005 01.04.2005- 30.06.2005	Two quarters of 2005 01.01.2005 - 30.06.2005
Interest income	294 301	605 069	360 057	706 986
Interest expense	-135 349	-269 292	-184 327	-379 149
Net interest	**158 952**	**335 777**	**175 730**	**327 837**
Fee and commission income	68 948	134 969	57 485	117 829
Fee and commission expense	-7 999	-14 662	-5 642	-9 829
Fee and commission income	**60 949**	**120 307**	**51 843**	**108 000**
Dividend income	750	750	750	750
Net trading income	35 049	63 535	24 732	71 982
Profit (loss) from investment activities	1 553	1 893	2 796	-5 089
Income from sale of receivables portfolio	121 306	121 306	0	0
Other operating income	14 257	23 368	16 396	24 216
Total operating income	**392 816**	**666 936**	**272 247**	**527 696**
General and administrative expenses	-201 284	-392 024	-199 419	-393 718
Net impairment charges for financial assets and other assets and provisions	-6 725	-2 270	46 686	70 839
Other operating expenses	-9 458	-20 195	-10 130	-21 551
Total operating expense	**-217 467**	**-414 489**	**-162 863**	**-344 430**
Net operating income	**175 349**	**252 447**	**109 384**	**183 266**
Profit (loss) before tax	**175 349**	**252 447**	**109 384**	**183 266**
Income tax expense	1 592	10 990	41 708	41 708
Net profit from business activities	**176 941**	**263 437**	**151 092**	**224 974**
Net profit (loss) from discontinued operations	0	0	0	974
Net profit	**176 941**	**263 437**	**151 092**	**225 948**
Including attributable to:				
Shareholders of the Bank	**176 941**	**263 437**	**151 092**	**225 948**
Weighed average number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Earnings per share (in PLN)	0,65	0,97	0,56	0,83

2. BALANCE SHEET

in PLN '000'	30.06.2006 end of 2nd quarter of 2006	31.03.2006 end of 1st quarter of 2006	31.12.2005 end of 2005	30.06.2005 end of 2nd quarter of 2005
ASSETS				
Cash and balances with Central Bank	1 370 030	425 848	607 069	874 515
Gross due from banks	1 978 568	1 653 062	2 229 548	2 930 996
Allowances for impairment losses of dues from banks	-2 894	-2 894	-2 894	-2 894
Financial assets measured at fair value through the profit and loss account, including held-for-trading assets	564 659	919 045	703 888	673 144
Gross loans and advances to customers	12 281 877	12 408 115	12 192 581	13 569 213
Allowances for impairment losses of loans and advances to customers	-1 713 953	-2 319 637	-2 319 248	-2 549 384
Investments in securities:	6 116 652	6 285 469	6 709 651	4 548 290
- available for sale	3 553 030	3 896 279	4 417 819	2 594 059
- held to maturity	2 563 622	2 389 190	2 291 832	1 954 231
Equity investment classified as available for sale	73 829	96 001	91 375	126 946
Property, plant and equipment (PPE)	298 297	309 735	341 065	346 211
Intangible assets	93 773	104 318	110 557	120 617
Deferred tax assets	132 823	106 657	98 748	41 708
Income tax	0	13 412	13 412	0
Other assets	119 739	145 048	136 143	112 367
TOTAL ASSETS	**21 313 400**	**20 144 179**	**20 911 895**	**20 791 729**

in PLN '000'	30.06.2006 end of 2nd quarter of 2006	31.03.2006 end of 1st quarter of 2006	31.12.2005 end of 2005	30.06.2005 end of 2nd quarter of 2005
LIABILITIES				
Due to Central Bank	2 342	0	0	0
Due to banks	2 830 304	2 265 981	2 562 167	1 300 608
Held-for-trading financial liabilities	247 669	231 796	220 155	273 343
Due to customers	14 673 175	14 441 791	14 592 699	15 529 581
Issued debt securities	402 223	407 227	402 435	402 941
Disposed securities with the promise of repurchase	401 746	234 410	368 701	777 150
Income tax liabilities	17 171	00		0
Provisions	75 040	74 765	77 072	75 385
Other liabilities	381 840	303 523	439 367	327 662
Subordinated liabilities	444 853	432 975	589 581	613 270
TOTAL LIABILITIES	**19 476 363**	**18 392 468**	**19 252 177**	**19 299 940**
Shareholders' equity per Bank's shareholder	**1 837 037**	**1 751 711**	**1 659 718**	**1 491 789**
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Share premium	104 789	0	0	0
Revaluation reserve	-10 425	21 425	15 928	32 539
Reserves	120 942	120 942	120 942	120 942
Retained earnings/loss	0	164 554	-245 934	-245 934
Current net profit (loss) attributable to shareholders of the Bank	263 437	86 496	410 488	225 948
Equity attributable to shareholders of the Bank	**1 837 037**	**1 751 711**	**1 659 718**	**1 491 789**
Minority interest				
Total equity	1 837 037	1 751 711	1 659 718	1 491 789
TOTAL LIABILITIES AND EQUITY	**21 313 400**	**20 144 179**	**20 911 895**	**20 791 729**
Capital adequacy ratio (%)	15,80	17,18	16,21	14,43
Number of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	6,76	6,45	6,11	5,49

3.OFF-BALANCE SHEET ITEMS

in PLN '000'	**30.06.2006 end of 2nd quarter of 2006**	**31.03.2006 end of 1st quarter** of 2006	**31.12.2005 end of 2005**	**30.06.2005 end of 2nd quarter** of 2005
Contingent liabilities, granted and received	5 485 027	4 487 208	4 300 859	4 965 386
1. Liabilities granted, including:	5 040 198	4 125 096	3 788 786	4 225 204
a) financial	3 853 879	2 999 003	2 660 911	1 805 245
b) guarantees	1 186 319	1 126 093	1 127 875	2 419 959
2. Liabilities received, including:	444 829	362 112	512 073	740 182
a) financial	61 917	56 477	12 699	252 086
b) guarantees	382 912	305 635	499 374	488 096
Liabilities related to the sale/purchase transactions	111 260 647	93 759 916	79 905 636	79 285 047

4. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Changes in the period from 1 January to 30 June 2006

in PLN '000'	Share capital	Share premium	Revaluation reserve	Reserves	Retained earnings (losses)	Current net profit	Total equity
Equity at opening balance – as of 01.01.2006	**1 358 294**	**0**	**15 928**	**120 942**	**164 554**	**0**	**1 659 718**
Changes in equity:	**0**	**104 789**	**-26 353**	**0**	**-164 554**	**0**	**-86 118**
- profit allowance		104 789			-104 789		**0**
- dividends paid					-59 765		**-59 765**
- valuation of financial assets			-32 265				**-32 265**
- deferred tax			5 912				**5 912**
Current net profit						**263 437**	**263 437**
Equity at period end – as of 30.06.2006	**1 358 294**	**104 789**	**-10 425**	**120 942**	**0**	**263 437**	**1 837 037**

Changes in the period from 1 January to 31 December 2005

in PLN '000'	Share capital	Share premium	Revaluation reserve	Reserves	Retained earnings (losses)	Current net profit	Total equity
Equity at opening balance – as of 01.01.2005	**1 358 294**	**350 910**	**8 059**	**173 779**	**-649 681**	**0**	**1 241 361**
Changes in equity:	**0**	**-350 910**	**7 869**	**-52 837**	**403 747**	**0**	**7 869**
- covering retained loss		-350 910		-52 837	403 747		**0**
- valuation of financial assets			11 377				**11 377**
- other changes			-41				**-41**
- deferred tax			-3 467				**-3 467**
Current net profit (loss)						**410 488**	**410 488**
Equity at period end (closing balance) – as of 31.12..2005	**1 358 294**	**0**	**15 928**	**120 942**	**-245 934**	**410 488**	**1 659 718**

Changes in the period from 1 January to 30 June 2005

in PLN '000'	Share capital	Share premium	Revaluation reserve	Reserves	Retained earnings (losses)	Current net profit	Total equity
Equity at opening balance – as of 01.01.2005	**1 358 294**	**350 910**	**8 059**	**173 779**	**-649 681**	**0**	**1 241 361**
Changes in equity:	**0**	**-350 910**	**24 480**	**-52 837**	**403 747**	**0**	**24 480**
- covering retained loss		-350 910		-52 837	403 747		**0**
- valuation of financial assets			24 521				**24 521**
- other changes			-41				**-41**
Current net profit (loss)						**225 948**	**225 948**
Equity at period end (closing balance) – as of 30.06.2005	**1 358 294**	**0**	**32 539**	**120 942**	**-245 934**	**225 948**	**1 491 789**

5. CASH FLOW STATEMENT

in PLN '000'	2nd quarter of 2006 01.04.2006 - 30.06.2006	Two quarters of 2006 01.01.2006 - 30.06.2006	2nd quarter of 2005 01.04.2005 - 30.06.2005	Two quarters of 2005 01.01.2005- 30.06.2005
Net cash flow from operating activities	**1 384 287**	**-110 081**	**91 982**	**962 395**
Net profit (loss)	**176 941**	**263 437**	**151 092**	**225 948**
Adjustments to net profit (loss) and net cash from operating activities:	**1 207 346**	**-373 518**	**-59 110**	**736 447**
Current and deferred tax income recognized in financial result (negative sign)	-1 592	-10 990	-41 708	-41 708
Non-realized profit/loss from currency translation differences	46 268	58 348	4 589	8 404
Investing and financing activities	**-575 619**	**-555 740**	**-45 240**	**-29 804**
Depreciation	25 770	53 975	32 701	65 741
Impairment	-599 562	-604 860	-141 274	-139 436
Dividends	-750	-750	-750	-750
Net increase/decrease in provisions (release of provisions - negative sign)	275	-2 032	65 592	38 847
Profit (loss) from investments	-1 352	-2 073	-1 509	5 794
Cash flow related to profit from operating activities before inclusion of changes in assets and liabilities from operating activities	**-530 943**	**-508 382**	**-82 359**	**-63 108**
Net increase/decrease in operating assets (excluding cash)	**635 169**	**-300 492**	**526 107**	**728 122**
Net increase/decrease in loans and advances:	**319 711**	**-304 414**	**728 662**	**171 436**
- to banks	198 424	-214 771	486 236	-199 519
- to other financial entities	10 722	24 670	73 797	102 101
- to non-financial entities	99 879	-214 733	139 823	213 030
- to budgetary sector	10 686	100 420	28 806	65 142
Net increase/decrease in available for sale assets	26 634	6 025	9 091	-20 893
Net increase/decrease in held-for-trading assets	358 666	147 354	-144 493	714 425
Net increase/decrease in hedging derivatives recognized as assets	-483	-421	0	0
Net increase/decrease in interest due	-70 252	-142 548	-98 743	-218 725
Net increase/decrease in expense paid in advance	562	-6 645	1 633	-1 268
Net increase/decrease in held for sale assets	4 473	-4 227	-251	-245
Net increase/decrease in income tax assets	-24 574	-23 085	0	0
Net increase/decrease in income tax liabilities	13 412	13 412	0	5 107
Paid income tax	-13 254	-13 219	232	443
Net increase/decrease in other assets	20 274	27 276	29 976	68 524

	2nd quarter of 2006 01.04.2006 - 30.06.2006	Two quarters of 2006 01.01.2006 - 30.06.2006	2nd quarter of 2005 01.04.2005 - 30.06.2005	Two quarters of 2005 01.01.2005- 30.06.2005
Net increase/decrease in operating liabilities (excluding cash)	**1 103 120**	**435 356**	**-502 858**	**71 433**
Net increase/decrease in deposits from central bank	2 303	2 303	0	0
Net increase/decrease in deposits from banks	532 564	222 200	-549 774	383 754
Net increase/decrease in deposits from other financial entities	-51 416	66 400	-33 842	-624 976
Net increase/decrease in deposits from non-financial customers	278 105	-88 001	12 338	34 143
Net increase/decrease in deposits from budgetary sector	99 297	199 083	37 399	105 875
Net increase/decrease in held-for-trading liabilities	182 424	60 549	11 169	99 245
Net increase/decrease in liabilities measured at fair value through the profit and loss account recognized as liabilities	890	890	0	0
Net increase/decrease in accrued interest – expense	20 387	34 435	6 866	23 078
Net increase/decrease in income tax liability	17 171	17 171	0	0
Net increase/decrease in other liabilities	95 558	-36 536	-25 701	7 782
Other adjustments	-74 163	-43 138	38 687	42 532
Net cash flow from operating activities	**1 384 287**	**-110 081**	**91 982**	**962 395**
Net cash flow from investing activities	**202 721**	**705 606**	**80 845**	**-1 312 951**
Acquisition of property, plant and equipment	-15 103	-22 914	-1 095	-32 672
Disposal of property, plant and equipment	202	222	388	3 536
Acquisition of intangible assets	-3 824	-7 912	-1 139	-2 796
Disposal of intangible assets	-1	27	-1	149
Disposal of shares in subsidiaries	17 012	17 012	0	0
Dividends on shares	750	750	750	750
Interest received	95 719	140 179	54 239	107 456
Acquisition of available for sale assets/liabilities	-10 038 631	-25 120 235	-9 577 698	-21 067 991
Disposal of available for sale assets/liabilities	10 334 909	25 955 593	9 719 699	20 330 397
Acquisition of investments held to maturity	-351 540	-446 065	-131 909	-1 285 334
Disposal of investments held to maturity	162 168	187 168	16 102	639 348
Other investment outflows	-586	-586	1 679	-6 993
Other inflows from investments	1 646	2 367	-170	1 199
Net cash flows related to investing activities	**202 721**	**705 606**	**80 845**	**-1 312 951**

	2nd quarter of 2006 01.04.2006 - 30.06.2006	Two quarters of 2006 01.01.2006 - 30.06.2006	2nd quarter of 2005 01.04.2005 - 30.06.2005	Two quarters of 2005 01.01.2005- 30.06.2005
Cash flow from financing activities	**-125 065**	**-302 954**	**-38 477**	**-269 903**
Repayment of subordinated liabilities	0	-157 605	0	0
Finance lease rentals	-7 169	-14 207	-18 694	-24 910
Repayment of loan and advances	-95 454	-95 454	0	-194 700
Other financial outflows	-22 442	-35 688	-19 783	-50 293
Net cash flow from financing activities	**-125 065**	**-302 954**	**-38 477**	**-269 903**
Balance sheet change in cash, including:	**1 461 943**	**292 571**	**134 350**	**-620 459**
Cash at period beginning	**1 079 429**	**2 248 801**	**3 167 250**	**3 922 059**
Cash at period end	**2 541 372**	**2 541 372**	**3 301 600**	**3 301 600**
Including restricted cash	**501 623**	**501 623**	**541 562**	**541 562**