Kredyt Bank

Interim Consolidated Financial Report of Kredyt Bank S.A. Capital Group for the Third Quarter of 2005 pursuant to International Financial Reporting Standards

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Notes to the interim consolidated financial report of Kredyt Bank S.A. Capital Group for the third quarter of 2005

I. Basis of preparing this financial statement

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/ as amended (‘the Act’), as from 1 January 2005, consolidated financial statements of Kredyt Bank S.A. Capital Group (‘the Group’) have been prepared in compliance with IAS/IFRS.

Pursuant to Article 45 Clause 1c of the Act and under the decision of the General Meeting of Shareholders of Kredyt Bank S.A. of 25 April 2005, as from 1 January 2005, individual financial statements of Kredyt Bank S.A. (‘the Bank’) have been prepared in accordance with IAS/IFRS.

The interim consolidated financial report for the third quarter of 2005 and the financial statements included in this report have been prepared in line with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), in force as on 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 Council of Ministers of 19 October 2005 on current and interim information provided by issuers of securities /Journal of Laws of 2005, No. 209, item 1744/.

The first interim consolidated financial report of Kredyt Bank S.A. Capital Group prepared in compliance with IAS/IFRS was the report for the fist quarter of 2005 published on 16 May 2005.

The first full interim consolidated financial report of Kredyt Bank S.A. Capital Group prepared in compliance with IAS/IFRS was the report for the fist six months of 2005 published on 16 September 2005.

II. The Group’s financial standing at the end of the third quarter of 2005

Net income of PLN 92 million generated by the Group in the third quarter of 2005 (PLN 325 million in cumulative terms for the three quarters of 2005) and the capital adequacy ratio remaining on a safe level of 16.38% are the evidence that the profound restructuring process of the Bank’s and the Group’s operation carried out in the previous year and the strengthening of the capital base with the capital support on the part of KBC Bank N.V., became a reliable source of the Group’s profit.

On 19 September 2005, Moody`s Investors Service, an international rating agency, upgraded the Bank’s financial strength rating from ‘E+’ to ‘D-‘, what denotes a stable development perspective. The agency noted that the upgrade of the financial strength rating was associated with the improvement of the Bank’s financial standing. The agency also emphasized a substantial decrease in the operating expenses resulting from the restructuring program being carried out and the high level of the Bank’s capital adequacy ratio.

Financial result

The Group's net profit in the third quarter of 2005 amounted to PLN 92,053 thousand, while net profit generated in the third quarter of 2004 was equal to PLN 74,335 thousand. The Group's profit before tax in the third quarter of 2005 amounted to PLN 54,923 thousand, as compared to PLN 78,125 thousand in the third quarter of 2004. In the third quarter of 2004, profit before tax was significantly affected by the sale of the shares of Kredyt Bank (Ukraina) S.A.

In cumulative terms, the Group's net profit for three quarters of 2005 amounted to PLN 325,214 thousand, i.e. four times as much as the net profit for the analogous period of 2004. The following factors contributed to the significant improvement of the financial result:

- growing business activeness as observed over the last months after the profound restructuring of processes had been implemented in the Group;
- regular mitigation of credit risk supported by efficient restructuring and debt recovery activities;
- continuation of the Group's effective operating expenses management.

The main elements of the Group's income and expenses in comparable periods are presented in the table below.

in '000' PLN	**Three quarters of 2005**	**Third quarter of 2005**	**Three quarters of 2004**	**Third quarter of 2004**
Net interest income	539 567	175 104	494 490	150 175
Net fee and commission income	226 632	82 460	359 856	125 223
Net trading income and investments*	109 070	40 529	143 416	82 019
Profit from other operating income/expenses	-1 259	-8 260	29 509	31 048
Total income	**874 010**	**289 833**	**1 027 271**	**388 465**
The costs of the bank's operating, overheads and depreciation	-656 606	-219 510	-793 546	-254 227
Net impairment charges for financial assets, other assets and provisions	32 433	-16 308	-135 155	-56 473
Total expenses	**-624 173**	**-235 818**	**-928 701**	**-310 700**
Income tax expense	72 344	37 130	-12 789	-3 540
Net profit	**325 214**	**92 053**	**84 396**	**74 335**

*) 'Net trading income and investments' is the aggregate of net income from exchange item, the measurement of financial assets classified as held for trading and measured at fair value in the profit and loss account, net income from the disposal of such assets and net income from the disposal of financial assets classified as held for sale.

Net interest income generated by the Group after the first three quarters of 2005 amounted to PLN 539,567 thousand and exceeded net interest income generated in the comparable period of 2004 by 9%, as a result of, among other factors, an increase in working assets share and changing structure of loan receivables portfolio with an increasing share of receivables due from natural persons.

Net fee and commission income amounted to PLN 226,632 thousand and was lower in comparison with net fee and commission income for the three quarters of 2004 by 37%, and as compared to the second quarter of 2005, it has increased by 26%. The lower cumulative net fee and commission income is a consequence of adopting by the Group (from 01.01.2005 on) the effective interest rate methodology to measure the financial assets and liabilities recognized at amortized cost without the restatement of comparable data, what conforms to IFRS 1. The commissions received in cash have been withdrawn from net fee and commission income and settled as interest income with the effective interest rate of contracts. The most substantial portion of fees and commissions settled with the effective interest rate method refers to retail loans as well as long-term mortgage loans.

Net trading income and investments in the third quarter of 2005 amounted to PLN 40,529 thousand, exceeding the result for the analogous period of 2004 by ca. 50%. It was mainly affected by the high reference base – in the third quarter of 2004 the shares of Kredyt Bank (Ukraina) S.A. were disposed of, which resulted in net profit of PLN 36,314 thousand.

In cumulative terms, we have been observing an increase in the net trading income as a result of the extended scale of market transactions conducted in the circumstances of the fluctuating foreign currency exchange rates. This item also includes interest income on swaps.

Following three quarters of 2005, the Group's operating expenses amounted to PLN 656,606 thousand and were down by 17% as compared to the first three quarters of 2004. The main areas, in which the Group's savings were the most significant are as follows: exploitation of real estates, including lease costs; operation of IT and telecommunication systems and the selection of service providers. The expenses incurred in the third quarter of 2005 were affected by the costs of the advertising campaign for the Bank's new logo and the new product offer developed in co-operation with other entities from KBC Group operating on the Polish market, particularly with WARTA S.A.

Lower personnel expenses resulted from the implementation of the Bank's restructuring process and the changes resulting from this process in respect of the Bank's HR policy. Under the said policy, the main emphasis was placed on strengthening sales divisions, centralizing certain functions as well as optimizing employment in back office and support of business units. As a result of the actions taken, a share of sales force in total employment exceeds 70%. Additionally, the structure of personnel expenses changed. The smaller share of cash for payments of basic remuneration was compensated for by an increase in the share of bonuses and awards for accomplishment of sales targets and other non-financial forms remunerating the employees. As of the end of the third quarter of 2005, the employment in the Bank was at the level of 5,562 FTEs, as compared to 5,603 FTEs at the end of the third quarter of 2004.

Cost/income ratio (CIR) at the end of the third quarter of 2005 was equal to 75.1%, i.e. has improved by 2.1 p.p. against the comparable quarter of the last year.

In the third quarter of 2005, net impairment charges for loan receivables and other assets were negative and amounted to PLN 16,308 thousand, as compared to PLN 56,473 thousand in the third quarter of 2004. After three quarters of 2005, the Group recorded a positive impact of impairment charges on the income statement, which amounted to PLN 32,433 thousand. In the comparable period of the last year, this impact was negative and total charges amounted to PLN 135,155 thousand. The result is the effect of the systematically lowered level of credit risk in the Group and the successful implementation of the restructuring program of non-performing receivables portfolio.

The continuous positive trend in the net operating income generated by the Bank indicates a high probability of settling tax losses retained in previous years and future realization of negative temporary differences, currently identified in income tax settlement. Therefore, as at 30 September 2005, the Bank recognized a surplus of deferred tax asset over deferred tax liability amounting to PLN 80,972 thousand, what denotes an increase by PLN 39,264 thousand as compared to the amount recognized in the Bank's financial statement as at 30 June 2005. The discrepancy directly affected the Group's net profit in the third quarter of 2005 and cumulative net profit for three quarters of 2005. Detailed information on the policy of recognizing deferred tax has been presented in Chapter V hereof in section 'The value of deferred tax assets'.

Assets and liabilities

A share of working assets in the balance sheet total remains at a high and stable level and has been growing both over the previous quarter and 12 months.

The portfolio of gross loan receivables decreased as a result of the Bank's collection of the repayment of a few major credit exposures. Appreciation of the Polish zloty against other major currencies was a factor that also affected the receivables portfolio in the third quarter of 2005. However, as presented in the sections on retail banking, this segment has been witnessing a steady growth in products sale.

As a result of the response to volatile conditions on the debt instruments market in the third quarter of 2005, the securities portfolio has been extended.

The Bank, over the last few months, has been recording an increase in the portfolio of customer deposits. A more detailed description of the subject has been presented in the section on corporate and retail banking.

Further improvement in the quality of loan receivables portfolio

The Group successfully continues the process of decreasing the volume of doubtful receivables portfolio through efficient restructuring and debt recovery activities carried out on the basis of new organizational and procedural solutions implemented last year. In the third quarter of 2005, the value of doubtful receivables dropped by over 3%, and by more than 16% over the previous 12 months. As a result, the quality ratio of the Group's gross receivables portfolio improved by 2.2 p.p over the last 12 months. Over the last 12 months, the Bank wrote off receivables of PLN 163,001 thousand to provisions.

The Group, estimating credit risk related to individual credit exposures as well as the receivables portfolios, applies the imperative prudence principle. The coverage of doubtful receivables by impairment charges ratio over the last 12 months has increased by 9.9 p.p. and as of 30 September 2005, the value of this ratio was among the highest in the sector.

in '000' PLN	30.09.2005	30.06.2005	31.12.2004	30.09.2004
Gross loans and advances to customers * (net of interest)	**12 649 569**	**13 588 918**	**14 066 472**	**14 169 661**
Regular receivables	8 811 787	9 644 224	9 819 191	9 569 230
Doubtful receivables	3 837 782	3 944 694	4 247 281	4 600 431
Interest	59 144	55 043	39 480	37 890
Total gross loan and advances to customers	**12 708 713**	**13 643 961**	**14 105 952**	**14 207 551**
Impairment charges for loans and advances to customers, including:	2 808 913	2 809 737	2 740 428	2 849 028
impairment charges for doubtful receivables	2 702 636	2 732 658	2 688 175	2 783 832
Total net loans and advances to customers	**9 899 800**	**10 834 224**	**11 365 524**	**11 358 523**
Doubtful receivables to total gross receivables ratio	**30.3%**	**29.0%**	**30.2%**	**32.5%**
Coverage of doubtful receivables by provisions	**70.4%**	**69.3%**	**63.3%**	**60.5%**

* excluding banks

Income and profit by segments

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

Corporate Segment performs transactions with large companies (with annual income exceeding PLN 6 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 6 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.

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.

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’. The Bank’s operating expenses are not allocated internally to individual segments. For the purpose of this financial report, the expenses were allocated using such allocation keys as the structure of employment, usable area and auxiliary keys developed on the basis of the measurement of the commitment of particular business units in the operations of particular segments.

It must be noted here that, by analogy to the information contained in previous quarterly reports published in 2005, in 2004, the Bank underwent a deep restructuring process which resulted in substantial changes in the organization of segments operation.

Group's net profit in three quarters of 2005 – basic division into industry segments

in '000 PLN

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Segment income (external)	453 023	667 029	380 482	70 884	39 916	-163 068	**1 448 266**
2. Segment income (internal)	148 492	385 323	424 144	0	10	-957 969	**0**
3. Total segment income	**601 515**	**1 052 352**	**804 626**	**70 884**	**39 926**	**-1 121 037**	**1 448 266**
4. Segment expense (external)	-139 433	-347 945	-229 208	-61 100	-21 755	163 068	**-636 373**
4a. Allocated expense	-104 253	-443 691	-23 503	-16 526	-4 762		**-592 735**
5. Segment expense (internal)	-231 487	-168 365	-533 825	-8 163	-16 129	957 969	**0**
6. Total segment expense	**-475 173**	**-960 001**	**-786 536**	**-85 789**	**-42 646**	**1 121 037**	**-1 229 108**
7. Segment operating profit	**126 342**	**92 351**	**18 090**	**-14 905**	**-2 720**	**0**	**219 158**
8. Net impairment charges for financial assets, other assets and provisions	**67 137**	**-33 849**	**0**	**430**	**-1 285**	**0**	**32 433**
9. Share in profit of subordinated companies measured with the equity method	**0**	**0**	**0**	**1 279**	**0**	**0**	**1 279**
10. Segment result	**193 479**	**58 502**	**18 090**	**-13 196**	**-4 005**	**0**	**252 870**
11. Income tax expense							**72 344**
12. Profit of minority shareholders							**0**
13. Net profit/loss	**193 479**	**58 502**	**18 090**	**-13 196**	**-4 005**	**0**	**325 214**

Group's net profit in three quarters of 2004 - basic division into industry segments

in '000 PLN

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Segment income (external)	552 589	690 698	271 908	136 196	30 886	-267 236	1 415 041
2. Segment income (internal)	154 499	350 619	439 430	0	393	-944 941	**0**
3. Total segment income	**707 088**	**1 041 317**	**711 338**	**136 196**	**31 279**	**-1 212 177**	**1 415 041**
4. Segment expense (external)	-213 876	-335 159	-137 397	-100 104	-14 441	267 236	**-533 741**
4a. Allocated expense	-113 808	-484 353	-25 657	-18 041	-5 198		**-647 057**
5. Segment expense (internal)	-247 111	-174 975	-505 011	-17 816	-28	944 941	**0**
6. Total segment expense	**-574 795**	**-994 487**	**-668 065**	**-135 961**	**-19 667**	**1 212 177**	**-1 180 798**
7. Segment operating profit	**132 293**	**46 830**	**43 273**	**235**	**11 612**	**0**	**234 243**
8. Net impairment charges for financial assets, other assets and provisions	**-3 728**	**-128 579**	**0**	**3 468**	**-6 318**	**0**	**-135 157**
9. Share in profit of subordinated companies measured with the equity method	**0**	**0**	**0**	**1**	**0**	**0**	**1**
10. Segment result	**128 565**	**-81 749**	**43 273**	**3 704**	**5 294**	**0**	**99 087**
11. Income tax expense							**-12 789**
12. Profit of minority shareholders							**-1 902**
13. Net profit/loss	**128 565**	**-81 749**	**43 273**	**3 704**	**5 294**	**0**	**84 396**

Bank's new logo

In September 2005, the Bank launched a process of changing the Bank's brand visualisation. Kredyt Bank S.A. and WARTA S.A., as well as other entities in KBC Group operating on the Polish market, introduced similar logotypes, with the coloring and graphics referring to their common shareholder. The action was combined with a process of standardization of the outlets interiors and the promotion of the Bank's image and the new, joint product offer.

The new visualization and the logo emphasize close co-operation and the membership of the Bank and the Insurer in the international structure of KBC Group. The Group will become more recognizable and this will also allow it to maximize the synergy effect.

The companies develop bancassurance services and escalate actions aiming at establishment of a dynamic banking and insurance group. Both companies are natural partners – their services and products are complementary and form a complete offer for customers. Despite the close cooperation, the companies have retained their individual identities and have been developing their own products and distribution channels, addressing their offers to individual customers, SMEs and large corporations.

On the basis of the experience and expertise of the common Shareholder, Kredyt Bank and WARTA continue to expand their offers. The actions undertaken are reflected in benefits for customers - a more attractive offer, in terms of products and prices, loyalty programs and easier access to products of both companies, what means a better accomplishment of the 'one-stop-shop' concept. On 1 August 2005, the first outlet, which fully implements the idea of 'one-stop-shop' sale of financial products, launched its operations. The outlet offers complete banking and insurance services to customers – individuals, SMEs and corporate clients. The customers may acquire shares in investment funds of KBC TFI S.A. KBC Securities' offer comprises all services connected with intermediation in securities trading and in trading on the derivatives market.

Below, we present the major achievements of the Group by segments that correspond to the varied business activities.

Corporate banking

In the third quarter of 2005, the Bank continued the implementation of the adopted strategic goals and expanded the sale of products and services addressed to corporate customers, applying a new organizational structure as well as modifications introduced towards the end of 2004 and at the beginning of 2005, with a view to improve the offer. Within such activities, a new e-banking system was launched; it is addressed to corporate customers and was developed in cooperation with KBC. It facilitates account management worldwide, especially in KBC network in Western and Central Europe. A series of new up-to-date cash management solutions was introduced in cooperation with external partners.

In response to the customers' increasing requirements with respect to financial risk hedging, the Bank introduced new derivative products. Furthermore, the scale of currency transactions performed via the Bank has also been increasing.

The result of the segment also discloses the result of the effective debt recovery of a number of significant loan receivables.

Retail and SME banking

In the third quarter of 2005, the Bank continued its efforts aimed at optimal utilization of continuously growing sales potential. An emphasis was placed on the promotion of the Bank's new brand and the new product portfolio. The activities were focused on:

- development of the modification of the product offer for individual customers related to the upgrade of the offer attractiveness and the introduction of new rules of offer segmentation for particular customer groups, with special emphasis on the 'family' offer;
- further dynamic development of the bancassurance offer in cooperation with WARTA Group;
- development of Żagiel's offer;
- expansion of the cooperation with KBC TFI in terms of the distribution of shares in investment funds.

The sales of retail loans through Żagiel's distribution network in the three quarters of 2005 remained stable. The total value of new installment and cash loans granted in the first 9 months of 2005 amounted to over PLN 1.3 billion. The value of loans granted in the third quarter of 2005 amounted to PLN 457 million, i.e. increased by 12% as compared to the second quarter of 2005 and by 3% as compared to the third quarter of 2004. Furthermore, the volume of loans has been steadily growing; 251 thousand loans were extended in the third quarter versus 237 thousand in the second quarter. In order to further expand the operations and attract new customers, the following was accomplished:

- under the cross-selling strategy carried out in the co-operation with Warta S.A., a significant progress was recorded in the sales of life insurance policies for customers borrowing installment loans through Żagiel: within the previous 12 months, written premium almost tripled, and in the third quarter alone it increased by 50%, as compared to the end of the second quarter of 2005;
- an agreement was signed with one of the major shopping chains on the hire purchase of household appliances and audio/video devices;
- the second edition of the "Trusted Partner" Program, addressed to commercial partners, aiming to stimulate the growth of the sales of installment loans and establishing their loyalty towards Żagiel, was completed;
- a number of promotional campaigns were carried out.

In the third quarter of 2005, the Bank granted over 3,500 mortgage loans for the total amount of PLN 248 million. Against the second quarter of 2005, the sales of loans grew by 12% in terms of their value and by 48% in terms of their quantity. The most significant upsurge in terms of value (by ca. 25%) was recorded for loans in CHF. And, as compared to the third quarter of 2004, the value of loans increased almost three times, whereas their number almost four times.

As many as 13,000 new current accounts were opened in the third quarter of 2005. The number of newly opened combined current & saving accounts (ROR) increased by 3% against figures recorded at the end of the second quarter of 2005, and by 9% against figures at the end of September 2004.

A deposit offer for individual customers is still being expanded. The volumes on the Savings Account, which is one of the basic depositary products, are growing on a continuous basis; as at the end of September 2005, the value of deposited cash was in excess of PLN 1.7 billion, i.e. increased by 10% as compared to the end of the second quarter of 2005 and almost tripled as compared to the end of the third quarter of 2004. The number of new Accounts doubled as compared to the analogous period in the previous year.

At end of September 2005, the number of credit cards issued increased almost 2.5 times against figures at the end of September 2004. Against the end of the second quarter of 2005, the increase added up to 16%. The volume of transactions conducted with the use of credit cards is also regularly growing.

The number of users of electronic distribution channels has been growing steadily. At the end of September 2005, the number of KB24 users was equal to 154 thousand. In comparison to the third quarter of 2005, the number of users grew by 36%.

In the third quarter of 2005, the number of customers in the SME segment grew by almost 1.5 thousand and the number of individual customers was up by ca. 12 thousand.

Investment Segment

At the end of the third quarter of 2005, KBC TFI S.A. managed assets of the total value of PLN 4.5 billion.

KBC TFI S.A., with assets in investment funds amounting to PLN 2.3 billion, is ranked the 7th among the largest investment funds societies in Poland, what, as at 30 September 2005, meant that the Society had 4.3% share in the investment funds market. KBC TFI was one of the investment fund societies which recorded the highest increase in assets in investment funds in this period.

The assets deposited in investment funds via the Bank's distribution network amounted to PLN 1.6 billion.

As of the end of the third quarter of 2005, KBC TFI managed 17 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 specialist open-end investment funds (ALFA SFIO, BETA SFIO, GAMMA SFIO);

* from 1 October 2005, the following investment funds managed KBC TFI S.A. changed their names: KB Pieniądz FIO to KBC Pieniężny FIO, KB Obligacja FIO to KBC Obligacyjny FIO, WARTA Papierów Dłużnych FIO to KBC Papierów Dłużnych FIO, WARTA Trzeciofilarowy FIO to KBC Stabilny FIO, KB Zrównoważony FIO to KBC Aktywny FIO.

- 1 close-end investment fund investing in foreign investment funds denominated in US Dollars (KBC Dolar FIZ);
- 7 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);
- 1 close-end investment fund (KBC SIGMA FIZ).

The third quarter of 2005 was yet another period of the Society's dynamic growth. The subscription for shares of two subsequent capital guaranteed funds was a success: KBC ELITA FIZ, as a result of which the assets of PLN 91 million were collected, and KBC Index Nieruchomości FIZ, for which assets of PLN 127 million were collected. KBC Index Nieruchomości FIZ will be managed in cooperation with specialists from KBC Asset Management N.V.

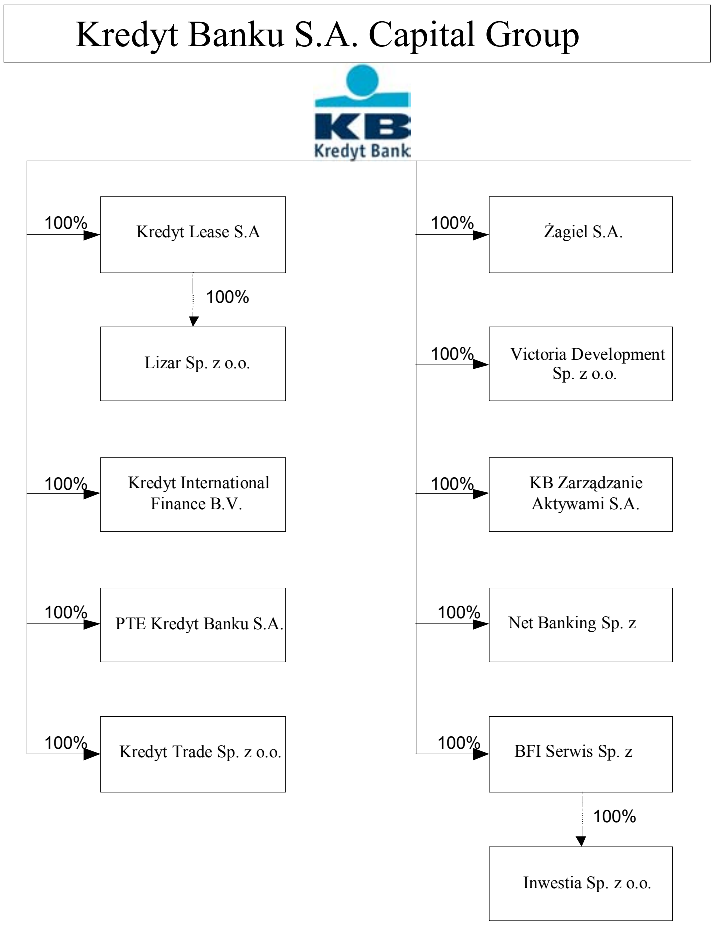
KBC TFI S.A. remains a leader on the Polish market of guaranteed capital funds. At the end of the third quarter of 2005, the assets of this type of funds amounted to ca. PLN 700 million. Today, in cooperation with KBC Asset Management N.V., further measures are being taken to develop capital guaranteed funds. The subscription of investment certificates of another capital guaranteed fund will take place this year, in November and December.

As at 30 September 2005, the companies of KB S.A. Capital Group did not issue, redeem or repay any debt or equity securities.

III. Group's structure

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

Below, we present the composition and ownership structure of the Group as at 30 September 2005, in which no changes have been recorded as compared to the structure as at 30 June 2005; no events occurred in the third quarter of 2005 which would affect the Group's structure, particularly no merger, disposal, demerger or discontinuance of operations of any Group's companies took place.



A brief description of companies of the Group has been presented in the Group's published consolidated financial statement for the first six months of 2005.

Consolidated and non-consolidated companies

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

As at 30 September 2005, the following companies were consolidated:

- Kredyt Lease S.A.
- Kredyt International Finance B.V.
- PTE Kredyt Banku S.A.
- Kredyt Trade Sp. z o. o.
- Żagiel S.A.
- Victoria Development Sp. z o. o.

Due to the immateriality of their operations and financial figures, the Group does not consolidate financial statements of the following entities, which were also not consolidated in the Group's published consolidated financial statement for the first six months of 2005:

- 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.

Shares held by the Group in the above-mentioned companies are classified as assets held for sale and recognized at cost less any possible impairment.

Furthermore, the Group holds the majority shares in Dolwis S.A. and Korporacja Budowlana Inwestycje Sp. z o.o., however, it neither exerts actual control nor any significant influence upon their financial and operating activities. Hence, they are not members of the Group and are not consolidated. The nvestments in the shares of these companies were classified to the portfolio of available-for-sale assets and are measured at cost less any possible impairment.

IV. First time adoption of IAS/IFRS

The description of the manner of IAS/IFRS application in the financial statements prepared by the Group is identical as the description included in the Group's published consolidated financial statement for the first six months of 2005.

The manner of the application of IAS/IFRS in the financial statements prepared in accordance with IAS/IFRS for the first time is determined by IFRS 1 - *First time adoption of International Financial Reporting Standards*.

Preparation of financial statements for the first time in line with IFRS requires a judgment of an entity's Management Board on the adopted accounting principles and estimates applied.

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

The accounting principles adopted for preparing financial statements have been applied on a continuous basis in all presented periods, starting from the opening balance (1 January 2004), except for the exemptions from applying specific IAS/IFRS which are permitted under IFRS 1.

IFRS 1 determines two categories of exemptions from the principles of preparing the opening balance under IFRS, according to each IAS/IFRS:

a) exemption from applying certain aspects of specific IAS/IFRS (IFRS 1 - Section 12 a);

b) prohibition to retrospectively apply some aspects of specific IAS/IFRS (IFRS 1 - Section 12 b)

The Bank has selected the following options as regards the exemptions from applying some aspects of specific IAS/IFRS as permitted under IFRS 1:

c) do not apply retrospectively the stipulations of IFRS 3 *Business Combinations* in relation to business combinations in the past (before the date when IFRS became effective) (IFRS 1, Section 13 a);

d) measure, as of the first day of IFRS application, property, plant and equipment as well as intangible assets at fair value and adopt that figure as the deemed cost determined on that day (IFRS 1, Section 13 b);

e) re-determine, as of the day of adopting IFRS, financial assets at fair value, including its changes recognized in the income statement or as available for sale (IFRS 1, Section 13 g);

f) present comparable data not compliant with IAS 32 *Financial Instruments*. *Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* (IFRS 1, Section 36 A).

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

V. Description of significant accounting principles and accounting estimates

In the third quarter of 2005, 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 statement for the first six months of 2005.

Preparation of financial statements in line with 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;
- the value of deferred tax assets;
- provisions.

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

As presented in the Group's consolidated financial statement as of 31 December 2004, the accounting principle adopted in 2003 and 2004 assumes that income from administrative fees on installment loans is recognized in advance, at the time a loan is granted, except for commissions on promotional interest-free installment loans that are recognized on a straight-line basis in fee and commission income, in proportion to the lapse of actual crediting period in overall crediting period, bearing in mind a risk for this product, i.e. the risk of returning a portion of commissions in the event of earlier repayment of a loan.

In the fourth quarter of 2004, the Bank's Management Board decided to extend this accounting principle with settlement over time, with the use of an exponential function, of all commission income and direct expenses, connected with the entire class of installment loans recognized as promotional loans. The decision to extend the accounting principle was a result, among other factors, of the fact that the Group's companies were just completing preliminary works aimed at the adoption of the International Financial Reporting Standards as the basis for the preparation of financial statements.

Since 1 January 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 settling over time, in the 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. As it was mentioned in Chapter IV of this report, the Group decided not to restate the comparable data.

Effective interest rate method

The effective interest rate is the rate that discounts a future, expected flow of pecuniary payments to a present net carrying amount during a period until maturity or by the time of the next market valuation 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 loan-related 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 commensurable 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 settled 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 of 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).

All fees/commissions and external expenses connected with granting consumer loans via Żagiel are settled in the income statement at amortized cost with the application of the effective interest rate.

Interest income/expense

Interest income and expense are disclosed in the income statement at amortized cost, taking into account the effective interest rate.

In the event of doubtful receivables, interest is charged to the income statement basing on the probability of their payment.

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. As the Group decided not to restate the comparable data under IAS 39, the carrying amount of loan receivables as of 1 January 2004 and 31 December 2004 was disclosed in accordance with the Polish accounting standards which were in force in the Bank and the Group on these days. The Polish principles provided for the classification of credit exposures into 5 risk groups (normal, under observation, substandard, doubtful and loss receivables), applying the criterion of timely debt servicing and the criterion of the borrower's economic and financial standing. Specific provisions for the risk connected with credit exposures have been established at least in the amounts required for particular risk groups (from 1.5% to 100% of the base of specific provisions creation). The Group, while estimating specific provisions for the purpose of the Polish standards, determined the value of collateral in accordance with the law regulations and the internal principles in force in the Group.

On 1 January 2005, the Group implemented the principles of measuring impairment of loan receivables in line with IAS 39.

In accordance with IAS 39, all receivables are subject to an impairment analysis, not only receivables that bear increased credit risk. If the Group identifies premises that indicate the impairment, the impairment is calculated; it is equal to a 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.

Circumstances indicating the impairment

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

The catalogue of objective circumstances 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 circumstances 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 phenomena 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 circumstances indicating the impairment.

Measurement of individual impairment

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

A process of estimating future, expected cash flows is carried out in a specially dedicated IT tool and is based on an analysis of the relevant scenario. 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, refering 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 audit.

Measurement of portfolio impairment

In the situation where no objective circumstances 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 created basing upon similar characteristics of credit risks that are specific for the defined groups of customers and products.

The portfolio impairment is measured basing on historical parameters of losses generated by 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 phenomena, apart from historical trends, exert a significant impact on the level of the portfolio provision:

a) fluctuations in the receivables portfolio, for which individual impairment is not identified;

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.

Financial assets measured at fair value through the profit and loss account

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

From 1 January 2005, the Group introduced, in accordance with IAS 39, and instead of the 'held-for-trading investments' category, a broader term, i.e.: 'financial assets measured at fair value through the profit and loss account'.

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

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:

- were 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 account 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 adopted 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 adopted measurement 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.

Hedge accounting

In the third quarter of 2005, the Group began to apply hedge accounting of fair value to hedge specific assets against the interest rate risk resulting from the Group's investments.

Upon the establishment of such hedging, the Group officially determines and documents hedging relations and strategy, as well as the purpose of risk management. The documentation includes identification of hedging instruments, hedged items and the nature of the hedged risk. Upon the establishment of such hedging, the Group also documents and evaluates, on an ongoing basis, the hedging effectiveness.

The hedging of fair value is recognized in the following manner: gains or losses resulting from the revaluation of fair value of a hedging derivative are disclosed in the income statement; gains or losses related to the hedged item, resulting from the hedged risk, adjust the carrying amount of the hedged item and are recognized in the income statement. 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.

As at 30 September 2005, the Group had one fair value hedging transaction open: the hedged instruments are fixed-coupon Treasury bonds and the hedging instruments are interest rate swaps. The carrying amount of the hedged item and of the hedging item and the amounts of their revaluation at fair value are not material for the financial statement.

Value of deferred tax assets

As mentioned in the Group's consolidated financial statement as of 30 June 2005, the accounting principle related to the measurement of deferred tax assets applied in 2003 and 2004 assumes, that at the Bank, bearing in mind balance sheet and tax losses incurred in 2002 and 2003 and the uncertainty of the settlement of the surplus of deferred tax asset over deferred tax liability, deferred tax assets were recognized only up to the amount of the deferred tax liability.

The Bank, as of 30 June 2005, due to the its improving financial result, decided to begin recognizing a surplus of the deferred tax asset over deferred tax liability in the value that is probable to be generated in the future with the application of prudence principle. The accounting policy adopted by the Bank stipulates in this respect that at the end of each subsequent quarter, the Bank will recognize 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.

Goodwill

In data comparable to figures of 1 January 2004, the Group ceased to amortize goodwill. As at this date, the goodwill of the companies consolidated by the Bank is equal to net values recognized in the 2003 closing balance sheet. Every six months, the Group performs a net goodwill impairment test based on the models developed in cooperation with the Bank's Main Shareholder. The models are based on generally accepted principles of the measurement of capital investments, and take into consideration discounted future cash flows.

Presentation in financial statements

This interim report contains condensed financial figures. The method of their restatement from previously published reports has been presented in Chapter VI hereof.

VI. Clarifications related to the adoption of IFRS and the related adjustments in the opening balance

As presented in the Group's published consolidated financial statement for the first six months of 2005, the accounting principles applied by the Group while preparing the opening balance in accordance with IFRS differ from the principles applied on the same date at the time of their historical preparation (financial statement prepared pursuant to the Accounting Act). Hence, under IFRS 1, the resulting adjustments were recognized in retained profit/loss.

The Bank, acting under IAS 1, did not calculate the effect of the deferred income tax upon the adjustments related to the first adoption of IFRS. As presented in Chapter V hereof, the accounting principle applied in 2003 and 2004 assumes that at the Bank, bearing in mind balance sheet and tax losses incurred in 2002 and 2003 and the uncertainty of the settlement of the surplus of deferred tax asset over deferred tax liability, deferred tax assets were recognized only up to the amount of the deferred tax liability

IAS/IFRS adjustments to the Group's consolidated shareholders' equity and other items of the financial statement as at 30 September 2004.

IAS/IFRS adjustments to the Group's consolidated shareholders' equity, consolidated net income, Bank's individual shareholders' equity, individual net income and other items of the financial statement as of 1 January 2004, 30 June 2004, 31 December 2004 and 1 January 2005 have been presented in the Group's published consolidated financial statement for the first six months of 2005.

Table 1 - Adjustment of the closing balance of consolidated shareholders' equity as of 30 September 2004 in accordance with IAS

			in '000 PLN
	Consolidated shareholders' equity as at 30.09.2004 according to PAS	**1 397 652**	
	Including net profit for the period		**144 807**
	Adjustment related to the restatement of comparable financial data according to PAS – settlement over time of commissions collected on promotional installment credits	-44 266	-29 547
	Shareholders' equity as at 30.09.2004 according to PAS following the restatement of comparable data	**1 353 386**	
	Including net profit for the period		**115 260**
1	Adjustments related to the adoption of IAS affecting the revaluation reserve:		
a)	Measurement of fixed assets at fair value	-1 250	
		-1 250	
2	Adjustments related to the adoption of IAS affecting the retained profit/loss from previous years:		
a)	Withdrawal of the measurement, with the equity method, of subordinated entities not consolidated with the full method and the effect of the deconsolidation of the companies deemed as immaterial	13 857	
b)	Recognition of the impairment of investment in the shares of subordinated entities that were measured with the equity method, and according to IAS, are disclosed at cost less impairment charge	-16 254	
c)	Measurement of fixed assets at fair value	1 250	
d)	Reversal of the provision for general risk	87 867	
		86 720	
3	Adjustments related to the adoption of IAS affecting the net profit in the period:		
a)	Withdrawal of the measurement of subordinated entities with the equity method in correspondence with the net income in the period	-9 629	-9 629
b)	Reversal of the impairment of investment in the shares of subordinated entities that were measured with the equity method, and according to IAS are recognized at cost less impairment charge	1 448	1 448
c)	Reversal of the provision for general risk	-32 617	-32 617
d)	Reversal of the amortization of goodwill recognized in the income statement for nine months of 2004 according to PAS	9 934	9 934
		-30 864	-30 864
	Total IAS adjustments	**54 606**	**-30 864**
	Consolidated shareholders' equity as at 30.09.2004 according to IAS	**1 407 992**	
	Including net profit for the period		**84 396**

<u>Explanation of the adjustments to the consolidated shareholders' equity as of 30 September 2004</u>

The comparable data as of 30 September 2004 presenting consolidated shareholders' equity according to PAS were restated in order to include the change of PAS accounting principle in the fourth quarter of 2004, consisting in the settlement over time of all fees and commissions collected on retail loans considered to be promotional loans. Detailed information on the subject is presented in Chapter V hereof, in the section pertaining to the measurement of financial assets and liabilities at amortized cost with the application of the effective interest rate.

The reclassification of fixed assets measurement from revaluation reserve to retained profit/loss from previous years is a result of the fact that the Group adopted the measurement of property, plant and equipment at fair value as at 1 January 2004 as deemed cost on this date.

As at 1 January 2004 and for three quarters of 2004, the Group released the provision for general risk that was established pursuant to Polish regulations in order to cover the risk of banking operations.

According to IFRS 1 and IFRS 3, on 1 January 2004, the Bank ceased to amortize goodwill. Since this day on, the impairment test for goodwill has been carried out every six months.

Table 2 - Significant reclassifications of the consolidated balance sheet items against the data published as at 30 September 2004 according to the Polish Accounting Standards

in '000 PLN

	ASSETS		30.09.2004 Polish Accounting Standards	Adjustments	30.09.2004 IFRS
I.	Financial assets (*)	A	9 924 563	44 406	9 968 969
II.	Loans and advances to customers	B	14 903 730	-696 179	14 207 551
III	Impairment charges (**)	C	-2 810 139	-42 083	-2 852 222
IV	Capital investments	D	72 168	-37 110	35 058
V	Intangible assets and fixed assets	E	768 039	28 898	796 937
VI	Deferred tax assets	F	4 295	149 836	154 131
VII	Goodwill	G	33 269	2 783	36 052
VIII	Other assets	B	297 405	-52 478	244 927
	Total assets		**23 193 330**	**-601 927**	**22 591 403**

	LIABILITIES		30.09.2004 Polish Accounting Standards	Adjustments	30.09.2004 IFRS
I	Financial liabilities (***)	I	20 506 336	16 286	20 522 622
II	Provisions	H	136 375	-97 333	39 042
III	Deferred tax liability	J	3 140	144 187	147 327
IV	Special funds and other liabilities (****)	K	1 149 827	-675 407	474 420
	TOTAL LIABILITIES		21 795 678	-612 267	21 183 411
V	Total shareholders' equity	L	1 397 652	10 340	1 407 992
	Total liabilities		**23 193 330**	**-601 927**	**22 591 403**

(*) – the item contains: cash and balances with central bank; amounts due from banks, financial assets measured at fair value through the profit and loss account, including held-for-trading assets; investment securities: available for sale and held to maturity.

(**) – the item contains: impairment charge for amounts due from banks and customers

(***) – the item contains: amounts due to banks and customers; held-for-trading liabilities; debt securities in issue; liabilities related to disposed securities with the repurchase promise, subordinated liabilities.

(****) – the item contains: income tax payables and other payables.

Explanation of reclassification adjustments to comparable data for the first nine months of 2004:

Adjustment in assets	Amount in '000 PLN	Item	Adjustment in liabilities	Amount in '000 PLN
A D	64 120 -64 120	Reclassification to the portfolio of available-for-sale assets		
B	-697 311	Offset of interest accrued on doubtful receivables from financial and non-financial customer with qualified interest	K	-697 311
B F	-20 171 5 649	Commission settled over time on loans	L	-16 339
C	-42 083	Reversal of the provision for general risk in the total amount of PLN 42,083 thousand and the establishment of special provisions for normal, under observation and doubtful loans in an analogous amount	H L	-97 333 55 250
D	3 597	Withdrawal of the measurement of subordinated entities with the equity method and the return to the purchase price with the recognition of the impairment of investment	L	3 597
E	-2 277	Offset of assets and liabilities due to settlement of investments in fixed assets	K	-2 277
D	16 262	Change in consolidation scope	I K	16 286 -24
G	9 934	Withdrawal of goodwill amortization in the first half of 2004	L	9 934

F	144 187	Presentation of assets and deferred tax liability (separately at the assets side and liabilities side)	J	144 187
A	-5 539	Offset of the Company Social Benefits Fund	K	-5 539
A	-14 175	Impairment of interests reclassified to available-for-sale portfolio	L	-14 175
E	31 175	Reclassification to assets to be disposed		
B	-31 175			
G	-7 151	Withdrawal of the reclassification of goodwill in a subsidiary		
D	7 151			
		Commissions settled with the straight-line method	K	29 744
			L	-27 927
Total	**-601 927**			**-601 927**
		including adjustment of shareholders' equity	L	**10 340**

IAS/IFRS adjustments to the Bank's shareholders' equity and other items of the financial statement as at 30 September 2004.

Table 3 - Adjustment of the closing balance of the shareholders' equity as of 30 September 2004 in accordance with IAS

in '000 PLN

	Shareholders' equity as at 30.09.2004 according to PAS	**1 397 652**	
	Including net profit for the period		**144 807**
	Adjustment related to the restatement of comparable financial data according to PAS - settlement over time of commissions collected on promotional installment credits	-27 927	-13 208
	Shareholders' equity as at 30.09.2004 according to PAS following the restatement of comparable data	**1 369 725**	
	Including net profit for the period		**131 599**
1	Adjustments related to the adoption of IAS disclosed in the revaluation reserve:		
a)	Withdrawal of the measurement of subordinated entities with the equity method in correspondence with the revaluation reserve	49	
b)	Measurement of fixed assets at fair value	-1 250	
		-1 201	
2	Adjustments related to the adoption of IAS affecting the retained profit/loss from previous years:		
a)	Withdrawal of the measurement of subordinated companies with the equity method	409 984	
b)	Recognition of the impairment of investment in the shares of subordinated entities that were measured with the equity method, and according to IAS, are disclosed at cost less impairment	-402 400	
c)	Measurement of fixed assets at fair value	1 250	
d)	Reversal of the provision for general risk	87 867	
		96 701	
3	Adjustments related to the adoption of IAS affecting the net profit in the period		
a)	Withdrawal of the measurement of subordinated entities with the equity method in correspondence with the net income in the period	-58 780	-58 780
b)	Reversal of the impairment loss for capital investments in shares of subordinated companies recognized at cost	45 930	45 930
c)	Reversal of the provision for general risk	-32 617	-32 617
		-45 467	-45 467
	Total IAS adjustments	**50 033**	**-45 467**
	Shareholders' equity as at 30.09.2004 according to IAS	**1 419 758**	
	Including net profit for the period		**86 132**

Explanation of the adjustments to the shareholders' equity as of 30 September 2004

As presented in the Group's published financial statement for the first six months of 2005, under IAS 27, if the Bank prepares an individual financial statement, the investments in shares of subordinated entities, not classified as available-for-sale assets, are disclosed at cost or at fair value, in accordance with IAS 39. As fair value cannot be determined reliably, the Bank recognizes the value of capital investments in shares of subordinated entities at cost less impairment.

The nature of other adjustments corresponds to the nature of adjustments made in the Group's consolidated shareholders' equity as at 30 September 2004.

Table 4 – Significant reclassifications of the balance sheet items against figures as at 30 September 2004 according to the Polish Accounting Standards

in '000 PLN

	ASSETS		30.09.2004 Polish Accounting Standards	Adjustments	30.09.2004 IFRS
I	Financial assets (*)	A	9 911 056	44 406	9 955 462
II	Loans and advances to customers	B	14 902 673	-647 872	14 254 801
III	Impairment charges for receivables due from banks and customers	C	-2 487 443	-84 838	-2 572 281
IV	Capital investments	D	224 012	-98 974	125 038
V	Intangible assets and property, plant and equipment	E	694 704	-20 921	673 783
VI	Deferred tax assets	F	0	144 187	144 187
VII	Other assets	B	199 426	-21	199 405
	TOTAL ASSETS		**23 444 428**	**-664 033**	**22 780 395**

	LIABILITIES		30.09.2004 Polish Accounting Standards	Adjustments	30.09.2004 IFRS
I	Financial liabilities (**)		20 538 907	0	20 538 907
II	Provisions	G	214 222	-176 153	38 069
III	Deferred tax liability	H	0	144 187	144 187
IV	Special funds and other liabilities	I	1 293 647	-654 173	639 474
	TOTAL LIABILITIES		**22 046 776**	**-686 139**	**21 360 637**
V	Total shareholders' equity	J	1 397 652	22 106	1 419 758
	TOTAL LIABILITIES		**23 444 428**	**-664 033**	**22 780 395**

(*) – the item contains: cash and balances with central bank; amounts due from banks, financial assets measured at fair value through the profit and loss account; investment securities

(**) – the item contains: amounts due to banks and customers; held-for-trading liabilities; liabilities related to disposed securities with the repurchase promise, debt securities in issue; subordinated liabilities.

Explanation of reclassification adjustments to comparable data for the first nine months of 2004:

Adjustment in assets	Amount in '000 PLN	Item	Adjustment in liabilities	Amount in '000 PLN
A D	49 945 -49 945	Reclassification to the portfolio of available-for-sale assets from capital investments		
B	-647 893	Offset of interest accrued on doubtful receivables from financial and non-financial customer with qualified interest	I	-647 893
C	-42 083	Reversal of the provision for general risk	G J	-97 333 55 250
C	-42 755	Recognition of impairment on capital investments in the amount exceeding the purchase price of shares of subordinated companies: the surplus of the impairment is recognized in loans granted to these entities	J	-42 755
D	-49 029	Withdrawal of the measurement of subordinated entities with the equity method and the return to the purchase price with the recognition of the impairment of investment	J	-49 029
E	-20 921	Offset of assets and liabilities due to settlement of investments in fixed assets	I	-20 921
F	144 187	Presentation of assets and deferred tax liability(separately at the assets side and liabilities side)	H	144 187
A	-5 539	Offset of the Company Social Benefits Fund	I	-5 539
		Ensuring comparability of financial data related to the deferment to settle over time commissions on installment loans recognized as promotional.	I G J	20 180 7 747 -27 927
		Withdrawal of negative goodwill of subordinated companies measured according to PAS with the equity method	G J	-86 567 86 567
Total	**-664 033**			**-664 033**
		including adjustment of shareholders' equity	J	**22 106**

VII. Major post-balance sheet events

On 24 October 2005, District Court for the capital city of Warsaw registered an increase in share capital of Kredyt Lease S.A., a subsidiary of Kredyt Bank S.A., as a result of the issue of 150,000 bearer shares with the nominal value of PLN 100 each.

Following the registration, the share capital of Kredyt Lease S.A. amounts to PLN 27,501,000 and is divided into 275,010 shares incorporating 275,010 votes at the General Meeting of Shareholders of Kredyt Lease S.A.

The following entities hold stakes in capital and votes at the General Meeting of Shareholders of Kredyt Lease S.A.:

- Kredyt Bank S.A. – 99.98 %;
- Kredyt Trade Sp. z o.o. (a subsidiary of Kredyt Bank S.A.) – 0.02 %.

VIII. Change in contingent liabilities

The changes that took place in the third quarter of 2005 regarding off-balance sheet items, presented in the table below, stemmed from the Bank's current operation:

	30.09.2005	30.06.2005	31.12.2004	30.09.2004
I. Off-balance sheet contingent liabilities, granted and received	**4 480 915**	**4 881 643**	**5 771 653**	**6 153 234**
1. Liabilities granted, including:	3 320 681	4 143 495	5 256 655	5 674 837
a) financial	2 345 850	1 725 254	2 085 879	2 312 236
b) guarantee	974 831	2 418 241	3 170 776	3 362 601
2. Liabilities received, including:	1 160 234	738 148	514 998	478 397
a) financial	650 181	250 052	51 707	16 027
b) guarantee	510 053	488 096	463 291	462 370
II. Liabilities related to the sale/purchase transactions	**90 912 757**	**79 285 047**	**31 099 032**	**44 240 337**
III. Other liabilities	**3 216 039**	**3 386 797**	**3 649 245**	**4 238 718**
- received security	3 215 943	3 386 701	3 649 150	4 238 623
- other	96	96	95	95
Total off-balance sheet items	**98 609 711**	**87 553 487**	**40 519 930**	**54 632 289**

The substantial decrease in guarantee liabilities results from the expiry of the guarantee granted by the Bank to KBC Dublin for the benefit of Kredyt International Finance B.V., what was published in 2005 quarterly reports.

IX. Shareholders holding over 5% stake in the share capital and votes at GMS.

In comparison with figures as of 30 June 2005, presented in the Group's published consolidated financial statement for the first six months of 2005, the Bank's share capital did not change. Furthermore, as at the publication date if this report, i.e. 3 November 2005, in relation to the publication date of the consolidated financial statement for the first six months of 2005, i.e. 16 September 2005, no changes had place in the composition of shareholders who, directly or indirectly via subsidiaries, hold over 5% of shares in the Bank's share capital and over 5% of votes at the GMS.

Shareholder	Objects of the Company	Number of votes at the GMS	Share in votes and share capital (%)
KBC Bank N.V.*	Banking	232 341 875	85.53

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

X. Bank's shares and shares in Bank's subsidiaries and associates held by members of the Management Board of Kredyt Bank S.A. and members of the Supervisory Board of Kredyt Bank S.A.

As at the publication date if this report, i.e. 3 November 2005, in relation to the publication date of the consolidated financial statement for the first six months of 2005, i.e. 16 September 2005, no changes had place in the ownership of the Bank's shares and shares in subsidiaries and associates held by members of the Bank's Management Board and members of the Bank's Supervisory Board.

	Shares of Kredyt Bank S.A.		Shares in subsidiaries and associates	
	Number of shares	Nominal value (in '000 PLN)	Number of shares	Nominal value (in '000 PLN)
Members of the Management Board	5 100	25.5	0	0
Ronald Richardson	5 000	25	0	0
Małgorzata Kroker-Jachiewicz	100	0.5	0	0
Members of the Supervisory Board	24 491	122.5	0	0
Andre Bergen	23 491	117.5	0	0
Marek Michałowski	1 000	5.0	0	0

XI. Information on proceedings before courts or public administration authority

In the third quarter of 2005, the Bank was not a party to any proceedings before court or public administration authority, where the amount(s) claimed would be equal to at least 10% of the Bank's shareholders' equity.

Below are presented those proceedings before courts, where the individual amounts claimed are the highest.

The proceedings in which the Bank is a plaintiff:

- the litigation against Inspektoria Towarzystwa Salezjańskiego (Salesian Society Inspectorate) in Wrocław concerns the failure to repay pawnshop loans granted by the Bank from February to August 2001 to four entities: 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 amounting to PLN 131,800 thousand. Inspektoria Towarzystwa Salezjańskiego was one of the guarantors. In December 2001, the Bank sued Inspektoria Towarzystwa Salezjańskiego for the payment of loans principals along with interest under the guarantee of loan repayment. The court dismissed the Bank's lawsuit on the basis of evidence presented in an expert's opinion. The Bank appealed against this decision. On 13 May 2005, the Bank's appeal was dismissed by the court.

  The Bank did not appeal to a higher instance court, however, filed four suits against the above-mentioned entities amounting to PLN 14,567,292.83 by the reason of groundless enrichment in connection with the non-repayment of pawnshop loans granted by the Bank in 2001. The claim may be extended.

The proceedings in which the Bank is a defendant:

- Laboratorium Frakcjonowania Osocza Sp. z o.o. (LFO) claiming for damages amounting to PLN 119,477 thousand due to the termination of a credit agreement. The suit was filed on 18 June 2003. The Bank is of the opinion that LFO claims are not based on any actual and legal grounds. On 16 March 2005, the court rejected the suit by LFO. On 4 May 2005, LFO filed a complaint about the decision.

  On 12 August 2005, the court dismissed LFO complaint against the dismissal of the lawsuit. So far, the plaintiff' has failed to submit the last resort appeal.

- Laboratorium Frakcjonowania Osocza Sp. z o.o. claiming to deprive the executory title of the enforceability clause. The suit was filed on 6 January 2005. The value of the object of the dispute amounts to PLN 102,154 thousand (for all syndicate members, the Bank's portion amounts to PLN 6,787 thousand).

- the Banks, members of the consortium, approached the court in order to concede the enforceability clause to the executory title issued on 1 December 2004 against the State Treasury being the guarantor of the loan granted to LFO. The first instance court, by its ruling of 23 March 2005, dismissed the Banks' motion. On 22 April 2005, the banks filed a complaint about the decision. It has not been considered yet.

- trustee in bankruptcy of company operating in the real estate developing sector (the name of the company is subject to confidentiality application) claiming for payment of indemnity equal to PLN 32,256 thousand by the reason of effecting, by the Bank, of financial orders from the company's account on the basis of bank transfers orders and cheques bearing a forged signature of one of the persons authorized to represent the company towards the Bank. The suit was filed on 6 February 2004. On 13 January 2005, the court suspended the proceedings until criminal proceeding is over.

  On 20 September 2005, under the court's decision, the civil proceedings were initiated in connection with the sentence in a criminal case pertaining to the forgery of signatures on cheques.

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

XII. Major transactions with related parties not connected with current operations.

In the three quarters of 2005, no significant transactions had place with related parties whose total value, in the period from the beginning of the financial year, would be equal to or exceed PLN equivalent of EUR 500 thousand, and whose nature and terms are not related to current operations.

XIII. Information on the Issuer's or its subsidiary's guarantees for loans, credits or other guarantees granted.

As at 30 September 2005, off-balance sheet liabilities related to guarantees issued by the Bank to one of its customers and to its subsidiary amounted to PLN 210,469 thousand.

XIV. Other information which, in the issuer's opinion, is material for the assessment of its personnel or financial situation, its assets, financial result and their changes; information material for the assessment of the potential satisfaction of the issuer's commitments

No other information which, in the issuer's opinion, is material for the assessment of its personnel or financial situation, its assets, financial result and their changes, and information material for the assessment of the potential satisfaction of the issuer's commitments is present.

XV. Factors which will affect the results in the next quarter

In the opinion of the Bank's Management Board, no events other than events resulting from the current operation of the Bank and of the Group members will affect the results in the fourth quarter of 2005.

Signatures of all Management Board members

Date 03.11.2005	Ronald Richardson	President of the Management Board	....
Date 03.11.2005	Małgorzata Kroker-Jachiewicz	Vice-President of the Management Board	....
Date 03.11.2005	Guy Libot	Vice-President of the Management Board	....
Date 03.11.2005	Krzysztof Kokot	Vice-President of the Management Board	....
Date 03.11.2005	Bohdan Mierzwiński	Vice-President of the Management Board	....

1. CONSOLIDATED INCOME STATEMENT

in PLN '000'	Third quarter of 2005 01.07.2005 – 30.09.2005	Three quarters of 2005 01.01.2005 – 30.09.2005	Third quarter of 2004 01.07.2004 – 30.09.2004	Three quarters of 2004 01.01.2004 – 30.09.2004
Interest income	327 366	1 055 649	315 172	985 130
Interest expense	-152 262	-516 082	-164 997	-490 640
Net interest (I-II)	**175 104**	**539 567**	**150 175**	**494 490**
Fee and commission income	86 326	239 486	128 494	379 754
Fee and commission expense	-3 866	-12 854	-3 271	-19 898
Net fee and commission income (IV-V)	**82 460**	**226 632**	**125 223**	**359 856**
Dividend income	30	780	360	516
Net trading income	39 613	113 241	55 969	97 136
Profit from investing activities	916	-4 171	26 050	46 280
Other operating income	19 266	47 387	30 333	69 384
Total operating income	**317 389**	**923 436**	**388 110**	**1 067 662**
The costs of the Bank's operation and overheads	-219 510	-656 606	-254 227	-793 546
Net impairment charges for financial assets and other assets and provisions	-16 308	32 433	-56 473	-135 155
Other operating expenses	-27 526	-48 646	715	-39 875
Total operating expense	**-263 344**	**-672 819**	**-309 985**	**-968 576**
Net operating income	**54 045**	**250 617**	**78 125**	**99 086**
Income from associates	878	1 279	0	1
Profit before tax	**54 923**	**251 896**	**78 125**	**99 087**
Income tax expense	37 130	72 344	-3 540	-12 789
Net profit from business activities	**92 053**	**324 240**	**74 585**	**86 298**
Net profit (loss) from discontinued operations	0	974	0	0
Net profit	92 053	325 214	74 585	86 298
Including:				
Per Bank's shareholders	**92 053**	**325 214**	**74 335**	**84 396**
Minority interests	0	0	250	1 902
Weighed average number of ordinary shares	0	271 658 880	0	234 424 208
Earnings (loss) per ordinary share (in PLN)	0	1,20	0	0,36

2. CONSOLIDATED BALANCE SHEET

in PLN '000'	30.09.2005 end of the third quarter of 2005	30.06.2005 end of the second quarter of 2005	31.12.2004 end of 2004	30.09.2004 end of the third quarter of 2004
ASSETS				
Cash and balances with Central Bank	684 807	874 534	1 512 591	1 546 183
Gross due from other banks	2 777 393	2 937 532	2 702 718	3 738 271
Impairment charge for amounts due from banks	-2 894	-2 894	-3 194	-3 194
Financial assets measured at fair value through the profit and loss account, including held-for-trading investments	649 616	703 653	557 760	842 217
Gross loans and advances to customers	12 708 713	13 643 961	14 105 952	14 207 551
Impairment charge for loans and advances to customers	-2 808 913	-2 809 737	-2 740 428	-2 849 028
Investments in securities:	5 748 622	4 548 876	3 912 871	3 842 298
- available for sale	3 503 025	2 594 645	2 450 200	2 415 198
- held to maturity	2 245 597	1 954 231	1 462 671	1 427 100
Capital investment classified as available for sale	35 689	35 668	35 267	35 058
Shares in associates measured with the equity method	8 961	10 582	0	0
Property, plant and equipment (PPE)	396 229	426 932	469 371	643 205
Intangible assets	115 934	121 436	140 187	153 732
Goodwill of subordinated companies	36 052	36 052	36 052	36 052
Deferred tax assets	292 996	260 570	85 697	154 131
Other assets	193 252	144 375	209 368	244 927
TOTAL ASSETS	**20 836 457**	**20 931 540**	**21 024 212**	**22 591 403**

Liabilities

Due to banks	2 632 737	2 552 600	3 007 090	4 035 454
Held-for-trading financial liabilities	242 664	273 343	233 932	363 663
Due to customers	14 610 878	14 237 118	14 061 105	14 627 122
Debt securities in issue	407 726	402 941	418 150	409 121
Disposed securities with the promise of repurchase	165 487	777 150	718 772	426 171
Income tax	1 625	267	6 333	3 043
Other liabilities	303 043	276 550	347 695	471 377
Subordinated liabilities	595 390	613 270	599 286	661 091
Provisions	67 596	75 923	37 439	39 042
Deferred tax liabilities	206 473	206 736	77 322	147 327
Total liabilities	**19 233 619**	**19 415 898**	**19 507 124**	**21 183 411**

Shareholders' equity per Bank's shareholder	1 602 838	1 515 642	1 517 088	1 407 992
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	0	29	350 910	350910
Revaluation reserve	27 624	32 539	-20 247	-57 135
Reserve capital	120 942	120 942	173 779	173 779
Currency translation differences from the translation of subordinated companies and foreign branches	-426	-513	-285	-49
Retained earnings/loss	-228 810	-228 810	-502 203	-502 203
Current net profit (loss) per Bank's shareholder	325 214	233 161	156 840	84 396
Shareholders' equity per Bank's shareholder	**1 602 838**	**1 515 642**	**1 517 088**	**1 407 992**
Minority interests	**0**	**0**	**0**	**0**
Total shareholders' equity	1 602 838	1 515 642	1 517 088	1 407 992
TOTAL LIABILITIES	**20 836 457**	**20 931 540**	**21 024 212**	**22 591 403**
Capital adequacy ratio (%)	16,38	14,52	14,72	13,76
Numer of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share (in PLN)	5,90	5,58	5,58	5,18

3. Off-balance sheet items

in PLN '000'	30.09.2005 end of the third quarter of 2005	30.06.2005 end of the second quarter of 2005	31.12.2004 end of 2004	30.09.2004 end of the third quarter of 2004
Contingent liabilities, granted and received	4 480 915	4 881 643	5 771 653	6 153 234
1. Liabilities granted, including::	3 320 681	4 143 495	5 256 655	5 674 837
a) financial	2 345 850	1 725 254	2 085 879	2 312 236
b) guarantees	974 831	2 418 241	3 170 776	3 362 601
2. Liabilities received, including:	1 160 234	738 148	514 998	478 397
a) financial	650 181	250 052	51 707	16 027
b) guarantees	510 053	488 096	463 291	462 370
Liabilities related to the sale/purchase transactions	90 912 757	79 285 047	31 099 032	44 240 337
Other:	3 216 039	3 386 797	3 649 245	4 238 718
- received collateral and guarantees	3 215 943	3 386 701	3 649 150	4 238 623
- other	96	96	95	95
TOTAL OFF-BALANCE SHEET ITEMS	98 609 711	87 553 487	40 519 930	54 632 289

4. STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

in PLN '000'	Third quarter of 2005 01.07.2005 – 30.09.2005	Three quarters of 2005 01.01.2005 – 30.09.2005	2004 01.01.2004 – 31.12.2004	Three quarters of 2004 01.01.2004 – 30.09.2004
Shareholders' equity at period beginning (opening balance) according to the Polish Accounting Standards (PAS)		1 459 954	644 481	644 481
Adjustments related to first adoption of IFRS, excluding IAS 39		57 134	85 470	85 470
Shareholders' equity at period beginning according to IFRS, excluding IAS 39		1 517 088	729 951	729 951
Adjustments related to the application of IAS 39		-258 888	0	0
Shareholders' equity at period beginning according to IFRS	1 258 200	1 258 200	729 951	729 951
Share capital at period beginning	1 358 294	1 358 294	1 056 451	1 056 451
- issue of series W shares	0	0	301 843	301 843
Share capital at period end	**1 358 294**	**1 358 294**	**1 358 294**	**1 358 294**
Supplementary capital at period beginning	29	350 910	1 020 023	1 020 023
Changes in supplementary capital	-29	-350 910	-669 113	-669 113
a) increase	-35	0	301 864	301 864
- share issue above share nominal value	0	0	301 843	301 843
- other	-35	0	21	21
b) decrease	-6	350 910	970 977	970 977
- covering retained loss	0	350 910	969 988	969 988
- costs of the share issue	-6	0	989	989
Supplementary capital at period end	**0**	**0**	**350 910**	**350 910**
Revaluation reserve at period beginning according to PAS		-18 997	-41 423	-41 423
Adjustments related to first adoption of IFRS		27 056	-1 250	-1 250
Reclassification of currency translation differences from the translation of subordinated companies and foreign branches		0	-10 753	-10 753
Revaluation capital at period beginning according to IFRS	32 539	8 059	-53 426	-53 426
Changes in revaluation reserve	-4 915	19 565	33 179	-3 709
a) increase	-4 915	19 606	33 318	0
- measurement of financial assets	-4 915	19 606	33 318	0
b) decrease	0	41	139	3 709
- measurement of financial assets	0	0	0	3 689
- other	0	41	139	20
Revaluation reserve at period end	**27 624**	**27 624**	**-20 247**	**-57 135**
Reserve capital at period beginning	120 942	173 779	173 779	173 779
- covering the retained loss		-52 837	0	0
Reserve capital at period end	**120 942**	**120 942**	**173 779**	**173 779**
Other reserve capitals at period beginning		0	62 000	62 000
- covering the retained loss		0	-62 000	-62 000
Other reserve capitals at period end		0	0	0
Currency translation differences from the translation of subordinated companies and foreign branches at period		**-285**	**-5 438**	**-5 438**

beginning				
Adjustments related to first adoption of IAS		0	10 757	10 757
Currency translation differences from the translation of subordinated companies and foreign branches at period beginning according to IFRS	-513	-285	5 319	5 319
a) increase	87	87	0	0
- currency translation differences	87	87	0	0
b) decrease	0	228	5 604	5 368
- currency translation differences	0	228	5 604	5 368
Currency translation differences from the translation of subordinated companies and foreign branches at period end	**-426**	**-426**	**-285**	**-49**
Retained profit (loss) at period beginning according to PAS		-403 747	-1 620 911	-1 620 911
Adjustments related to first adoption of IFRS		-228 810	86 720	86 720
Retained profit (loss) at period beginning according to IFRS	-228 810	-632 557	-1 534 191	-1 534 191
Retained profit at period beginning according to PAS		185 176	0	0
Retained profit at period beginning according to IFRS	-28 336			
- covering retained loss		-185 176	0	0
Adjustments related to first adoption of IFRS		-28 336	0	0
Retained profit at period end according to IFRS	-28 336	-28 336	0	0
Retained loss at period beginning according to PAS		-588 923	-1 620 911	-1 620 911
Retained loss at period beginning according to IFRS	-200 474			
Adjustments related to first adoption of IFRS	0	-200 474	86 720	86 720
- covering retained loss	0	588 923	1 031 988	1 031 988
Retained loss at period end according to IFRS	-200 474	-200 474	-502 203	-502 203
Retained profit (loss) at period end	**-228 810**	**-228 810**	**-502 203**	**-502 203**
Net profit/loss	**325 214**	**325 214**	**156 840**	**84 396**
Shareholders' equity at period end (closing balance)	**1 602 838**	**1 602 838**	**1 517 088**	**1 407 992**
Shareholders' equity per Bank's minority shareholder				
Minority interests at period beginning	0	0	29 249	29 249
Change in minority interest	0	0	-29 249	-29 249
a) increase	0	0	1 902	1 902
- share in the profit for the period	0	0	1 902	1 902
b) decrease	0	0	31 151	31 151
- sale of KBU	0	0	31 151	31 151
Minority interests at period end	**0**	**0**	**0**	**0**
Shareholders' equity at period end (closing balance)	**1 602 838**	**1 602 838**	**1 517 088**	**1 407 992**

5. CONSOLIDATED CASH FLOW STATEMENT

in PLN '000'	Third quarter of 2005 01.07.2005 – 30.09.2005	Three quarters of 2005 01.01.2005 – 30.09.2005	Third quarter of 2004 01.07.2004 – 30.09.2004	Three quarters of 2004 01.01.2004 – 30.09.2004
A. NET CASH FLOW FROM OPERATING ACTIVITIES (I+/-II) – indirect method *	**-368 683**	**1 242 133**	**729 836**	**2 648 736**
I. Net profit (loss)	92 053	325 214	74 335	84 396
II. Total adjustments:	**-460 736**	**916 919**	**655 501**	**2 564 340**
1. Profit (loss) of minority shareholders	0	0	250	1902
2. Share in profit (loss) of subordinated companies measured with the equity method	-878	-1 279	0	-1
3. Depreciation, including:	33 520	104 790	40 413	128 669
4. Profit/loss from currency translation differences	-40 623	-35 136	-80 739	-121 329
5. Interest payments	-60 657	-78 682	-50 423	-88 523
6. Share in net profit (dividends)	-30	-780	-360	-516
7. Profit (loss) from investments	552	5 234	-7 943	-13 033
8. Net increase/decrease in provisions	-8 327	30 157	-2 447	-6 973
9. Net increase/decrease in inventory	174	-342	101	566
10. Net increase/decrease in debt securities	9 474	726 414	-240 727	63 088
11. Net increase/decrease in amounts due from banks	-374 042	-591 570	112 182	-93 588
12. Net increase/decrease in loans and advances to customers	905 786	1 211 620	1 303 896	2 635 745
13. Net increase/decrease in receivables related to the acquired securities with promised redemption	0	0	0	0
14. Net increase/decrease in shares, other securities and other financial assets	-162	5 613	62 862	61 472
15. Net increase/decrease in amounts due to banks	-690 038	-329 120	-380 769	-326 673
16. Net increase/decrease in amounts due to customers	381 708	525 117	-362 954	-140 841
17. Net increase/decrease in liabilities related to the disposed securities with the promise of repurchase	-602 474	-542 639	425 230	425 230
18. Net increase/decrease in liabilities related to securities	0	0	0	0
19. Net increase/decrease in other liabilities	-9 181	-14 161	11 536	21 514
20. Net increase/decrease in prepaid expenses and accruals	-5 004	-1 474	4 962	14 212
21. Net increase/decrease in deferred income and suspended income	0	0	0	0
22. Paid income tax	1 531	5 433	2 563	-2 937
23. Other adjustments	-2 065	-102 276	-182 132	6 356
B. NET CASH FLOW FROM INVESTING ACTIVITIES (I-II)	**-1 136 873**	**-2 540 702**	**167 486**	**439 721**
I. Inflows	**10 356 851**	**31 356 707**	**4 055 603**	**6 275 209**
1. Disposal of shares in subsidiaries	0		116 747	116 747
2. Disposal of shares in jointly controlled entities	0		0	0
3. Disposal of shares in associates	2 495	2 495	0	0
4. Disposal of shares in other businesses, of other securities and other financial assets	10 353 786	31 327 899	3 944 415	6 149 504
- including Treasury debt securities	10 341 613	31 248 729	4 023 446	6 100 064
5. Disposal of intangible assets and property, plant and equipment	951	24 737	-8 924	4 644

6. Disposal of investments in real estate and intangible assets	0	0	0	0
7. Dividends received	30	780	360	516
8. Other inflows from investments	-411	796	3 005	3 798
II. Outflows	**11 493 724**	**33 897 409**	**3 888 117**	**5 835 488**
1. Acquisition of shares in subsidiaries	0	0	0	0
2. Acquisition of shares in jointly controlled entities	0	0	0	0
3. Acquisition of shares in associates	0	10 317	0	0
4. Acquisition of shares in other businesses, other securities and other financial assets	11 482 111	33 835 858	3 892 825	5 808 282
– including Treasury debt securities	11 482 359	33 835 589	3 896 326	5 808 205
5. Acquisition of intangible assets and property, plant and equipment	11 613	51 144	-3 020	23 797
6. Investments in real estate and intangible assets	0	0	0	0
7. Other investment outflows	0	90	-1 688	3 409
C. NET CASH FLOW FROM FINANCING ACTIVITIES (I-II)	**785 634**	**-81 369**	**50 144**	**-147 176**
I. Inflows	**796 675**	**796 675**	**60 617**	**672 697**
1. Long-term loans from other banks	796 675	796 675	-395	0
2. Long-term cash loans from entities other than banks in the financial sector	0	0	-3 067	0
3. Issue of debt securities	0	0	66 125	70 000
4. Increase in subordinated liabilities	0	0	0	0
5. Net cash inflows from the issue of shares and additional contribution to the share capital	0	0	-134	602 697
6. Other financial inflows	0	0	-1 912	0
II. Outflows	**11 041**	**878 044**	**10 473**	**819 873**
1. Repayments of long-term loans to other banks	0	811 577	-854	0
2. Repayment of long-term cash loans for entities other than banks in the financial sector	0	0	-657	0
3. Redemption of debt securities	0	0	0	707 700
4. Other financial liabilities	0	0	0	0
5. Finance lease rentals	-227	359	73	100
6. Payment of subordinated liabilities	0	0	0	60 000
7. Dividends and other payments to shareholders	0	0	0	0
8. Dividends and other share in profits paid to minority shareholders	0	0	0	0
9. Outflows related to the distribution of profit other than payments to owners	0	0	0	0
10. Acquisition of treasury shares	0	0	0	0
11. Other financial outflows	11 268	66 108	11 911	52 073
D. TOTAL NET CASH FLOW (A.III+/-B.III+/-C.III)	**-719 922**	**-1 379 938**	**947 466**	**2 941 281**
E. BALANCE SHEET CHANGE IN CASH	**-719 922**	**-1 379 938**	**947 466**	**2 941 281**
F. CASH AT PERIOD BEGINNING	**3 355 012**	**4 015 028**	**4 127 755**	**2 133 940**
G. CASH AT PERIOD END (F+/-D)	**2 635 090**	**2 635 090**	**5 075 221**	**5 075 221**
- restricted cash	528 919	528 919	576 240	576 240

STANDALONE INDIVIDUAL FINANCIAL STATEMENT OF KREDYT BANK S.A.

1. INCOME STATEMENT

in PLN '000'	Third quarter of 2005 01.07- 30.09.2005	Three quarters of 2005 01.01- 30.09.2005	Third quarter of 2004 01.07- 30.09.2004	Three quarters of 2004 01.01-30.09.2004
Interest income	323 636	1 027 854	309 271	930 203
Interest expense	-157 537	-536 686	-171 977	-493 848
Net interest	**166 099**	**491 168**	**137 294**	**436 355**
Fee and commission income	88 215	241 723	122 311	357 629
Fee and commission expense	-26 682	-70 073	-42 343	-124 808
Net fee and commission income	**61 533**	**171 650**	**79 968**	**232 821**
Dividend income	30	780	360	360
Net trading income	39 888	111 870	46 782	81 602
Profit from investing activities (other than trading)	624	-4 465	22 707	43 479
Other operating income	16 937	40 480	15 550	31 656
Total operating income	**285 111**	**811 483**	**302 661**	**826 273**
The costs of the Bank's operation	-199 016	-592 734	-213 158	-647 058
Net impairment charges for financial assets and other assets and provisions	-15 326	55 024	-12 877	-63 402
Other operating expenses	-16 558	-36 325	-11 284	-30 080
Total operating expense	**-230 900**	**-574 035**	**-237 319**	**-740 540**
Net operating income	**54 211**	**237 448**	**65 342**	**85 733**
Profit (loss) before tax	**54 211**	**237 448**	**65 342**	**85 733**
Income tax expense	39 264	80 972	399	399
Net profit (loss) from discontinued operations	0	974	0	0
Net profit (loss)	**93 475**	**319 394**	**65 741**	**86 132**
Weighed average number of shares		271 658 880		234 424 208
Earnings per share per the Bank's shareholders (in PLN per share)		1,18		0,37

2. BALANCE SHEET

in PLN '000'	30.09.2005	30.06.2005	31.12.2004	30.09.2004
Assets				
Cash and balances with Central Bank	684 788	874 515	1 512 560	1 546 148
Gross due from other banks	2 777 268	2 937 496	2 702 667	3 738 108
Impairment charge for amounts due from banks	-2 894	-2 894	-3 194	-3 194
Financial assets measured at fair value through the profit and loss account, including held-for-trading investments	613 144	673 144	527 835	829 760
Loans and advances to customers	12 616 755	13 569 213	14 004 213	14 254 801
Impairment charge for loans and advances to customers	-2 546 152	-2 549 384	-2 487 498	-2 569 087
Investments in securities:	5 748 152	4 548 290	3 912 669	3 841 446
- available for sale	3 502 555	2 594 059	2 449 998	2 414 346
- held to maturity	2 245 597	1 954 231	1 462 671	1 427 100
Capital investment classified as available for sale	123 878	126 946	125 745	125 038
Property, plant and equipment (PPE)	323 419	346 211	360 873	522 203
Intangible assets	115 327	120 617	138 720	151 580
Deferred tax assets	270 165	238 192	67 274	144 187
Other assets	186 102	112 367	184 972	199 405
Total assets	**20 909 952**	**20 994 713**	**21 046 836**	**22 780 395**
Liabilities				
Due to banks	2 632 737	1 300 608	1 125 115	2 017 567
Held-for-trading financial liabilities	242 664	273 343	233 932	363 663
Due to customers	14 667 183	15 529 581	16 021 358	16 661 294
Disposed securities with the promise of repurchase	165 487	777 150	718 772	426 171
Debt securities in issue	407 726	402 941	418 150	409 121
Income tax	0	0	555	0
Other liabilities	355 778	334 162	328 814	639 474
Subordinated liabilities	595 390	613 270	599 286	661 091
Provisions	66 994	75 385	36 538	38 069
Deferred tax liabilities	195 673	196 484	67 274	144 187
Total liabilities	**19 329 632**	**19 502 924**	**19 549 794**	**21 360 637**
Shareholders' equity				
Share capital	1 358 294	1 358 294	1 358 294	1 358 294
Supplementary capital	0	29	350 910	350 910
Revaluation reserve	27 624	32 539	-20 247	-57 135
Currency translation differences from the translation of subordinated companies and foreign branches	0	0	0	0
Reserve capital	120 942	120 942	173 779	173 779
Retained earnings/loss	-245 934	-245 934	-492 222	-492 222
Current net profit (loss)	319 394	225 919	126 528	86 132
Shareholders' equity per Bank's shareholder	**1 580 320**	**1 491 789**	**1 497 042**	**1 419 758**
Total shareholders' equity	**1 580 320**	**1 491 789**	**1 497 042**	**1 419 758**
Total liabilities	**20 909 952**	**20 994 713**	**21 046 836**	**22 780 395**
Capital adequacy ratio	**16,18**	**14,43**	**14,40**	**13,45**
Numer of shares	271 658 880	271 658 880	271 658 880	271 658 880
Book value per share	5,82	5,49	5,51	5,23

3.OFF-BALANCE SHEET ITEMS

in PLN '000'	30.09.2005	30.06.2005	31.12.2004	30.09.2004
Contingent liabilities, granted and received	4 576 204	4 965 386	5 867 635	6 248 146
Liabilities granted, including::	3 414 571	4 225 204	5 349 060	5 755 583
- financial	2 438 022	1 805 245	2 178 284	2 392 982
- guarantees	976 549	2 419 959	3 170 776	3 362 601
Liabilities received, including:	1 161 633	740 182	518 575	492 563
- financial	651 580	252 086	55 284	30 193
- guarantees	510 053	488 096	463 291	462 370
Liabilities related to the sale/purchase transactions	90 912 757	79 285 047	31 099 032	44 240 337
Other:	3 227 700	3 399 002	3 661 768	4 276 215
- received collateral and guarantees	3 227 608	3 398 910	3 661 677	4 276 123
- other	92	92	91	92
Total	**98 716 661**	**87 649 435**	**40 628 435**	**54 764 698**

4. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in PLN '000'	Third quarter of 2005 01.07- 30.09.2005	30.09.2005	31.12.2004	30.09.2004
Shareholders' equity at period beginning (opening balance) according to the Polish Accounting Standards (PAS)		1 459 954	644 481	644 481
Adjustments related to first adoption of IFRS, excluding IAS 39		37 088	100 893	100 893
Shareholders' equity at period beginning according to IFRS, excluding IAS 39		1 497 042	745 374	745 374
Adjustments related to the application of IAS 39		-255 681	0	0
Shareholders' equity at period beginning according to IFRS	**1 491 789**	**1 241 361**	**745 374**	**745 374**
Share capital at period beginning	1 358 294	1 358 294	1 056 451	1 056 451
- issue of series W shares	0	0	301 843	301 843
Share capital at period end	**1 358 294**	**1 358 294**	**1 358 294**	**1 358 294**
Supplementary capital at period beginning	29	350 910	1 020 023	1 020 023
Changes in supplementary capital	-29	-350 910	-669 113	-669 113
a) increase	-35	0	301 864	301 864
- share issue above share nominal value	0	0	301 843	301 843
- other	-35	0	21	21
b) decrease	-6	350 910	970 977	970 977
- covering retained loss	0	350 910	969 988	969 988
- costs of the share issue	-6	0	989	989
Supplementary capital at period end	**0**	**0**	**350 910**	**350 910**
Revaluation reserve at period beginning according to PAS	0	-19 282	-46 861	-46 861
Adjustments related to first adoption of IFRS	0	27 341	4 192	4 192
Reclassification of currency translation differences from the translation of subordinated companies and foreign branches	0	0	-10 757	-10 757
Revaluation capital at period beginning according to IFRS	32 539	8 059	-53 426	-53 426
Changes in revaluation reserve	-4 915	19 565	33 179	-3 709
a) increase	-4 915	19 606	33 318	0
- measurement of financial assets	-4 915	19 606	33 318	0
b) decrease	0	41	139	3 709
- measurement of financial assets	0	0	0	3 689
- other	0	41	139	20
Revaluation reserve at period end	**27 624**	**27 624**	**-20 247**	**-57 135**
Currency translation differences from the translation of subordinated companies and foreign branches at period beginning according to PAS	**0**	**0**	**0**	**0**
Adjustments related to first adoption of IFRS	0	0	10 757	10 757
Currency translation differences from the translation of subordinated companies and foreign branches according to IFRS	0	0	10 757	10 757
Increase in currency translation differences	0	0	10 757	10 757
Currency translation differences from the translation of subordinated companies and foreign branches according to IFRS	**0**	**0**	**0**	**0**
Reserve capital at period beginning	120 942	173 779	173 779	173 779
- covering the retained loss	0	-52 837	0	0
Reserve capital at period end	**120 942**	**120 942**	**173 779**	**173 779**
Other reserve capitals at period beginning	0	0	62 000	62 000
- covering the retained loss	0	0	-62 000	-62 000

Other reserve capitals at period end	**0**	**0**	**0**	**0**

Retained profit (loss) at period beginning according to PAS	0	-403 747	-1 620 911	-1 620 911
Adjustments related to first adoption of IFRS	0	-245 934	96 701	96 701
Retained profit (loss) at period beginning according to IFRS	-245 934	-649 681	-1 524 210	-1 524 210
Retained profit at period beginning according to PAS	0	185 176	0	0
Retained profit at period beginning according to IFRS	-58 648	0	0	0
- covering retained loss	0	-185 176	0	0
Adjustments related to first adoption of IFRS	0	-58 648	0	0
Retained profit at period end according to IFRS	-58 648	-58 648	0	0
Retained loss at period beginning according to PAS	0	-588 923	-1 620 911	-1 620 911
Retained loss at period beginning according to IFRS	-187 286	0	0	0
Adjustments related to first adoption of IFRS	0	-187 286	96 701	96 701
- covering retained loss	0	588 923	1 031 988	1 031 988
Retained loss at period end according to IFRS	-187 286	-187 286	-492 222	-492 222
Retained profit (loss) at period end	**-245 934**	**-245 934**	**-492 222**	**-492 222**
Net profit/loss	**319 394**	**319 394**	**126 528**	**86 132**
Shareholders' equity at period end (closing balance)	**1 580 320**	**1 580 320**	**1 497 042**	**1 419 758**

5 . CASH FLOW STATEMENT

in PLN '000'	**Third quarter of 2005 01.07- 30.09.2005**	**Three quarters of 2005 01.01- 30.09.2005**	**Third quarter of 2004 01.07- 30.09.2004**	**Three quarters of 2004 01.01-30.09.2004**
A. Net cash flow from operating activities (I+/-II) - indirect method	**-380 028**	**1 300 523**	**830 302**	**2 075 442**
I. Net profit (loss)	**93 475**	**319 394**	**65 741**	**86 132**
II. Total adjustments	**-473 503**	**981 129**	**764 561**	**1 989 310**
Depreciation	31 226	96 967	36 869	112 753
Profit/loss from currency translation differences	-40 710	-34 995	-69 693	-111 451
Interest payments and share in net profit	-60 234	-77 077	-42 939	-88 041
Profit (loss) from investments	631	7 303	-717	-2 170
Dividends	-30	-780	-360	-360
Net increase/decrease in provisions	-8 391	30 456	-3 793	-6 560
Net increase/decrease in debt securities	9 474	726 414	-264 594	63 088
Net increase/decrease in amounts due from banks	-374 027	-591 570	114 348	-93 588
Net increase/decrease in loans and advances to customers	894 037	1 177 351	1 340 481	2 768 077
Net increase/decrease in shares, other securities and other financial assets	-162	5 613	65 125	58 840
Net increase/decrease in amounts due to banks	561 954	1 552 855	-374 912	-309 992
Net increase/decrease in amounts due to customers	-862 398	-1 352 023	-363 225	-979 553
Net increase/decrease in liabilities related to the disposed securities with the promise of repurchase	-602 474	-542 639	425 230	425 230
Net increase/decrease in other liabilities	-10 241	32 585	67 109	187 826
Net increase/decrease in prepaid expenses and accruals	-3 832	2 443	5 998	5 749
Paid /received income tax	112	555	133	-12 450
Other adjustments	-8 438	-52 329	-170 499	-28 088
B. Net cash flow from investing activities (I+/-II) - indirect method	**-1 133 323**	**-2 543 006**	**170 515**	**450 889**
I. Inflows	10 354 248	31 333 397	4 061 821	6 265 081
Disposal of shares in subsidiaries	0	0	114 429	114 429
Disposal of shares in associates	0	0	0	270
Disposal of shares in other businesses, of other securities and other financial assets	10 353 784	31 327 299	3 943 233	6 145 904
including debt securities	10 341 611	31 248 129	3 943 233	6 096 464
Disposal of intangible assets and property, plant and equipment	845	4 530	3 799	4 118
Dividends received	30	780	360	360
Other inflows from investments	-411	788	0	0
II. Outflows	11 487 571	33 876 403	3 891 306	5 814 192
Acquisition of shares in subsidiaries	0	0	0	100
Acquisition of shares in other businesses, other securities and other financial assets	11 476 687	33 830 049	3 889 872	5 801 783
including debt securities	11 476 687	33 830 049	3 889 852	5 801 731
Acquisition of intangible assets and property, plant and equipment	10 884	46 354	3 014	8 892
Other investment outflows	0	0	-1 580	3 417

C. Net cash flow from financing activities (I+/-II)	**789 369**	**-101 958**	**44 762**	**526 078**
I. Inflows	796 675	796 675	69 866	672 697
Long-term loans from other banks	796 675	796 675		
Net cash inflows from the issue of shares and additional contribution to the share capital	0	0	-134	602 697
Issue of debt securities	0	0	70 000	70 000
Other financial inflows	0	0	0	0
II. Outflows	7 306	898 633	25 104	146 619
Repayments of long-term loans to other banks	0	811 577	0	0
Finance lease rentals	-3 962	20 948	12 687	34 546
Decrease in subordinated liabilities	0	0	0	60 000
Other financial outflows	11 268	66 108	12 417	52 073
D. Total net cash flow (A+/-B+/-C)	**-723 982**	**-1 344 441**	**1 045 579**	**3 052 409**
E. Balance sheet change in cash, including:	**-723 982**	**-1 344 441**	**1 045 579**	**3 052 409**
F. Cash at period beginning	**3 301 600**	**3 922 059**	**4 013 725**	**2 006 895**
G. Cash at period end (F+/- D), including:	**2 577 618**	**2 577 618**	**5 059 304**	**5 059 304**
restricted cash	528 919	528 919	576 240	576 240